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Minnesota State

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AT A GLANCE

- 250,000 students served annually in credit courses
- 30 separately accredited two-year colleges and 7 four-year universities located on 54 campuses
- Programs offered are technical, pre-baccalaureate, baccalaureate, graduate, and applied doctoral degrees
- Approximately 40,000 degrees, diplomas, and certificates awarded each year

PURPOSE

Minnesota State plays a critical role in ensuring the economic prosperity of Minnesota, its communities, and its citizens by offering high quality, affordable higher education opportunities that are aligned with employer needs throughout the state. Almost two-thirds of Minnesotans enrolled in undergraduate programs are attending Minnesota State colleges and universities to create a better future for themselves, for their families, and for their communities.

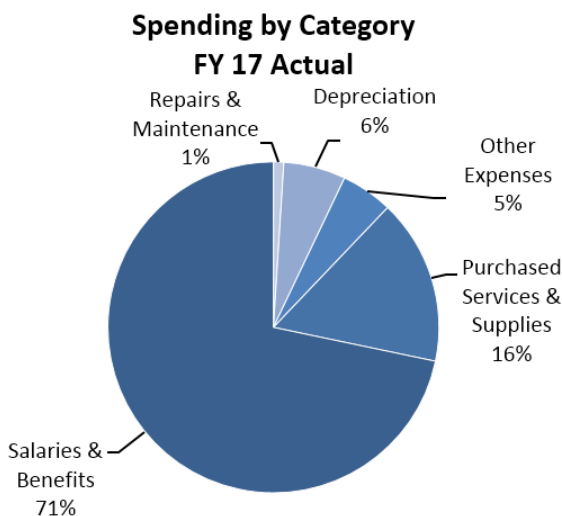
Consistent with our strategic framework, we strive to:

- Ensure access to an extraordinary education
- Be the partner of choice to meet Minnesota’s workforce and community needs
- Deliver the highest value and most affordable higher education option

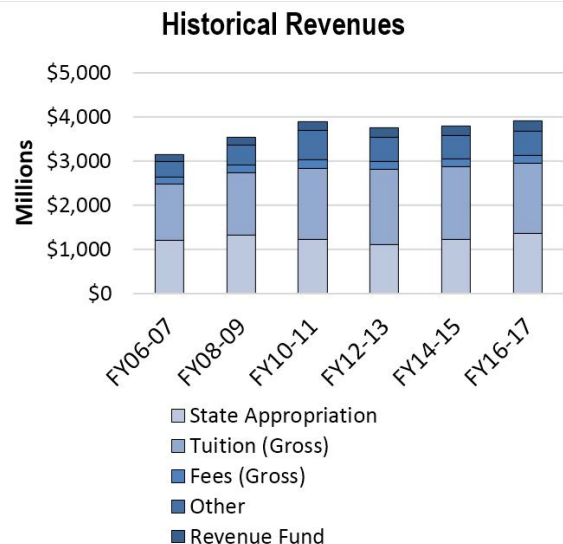
We are strong contributors to the following statewide outcomes:

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

BUDGET



Source: Minnesota State FY 2017 Audited Financial Statements



Source: Minnesota State Audited Financial Statements

- Our largest expenditure category is salary and benefits which account for over two-thirds of expenditures
- Our primary revenue sources are tuition and state appropriation

STRATEGIES

The world is rapidly changing--from advances in what we know, to new technologies and the ways we communicate, and the ease with which information is accessed and disseminated. Future employers will require our graduates to have different types of expertise and competencies to be successful, and they will need to be ready for jobs that have not yet emerged. Additionally, our colleges and universities are facing change in three specific areas:

1. How our students learn
2. Who our students are
3. What our campuses need to do to face new budget realities

To respond to these three changes, the collective work of Minnesota State is aligned in four areas related to the changes above:

