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University of Minnesota

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AT A GLANCE

- Five Campuses (Crookston, Duluth, Morris, Rochester, Twin Cities)
- Seven Research and Outreach Centers throughout the state (previously known as the Agricultural Experiment Stations)
- Budget: \$3.5 billion (FY17)
- 19,752 faculty and staff employees; 6,208 graduate student & professionals in training employees (as of 10/15)
- Enrollment (Fall 2015):
 43,457 Undergraduate
 13,311 Graduate
 3,990 First Professional
 5,893 Non-Degree
 66,651 Total
- Sponsored research awards: \$787.7 million (FY16)

PURPOSE

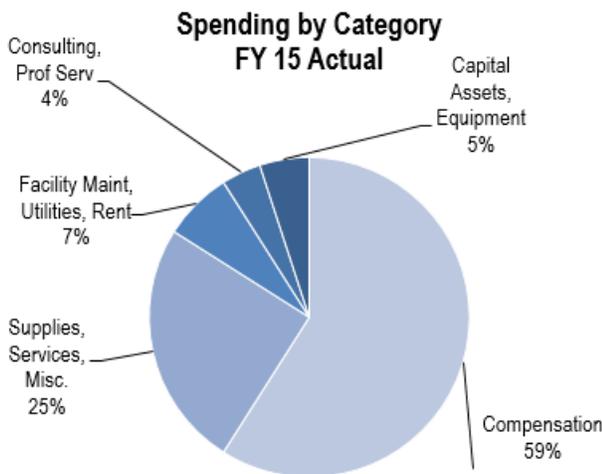
The University of Minnesota's statutory mission is to offer undergraduate, graduate and professional instruction through the doctoral degree, and be the primary state supported academic agency for research and extension service (MN Statute 135A.052). The University's mission is threefold: research and discovery, teaching and learning, and outreach and public service.

The University of Minnesota is the state's only land grant and research institution, and has a unique responsibility to better the lives of Minnesotans through education, research, and public engagement. As one of the nation's top research institutions, the University is a venue where human talent, ideas and innovations, and discoveries and services converge to fuel Minnesota's economy and improve our quality of life.

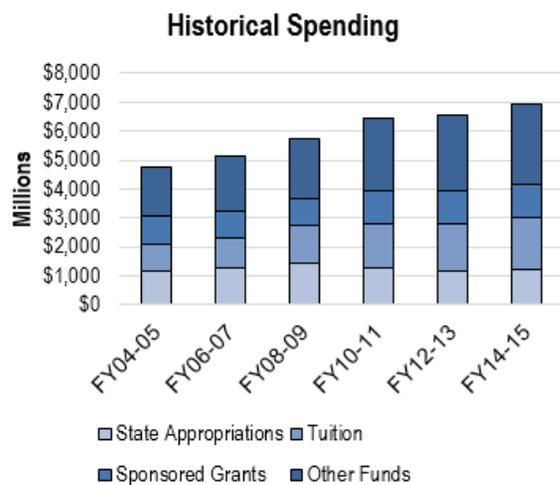
In carrying out its mission on five campuses and research and outreach centers throughout the state, the University contributes to all eight of the state's outcome areas through knowledge generation and by providing services, but advances most directly the following statewide outcomes:

- A thriving economy that encourages business growth and employment opportunities;
- Minnesotans have the education and skills needed to achieve their goals;
- All Minnesotans have optimal health; and
- Sustainable options to safely move people, goods, services and information.

BUDGET



Source: University of Minnesota, General Ledger



Source: University of Minnesota, General Ledger

The University's FY17 \$3.5 billion budget is based on revenue support from a variety of sources; tuition (25%), state appropriation (18%), sponsored research grants from federal government and other sources (17%), philanthropy and contracts (17%), miscellaneous income from sales, fees, etc. (13%) and auxiliary business operations (10%). In recent annual operating budgets, the President and the University of Minnesota Board of Regents have focused revenue and spending plans on achieving the goals of Access, Affordability, Academic and Operational Excellence, and Accountability.

STRATEGIES

The Twin Cities campus is in year two of implementing a ten-year strategic plan to accelerate advancement of excellence and impact in research, teaching, and outreach. The plan builds on the strengths of the campus as Minnesota's only land grant and globally engaged research university. Called "Driving Tomorrow," the plan recognizes the special opportunities and responsibilities the campus has to bring its resources more powerfully to bear on addressing "Grand Challenges" – the most pressing and complex problems facing Minnesota and the world.

The plan, which aligns with plans for the individual system campuses, frames many actions the campus will take over the next decade to fulfill its distinctive responsibilities as Minnesota's land-grant University, dedicated to serving the public good; and the state's designated research institution, charged with positioning Minnesota at the forefront of emerging knowledge and educating highly skilled workers, professionals, leaders, and global citizens to thrive in a diverse and changing world.

