

STATE OF MINNESOTA 2002-03 BIENNIAL BUDGET

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HIGHER EDUCATION

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HIGHER EDUCATION SVCS OFFICE - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission:

Through our advocacy and actions, we work to

- Achieve student financial access to post-secondary education;
- Enable students to choose among post-secondary educational options;
- Protect and inform educational consumers;
- Produce independent, statewide information on post-secondary education; and
- Facilitate interaction among and collaborate with organizations that share responsibility for education in Minnesota.

Vision:

Our services enable Minnesota to provide access for people who seek post-secondary education to achieve personal goals and contribute to the educational, cultural, civic and economic advancement of the state and nation.

The Services Office mission and vision relate directly to several key items in the Governor's Big Plan. The attainment of post-secondary education contributes fundamentally to self-sufficiency and the capacity to further pursue lifelong learning for work and life. Accessing education beyond high school--in all of its many forms--links strongly to the goal of making Minnesota a "world competitor" by developing the workforce of tomorrow. Reducing financial barriers to college attendance while retaining personal responsibility for investing in education underscores the goal of self-sufficiency.

Further, as a part of its mission, the Services Office is committed to collaborating with others who share responsibility for education in Minnesota in providing better, broader, and more accessible services to our citizens than would otherwise be possible. For example, the Services Office is working collaboratively with the Department of Administration, the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), the Private College Council and others to further develop the Learning Network of Minnesota into a technologically diversified system that contributes to "...an information highway that leaves no community excluded". Moreover, the agency's ongoing commitment to electronically provided services via the Internet serves to propel forward the Governor's "electronic government services" initiative.

KEY SERVICE STRATEGIES:

To address its mission and vision, the Higher Education Services Office provides:

- administration of state financial aid programs for students;

- approval, registration, and licensing of private colleges and career schools;
- administration of the Minnesota Education Telecommunications Council, the Learning Network of Minnesota, and the statewide Library Planning Task Force;
- negotiation and administration of interstate tuition reciprocity agreements;
- publication and distribution of information, on planning for post-secondary education and financial aid to students and parents;
- collection and maintenance of student enrollment and financial aid data; and
- administration of federal programs that affect students and institutions on a statewide basis.

The Service Office pursues innovations in services and delivery strategies, including expansion of services through the agency web site. Services available through the web site include information for students and parents; enrollment data which can be customized by the customer; information concerning private post-secondary institutions licensed or registered by the Services Office; on-line tuition reciprocity applications; and a financial aid estimator.

OPERATING ENVIRONMENT:

Several factors affect the operating environment of the Services Office:

- the price of post-secondary education that students and parents must pay, both in Minnesota and in states with which Minnesota has tuition reciprocity agreements;
- the ability of students to meet their share of the cost of attending a Minnesota post-secondary institution (as required under Minnesota's Design for Shared Responsibility) given the increasing costs of attendance;
- the creation of federal tax credits and state savings programs, which can help families meet the cost of college, and create the need for further information about college costs and financial planning for Minnesotans;
- growth among populations historically under-represented in post-secondary education which will increase the need for strategically timed information and interventions to help low income students achieve access to and success in post-secondary education; and
- changes in technology enabling further electronic access to post-secondary education and library resources.

HIGHER EDUCATION SVCS OFFICE - EXECUTIVE SUMMARY (Continued)

ORGANIZATION/PROGRAM STRUCTURE:

Agency Director and Executive Management Structure

__Agency Director Office	1.2
__Financial Services	9.9
__Human Resources and Agency Services	3.4
__Information and Technology Services	6.0
__Research and Program Services	13.4
__Student Financial Aid Services	16.8
__Communications, Legislation & Outreach Services	36.0
(Community Outreach = 32.7 FTE of the total 36.0)	

