

December 16, 2021

Honorable Connie Bernardy, Chair
House Higher Education Finance and Policy
563 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, Minnesota 55155

Honorable David J. Tomassoni, Chair
Senate Higher Education Finance and Policy
328 Capitol
St. Paul, Minnesota 55155

Honorable Julie Rosen, Chair
Senate Finance
2113 Minnesota Senate Building
St. Paul, Minnesota 55155

Honorable Rena Moran, Chair
House Ways and Means
449 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, Minnesota 55155

Honorable Marion O'Neill, Republican Lead
House Higher Education Finance and Policy
357 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, Minnesota 55155

Honorable Gregory Clausen, Rank. Min. Ld.
Senate Higher Education Finance and Policy
2233 Minnesota Senate Bldg.
St. Paul, Minnesota 55155

Honorable John Marty, Ranking Min. Lead
Senate Finance
2301 Minnesota Senate Building
St. Paul, Minnesota 55155

Honorable Pat Garofalo, Republican Lead
House Ways and Means
295 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, Minnesota 55155

Dear Chairs Bernardy, Tomassoni, Rosen, Moran and Ranking Members O'Neill, Clausen, Marty, and Garofalo,

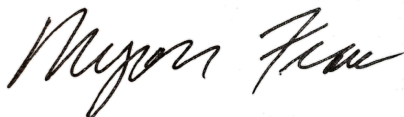
Minnesota Session Law H.F. 7, Chapter 2, Section 43 requests the University of Minnesota to submit a report on its expense patterns, which includes:

1. A determination of the extent to which administrative costs have increased based on uniform and historic data.
2. Integrated Postsecondary Education Data System (IPEDS) reported data across seven requested functional expense categories spanning ten years.
3. The current year, and preceding ten-years', ratios of institutional support to instruction (IPEDS function) spending and comparing those ratios with institutions within its Carnegie classifications and with similar undergraduate enrollments.
4. Central Office administrative costs and increase in staffing over the previous ten years.

Pursuant to this request, the University of Minnesota respectfully responds and submits this report based on University IPEDS data submissions and the annual Cost Definition and Benchmarking analysis across the University of Minnesota system.

If there are any questions with the attached report, please do not hesitate to contact me at frans@umn.edu.

Sincerely,



Myron Frans
University of Minnesota
Senior Vice President for Finance and Operations

University of Minnesota

Report on the Expense Patterns of Public Higher Education Institutions

Pursuant to Minnesota Session Law H.F. 7, Chapter 2, Section 43

Per Minnesota Statute 3.197, the cost to prepare this report was approximately \$500.

1) Internal audit of expenditures to determine the extent to which administrative costs have increased

Annually since Fiscal Year (FY) 2012, the University of Minnesota has conducted a comprehensive review of its operational costs to develop a shared understanding of system-wide spending while improving internal benchmarking capabilities and monitoring spending changes over time. Named the Cost Definition and Benchmarking Analysis, this annual expense examination works to:

- Develop a shared understanding of University spending.
- Promote a broader dialogue of the University’s cost structure.
- Identify gaps in processes, data, and information.
- Improve the University’s ability to set its own spending benchmarks; and
- Establish a repeatable methodology to monitor changes and patterns in spending over time.

This unique analysis defines and separates mission/student aid related costs from support functions and basic infrastructure, thereby encompassing all University spending in three main categories:

1. Direct Mission Delivery - The expenses of the ‘doers’ of the University mission.
2. Mission Support & Facilities - The expenses to support the delivery of mission activities.
3. Leadership & Oversight - The expenses for the leadership, direction, control, and management of the mission

The latter two categories (Mission Support and Leadership & Oversight) have been the basis for how the University reports administrative costs in communicating to external parties as well as classifying expenses in the University’s annual budget development process. This is the broadest interpretation of administrative expenses possible within the categorization of expenditures. Annual expenses in all three categories occur in both academic and support units and are supported by multiple sources. Below is a summary of the University Cost Definition and Benchmarking Analysis from FY’s 2019 to 2021.

Expense Summary for Administrative Cost Benchmarking Summary of Results – FY19-FY21

(\$\$ in Thousands)

		A		B		C		D		E
		Mission	% of Total (E)	Student Aid	% of Total (E)	Mission Support & Facilities	% of Total (E)	Leadership & Oversight	% of Total (E)	Total
1										
2	Personnel									
3	FY21	1,322,444	57.8%		0.0%	693,666	30.3%	272,264	11.9%	2,288,374
4	FY20	1,338,104	57.0%		0.0%	717,228	30.5%	292,409	12.5%	2,347,741
5	FY19	1,289,375	57.1%		0.0%	691,524	30.6%	276,326	12.2%	2,257,225
6	Non-Personnel									
7	FY21	534,181	37.4%	347,498	24.3%	508,981	35.6%	37,751	2.6%	1,428,412
8	FY20	457,519	32.0%	326,948	22.9%	595,285	41.7%	49,414	3.5%	1,429,166
9	FY19	476,001	32.6%	312,106	21.4%	620,691	42.6%	49,482	3.4%	1,458,281
10	Total									
11	FY21	1,856,625	50.0%	347,498	9.3%	1,202,648	32.4%	310,015	8.3%	3,716,786
12	FY20	1,795,623	47.5%	326,948	8.7%	1,312,513	34.8%	341,822	9.1%	3,776,906
13	FY19	1,765,376	47.5%	312,106	8.4%	1,312,215	35.3%	325,808	8.8%	3,715,506

* Excludes expenditures for Enterprise Systems Upgrade Project (RRC: Enterprise Resource Planning), real estate acquisitions, non-current and agency funds, cross-unit charges (except facilities projects), and ISO Funds.