Implementation of the plan involves all sectors of the campus in initiatives and collaborations to accelerate excellence across four goal areas:

- **Leverage exceptional research and curricular strengths to address society's "Grand Challenges"**
- **Reject complacency to foster an invigorated campus culture of ambition, challenge, exploration, and innovation**
- **Recruit and retain field-shaping researchers and teachers from diverse disciplines and backgrounds**
- **Capitalize on the campus's unique location and its global reach to build a culture of reciprocal engagement**

The University has moved forward in the first two years of implementation to align academic priorities and programs with the strategic goals. Initiatives during the first two years of implementation have yielded accomplishments across the four goal areas, and progress has been made on larger institutional transformations. The University has placed special emphasis on curricular and research goals as key components of the larger vision. A Grand Challenges Curriculum has been launched and the University is moving forward to expand high-potential research collaborations in areas where the University can marshal interdisciplinary and collaborative strengths to have great impact on critical challenges of the state and world. Five initial Grand Challenges research areas have been identified, building on existing areas of strength, such as MnDRIVE:

- **Assuring clean water and sustainable ecosystems:** Achieve adequate supplies of safe and clean water to sustain people, agriculture, and industry, while protecting water resources and ensuring the sustainability of environmental systems and the vitality of communities on rivers, lakes and seas.
- **Advancing health through tailored solutions:** Foster community and population health – together with individual physical, mental and psychosocial well-being – by tailoring health care services and interventions to biological, social, and cultural circumstances.
- **Fostering just and equitable communities:** Assure quality of life and equality of opportunity for all members of diverse communities – including educational and health equity, economic opportunity, personal security, and cultural experience.
- **Enhance individual and community capacity for a changing world:** Foster physical, mental, and cognitive well-being from early childhood through late maturity, across the course of life transitions, ensuring that individuals and communities thrive amid great social, technological, and ecological change.
- **Feeding the world sustainably:** Produce, distribute, and maintain safe and sufficient food supplies through environmentally sustainable practices to ensure the vitality of growing and demographically diverse populations.

The momentum toward the curricular and research goals is synergistic with progress in other areas – including initiatives to strengthen recruitment and support for field-shaping researchers and teachers, wide-ranging work to strengthen engagement

with both the public and private sector that leverages the advantages of our statewide locations, and steps to create an invigorated culture that embraces ambition, challenge, innovation, and diversity. Each University campus – Crookston, Duluth, Morris, Rochester, and the Twin Cities – will align its unique goals to meet the needs of students and regions they serve, and to pursue system-wide strategies.

RESULTS

In 2015, the Minnesota Legislature approved five performance measures (Minnesota Laws 2015, Chapter 69) for the University of Minnesota and made 5% of the University's fiscal year 2017 funding, partially or wholly, conditional on meeting those performance goals: of the five percent, the University will receive 0% if none of the goals are met; 33% if one of the goals is met; 67% if two of the goals are met, and 100% if three, four or five of the goals are met. The University and the Minnesota Office of Higher Education agreed to the specific numerical indicators and definitions for the goals in the summer of 2015.

The five performance goals relate to: graduation rates for subsets of the student population, science/technology/engineering/math (STEM) degrees awarded, reallocation of administrative costs, and the number of inventions or original creations with commercial or public value disclosed by University researchers. Below is each of the performance measures named in legislation, with base level indicators and the goals relative to base.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Base</i>	<i>Goal</i>	<i>Report Date</i>
Results	System-wide Graduation Rates-Students of Color (3 year average): a) 4 year; b) 5 year; c) 6 year	a – 43.1% b – 59.4% c – 62.7%	Increase each by at least 1%	Early 2017
Quantity	System-wide Undergraduate STEM Degrees Conferred (3 year average)	3,797	Increase by at least 2%	Early 2017
Results	System-wide Undergraduate Freshmen Four-Year Graduation Rate (3 year average)	52.5%	Increase by at least 1%	Early 2017
Quality	Administrative Cost Reallocation	NA	At least \$15 million in FY16	Early 2017
Result	Licensing Disclosures	343 est.	Increase FY16 by 3% over FY15	Early 2017

In addition to these performance measures approved by the Minnesota legislature, two additional performance documents are noteworthy. First, within the University's charter, 1851 Territorial Laws, Chapter 3, Section 16, it is stated that "[the regents shall] make a report annually, to the Legislature...exhibiting the state and progress of the University...and such other information as they may deem proper, or may from time to time be required of them." Consequently, the University of Minnesota publishes annually the "University Plan, Performance, and Accountability Report," which reflects the institution's progress against its key strategic goals and identifies areas for improvement. http://www.academic.umn.edu/accountability/pdf/2015/2015_Accountability_Report.pdf.

Finally, in the spring of 2016, the University's Board of Regents adopted a new tool – the University Progress Card - to track progress on six-year, high level institutional goals. The Progress Card helps the Board of Regents focus oversight on a limited

number of strategically measurable goals (Gold measures) including 4- and 6-year graduation rates, 4-year graduation rates of Pell-awarded students, research and development expenditures, medical school ranking, faculty awards, and progress toward operational excellence, among others. In addition, the Progress Card also provides insight into important trends (Maroon measures), that are a signal of institutional strength. These are items important to monitor, but the University alone cannot significantly influence them, including Twin cities entering freshman average ACT score, Twin Cities transfer student 3-year graduation rate, graduate and professional degrees awarded, median undergraduate debt at graduation, and University facilities considered in "poor" or "critical" condition, among others. The full set of measures can be found at oir.umn.edu/planning_metrics/progress_card