9/30/2000 TOTAL FTE's = 86.7

Agency: HIGHER EDUCATION SVCS OFFICES

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Program:</u>									
STUDENT FINANCIAL AID SERVICES	130,700	132,915	157,665	151,184	161,687	149,831	151,301	174,064	158,908
STATE STUDENT LOAN SERVICES	73,187	92,689	109,069	114,053	114,053	114,053	119,053	119,053	119,053
RESEARCH & PROGRAM SERVICES	1,524	1,678	1,758	1,649	1,909	1,649	1,665	1,925	1,665
LIBRARY & TECHNOLOGY SERVICES	12,489	15,412	23,152	13,816	17,116	15,616	13,816	17,041	15,541
AGENCY/LOAN ADMINISTRATION	2,185	1,980	12,915	12,896	13,060	12,896	12,956	13,073	12,956
Total Expenditures	220,085	244,674	304,559	293,598	307,825	294,045	298,791	325,156	308,123
<u>Financing by Fund:</u>									
Carry Forward:									
GENERAL	3	7	50	50	50	50	50	50	50
Direct Appropriations:									
GENERAL	141,244	144,815	176,463	160,602	174,829	161,049	160,670	187,035	170,002
Statutory Appropriations:									
GENERAL	0	0	318	250	250	250	250	250	250
SPECIAL REVENUE	130	228	161	162	162	162	162	162	162
FEDERAL	1,522	2,402	3,242	3,206	3,206	3,206	3,306	3,306	3,306
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669
HIGHER EDUCATION SVCS OFFICE	74,129	93,570	120,656	125,659	125,659	125,659	130,684	130,684	130,684
Total Financing	220,085	244,674	304,559	293,598	307,825	294,045	298,791	325,156	308,123
<u>FTE by Employment Type:</u>									
FULL TIME	63.6	83.4	86.7	85.7	88.7	85.7	86.7	89.7	86.7
Total Full-Time Equivalent	63.6	83.4	86.7	85.7	88.7	85.7	86.7	89.7	86.7

HIGHER EDUCATION SVCS OFFICES - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$160,527	\$160,527	\$321,054
<u>BASE ADJUSTMENT</u>			
Doc. Space Rental/Lease	17	26	43
2002-03 Salaries & Benefits	58	117	175
<u>BASE LEVEL (for 2002 and 2003)</u>	\$160,602	\$160,670	\$321,272
<u>CHANGE ITEMS</u>			
State Grants- Individual Tuition & Fees	450	5,140	5,590
State Grants- Length of Eligibility	5,090	5,560	10,650
State Grants- LME Adjustment & Reallocation	(4,880)	(1,120)	(6,000)
State Grants- Tuition & Fee Changes	3,230	6,540	9,770
State Grants- Summer Academic Enrichment	50	50	100
State Grants- Program Rewrite	164	117	281
Child Care	2,150	2,150	4,300
Work Study	3,000	3,000	6,000
Learning Network of Minnesota	1,500	1,500	3,000
Post Secondary Service Learning	260	260	520
Student Parent Information	55	60	115
Interstate Tuition Reciprocity	750	750	1,500
Intervention Investment Grants	500	500	1,000
Get Ready- Greater Minnesota	100	125	225
Minitex	1,800	1,725	3,525
Midwestern Higher Education Commission	8	8	16
AGENCY REQUEST	174,829	187,035	361,864
<u>GOVERNOR'S RECOMMENDATION</u>			
State Grants- Individual Tuition and Fees	450	5,140	5,590
State Grants- LME Adjustment & Reallocation	(11,900)	(8,100)	(20,000)
State Grants- Individual Tuition and Fees	5,090	5,560	10,650
State Grants- Financial Aid for Ind. Students	7,000	7,000	14,000
Interstate Tuition Reciprocity	750	750	1,500
Intervention Investment Grants	2,000	2,000	4,000
Minitex	1,800	1,725	3,525
Child Care Consolidation	(4,743)	(4,743)	(9,486)
TOTAL	\$161,049	\$170,002	\$331,051

BRIEF EXPLANATION OF BUDGET DECISIONS:

The Budget Recommendations of the Minnesota Higher Education Services Office (HESO) and the Services Council were developed following careful review of the Governor's *Big Plan* priorities and an extensive process of public hearings and focus groups around the State.