** Includes interfund transfers to support facility-related projects and the University's contribution to debt activities from direct cash or gifts (not including HEAPR or capital appropriations).

University of Minnesota

Report on the Expense Patterns of Public Higher Education Institutions

Pursuant to Minnesota Session Law H.F. 7, Chapter 2, Section 43

Per Minnesota Statute 3.197, the cost to prepare this report was approximately \$500.

Total University expenses decreased 1.6% from FY 2020 (\$3.77 billion) to FY 2021 (\$3.71 billion). The largest expense categories remained Direct Mission and Student Aid at 59.3% of annual costs for the year. The two “non-mission” categories experienced an 8.6% decrease comparing FY 2021 to FY20: Mission Support & Facilities at 32.4% of total annual expenses (FY20: 34.8%), and Leadership & Oversight at 8.3% (FY20: 9.1%).

Every area of the University of Minnesota was impacted by the COVID-19 global pandemic. In general, both personnel and non-personnel expenditures were reduced. Changes occurred intentionally as the University took action to reduce expenditures (furlough/temporary pay reduction plan, hiring freeze, early retirement program, etc.) or through required changes based on best practice for health and safety during COVID-19 (travel restrictions, work from home, etc.). Within this overall decrease, spending increases did occur in some categories (additional student aid, the valiant response of many units in the health sciences areas, fringe benefit health care costs, etc.) but were not enough to offset reductions. Overall, the results and changes in response to COVID-19 do not represent sustainable spending patterns.

The Cost Definition and Benchmarking analysis just summarized will be modified for FY 2022 and beyond due to several projects underway. The current University strategic plan, MPact 2025, includes a goal of modernizing structures and processes, improving services, increasing efficiency, and generating recurring budget savings. Within the plan, the Positioned for Excellence, Alignment and Knowledge (PEAK) Initiative is a system-wide effort that will identify opportunities across non-academic functions to increase efficiency or gain service capacity. In addition, MPact 2025 includes a specific action item to define and establish an administrative cost benchmark. Through these efforts, work is currently being done to create a new way to categorize, report, and measure administrative expenses. Both will result in new ways of tracking and reporting administrative costs, but because the work is in process, it could not be incorporated in this report in place of the Cost Definition and Benchmarking analysis provided above.

2) Integrated Postsecondary Education Data System (IPEDS) reported data across seven requested functional expense categories spanning ten years.

Below is a summary of IPEDS functional expense categories: Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, and Other Core Services across the University of Minnesota Crookston, Duluth, Morris, Rochester, and Twin Cities campuses. For this report, the category *Other Core Services* includes both IPEDS categories: Other Expenses and Deductions and Scholarships and Fellowships (expenses).

University of Minnesota IPEDS Functional Expense Categories Fiscal Year 2020

	UM Crookston	UM Duluth	UM Morris	UM Rochester	UM Twin Cities	Total
Instruction	\$ 12,765,701	\$ 79,221,406	\$ 17,419,117	\$ 3,129,665	\$ 799,301,480	\$ 911,837,369
Research	\$ 531,106	\$ 24,476,076	\$ 1,000,628	\$ 672,415	\$ 894,046,193	\$ 920,726,418
Public Service	\$ 815,977	\$ 4,719,033	\$ 1,622,270	\$ 11,637	\$ 283,714,968	\$ 290,883,885
Academic Support	\$ 3,462,046	\$ 31,122,120	\$ 5,791,531	\$ 1,891,612	\$ 497,218,772	\$ 539,486,081
Student Services	\$ 3,754,537	\$ 19,788,728	\$ 6,443,605	\$ 2,045,295	\$ 138,320,796	\$ 170,352,961
Institutional Support	\$ 2,590,584	\$ 19,420,063	\$ 3,887,833	\$ 4,961,876	\$ 301,109,272	\$ 331,969,628
Other Core Services	\$ 3,973,547	\$ 21,451,492	\$ 5,607,971	\$ 9,616,079	\$ 97,936,667	\$ 138,585,756
Total	\$ 27,893,498	\$ 200,198,918	\$ 41,772,955	\$ 22,328,579	\$ 3,011,648,148	\$ 3,303,842,098

University of Minnesota

Report on the Expense Patterns of Public Higher Education Institutions

Pursuant to Minnesota Session Law H.F. 7, Chapter 2, Section 43

Per Minnesota Statute 3.197, the cost to prepare this report was approximately \$500.

Within the FY20 grand total of \$3.3 billion, the largest two expense categories for the year were Research (27.9%) and Instruction (27.6%) across the five campuses, with Other Core Services being the lowest at 4.2%. Individually, for the Crookston, Duluth and Morris campuses Instruction expenses were the most significant at 45.8%, 39.6%, and 41.7%, respectively, while the Twin Cities' highest expense category was Research at \$894.0 million, or 29.7% of its grand total. Inversely, UM Rochester's most significant expenses were in Other Core Services at \$9.6 million (43.1%) for the year.

Abbreviated descriptions of these categories can be found below. Detailed information for these functional expense categories is located on the National Center for Education Statistics (NCES) website, found here: <https://nces.ed.gov/ipeds/>.