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecasted Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
1000 - General	576,799	599,999	625,549	629,049	626,349	626,349	660,249	689,249
2000 - Restrict Misc Special Revenue	22,375	22,367	22,366	22,353	22,353	22,353	22,353	22,353
2050 - Environment & Natural Resource	11,767	16,940	13,506	14,991	0	0	0	0
2300 - Outdoor Heritage Fund	1,000	0	0	0	0	0	0	0
2302 - Clean Water Fund	615	615	0	0	0	0	0	0
2303 - Parks And Trails Fund	250	0	0	0	0	0	0	0
2360 - Health Care Access	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157
6000 - Miscellaneous Agency	11,400	15,338	6,150	1,167	239	152	239	152
Total	626,363	657,416	669,728	669,717	651,098	651,011	684,998	713,911
<i>Biennial Change</i>				55,667		(37,337)		59,463
<i>Biennial % Change</i>				4		(3)		4
<i>Governor's Change from Base</i>								96,800
<i>Governor's % Change from Base</i>								7

Expenditures by Program

Program: Permanent University Fund	11,400	15,338	6,150	1,167	239	152	239	152
Program: Maintenance and Operations	515,211	529,511	559,111	560,011	559,911	559,911	593,811	622,811
Program: Agriculture Special	42,922	42,922	42,922	42,922	42,922	42,922	42,922	42,922
Program: Health Science Special	29,261	33,761	33,611	33,611	33,611	33,611	33,611	33,611
Program: Technology Special	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140
Program: System Specials	5,181	5,181	5,181	5,181	5,181	5,181	5,181	5,181
Program: LCMR/MN Resources	13,632	21,955	13,506	14,991	0	0	0	0
Program: Special Projects	125	117	116	2,703	103	103	103	103
Program: U/mayo Partnership	7,491	7,491	7,991	7,991	7,991	7,991	7,991	7,991
Total	626,363	657,416	669,728	669,717	651,098	651,011	684,998	713,911

Expenditures by Category

Operating Expenses	19,557	19,557	19,557	19,557	19,557	19,557	19,557	19,557
Grants, Aids and Subsidies	606,806	637,859	650,171	650,160	631,541	631,454	665,441	694,354
Total	626,363	657,416	669,728	669,717	651,098	651,011	684,998	713,911

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	576,799	599,999	625,549	626,449	626,349	626,349	660,249	689,249
Net Transfers	0	0	0	2,600	0	0	0	0
Expenditures	576,799	599,999	625,549	629,049	626,349	626,349	660,249	689,249
<i>Biennial Change in Expenditures</i>				77,800		(1,900)		94,900
<i>Biennial % Change in Expenditures</i>				7		0		8
<i>Gov's Exp Change from Base</i>								96,800
<i>Gov's Exp % Change from Base</i>								8

2000 - Restrict Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	22,250	22,250	22,250	22,250	22,250	22,250	22,250	22,250
Net Transfers	125	117	116	103	103	103	103	103
Expenditures	22,375	22,367	22,366	22,353	22,353	22,353	22,353	22,353
<i>Biennial Change in Expenditures</i>				(23)		(13)		(13)
<i>Biennial % Change in Expenditures</i>				0		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2050 - Environment & Natural Resource

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	970	0	0	0	0	0	0
Direct Appropriation	11,567	15,970	13,506	14,778	0	0	0	0
Net Transfers	1,170	0	0	213	0	0	0	0
Expenditures	11,767	16,940	13,506	14,991	0	0	0	0
Balance Forward Out	970	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(210)		(28,497)		(28,497)
<i>Biennial % Change in Expenditures</i>				(1)		(100)		(100)

2300 - Outdoor Heritage Fund

	Actual	Actual	Actual	Estimate	Forecast Base	Governor's Recommendation
	FY14	FY15	FY16	FY17	FY18	FY19

2300 - Outdoor Heritage Fund

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	1,000	0	0	0	0	0	0	0
Expenditures	1,000	0						
<i>Biennial Change in Expenditures</i>				(1,000)				
<i>Biennial % Change in Expenditures</i>				(100)				

2302 - Clean Water Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	615	615	0	0	0	0	0	0
Expenditures	615	615	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(1,230)				
<i>Biennial % Change in Expenditures</i>				(100)				

2303 - Parks And Trails Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	250	0	0	0	0	0	0	0
Expenditures	250	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(250)				
<i>Biennial % Change in Expenditures</i>				(100)				

2360 - Health Care Access

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157
Net Transfers	0	0	0	0	0	0	0	0
Expenditures	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157
<i>Biennial Change in Expenditures</i>				0		0		0
<i>Biennial % Change in Expenditures</i>				0		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

6000 - Miscellaneous Agency

6000 - Miscellaneous Agency

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Net Transfers	11,400	15,338	6,150	1,167	239	152	239	152
Expenditures	11,400	15,338	6,150	1,167	239	152	239	152
<i>Biennial Change in Expenditures</i>				(19,420)		(6,926)		(6,926)
<i>Biennial % Change in Expenditures</i>				(73)		(95)		(95)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Change Item Title: Core Mission Support

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	22,600	45,600	45,600	45,600
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	22,600	45,600	45,600	45,600

Recommendation:

The Governor recommends an increase of \$68.2 million in FY18-19 and \$91.2 million in FY20-21 to fund operating cost increases at the University of Minnesota. This funding will be directly distributed to the University's Operations and Maintenance (O&M) appropriation, which supports operations at all five campuses.