- *Alignment with the changing needs of learners.* Ensure the success of our students, particularly those who learn differently from students in previous generations by:
 - Examining the interface of technology and its use by our students
 - Implementing changes in our classroom and modes of delivery to reflect the way today’s students access, process, aggregate, and connect information
 - Preparing for the next wave of change that will impact our work
- *Alignment with the new demographics of an increasingly diverse student body.* Increase our efforts around diversity, equity, and inclusion as we respond to a demographic shift and welcome an increasing number of students from populations traditionally underserved by higher education by:
 - Engaging and embedding ourselves in traditionally underrepresented communities
 - Expanding the landscape of learning beyond the classroom
 - Learning with and from diverse communities
 - Providing the student support services required to ensure student success
- *Alignment with current and emergent talent needs of employers.* Operationalize our Strategic Framework priority to ensure that Minnesota’s businesses and industries have the talented workforce they need by:
 - Partnering with employers on curriculum advisory councils, student scholarships, and internship opportunities
 - Reorganizing our incumbent worker training offerings to ensure employers can access what they need easily and efficiently, no matter where in the state the expertise they need is offered
- *Alignment with challenging budget realities on our campuses.* Ensure the programmatic and financial sustainability of our campuses by:
 - Reprioritizing and reallocating our resources
 - Alleviating budget pressures through technology and better alignment and more efficient delivery of our curriculum

RESULTS

Minnesota State has developed performance measures that monitor and assess performance over time. They measure graduate outcomes, student success, affordability, diversity, efficient use of resources, enrollment, and stewardship of financial and physical resources, and are used by leadership to determine if our strategies are working.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Result	Student Persistence and Completion	77.1	76.8	Fall 2014 in Fall 2015/ Fall 2016 in Fall 2017

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Result	Completion Rate (college/university)	50.9/52.0	53.6/53.7	Spring 2015 / Spring 2017
Result	Related Employment of Graduates	85.5	87.2	FY14 grads employed in FY15/FY16 grads in FY17
Quantity	System Share of Minnesota Resident Enrollment	65.5	65.0	Fall 2014 / Fall 2016
Quality	Percent Students of Color	24.4%	25.9%	FY 2015 / FY 2017

Definitions of the five measures are provided below.

Student Persistence and Completion, a higher education standard metric, is the percent of a fall entering cohort of full time degree and certificate seeking students that have been retained, graduated, or transferred by the second fall term following original fall enrollment. Current: Fall 2016 in Fall 2017 / Previous: Fall 2014 in Fall 2015.

Completion Rate, a higher education standard metric, is the percent of an entering cohort that has completed by 150 percent of normal time. Completion is measured as graduation by the sixth spring after entry at the universities and as graduation or transfer by the third spring after entry at the colleges. Because the measures are different for colleges and universities, the measurements are given separately for each institution type. Current: Measured in Spring 2017 / Previous: Spring 2015.

Related Employment of Graduates is the percent of system graduates in a fiscal year that reported they were employed or seeking employment during the year after graduation and reported a job that was related to their program or major. Current: FY 2016 graduates employed in FY 2017 / Previous: FY 2014 graduates employed in FY 2015.

System Share of Minnesota Resident Undergraduate Enrollment is the percentage of Minnesota residents enrolled as undergraduate students at a Minnesota higher education institution that are attending a Minnesota State college or university. Current: Fall 2016 / Previous: Fall 2014.

Percent Students of Color is the percent of system credit students in a fiscal year that reported being African American, American Indian, Asian, Hispanic, Pacific Islander, or two or more races. Current: FY 2017 / Previous: FY 2015.

[Minnesota Statutes Chapter 136F](#) provides the legal authority for Minnesota State.

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
2050 - Environment & Natural Resources	212	378	587	1,005				
4000 - MN State Colleges/Universities	1,506,572	1,525,108	1,537,265	1,587,744	1,610,746	1,636,825	1,633,516	1,678,853
4002 - MNSCU Special Revenue	12,349	12,077	13,841	16,200	14,400	13,400	14,400	13,400
4003 - MNSCU Federal	63,983	60,712	54,706	54,775	54,800	54,800	54,800	54,800
4004 - MNSCU Gift	416	223	79	225	200	200	200	200
4005 - MNSCU Enterprise Activities	10,100	10,361	10,529	10,503	10,533	10,562	10,533	10,562
4030 - MNSCU Agency	33,647	33,908	34,576	34,750	34,750	34,750	34,750	34,750
7350 - Sub Supplemental & Ira Retire	308	286	294	325	325	325	325	325
Total	1,627,587	1,643,054	1,651,877	1,705,527	1,725,754	1,750,862	1,748,524	1,792,890
Biennial Change				86,763		119,212		184,010
Biennial % Change				3		4		5
Governor's Change from Base								64,798
Governor's % Change from Base								2