- **Instruction:** Includes general academic instruction, occupational and vocational instruction, community education, preparatory and adult basic education, and regular, special, and extension sessions.
- **Research:** Activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution.
- **Public Service:** Activities established primarily to provide noninstructional services beneficial to individuals and groups external to the institution.
- **Academic Support:** Activities and services that support the institution's primary missions of instruction, research, and public service.
- **Student Services:** Includes expenses for admissions, registrar activities, and activities whose primary purpose is to contribute to students emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program.
- **Institutional Support:** Day-to-day operational support of the institution. Includes expenses for general administrative services, central executive-level activities concerned with management and long-range planning, legal and fiscal operations, space management, employee personnel and records, logistical services such as purchasing and printing, and public relations and development.
- **Other Core Services:** For purposes of this report, this includes both IDEDS functional expense categories 'Other Expense Reductions' and 'Scholarship and Fellowships'.
 - **Other Natural Expenses & Reductions:** Sum of operating and nonoperating expenses not classified as salaries and wages, benefits, operation and maintenance of plant, interest, or depreciation.
 - **Scholarships & Fellowships (expenses):** Portion of scholarships and fellowships granted that exceeds the amount applied to institutional charges such as tuition and fees or room and board.

Finally, starting with the most recently available fiscal year (2020), functional expense data across these categories spanning ten years, from FY 2011 to FY 2020, are presented below and include accompanying graphs to showcase change year over year, for each University of Minnesota campus.

University of Minnesota

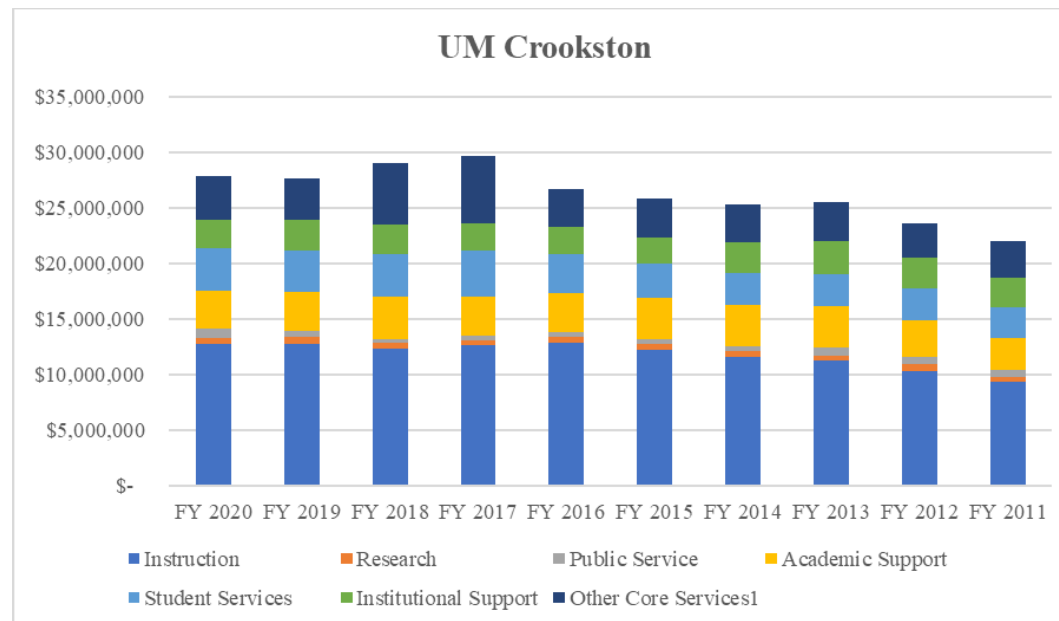
Report on the Expense Patterns of Public Higher Education Institutions

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University of Minnesota, Crookston

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Instruction	\$ 12,765,701	\$ 12,795,975	\$ 12,304,043	\$ 12,597,641	\$ 12,832,823	\$ 12,198,652	\$ 11,626,399	\$ 11,225,504	\$ 10,328,856	\$ 9,385,862
Research	\$ 531,106	\$ 555,569	\$ 566,472	\$ 462,475	\$ 501,670	\$ 513,447	\$ 471,536	\$ 481,060	\$ 561,528	\$ 415,228
Public Service	\$ 815,977	\$ 609,106	\$ 330,775	\$ 379,233	\$ 465,972	\$ 437,080	\$ 465,065	\$ 705,278	\$ 710,417	\$ 578,920
Academic Support	\$ 3,462,046	\$ 3,497,568	\$ 3,753,174	\$ 3,549,482	\$ 3,533,934	\$ 3,782,446	\$ 3,720,349	\$ 3,727,404	\$ 3,289,812	\$ 2,949,126
Student Services	\$ 3,754,537	\$ 3,744,694	\$ 3,921,257	\$ 4,126,919	\$ 3,523,807	\$ 3,069,949	\$ 2,878,857	\$ 2,868,707	\$ 2,808,738	\$ 2,729,429
Institutional Support	\$ 2,590,584	\$ 2,730,461	\$ 2,609,337	\$ 2,496,717	\$ 2,372,700	\$ 2,369,545	\$ 2,771,188	\$ 3,050,115	\$ 2,787,307	\$ 2,657,828
Other Core Services ¹	\$ 3,973,547	\$ 3,662,996	\$ 5,498,744	\$ 6,085,942	\$ 3,426,799	\$ 3,425,904	\$ 3,423,847	\$ 3,474,929	\$ 3,095,485	\$ 3,332,717
Total	\$ 27,893,498	\$ 27,596,369	\$ 28,983,802	\$ 29,698,409	\$ 26,657,705	\$ 25,797,023	\$ 25,357,241	\$ 25,532,997	\$ 23,582,143	\$ 22,049,110