The Governor urges the University to fund activities that address the educational attainment gap. As the state's demographics continue to shift, and communities of color continue to grow, a significant intervention is necessary to reduce the state's large racial disparities in academic achievement and educational attainment.

Rationale/Background:

In each of the next two years, the University is projecting inflationary cost increases of roughly 3 percent to deliver academic excellence and quality student services, continue world-class research and engagement activities, and maintain the technology and equipment infrastructure and 30 million gsf of aging facilities across five campuses and Research and Outreach Centers. These projections do not represent an increase in scope or new initiatives, but instead reflect inflation on the general base operating budget, which is funded by a combination of state appropriations and tuition revenue. These critical funds are the University's primary discretionary sources that support the maintenance and operations of the University's core mission. Such inflationary cost increases have been typical for the last several years, but each year the University has made decisions to reduce expenditures in lower priority areas so that on an all funds basis (excluding externally funded research grants) the actual implemented expenditure increases have only ranged from 1 percent to 1.8 percent. From FY 2014 through FY 2017, the University has reallocated approximately \$70.5 million in administrative costs as part of President Kaler's goal to reduce administrative costs by \$90 million over six years. In addition, reductions to programmatic areas have been implemented in order to keep expenditures within available resources. This pattern of balancing the budget through a combination of modest revenue increases and serious reallocation must continue over the next two years, so in addition to the requested increase in appropriations and other modest revenue increases, the University is committing to further reallocate internal resources of over \$20 million during the biennium.

Proposal:

To address projected cost increases, the University is proposing a continued partnership with the state. The University will make internal reallocations of its O&M and tuition base during the biennium (approximately 1 percent per year) and will plan for increases in non-resident/non-reciprocity (NRNR) tuition rates to raise additional revenue. In return, the Governor recommends the state provide \$68.2 million in FY18-19. Based on these planning assumptions, the University would work to minimize resident tuition rate changes for undergraduate, graduate, and professional students for both the 2017-18 and 2018-19 academic years.

The increased appropriation and NRNR tuition, in combination with existing University resources freed-up through reductions in expenditures, will be used to support core investments on all campuses and at statewide Research and Outreach and Extension offices:

- Salaries and Benefits – funds to adequately compensate and retain talented faculty and staff

- Classrooms and Equipment – funds to repair, maintain or purchase instructional technology and lab supplies, and improve classrooms and student study space, etc.
- Compliance – funds to provide adequate staffing and physical or system improvements to respond to required governmental regulations and reporting requirements
- Research and Technology Infrastructure – funds to support grant matching requirements, data storage and protection, libraries, technology licenses, reporting, etc.
- Core Facilities – funds to operate and maintain buildings, including the costs of heating, cooling, repairs, and building system maintenance

Equity and Inclusion:

This request will maintain existing programs and support for under-represented students; this remains a priority for the University. In addition, the request will have a positive impact on University students by minimizing resident tuition rate increases, ultimately making the University more affordable and more accessible for Minnesotans. Although this proposal does not target a specific population group, students from low- and middle-income families are most impacted by tuition increases. By continuing the University's tradition of providing a high quality education at a reasonable cost, the University will continue to increase equity by helping to close opportunity gaps and prepare students to succeed in the workforce. The Governor strongly recommends the University make a targeted investment to increase student retention and persistence to graduation for students of color.

Results:

Funding this request will result in direct benefits to students and to the University and all those it serves, including the state. The University has worked hard with the state to minimize tuition increases and costs to students. Over the last four years (FY 2014-FY 2017) the average annual increase in the resident undergraduate tuition rate on the Twin Cities campus has been 1 percent, and on the system campuses it has been 0.4 percent. This is the lowest rate of increase over a similar timeframe in recent memory. At the same time, the increase in state and University financial aid for students that qualify has completely offset, or in some cases, exceeded the increase in tuition. This proposal continues the financial benefit to students. If resident rates are held flat for the next two years, the average annual increases in tuition over a six-year period will be 0.7 percent for the Twin Cities campus and 0.3 percent for the system campuses.

Providing this additional support will have three primary benefits that apply to all components of the University's mission:

- It will allow the University to attract and retain more world class faculty and staff to enrich the lives of students and seek discoveries through research that will benefit society.
- It will allow the University to maintain academic and student programs that otherwise would be negatively impacted by required reductions.
- It will allow the University to better meet its stewardship responsibilities related to its facilities while maintaining space that is attractive and comfortable for the hundreds of thousands of people who work, study and visit here on an annual basis.

In supporting the overall mission of the University, these funds will advance performance measures assigned to the University in the Laws of 2015, the "Progress Card" measures adopted by the University of Minnesota Board of Regents in 2016, and the accountability measures outlined in the "University Plan, Performance, and Accountability Report". The "University Plan, Performance, and Accountability Report," can be found at:

http://www.academic.umn.edu/accountability/pdf/2015/2015_Accountability_Report.pdf. Specific information on the "Progress Card" measures can be found at: oir.umn.edu/planning_metrics/progress_card.