Expenditures by Program

MNSCU	1,627,587	1,643,054	1,651,877	1,705,527	1,725,754	1,750,862	1,748,524	1,792,890
Total	1,627,587	1,643,054	1,651,877	1,705,527	1,725,754	1,750,862	1,748,524	1,792,890

Expenditures by Category

Compensation	1,260,436	1,282,052	1,288,694	1,325,869	1,346,647	1,368,573	1,360,725	1,397,095
Operating Expenses	355,277	349,705	351,552	366,492	366,289	369,472	374,981	382,978
Grants, Aids and Subsidies	11,873	11,297	11,529	12,825	12,818	12,817	12,818	12,817
Capital Outlay-Real Property			101	341				
Total	1,627,587	1,643,054	1,651,877	1,705,527	1,725,754	1,750,862	1,748,524	1,792,890

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Direct Appropriation	672,925	673,516	731,019	721,919	721,419	721,419	744,189	763,447
Transfers Out	672,925	673,516	731,019	721,919	721,419	721,419	744,189	763,447

2050 - Environment & Natural Resources

Balance Forward In		680	795	680				
Direct Appropriation	891	493	500	325	0	0	0	0
Cancellations			27					
Balance Forward Out	679	795	681					
Expenditures	212	378	587	1,005				
Biennial Change in Expenditures				1,002		(1,592)		(1,592)
Biennial % Change in Expenditures				170		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

4000 - MN State Colleges/Universities

Balance Forward In	514,402	559,108	575,441	636,831	632,193	603,734	632,193	603,734
Receipts	909,830	898,202	899,133	893,000	893,000	893,000	893,000	893,000
Transfers In	673,038	674,129	731,132	722,032	721,532	721,532	744,302	763,560
Transfers Out	31,590	30,890	31,610	31,926	32,245	32,568	32,245	32,568
Balance Forward Out	559,108	575,441	636,831	632,193	603,734	548,873	603,734	548,873
Expenditures	1,506,572	1,525,108	1,537,265	1,587,744	1,610,746	1,636,825	1,633,516	1,678,853
Biennial Change in Expenditures				93,329		122,562		187,360
Biennial % Change in Expenditures				3		4		6
Governor's Change from Base								64,798
Governor's % Change from Base								2

4002 - MNSCU Special Revenue

Balance Forward In	8,437	7,292	8,465	11,170	7,670	5,970	7,670	5,970
Receipts	11,204	13,250	16,546	12,700	12,700	12,700	12,700	12,700
Balance Forward Out	7,292	8,465	11,170	7,670	5,970	5,270	5,970	5,270
Expenditures	12,349	12,077	13,841	16,200	14,400	13,400	14,400	13,400
Biennial Change in Expenditures				5,615		(2,241)		(2,241)
Biennial % Change in Expenditures				23		(7)		(7)

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
Governor's Change from Base								0
Governor's % Change from Base								0

4003 - MNSCU Federal

Balance Forward In	1,540	1,945	1,548	1,403	1,128	828	1,128	828
Receipts	64,388	60,315	54,561	54,500	54,500	54,500	54,500	54,500
Balance Forward Out	1,945	1,548	1,403	1,128	828	528	828	528
Expenditures	63,983	60,712	54,706	54,775	54,800	54,800	54,800	54,800
Biennial Change in Expenditures				(15,214)		119		119
Biennial % Change in Expenditures				(12)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

4004 - MNSCU Gift

Balance Forward In	735	732	664	738	663	613	663	613
Receipts	413	155	153	150	150	150	150	150
Balance Forward Out	732	664	738	663	613	563	613	563
Expenditures	416	223	79	225	200	200	200	200
Biennial Change in Expenditures				(335)		96		96
Biennial % Change in Expenditures				(52)		32		32
Governor's Change from Base								0
Governor's % Change from Base								0