University of Minnesota

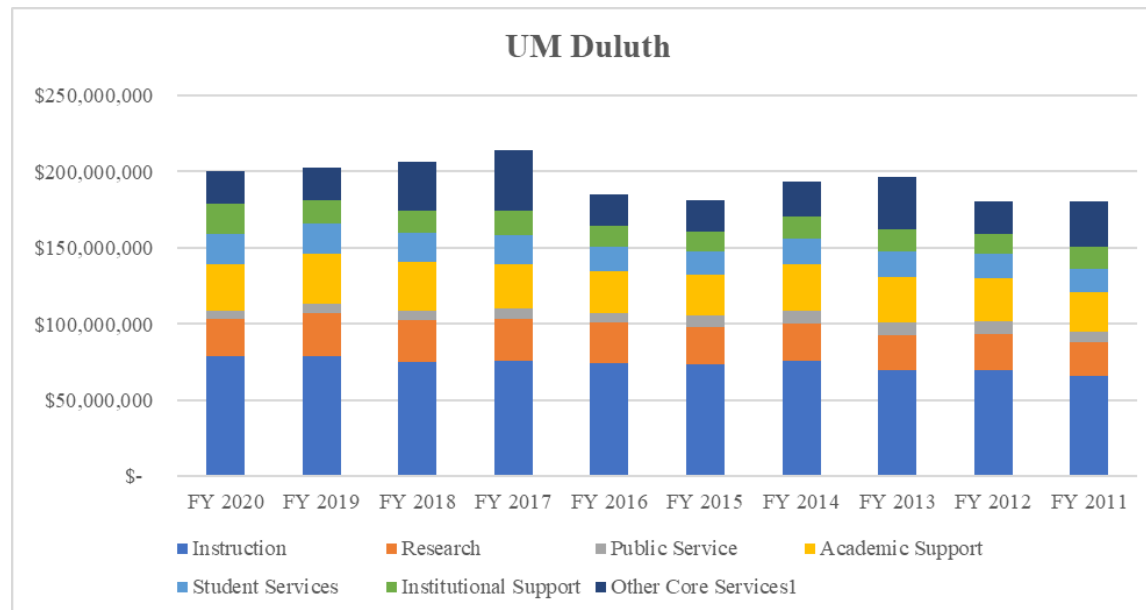
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University of Minnesota, Duluth

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Instruction	\$ 79,221,406	\$ 78,563,449	\$ 75,297,596	\$ 76,210,787	\$ 74,221,231	\$ 73,426,517	\$ 75,792,245	\$ 69,837,487	\$ 70,046,853	\$ 65,778,199
Research	\$ 24,476,076	\$ 28,291,968	\$ 27,151,759	\$ 27,279,921	\$ 26,668,690	\$ 24,512,972	\$ 24,552,835	\$ 23,075,233	\$ 23,726,174	\$ 22,342,500
Public Service	\$ 4,719,033	\$ 6,713,538	\$ 6,630,976	\$ 6,789,771	\$ 6,457,288	\$ 7,489,794	\$ 8,402,174	\$ 7,998,257	\$ 7,776,422	\$ 7,111,833
Academic Support	\$ 31,122,120	\$ 32,494,129	\$ 31,471,527	\$ 29,282,801	\$ 27,462,751	\$ 26,786,485	\$ 30,690,207	\$ 29,959,416	\$ 28,639,500	\$ 25,754,033
Student Services	\$ 19,788,728	\$ 20,264,117	\$ 19,387,323	\$ 18,910,293	\$ 15,901,342	\$ 15,272,123	\$ 16,918,471	\$ 16,834,700	\$ 16,016,636	\$ 15,571,819
Institutional Support	\$ 19,420,063	\$ 14,673,175	\$ 14,520,676	\$ 15,736,274	\$ 13,969,968	\$ 13,095,621	\$ 13,860,713	\$ 14,325,785	\$ 13,130,898	\$ 13,927,860
Other Core Services ¹	\$ 21,451,492	\$ 21,530,679	\$ 31,877,601	\$ 39,717,406	\$ 20,531,933	\$ 20,924,358	\$ 23,344,634	\$ 34,606,839	\$ 20,919,731	\$ 29,698,727
Total	\$ 200,198,918	\$ 202,531,055	\$ 206,337,458	\$ 213,927,253	\$ 185,213,203	\$ 181,507,870	\$ 193,561,279	\$ 196,637,717	\$ 180,256,214	\$ 180,184,971