This change item will impact statewide outcomes related to education and the economy, including the MN Dashboard goals of:

- Minnesotans have the education and skills needed to achieve their goals; and
- A thriving economy that encourages business growth and employment opportunities.

This proposal will specifically impact the following two measures: 1) Median student debt of graduates with debt from four-year institutions; and 2) Percent of adults (age 25-44) who have a certificate or higher credential.

Change Item Title: Investing in Student Success

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	1,300	1,300	1,300	1,300
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,300	1,300	1,300	1,300

Recommendation:

The Governor recommends a \$2.6 million investment for the University of Minnesota’s Investing in Student Success initiative. These funds would expand four programs, which provide support services and opportunities to 8-12th grade and first-year undergraduate low-income students, first-generation students, and students of color.

Rationale/Background:

Minnesota’s demographics are changing dramatically. According to PolicyLink 2014, Minnesota’s population was approximately 4 percent people of color in 1980. Currently at 17 percent, it is expected to be 29 percent by 2040. Today, more than 20 percent of Minnesota high school graduates are students of color. To help ensure a prepared workforce, the University needs to graduate students who represent the diversity of the state’s population.

The University of Minnesota’s core mission focuses on the education and long-term success of its students. Student success relies on world-class curriculum, faculty, and staff as well as support services to assist students throughout their educational journey. Effective support services help improve graduation rates, increase retention, reduce student debt, and enhance student success in the workforce. Improving retention and graduation rates also affects students’ success beyond college. Students with a bachelor’s degree are more likely to be employed; those who receive a bachelor’s degree have a 2.9 percent unemployment rate compared to 5.6 percent for those with some college but no degree. Students who start but do not finish their degree face the economic burden of their student debt without the economic benefits of a college degree.

Proposal:

This proposal would fund four initiatives to increase outcomes for 8-12th grade and first-year undergraduate low-income students, first-generation students, and students of color:

- Expand CORE 2025: CORE 2025 is an early outreach, high-touch, cohort program with the objective of building a pipeline of academically prepared, college-ready, multicultural students who will graduate from college by 2025 and beyond. There are currently 300 students who participate from eighth grade through their fourth year of college. Once fully operational, the program will serve 2,500 students per year. CORE 2025 is in its first phase of development. Additional will allow the University to continue this work and expand the work to greater Minnesota.
- New Summer Residential Program at Duluth: High achieving/high potential high school students who are students of color, low-income, or first-generation students will be eligible to participate in a new summer residential program. The students will participate in faculty-led courses and other structured learning to improve their ability to succeed in college. If funded, 80 students would participate per summer.
- Expand Employment Opportunities at Morris: The Native American Serving Nontribal Institution federal grant provides funding for first-year Native American students to participate in a student work program; the program had a 100 percent retention rate from 2015 to fall 2016. The Student Success Initiative will extend the efforts under this federal program to include students beyond their first year and expand employment opportunities to other students as well. The additional state funds would increase the number of participating Native American students from 800 to 975.

- *Enhance Equity Initiatives at Crookston:* The Crookston campus will enhance equity through a number of initiatives, such as expanding the Golden Eagle Pilot Program. This program connects small groups of first-year students of color with upper-class peer mentors. University staff provide supervision and program facilitation. The Student Success Initiative will expand the program beyond a pilot to reach additional students of color.

Equity and Inclusion:

The Investing in Student Success Initiative will help reduce disparities for students of color, low income students, first-generation students, and other underrepresented student groups through ongoing support and engagement. Positive impacts on retention and graduation rates will be sustainable under the Initiative as lessening disparities is a priority for the University. The University will track its progress as a part of the University’s ongoing Progress Card measures as detailed below.

Results:

The University will communicate the results of this Initiative primarily through the University’s Progress Card. Measures include:

Four-Year Graduation Rates by Year Entered	2008 Cohort	2011 Cohort	Goal: 2017 Cohort
Crookston	35.5%	44.5%	45.0%
Duluth	37.4%	39.0%	45.0%
Morris	57.4%	52.6%	60.0%
Rochester	N/A	63.1%	60.0%
Twin Cities	58.1%	63.3%	65.0%
Pell-Eligible Students	41.2%	45.4%	54.0%
Six-Year Graduation Rates by Year Entered	2006 Cohort	2009 Cohort	Goal: 2015 Cohort
Crookston	53.4%	48.4%	60.0%
Duluth	59.6%	66.5%	68.0%
Morris	64.2%	68.1%	80.0%
Rochester	N/A	60.0%	60.0%
Twin Cities	73.2%	77.6%	82.0%
Other Relevant Progress Card Measures	2011-12	2014-15	Goal
Twin Cities: Students of color with a favorable sense of belonging on campus	58.7%	57.3%	Match to non-student of color response
Systemwide: Median undergraduate debt at graduation	\$25,186	\$24,776	Grow no faster than CPI
State Appropriation-Specific Performance Goals	2012-2014	2014-2016	Goal
Systemwide: 3-Year Average of STEM-field graduates	3797	4277	Continued growth systemwide pending resolution of capacity issues

The University’s ongoing commitment to improve retention, time to graduation, and affordability is evident in its Progress Card measures, as set by the Board of Regents. The measures include targets for graduation rates, median undergraduate debt at graduation, and students’ sense of belonging on campus. Although the University has made strides to reach its targets, additional support is needed. The MN Dashboard also highlights critical indicators for measuring success: percent of adults between 24-44 who have a certificate or higher credential; and median student debt of graduates with debt from four-year institutions. Rates for both of these measures have remained steady over the last few years. The Investing in Student Success Initiative will have a positive impact on the Progress Card measures as well as the MN Dashboard measures.

