

## Letter from Michael McNabb to Governor's Task Force on Academic Health

**Date:** Monday, December 11, 2023

Please submit this additional information to the members of the Academic Health Task Force.

Proposed Recommendation 1.9 in the December 6 draft of the Task Force requires the U of M administration to "identify all current revenues" and to describe "how allocation decisions are made and how priorities are currently set and adjusted." Proposed Recommendation 1.16 also relates to increased budget transparency by the university administration. On this point see:

Letter No. 2 in the July 15, 2023 Star Tribune at

<https://www.startribune.com/readers-write-veterinary-shortage-college-costs-earned-release-meaning-in-dragonflies/600289838/>; and

the Commentary in the August 25, 2023 Star Tribune on

**U of M administrative costs: Does this seem like sleight of hand?** at <https://www.startribune.com/university-of-minnesota-administrative-costs-does-this-seem-like-sleight-of-hand/600299569/>

See also Exhibit A and Exhibit C attached.

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*Two attachments follow*

Expense Summary for Administrative Cost Benchmarking

FY21

University of Minnesota - Systemwide \*

(\$\$ in Thousands)

11/15/21

a	b	c	d	e	d	e	f	g	h
PERSONNEL	Mission	Mission as % of Total	Student Aid	Student Aid as % of Total	Mission Support & Facilities	MS&F as % of Total	Leadership & Oversight	L&O as % of Total	Total
2 Direct Academic	1,033,256	97.3%							
3 Students **	289,188	90.5%			30,190	9.5%	28,961	2.7%	1,062,217
4 Leadership							56,653	100.0%	56,653
5 Campus Operations ***					122,422	83.3%	24,554	16.7%	146,975
6 Support:									
7 Audit/Finance/HR/Info Tech/Legal					205,147	80.6%	49,488	19.4%	254,636
8 Clerical Support					78,934	100.0%	0	0.0%	78,934
9 Skilled Generalists					34,664	37.2%	58,616	62.8%	93,280
10 Other Support					206,772	79.3%	53,992	20.7%	260,764
11 Temp/Casual					15,538	100.0%			15,538
12 Support Subtotal	0	0.0%	0	0.0%	541,055	76.9%	162,097	23.1%	703,151
13 Total Personnel	1,322,444	57.8%	0	0.0%	693,666	30.3%	272,264	11.9%	2,288,374
14									
15									
NON-PERSONNEL	Mission	Mission as % of Total	Student Aid	MS&F as % of Total	Mission Support & Facilities	MS&F as % of Total	Leadership & Oversight	L&O as % of Total	Total
17 Operating Expense									
18 Direct Mission Subcontract/Participant	113,464	100.0%							113,464
19 Supply/Service/Misc	284,130	64.2%			127,143	28.7%	31,190	7.0%	442,463
20 Equipment/Other Capital Assets	49,706	53.8%			36,106	39.1%	6,562	7.1%	92,373
21 Consulting/Prof Services	86,881	67.8%			41,266	32.2%			128,147
22 Repair & Maintenance Supply					44,840	100.0%			44,840
23 Utilities					102,903	100.0%			102,903
24 Rents/Leases					26,197	100.0%			26,197
25 Student Aid			347,498	100.0%					347,498
26 Operating Expense Subtotal	534,181	41.2%	347,498	26.8%	378,455	29.2%	37,751	2.9%	1,297,886
27 Debt/Capital Project Transfers **					130,526	100.0%			130,526
28 Total Non-Personnel	534,181	37.4%	347,498	24.3%	508,981	35.6%	37,751	2.6%	1,428,412
29									
30 TOTAL EXPENSE	1,856,625	50.0%	347,498	9.3%	1,202,648	32.4%	310,015	8.3%	3,716,786

\* Excludes expenditures for Enterprise Systems Upgrade Project (RRC: Enterprise Resource Planning), real estate acquisitions, non-current and agency funds, cross-unit charges

\*\* 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).

## EXHIBIT C

### CALCULATING THE COSTS OF ADMINISTRATION

In December 2021 the U of M administration released its Administrative Cost Benchmarking Report for fiscal year 2021. The Expense Summary in the Report (**Exhibit A**) is a list of expenses for three broad categories: (1) direct mission activities (instruction, research, and public service); (2) leadership & oversight; and (3) mission support & facilities. Here are the administrative expenses for leadership & oversight and for mission support:

#### Leadership & Oversight

personnel	\$272,264,000
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supplies & services	\$ 31,190,000
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equipment	\$ 6,562,000
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#### Mission Support

audit/finance/HR/IT/legal	\$205,147,000
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administrative clerical	\$ 19,733,000	(25% of total clerical)
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skilled generalists	\$ 34,664,000
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other support	\$ 206,772,000
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temporary/casual	\$ 15,538,000
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consulting/professional services	\$ 41,266,000
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supplies & services	\$ 127,143,000
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equipment	\$ 36,106,000
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<b>Total</b>	<b>\$ 996,385,000</b>
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See the Expense Summary (**Exhibit A**) and at p. 423 of the December 16, 2021 report of the Finance & Operations Committee of the Board of Regents at [https://regents.umn.edu/sites/regents.umn.edu/files/2022-01/docket-fin-dec2021\\_final.pdf](https://regents.umn.edu/sites/regents.umn.edu/files/2022-01/docket-fin-dec2021_final.pdf).

Note that this almost \$1 billion tally of the costs of administration **excludes** all the expenses for the direct mission activities of instruction, research, and public service as well as the expenses for student aid. It also **excludes** the expenses in the mission support & facilities category for student personnel, campus operations, the costs of facilities (repairs, utilities, etc.), leases, and debt service. The aim is to include only those expenses that should be classified as administrative expenses.

The administration actually includes **all** of the expenses in the mission support & facilities category in its definition of administrative costs. See Defining Administrative Costs (**Exhibit B**) published on the U of M web site in October 2018 at <https://web.archive.org/web/20181022233234/https://twin-cities.umn.edu/cutting-administrative-costs> and see Internal Audit of Expenditures (**Exhibit B1**) at p. 288 of the December 2021 Finance & Operations Committee report at [https://regents.umn.edu/sites/regents.umn.edu/files/2022-01/docket-fin-dec2021\\_final.pdf](https://regents.umn.edu/sites/regents.umn.edu/files/2022-01/docket-fin-dec2021_final.pdf)

The total expenses of the university for fiscal year 2021 were \$3.7 billion. See line 30(h) of the Expense Summary (**Exhibit A**). So the \$996 million costs of administration account for almost 27% of those total expenses.

The costs of administration would have exceeded \$1 billion (once again) but for the temporary reduction in salaries imposed during the fiscal year due to the pandemic.