4005 - MNSCU Enterprise Activities

Balance Forward In	4,901	5,388	5,345	5,128	4,827	4,496	4,827	4,496
Receipts	10,587	10,318	10,312	10,202	10,202	10,202	10,202	10,202
Balance Forward Out	5,388	5,345	5,128	4,827	4,496	4,136	4,496	4,136
Expenditures	10,100	10,361	10,529	10,503	10,533	10,562	10,533	10,562
Biennial Change in Expenditures				571		63		63
Biennial % Change in Expenditures				3		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
4006 - MNSCU Endowment								
Balance Forward In	101	102	103	105	107	109	107	109
Receipts	1	1	2	2	2	2	2	2
Balance Forward Out	102	103	105	107	109	111	109	111

4030 - MNSCU Agency

Balance Forward In	1,587	1,294	1,165	1,105	855	605	855	605
Receipts	33,354	33,779	34,516	34,500	34,500	34,500	34,500	34,500
Balance Forward Out	1,294	1,165	1,105	855	605	355	605	355
Expenditures	33,647	33,908	34,576	34,750	34,750	34,750	34,750	34,750
Biennial Change in Expenditures				1,771		174		174
Biennial % Change in Expenditures				3		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

7350 - Sub Supplemental & Ira Retire

Balance Forward In	191	154	223	298	273	248	273	248
Receipts	272	355	369	300	300	300	300	300
Balance Forward Out	155	223	298	273	248	223	248	223
Expenditures	308	286	294	325	325	325	325	325
Biennial Change in Expenditures				25		31		31
Biennial % Change in Expenditures				4		5		5
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Direct				
Fund: 1000 - General				
FY2019 Appropriations	721,919	721,919	721,919	1,443,838
Base Adjustments				
All Other One-Time Appropriations		(500)	(500)	(1,000)
Forecast Base	721,919	721,419	721,419	1,442,838
Change Items				
Campus Investments		22,770	42,028	64,798
Total Governor's Recommendations	721,919	744,189	763,447	1,507,636
Fund: 2050 - Environment & Natural Resources				
FY2019 Appropriations	325	325	325	650
Base Adjustments				
All Other One-Time Appropriations		(325)	(325)	(650)
Forecast Base	325	0	0	0
Total Governor's Recommendations	325	0	0	0
Dedicated				
Fund: 4000 - MN State Colleges/Universities				
Planned Spending	1,550,355	1,573,357	1,599,436	3,172,793
Forecast Base	1,550,355	1,573,357	1,599,436	3,172,793
Change Items				
Campus Investments		22,770	42,028	64,798
Total Governor's Recommendations	1,550,355	1,596,127	1,641,464	3,237,591
Fund: 4002 - MNSCU Special Revenue				
Planned Spending	16,200	14,400	13,400	27,800
Forecast Base	16,200	14,400	13,400	27,800
Total Governor's Recommendations	16,200	14,400	13,400	27,800
Fund: 4003 - MNSCU Federal				
Planned Spending	54,775	54,800	54,800	109,600
Forecast Base	54,775	54,800	54,800	109,600
Total Governor's Recommendations	54,775	54,800	54,800	109,600
Fund: 4004 - MNSCU Gift				
Planned Spending	225	200	200	400
Forecast Base	225	200	200	400
Total Governor's Recommendations	225	200	200	400

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Fund: 4005 - MNSCU Enterprise Activities				
Planned Spending	10,503	10,533	10,562	21,095
Forecast Base	10,503	10,533	10,562	21,095
Total Governor's Recommendations	10,503	10,533	10,562	21,095
Fund: 4030 - MNSCU Agency				
Planned Spending	34,750	34,750	34,750	69,500
Forecast Base	34,750	34,750	34,750	69,500
Total Governor's Recommendations	34,750	34,750	34,750	69,500
Fund: 7350 - Sub Supplemental & Ira Retire				
Planned Spending	325	325	325	650
Forecast Base	325	325	325	650
Total Governor's Recommendations	325	325	325	650
Revenue Change Summary				
Dedicated				
Fund: 4000 - MN State Colleges/Universities				
Forecast Revenues	893,000	893,000	893,000	1,786,000
Total Governor's Recommendations	893,000	893,000	893,000	1,786,000
Fund: 4002 - MNSCU Special Revenue				
Forecast Revenues	12,700	12,700	12,700	25,400
Total Governor's Recommendations	12,700	12,700	12,700	25,400
Fund: 4003 - MNSCU Federal				
Forecast Revenues	54,500	54,500	54,500	109,000
Total Governor's Recommendations	54,500	54,500	54,500	109,000
Fund: 4004 - MNSCU Gift				
Forecast Revenues	150	150	150	300
Total Governor's Recommendations	150	150	150	300
Fund: 4005 - MNSCU Enterprise Activities				
Forecast Revenues	10,202	10,202	10,202	20,404
Total Governor's Recommendations	10,202	10,202	10,202	20,404
Fund: 4006 - MNSCU Endowment				