Change Item Title: Minnesota Discovery, Research, and InnoVation Economy (MnDRIVE)

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	2,000	6,000	6,000	6,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,000	6,000	6,000	6,000

Recommendation:

The Governor recommends an \$8 million increase in FY18-19 and \$12 million in FY20-21 to expand the Minnesota Discovery, Research, and InnoVation Economy (MnDRIVE) program. These funds would advance cancer care research, and create a new, multi-site cancer clinical trials network.

Rationale/Background:

The MnDRIVE funding program was established in FY 2014 under M.S 137.66 and is a partnership between the University of Minnesota and the State of Minnesota in which both the University and state provide critical resources for advancing research and the economy. Per statute, the program’s mission is to: advance the state’s economy; leverage opportunities and establish priorities in sectors of state strength and comparative advantage; improve the health and well-being of Minnesota’s citizens; advance the capacity and competitiveness of existing and emerging food and manufacturing-related science and technology industries; and build a better Minnesota by driving progress and advancing the common good.

Beginning in FY 2014, the state invested approximately \$18.0 million per year in the MnDRIVE program. The University is utilizing this initial investment to support innovative research in four areas: advancing discoveries and treatments for brain conditions; securing the global food supply; supporting robotics, sensors, and advanced manufacturing; and advancing industry and conserving the environment. The initial investment was used to hire faculty and staff, fund new grant programs, renovate space, purchase capital equipment, and other programmatic expenditures. These initiatives are ongoing and have a strong record of success.

The University of Minnesota is requesting additional general fund resources to expand the MnDRIVE program, and the Governor recommends a targeted investment to improve cancer care.

Proposal:

For the 2018-2019 biennium, the Governor recommends a general fund appropriation for the MnDRIVE program to advance scientific research in cancer care. These funds would create a new, multi-site cancer clinical trials network to improve cancer care statewide through enhanced provider knowledge, increased access to potentially lifesaving drugs and devices oftentimes only available via clinical trials in Minnesota’s urban areas, and a shortened duration to a cure. The Masonic Cancer Center, University of Minnesota will lead this Initiative, and potential partners include other research institutions and consortia and associated healthcare providers statewide. This initiative will create a network that will have a greater impact than the sum of the individual efforts currently underway, ultimately impacting the MN Dashboard measures related to health.

Results:

The MnDRIVE funding program began in FY 2014, so the program is in its early stages of implementation; however, even in the early stages, the program has seen impressive results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>As of 6/30/2015</i>	<i>As of 6/30/2016</i>
Quantity	Number of MnDRIVE Projects	210	395
Quantity	Number of Hires (Full-Time and Part-Time)	321	507
Quantity	Number of People Reached Through Outreach, Meetings, & Conferences	>30,000	>77,000
Quality	Amount Awarded to Successful External Proposals	\$57 million	\$167 million
Result	Invention Disclosures	41	184

The University will continue to track the measures noted above for the MnDRIVE program. This performance information is tracked through the University's Office for the Vice President for Research. In addition to the results noted above, the University anticipates general fund appropriations for an expanded MnDRIVE program will result in:

Talent and Jobs

- Improved talent availability and workforce preparedness
- More high-paying, high-quality jobs in the healthcare sector in greater Minnesota

Business Competitiveness

- Improved market access in precision medicine

Health and Wellbeing

- Improved population health and healthcare systems
- More equitable access to healthcare in greater Minnesota and improved cancer outcomes statewide

Change Item Title: Health Training Restoration

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	6,000	8,000	8,000	8,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	6,000	8,000	8,000	8,000

Recommendation:

The Governor recommends general fund appropriations of \$6.0 million in FY 2018 and \$8 million beginning in FY 2019 for Health Training Restoration. The additional funding will provide financial support for medical and dental clinical training, education, and research conducted within the University’s Department of Family Medicine and Community Health and the School of Dentistry’s Mobile Dental Clinic. Additional funding is needed due to the Department of Human Services’ decision not to award a contract to UCare for Medicaid and other public programs.

Rationale/Background:

UCare was created over 30 years ago by the Medical School’s Department of Family Medicine and Community Health to serve public program patients, a need not being met by other health care insurers at the time. UCare, although independent of the Medical School now, provided approximately \$9.5 million per year to the Department of Family Medicine and Community Health for research, education, and clinical training. In addition, since 2002, UCare funded the Mobile Dental Clinic, with \$1.0 million in funds provided in FY 2015. The Department of Human Services decided to eliminate UCare funding for Medicaid and other public programs as of January 2016. This created a \$10.5 million fiscal challenge for the Department of Family Medicine and Community Health and the Mobile Dental Clinic. To fill this gap, the University requested an ongoing \$10.5 million general fund appropriation during the 2016 legislative session. The University received \$800,000 in the 2016 Session, Chapter 189. However, this level of funding leaves a \$9.7 million funding shortfall for these programs. The Health Training Restoration funding of \$6 million in FY 2018 and \$8 million ongoing beginning in FY 2019 will fill a large portion of the gap.

