

**University of Minnesota Extension**  
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**Financial Strengths and Challenges Ahead**

When talking to a financial advisor they will often go to great lengths to tell you why it is in your best interest to diversify your funds. While that is certainly prudent advice in the financial investment world, Extension's *mixed funding model* is currently Extension's greatest challenge in this period of financial unrest. Extension receives support funding as follows: State funding (O & M and State Special) accounts for 45%; County Funding makes up 22%; Federal Formula funds is currently at 15%; the Federal Food Stamp Nutrition program provides 12% funding and Grants, Gifts and Program Income is 6%. A mixed funding model is still a good idea, but not if **all the sources** of funding in the model are decreasing.

Why this is Extension's biggest challenge is best shown via what happened during the 2003/04 budget shortfalls. When the University of Minnesota received a State budget reduction in 2003, Extension's share of the financial burden at that time was determined to be roughly 2.3 million dollars – a large number for us, but in the end a relatively smaller percentage of our eventual total financial shortfall. The State of Minnesota dealt with the 2003/04 budget shortfall by not only lowering Higher Education funding, but also passed the pain on to Counties in large ways – reducing local Government Aid and numerous other county funding streams. Mandated programs actually increased for Counties while revenue was reduced. This resulted in Counties having to make very painful budget reductions – resulting in Extension receiving a 5 million dollar reduction in funding from our County partners. So, what appeared to be a 2.3 million dollar reduction from the University was in reality closer to a 7.3 million dollar problem for Extension.

We anticipate that 2010 will be more of the same in regard to the potential of Extension seeing reductions from multiple partners. Besides potential state reduction, via the University, we could easily once again see reductions in our county funding in even higher numbers.

Now, to make matters even more interesting, add into the mix our Federal partner – USDA. USDA is beginning to move away from Federal “formula” funding and toward more “competitive” funding. Even though we believe Minnesota is positioned well to be highly competitive for these Federal funds it is the apparent gap that may exist between the elimination of formula funds and the application for competitive funds that provides us the most additional financial worries. Case in point – the IPM (Integrated Pest Management) Federal funds in FY2008 was \$235,000. USDA decided to discontinue providing these funds via formula funding and announced that states would now have to compete for the funds. This means that during the competitive process Extension is maintaining our IPM program and staff without these federal formula funds and with the hope and un-guaranteed expectation that eventually we will be successful in receiving competitive funds. Should we not be successful we have past, current and future

financial challenges that must be dealt with while the program is revised, restructured or eliminated.

In summary, a mixed funding model is will continue to be important for Extension. However, as the University of Minnesota continues to rely on tuition as the largest source of funding, Extension funding will continue to be unstable. So, as we hope you understand, without tuition revenues to provide some stability for Extension, the virtual guarantee of additional revenue losses via our County partners, and Federal formula funds in decline, Extensions mixed funding model will continue to be without a doubt our greatest challenge.