University of Minnesota

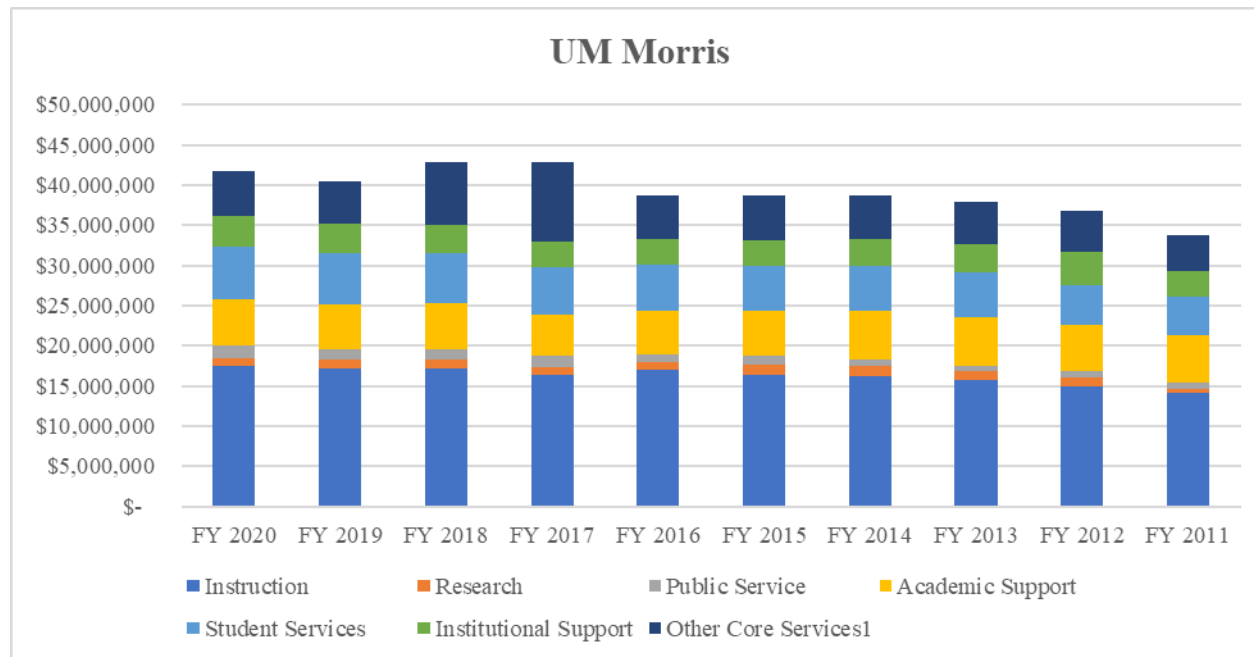
Report on the Expense Patterns of Public Higher Education Institutions

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University of Minnesota, Morris

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Instruction	\$ 17,419,117	\$ 17,110,695	\$ 17,132,405	\$ 16,425,595	\$ 16,970,537	\$ 16,426,578	\$ 16,159,943	\$ 15,651,586	\$ 14,955,536	\$ 14,122,419
Research	\$ 1,000,628	\$ 1,117,631	\$ 1,078,904	\$ 939,174	\$ 1,028,433	\$ 1,267,938	\$ 1,374,016	\$ 1,180,881	\$ 1,148,954	\$ 527,840
Public Service	\$ 1,622,270	\$ 1,384,850	\$ 1,386,331	\$ 1,468,516	\$ 921,458	\$ 1,120,145	\$ 820,379	\$ 593,522	\$ 768,348	\$ 815,597
Academic Support	\$ 5,791,531	\$ 5,587,592	\$ 5,774,931	\$ 5,107,497	\$ 5,393,653	\$ 5,475,730	\$ 6,041,409	\$ 6,179,574	\$ 5,786,305	\$ 5,883,708
Student Services	\$ 6,443,605	\$ 6,296,787	\$ 6,231,284	\$ 5,788,732	\$ 5,703,005	\$ 5,669,980	\$ 5,550,299	\$ 5,527,323	\$ 4,897,263	\$ 4,804,686
Institutional Support	\$ 3,887,833	\$ 3,693,866	\$ 3,423,662	\$ 3,302,779	\$ 3,331,460	\$ 3,201,769	\$ 3,334,517	\$ 3,525,109	\$ 4,135,406	\$ 3,176,807
Other Core Services ¹	\$ 5,607,971	\$ 5,267,416	\$ 7,844,113	\$ 9,897,713	\$ 5,390,978	\$ 5,501,169	\$ 5,469,399	\$ 5,308,280	\$ 5,116,302	\$ 4,378,939
Total	\$ 41,772,955	\$ 40,458,837	\$ 42,871,630	\$ 42,930,006	\$ 38,739,524	\$ 38,663,309	\$ 38,749,962	\$ 37,966,275	\$ 36,808,114	\$ 33,709,996