The current funding shortfall for these programs places clinical training, education, research, and patient care at risk. The Department of Family Medicine and Community Health and the Mobile Dental Clinic programs have a broad impact from both a patient care as well as a research perspective. The Department of Family Medicine and Community Health is ranked third in the nation among the National Institutes of Health (NIH)-funded family medicine departments, with three faculty ranked in the top 20 nationally for family medicine; UCare support enabled this department to achieve and sustain this level of excellence. The Mobile Dental Clinic is focused on providing geographic flexibility in relation to teaching and patient care. The Clinic has performed more than 60,000 dental procedures, including cleanings and check-ups, for more than 16,000 patients statewide. With 70 percent more people per dentist in greater Minnesota than in the 7-county metro area, the Mobile Dental Clinic creates an opportunity to serve patients in underserved areas of the state. The Mobile Dental Clinic spends one week per month in greater Minnesota, as represented by visits to Thief River Falls, Winona, and Montevideo during the second quarter of FY 2016.

If additional state funds are not secured, it will pose significant risks for the University’s ability to train family physicians, to continue important research in elimination of health disparities and care of the underserved, and to maintain the University’s stature as a national leader in primary care. The Department of Family Medicine and Community Health would need to rely on expense reductions to cover the remaining gap, including: salary freezes for current faculty; delaying faculty and staff hires; and eliminating various positions within the Department. This would lead to: a loss of valuable faculty; decreased ability to provide training for medical and health science students resulting in students not meeting curriculum requirements; downsizing of family medicine residency programs; and a decline in research on the elimination of health disparities and care. For the Mobile Dental Clinic, the University would consider eliminating the Clinic as it would not have a sustainable funding source. Because of these programmatic changes, the shortfall would negatively impact the MN Dashboard health metrics, which highlight the need for

Minnesotans to have access to medical services as well as the importance of Minnesotan’s overall health. The Department of Family Medicine and Community Health as well as the Mobile Dental Clinic are two components for meeting Minnesota’s goals.

Proposal:

Of the \$6.0 million requested for FY 2018, \$5.25 million will be used to support the Department of Family Medicine and Community Health and \$750,000 will be used to support the Mobile Dental Clinic. The additional \$2 million in FY 2019 will be used specifically for the Department of Family Medicine and Community Health. Below are additional details on projected uses:

- Department of Family Medicine and Community Health: State funding will support core programs including clinical training, education, and research. Funding for clinical training will include salary support for faculty physicians who provide training at metro primary care residency sites and three residency sites in Duluth, Mankato, and St. Cloud. The remaining funds will be used for: medical resident and student training programs and to support research faculty and staff.
- School of Dentistry: State funding will support the Mobile Dental Clinic’s core operations. Through the Mobile Dental Clinic, dental students provide patient care as part of their clinical education and training under the supervision of faculty dentists. This innovative program closes critical access-to-care gaps experienced by public program members of all ages who regularly face barriers to receiving quality dental care. Dental students educate patients about dental care, encourage them to develop positive oral health routines, and work to connect patients with a “dental home” for follow-up and ongoing care.

With an ongoing appropriation of \$8 million, a \$1.7 million funding shortfall will remain. The Department of Family Medicine and Community Health and School of Dentistry are exploring options to increase other resources to cover the difference, including examining partnership agreements and submitting claims for care. However, other ongoing funding has not been secured.

Equity and Inclusion:

The Department of Family Medicine and Community Health has been working to reduce and eliminate disparities since its inception, particularly since the establishment of its Program in Health Disparities Research founded in FY 2008-2009. The requested funding will allow continuation of this effort. The Department provides valuable care to underserved racial and ethnic groups at its residency clinics and for LGBT persons at the Department’s Program in Human Sexuality (PHS). All residency clinics and PHS regularly consult with patient representatives to guide care strategies and education. The requested funding would ensure continued access to outstanding care for these groups. In addition, the Mobile Dental Clinic assists with providing care to the underserved based on geographical and economic constraints.

Results:

The Department of Family Medicine and Community Health and the Mobile Health Clinic results are detailed below:

- Department of Family Medicine and Community Health: Over the past three years, the Department has graduated 190 family medicine residents and medical fellows and 11 behavioral health fellows from eight affiliated residencies and four fellowships. Having graduated over 1,900 physicians over the past 45 years, they contribute more than any other University department to the primary care workforce for the State of Minnesota; over 70 percent of these graduates end up practicing in Minnesota. In addition, these programs provide the majority of primary care physicians for rural Minnesota. Each of these health profession training programs provides primary care and related mental health training and direct services to underserved populations statewide and depend upon outside resources beyond care delivery payments for support.
- Mobile Health Clinic: The School of Dentistry has committed to operating the Mobile Dental Clinic through August 2017. However, the School cannot continue to serve patients in the same way without additional funding. Below is a summary of the measures used by the School for the Mobile Dental Clinic. The decrease in patients, patient visits, and production from FY 2014 to 2015 is directly related to the uncertainty in UCare funding; the decrease in all metrics in FY 2016 is due to the closure of the clinic from January 1 – August 28, 2016 due to a lack of available funding.