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Forecast Revenues	2	2	2	4
Total Governor's Recommendations	2	2	2	4
Fund: 4030 - MNSCU Agency				
Forecast Revenues	34,500	34,500	34,500	69,000
Total Governor's Recommendations	34,500	34,500	34,500	69,000
Fund: 7350 - Sub Supplemental & Ira Retire				
Forecast Revenues	300	300	300	600
Total Governor's Recommendations	300	300	300	600

Change Item Title: Campus Investments

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	22,770	42,028	42,028	42,028
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	22,770	42,028	42,028	42,028
FTEs	0	0	0	0

Recommendation:

The Governor recommends an increase of \$64.798 million in FY2020-2021 and \$84.056 million in FY2022-23 for operating increases at Minnesota State. Included in that total, the Governor recommends \$8.0 million over the biennium to fund system-wide technology updates. The Campus Investments proposal provides campuses with the operating funds needed to continue offering higher education programs throughout the state and supports the replacement of an outdated, 20 year-old enterprise data system.

Rationale/Background:

The colleges and universities of Minnesota State provide the highest value, most affordable higher education options in the state. This proposal is intended to provide the necessary operating support colleges and universities need to continue providing all Minnesotans with access to affordable, high quality higher education.

With 30 colleges and 7 universities located in 47 communities across Minnesota, Minnesota State serves the entire state. Minnesota State believes that the opportunity to go to college should be available to everyone. Minnesota State provides higher education to the most Minnesotans (376,000 students) at the lowest cost possible – roughly half the average cost of other large public universities and roughly one-fifth the cost of private colleges and universities in the state. Minnesota State is a key part of the state’s higher educational infrastructure, providing Minnesotans throughout the state with the education and skills needed to achieve their goals. Minnesota State has a college option for all, from certificates to doctorates.

Minnesota State colleges and universities play a central role in addressing Minnesota’s two most difficult challenges: developing the talent businesses need to drive the state’s continued economic prosperity, and eliminating the racial and economic disparities that keep too many Minnesotans from having the opportunity to become that talent.

Minnesota State serves more racially and economically diverse students than all other higher education providers in the state combined. These students are the future workforce, and so their success is critical to Minnesota’s success. (See Equity and Inclusion section)

Minnesota State plays a lead role in preparing and maintaining the quality of our workforce – the workforce that allows our communities as well as our state’s economy to thrive. Minnesota State works with business and industry to develop programs that provide students with the necessary skills to be employable in the workforce.

Minnesota State colleges and universities rely on two primary sources of revenue: tuition and state appropriation. The state's support is fundamental to the financial health of their campuses and the success of their students. To keep tuition affordable for students and their families and to reduce student debt, Minnesota State is asking the state to cover inflationary costs and other high priority initiatives.

ISRS is *the* data system for colleges and universities and their students, faculty, and staff. It plays a critical role in the success of their students, from applicant to graduate and nearly every process in between. It is the system's finance, accounting and human resource software as well as student system. It touches everyone and has a role in nearly every activity including application, registration, course scheduling, housing, financial aid, transcripts and more.

ISRS is an internally developed assembly of multiple modules that is now reaching its technological end of life. It is 20 years old and cannot meet the needs of 21st century students, colleges, and universities. Replacement is the only option; Minnesota State does not have the staff or resources that would be required to make the upgrades necessary to meet current demands. This is a *must-do* and not a nice-to-do technology infrastructure investment.

Replacement of ISRS is a once-in-a-generation event that will take several years to complete, beginning in fiscal year 2018. An extensive consultation and planning process is underway and will continue throughout the ISRS Next Generation project. Two cycles of campus listening sessions have already been held. There is strong support from students, faculty and staff that an examination of options regarding ISRS is long overdue.