University of Minnesota

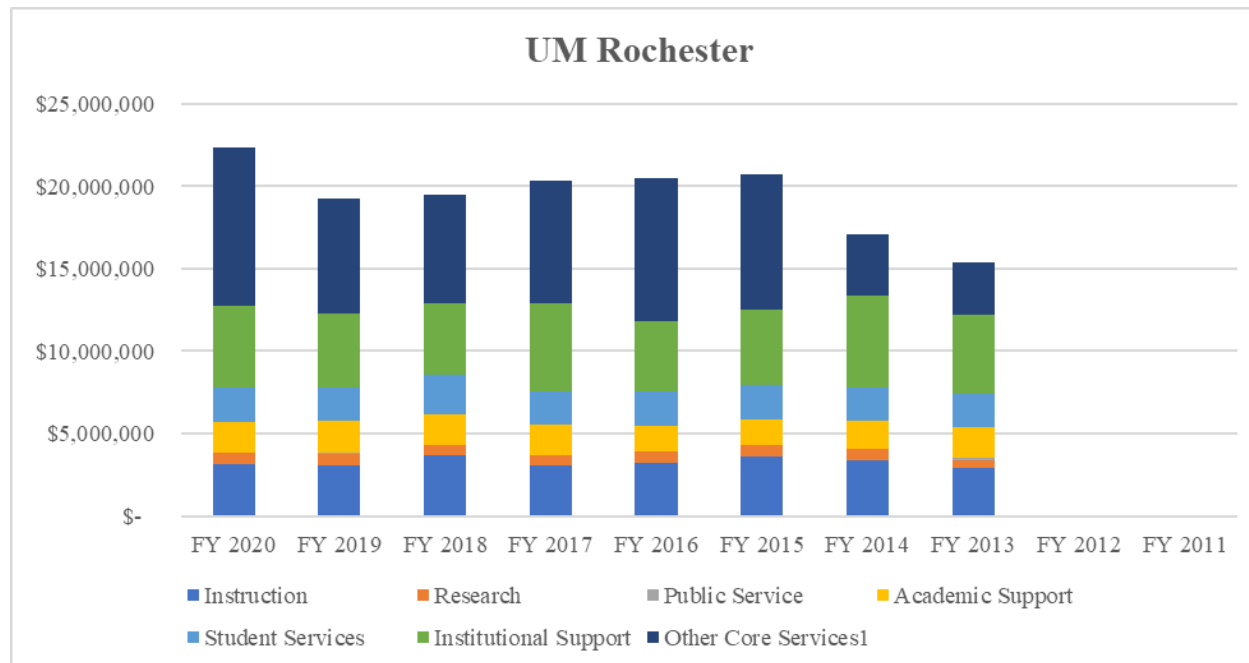
Report on the Expense Patterns of Public Higher Education Institutions

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University of Minnesota, Rochester

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Instruction	\$ 3,129,665	\$ 3,076,366	\$ 3,648,321	\$ 3,075,486	\$ 3,235,271	\$ 3,590,945	\$ 3,387,227	\$ 2,892,982		
Research	\$ 672,415	\$ 704,049	\$ 628,326	\$ 618,389	\$ 705,061	\$ 691,100	\$ 658,194	\$ 515,701		
Public Service	\$ 11,637	\$ 26,921	\$ 37,707	\$ 25,015	\$ 9,388	\$ 26,914	\$ 23,846	\$ 116,967		
Academic Support	\$ 1,891,612	\$ 1,971,098	\$ 1,878,708	\$ 1,827,929	\$ 1,538,748	\$ 1,517,341	\$ 1,739,686	\$ 1,852,212		
Student Services	\$ 2,045,295	\$ 2,043,606	\$ 2,391,766	\$ 2,045,667	\$ 2,082,641	\$ 2,100,175	\$ 1,952,852	\$ 2,019,117		
Institutional Support	\$ 4,961,876	\$ 4,488,314	\$ 4,319,266	\$ 5,318,908	\$ 4,250,878	\$ 4,626,662	\$ 5,574,831	\$ 4,826,389		
Other Core Services ¹	\$ 9,616,079	\$ 6,963,352	\$ 6,619,736	\$ 7,398,328	\$ 8,643,406	\$ 8,173,629	\$ 3,715,065	\$ 3,122,626		
Total	\$ 22,328,579	\$ 19,273,706	\$ 19,523,830	\$ 20,309,722	\$ 20,465,393	\$ 20,726,766	\$ 17,051,701	\$ 15,345,994	\$ -	\$ -



University of Minnesota

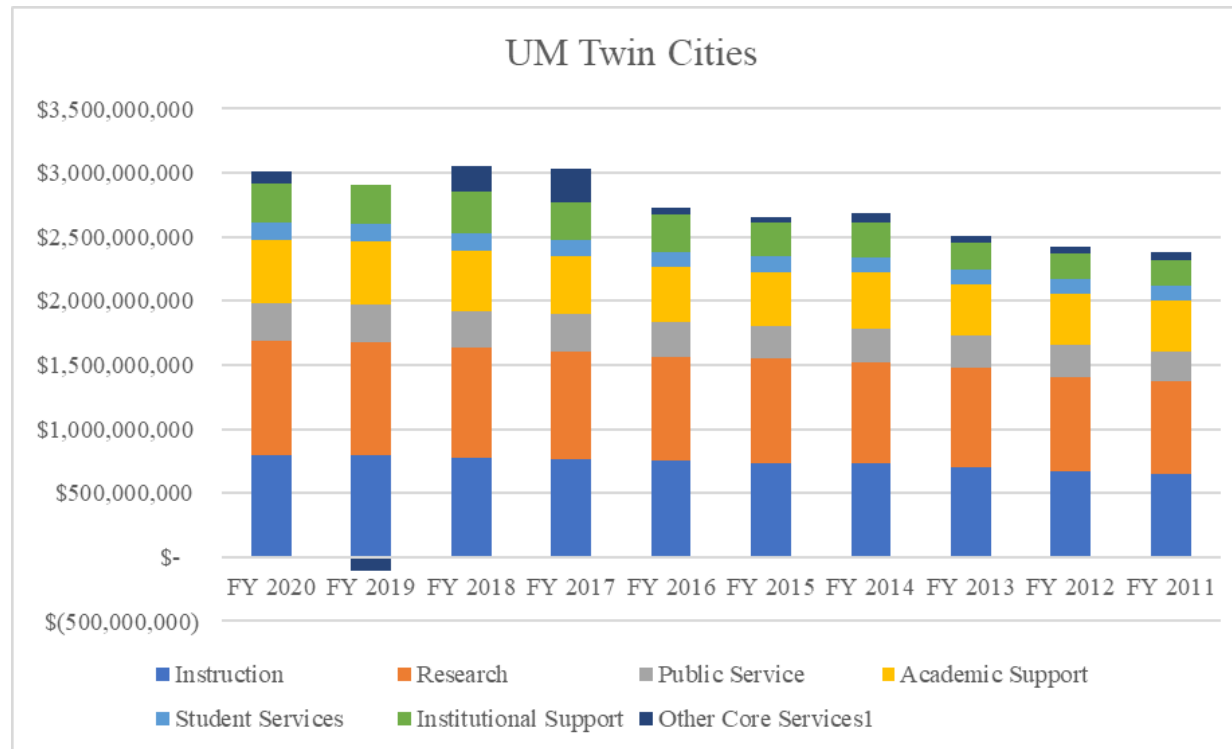
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University of Minnesota, Twin Cities