Mobile Dental Clinic-Specific Measures	FY 2013	FY 2014	FY 2015	FY 2016
Total # of unique patients (primarily public program patients)	1,304	1,229	1,095	614
Total # of patient visits	2,179	2,327	1,930	927
Equivalent dollars of equal care (<i>total production</i>)	\$584,740	\$611,956	\$478,697	\$207,113

Change Item Title: Investing in Applied Research for Economic Development

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	\$2,000	\$2,000	\$2,000	\$2,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	\$2,000	\$2,000	\$2,000	\$2,000

Recommendation:

The Governor recommends an increase to the University’s general fund appropriation of \$4.0 million in FY18-19 for Investing in Applied Research for Economic Development to support the Natural Resources Research Institute (NRRI). The funds will increase research capacity and competitiveness by providing matching funds for grants; adding additional research staff and filling existing vacancies; and providing research supplies and equipment.

Rationale/Background:

The NRRI was established in 1983 as an economic development engine at the University of Minnesota, Duluth. The Institute has over 30 years of experience with industry/agency relationships, collaborations, and multidisciplinary applied research, delivering information, tools, and solutions to support sustainable development of Minnesota’s natural resources and assistance to the state’s businesses and entrepreneurs. Recently, the Institute redefined its role as a unique, strategic partner across the University of Minnesota system to accelerate delivery of solutions concerning natural resources, energy, the environment, and our communities. The Institute has identified applied innovation targets in three arenas: minerals, mining, and water; energy and the environment; and forest products and bioeconomy. As regional and global challenges continue to increase in complexity and urgency, a strong applied research function is critical. The comprehensive nature of NRRI’s capabilities and programs make the Institute unique among national applied research institutes.

However, the current trend is a decreasing ability for NRRI to improve and maintain performance and engagement across the state as an effective University of Minnesota entity. As costs continue to rise, NRRI has little remaining flexibility to attract top talent, funding, and key collaborators. Between the state special appropriation and the University of Minnesota Duluth’s allocation of Operations and Maintenance funding to the Institute, base funding levels have remained essentially unchanged since the Institute was created. The requested increase in this proposal will allow NRRI research staff to be more competitive for grants and contracts, allow NRRI to attract and retain top talent, and afford greater research collaboration across the University of Minnesota and beyond. In addition, it would initiate a trajectory of increased funding that can be managed transparently for maximum impact at the Institute in its economic development mission for Minnesota.

Proposal:

The recommended funds in year one will be applied to support initiation of a succession plan to recruit new, unique skills and fill existing gaps. The funds in year two will be applied to continued implementation of the succession plan and broadened research staff support. This investment will allow NRRI to continue growing partnerships within the University of Minnesota research community to deliver statewide, regional, and global impacts. Examples of research focus areas with statewide impact include:

- Development of mineral resources and sustainable processes for high value products, such as Ilmenite ore opportunities;
- Development of biomass-based fuels and materials to extend the forestry industry to higher value products;
- Demonstration of energy storage options for Minnesota;
- Delivery of water remediation technologies for transportation, mining, agriculture, municipal, and forestry sectors;

- Delivery of knowledge and tools to manage wildlife, land, and water resources; and
- Support of business and entrepreneur development to foster resilient economies and communities.

Additional state funds will lead to:

- Improved Grant Competitiveness: Funding will adequately support researchers to competitively pursue strategic grants consistent with the NRRI mission and have the flexibility to apply matching funds.
- Increased Research Capacity: Funding will allow NRRI to implement a strategic succession plan, which will document current capabilities, allow overlap with new talent, and attract/retain top talent to carry out NRRI's evolving mission. This will increase research capacity to respond to state economic development needs, provide faster response times to clients and collaborators, and maintain a comprehensive research approach.
- Support for Research Activities: Funding will provide materials and supplies in direct support of research activities.

Results:

Key measures to NRRI's success lie in return on investment related to: the number of clients served, grants and contracts attracted, and projects completed; financial impact on clients; number of jobs created; and new products introduced. The Investing in Applied Research for Economic Development will also impact key MN Dashboard metrics related to the economy, community, environment, and education. Details on this impact are included below.

Dashboard Category	Measures	NRRI Impact
Economy	% of postsecondary graduates working in MN employed full-time two years after graduation	NRRI trains and employs college graduates across applied research areas.
Economy	% of MN business startups that survive 5 years	NRRI assists businesses and entrepreneurs reach success with technical assistance.
Community	% of households that spend 30 percent or more of income on housing	NRRI is developing fast deployment housing for low income families.
Environment	# of days per year Minnesotans fish, boat, hunt, and use state parks	NRRI has extensive expertise and collaborative programs (MnDNR, MPCA) to understand management of wildlife, forests, lands, and waters.
Environment	% of lakes that have good water quality; % of selected fish and wildlife populations that are stable or increasing; and # of conservation lands	NRRI has extensive expertise and collaborations to develop knowledge and tools to manage MN water quality, wildlife, and forests.
Environment	% of energy production coming from renewable sources	NRRI has an extensive renewable energy and energy storage program linked with national efforts.
Education	% of adults aged 25-44 who have a certificate or higher credential	NRRI employs college students in laboratory research, affording experiential learning opportunities that often result in permanent employment.