Proposal:

This proposal would fund inflationary cost increases to Minnesota State's appropriation at 2.6% each year of the biennium. This percent increase is the five-year average of the Higher Education Price Index (HEPI).

Increased state support will allow Minnesota State to continue providing high quality educational programs at the lowest possible cost to students – an affordable option for the students who need it most. Minnesota State appreciates that state support per full-year equivalent students has begun to improve in constant dollars, but it remains 23 percent below 2002 levels in inflation-adjusted dollars.

ISRS Next Generation is a new initiative that will impact everyone and nearly every activity in the organization. It will take several years to complete at a cost of approximately \$150 million. Ongoing costs of the new system are estimated at \$10 million per year. Minnesota State is proposing the state fully fund this critical need. Without the upgrade, the current system is at risk of failing which would affect every student, faculty and staff who rely on its various services and functions.

Minnesota State's proposal was developed in consultation with key constituency groups. All statewide bargaining units, both student associations, and Minnesota State's Leadership Council provided initial input. Some key themes that emerged from those conversations were strong support for ensuring affordability, meeting the state's need for talent, helping address Minnesota's economic and racial disparities, and funding campus investment requirements to protect students, programs, and campuses.

Equity and Inclusion:

Education is the most effective strategy known to lift people out of poverty and eliminate economic and racial disparities. An education that prepares graduates for high-demand jobs without saddling them with enormous student debt will have a bigger impact than anything else the state can do to reduce disparities. That is why this proposal is critical.

The campus investment proposal will provide core funding to sustain the educational programs and services the campuses offer, including key services that help all students succeed regardless of their backgrounds --services such as tutoring, targeted advising, bridge programs, support groups, and individualized instruction.

Minnesota State serves more racially and economically diverse students than all other higher education providers in Minnesota combined. By keeping tuition affordable, protecting the quality of programs and services and investing in core technology infrastructure, this will directly benefit Minnesota State’s diverse student population, which includes:

- 65,800 students of color (27% of students)
- 43,800 first generation college students (18% of students)
- 75,800 low-income (Pell eligible) students (31% of students)
- 9,700 veterans and service members (4% of students)

Half of Minnesota State’s students are included in one or more of these underrepresented groups.

Minnesota State’s students, faculty and staff will all be impacted by the ISRS Next Generation project. While the project will not directly reduce or eliminate disparities, it will support Minnesota State’s mission to provide quality, affordable higher education options throughout the state—and increasing the educational attainment and skill level of their diverse student body will help reduce racial and economic disparities. In addition, improved reporting and data analytics will increase their ability to measure and support equity and inclusion efforts in the areas of student success, employee hiring, and procurement.

In addition, the current ISRS system does not work on hand held devices; the new system will. First generation students, students of color, and those coming from families of modest financial means have much less access to desktop and laptop computing devices needed to interact with current student systems. Minnesota State want to eliminate this disparity.

IT Related Proposals:

The ISRS Next Gen portion of this proposal is estimated to require eight years of effort. The detailed eight year budget is shown below. Dollars shown in thousands (\$000s).

Category	FY18/ FY19	FY20	FY21	FY22	FY23	FY24/ FY25	Total
FTE (cost based on rate) (Doesn't include ITS existing staff)	\$325	\$885	\$2,525	\$4,525	\$5,275	\$9,275	\$22,810
Professional/ Technical	\$3,170	\$6,200	\$11,900	\$18,900	\$16,600	\$11,250	\$68,020
Enterprise Services							\$0
Local Services							\$0
New (Software or Hardware)	\$2,047	\$8,754	\$9,854	\$9,854	\$9,854	\$9,637	\$50,000
Training	\$387	\$883	\$1,900	\$1,900	\$1,900	\$2,200	\$9,170
Miscellaneous							\$0
Total	\$5,929	\$16,722	\$26,179	\$35,179	\$33,629	\$32,362	\$150,000

Results:

The success of the campus investment proposal will be measured by ability to maintain quality programming, keep tuition affordable, attract and retain quality faculty, and support the financial health of colleges and universities. The success of the ISRS Next Generation project will be measured by the timely completion of the project within budget and with the increased functionality outlined in this proposal.

Statutory Change(s):

No statutory changes will be required as part of this change item.