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Instruction	\$ 799,301,480	\$ 795,002,202	\$ 771,123,637	\$ 762,960,244	\$ 752,549,334	\$ 732,627,379	\$ 732,353,768	\$ 706,418,323	\$ 667,996,082	\$ 644,471,848
Research	\$ 894,046,193	\$ 886,948,175	\$ 865,424,269	\$ 840,541,735	\$ 810,882,503	\$ 818,240,872	\$ 792,892,181	\$ 767,385,456	\$ 739,082,890	\$ 731,987,418
Public Service	\$ 283,714,968	\$ 285,182,745	\$ 280,593,732	\$ 290,483,410	\$ 268,934,310	\$ 256,751,069	\$ 260,219,839	\$ 254,191,146	\$ 250,420,734	\$ 230,249,626
Academic Support	\$ 497,218,772	\$ 495,439,152	\$ 471,824,604	\$ 453,720,278	\$ 429,890,193	\$ 418,247,767	\$ 435,340,908	\$ 405,590,620	\$ 402,870,383	\$ 400,210,127
Student Services	\$ 138,320,796	\$ 140,685,224	\$ 135,850,754	\$ 131,611,158	\$ 121,926,925	\$ 119,282,633	\$ 118,891,570	\$ 112,402,217	\$ 108,899,179	\$ 107,371,432
Institutional Support	\$ 301,109,272	\$ 300,763,256	\$ 324,475,777	\$ 285,596,149	\$ 288,407,384	\$ 270,084,431	\$ 270,704,754	\$ 209,156,342	\$ 206,065,684	\$ 206,979,771
Other Core Services ¹	\$ 97,936,667	\$ (103,635,409)	\$ 205,654,224	\$ 264,359,400	\$ 58,266,732	\$ 41,363,173	\$ 72,190,201	\$ 47,467,607	\$ 43,237,382	\$ 55,985,396
Total	\$ 3,011,648,148	\$ 2,800,385,345	\$ 3,054,946,997	\$ 3,029,272,374	\$ 2,730,857,381	\$ 2,656,597,324	\$ 2,682,593,221	\$ 2,502,611,711	\$ 2,418,572,334	\$ 2,377,255,618



University of Minnesota

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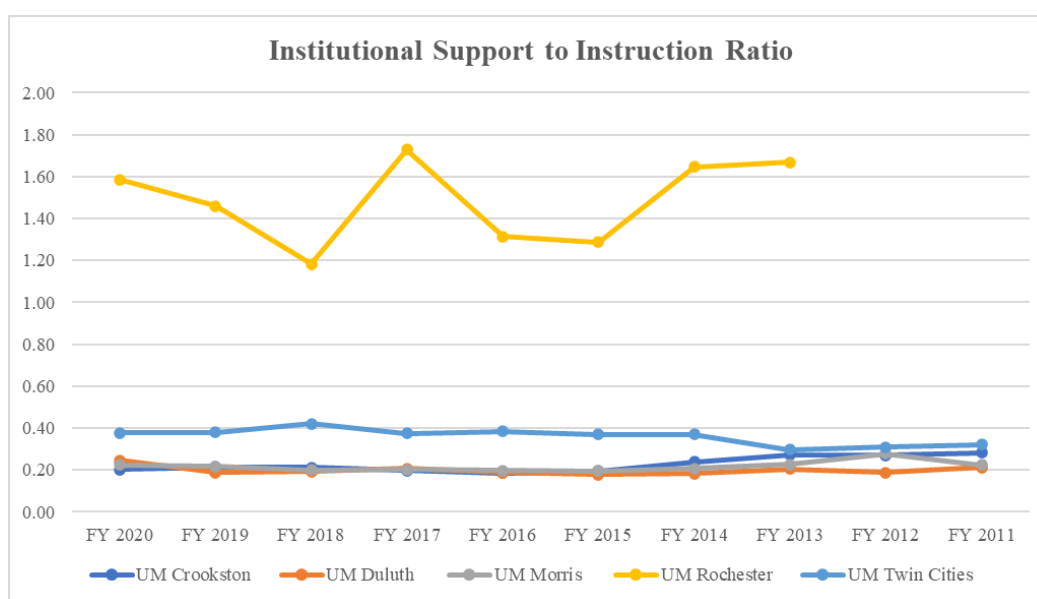
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3) Calculating the current year, and preceding ten-years', ratios of university spending of institutional support to instruction IPEDS categories and comparing those ratios with institutions within its Carnegie classifications and similar undergraduate enrollments to assess if administrative operations are disproportionately growing.

The ratio of institutional support to instruction spending across the past ten years is provided in the table below and compared with other institutions with the same Carnegie classification. For this report, a peer group of similar undergraduate enrollment is defined as institutions with Fall 2020 degree-seeking full and part time undergraduate enrollment plus or minus twenty-five percent for each campus. Each campus peer group's annual median ratio of institutional support to instruction is included.

Institutional Support (Numerator) to Instruction (Denominator) Ratio

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
UM Crookston	0.20	0.21	0.21	0.20	0.18	0.19	0.24	0.27	0.27	0.28
Peer Median Ratio	0.63	0.56	0.57	0.56	0.58	0.58	0.55	0.60	0.64	0.64
UM Duluth	0.25	0.19	0.19	0.21	0.19	0.18	0.18	0.21	0.19	0.21
Peer Median Ratio	0.35	0.36	0.29	0.28	0.25	0.25	0.24	0.24	0.24	0.24
UM Morris	0.22	0.22	0.20	0.20	0.20	0.19	0.21	0.23	0.28	0.22
Peer Median Ratio	0.55	0.54	0.53	0.53	0.54	0.54	0.52	0.52	0.51	0.50
UM Rochester	1.59	1.46	1.18	1.73	1.31	1.29	1.65	1.67	NA	NA
Peer Median Ratio	0.40	0.44	0.40	0.42	0.49	0.48	0.48	0.50	NA	NA
UM Twin Cities	0.38	0.38	0.42	0.37	0.38	0.37	0.37	0.30	0.31	0.32
Peer Median Ratio	0.23	0.23	0.22	0.22	0.22	0.21	0.21	0.21	0.21	0.20



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Report on the Expense Patterns of Public Higher Education Institutions

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Per Minnesota Statute 3.197, the cost to prepare this report was approximately \$500.

As indicated in the table above, both the Rochester and Twin Cities campuses have institutional support to instruction ratios higher than the median of their respective peer groups of similar undergraduate enrollment. There are several important nuances to highlight in interpreting this data.

Starting with Rochester, this campus was first designated as a coordinate campus in 2006, developing “from scratch” since that time. Within the past ten years, instruction expenses have either increased or remained relatively steady to respond to the growing student population. Day-to-day operational infrastructure expenses included in institutional support, such as space management, fiscal operations, and logistical services have been fully required each year from the beginning to meet the increasing/changing needs and demand of Rochester students, faculty, and staff as the campus developed. The institutional support to Instruction expense relationship may not be fully applicable for those institutions in the campus’s peer group which have been operating and serving students longer. The percentage of Rochester’s institutional support when compared to all seven IPEDS categories included in this report, decreased from 31.5% in FY 2013 to 22.2% in FY 2020. This supports the experience of instructional, academic, and student service expenditures increasing over time as the campus has grown, while the campus infrastructure was in place for the earliest developmental phases of the campus.

The Twin Cities campus’ institutional support to instruction ratio has been relatively steady across this time frame and has decreased each year since FY 2018. As a Research 1 university categorized by the Carnegie Classification of Institutions of Higher Education, the largest IPEDS expense for the Twin Cities campus has been the Research category for each of the past 10 years, with spending ranging from 28.3% (FY 2018) to 31.7% (FY 2019) of total annual expenses. This outcome is fully supported and intentional from the overall University of Minnesota mission as a land-grant institution conducting world-class education, groundbreaking research, and community-engaged outreach to serve the state of Minnesota. The higher proportion of total spending on research can skew the requested ratios as a larger portion of institutional support expenses are the result of research rather than instructional activities. It is unknown how this relationship affects the calculated median of peer groups based on similar undergraduate enrollments, rather than, for example, on the full scope of mission activities.

In addition, the Twin Cities campus includes operating expenses in its institutional support expense category that represent system-wide strategy, compliance, and business support to all five campuses, which is not the case for peer group institutions with no or fewer regional campuses and/or a system office outside any one campus.

Finally, pursuant to this legislative directive, institutional support and instruction total expenses were to be compared with peer groups having similar *undergraduate* enrollments. This defined peer group is not fully representative for the Twin Cities campus as it consistently holds a robust graduate and professional student community with nationally recognized graduate level programs. As an example, fall 2020 enrollment included over 11,000 graduate students and 3,800 professional students which are also supported by these IPEDS reported expense functions. Again, it is unknown how this characteristic affects the calculated median of peer groups based solely on *undergraduate* enrollment.

4) **Analyzing administrative costs at the central office and the increase in staffing over the previous ten years.**

The University of Minnesota has no office within the system that is designated as a ‘central office.’ Instead, it is organized, for financial management purposes, in to 50 Resource Responsibility Centers (RRCs), which are organizational units accountable for financial, program, and service activities.

University of Minnesota

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Generally, each campus, Twin Cities college, and major support unit is considered an RRC. Many units provide system-wide support (the Office of Information Technology and University Libraries for example), but they are physically located on and provide services unique to the Twin Cities campus. The financial activity of these units serving two purposes is included as part of the Twin Cities campus reported information to IPEDS. For purposes of responding to the requested information for this report, the University of Minnesota has no 'central office' designation nor data to provide.