The public hearings and focus groups enabled students, parents, financial aid administrators, and members of the public to present their views on the programs administered by the Office and to offer advice and recommendations. The public hearings were held in Duluth, Mankato, Moorhead, Rochester, St. Cloud, and St. Paul and the focus groups in Duluth, Moorhead, and Pipestone.

Further, HESO management utilized the agency mission to ensure that budget proposals were mission aligned. Agency staff questioned whether programs established ten or more years ago were meeting contemporary needs of Minnesotans. Non-mission-relevant proposals were discarded and program innovations were introduced wherever evaluative information or research showed that contemporary service needs were not being met as fully as possible.

Finally, HESO examined ways in which federal dollars received within the State could be leveraged to fund innovations in successful services and to minimize new spending. One primary example of this is the use of state revenues freed by federal increases in the maximum Pell Grant award to fund significant innovation in the length of student eligibility for Minnesota State Grants.

Collectively, these resources, processes and actions guided HESO and the Services Council in making budget decisions.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends an increase of \$447,000 in FY 2002 and \$9,332 million in FY 2003 for the Higher Education Services Office (HESO). This appropriation increases State Grant awards for independent students, extends the period which a student is eligible to receive a State Grant, and includes individual tuition and fees in the grant calculation. It also provides funding to continue the Interstate Tuition Reciprocity program, increases funding for Intervention Investment Grants, and increases support for MINITEX library services.

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HIGHER EDUCATION SVCS OFFICES - REVENUE SUMMARY

REVENUE SOURCES:

The Higher Education Services Office (HESO) generates non-dedicated revenue, dedicated revenue and federal revenue. The non-dedicated revenue is primarily generated through refunds of prior year financial aid payments. In addition, the office receives payments on several miscellaneous loan programs. All non-dedicated revenue is deposited to the State General Fund.

FEE STRUCTURE:

The office has two programs that are funded primarily through specific licensing fees: the Private Institution Registration Program and the Private Career School Licensure Program. In FY 2000, the revenue for these programs totaled \$107,000.

RECENT CHANGES:

The office obtained a \$8.5 million grant from the U.S. Department of Education for early awareness outreach. The grant is for five years subject to annual funding. It began in FY 2000 and ends in FY 2004. In FY 2001 the office also received an AmeriCorps grant of \$446,000 through the Department of Children, Families and Learning.

FORECAST BASIS:

Federal funding is expected to remain consistent with current projections over the next biennium. Fee revenue is expected to remain consistent with projected expenditures for areas dependent on fee revenue. At this time, no fee structure changes are proposed.

CHANGE ITEMS:

None of the change items submitted by the office relates to fee structure changes.

Agency: HIGHER EDUCATION SVCS OFFICES

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Non-Dedicated Revenue:									
Other Revenues:									
GENERAL	182	551	60	380	380	60	60	(171)	(28.0%)
Other Sources:									
GENERAL	71	34	30	30	30	30	30	(4)	(6.3%)
Taxes:									
GENERAL	1	0	0	0	0	0	0	0	
Total Non-Dedicated Receipts	254	585	90	410	410	90	90	(175)	(25.9%)
Dedicated Receipts:									
Departmental Earnings:									
SPECIAL REVENUE	105	106	111	112	112	112	112	7	3.2%
Grants:									
FEDERAL	1,461	2,350	3,186	3,150	3,150	3,250	3,250	864	15.6%
Other Revenues:									
GENERAL	0	318	0	250	250	250	250	182	57.2%
SPECIAL REVENUE	117	78	55	50	50	50	50	(33)	(24.8%)
FEDERAL	17	20	20	20	20	20	20	0	0.0%
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	17	0.2%
HIGHER EDUCATION SVCS OFFICE	64,566	88,635	117,359	122,353	122,353	127,373	127,373	43,732	21.2%
Other Sources:									
FEDERAL	47	29	36	36	36	36	36	7	10.8%
HIGHER EDUCATION SVCS OFFICE	8,635	3,623	2,515	3,306	3,306	3,311	3,311	479	7.8%
Total Dedicated Receipts	78,005	98,811	126,951	132,946	132,946	138,071	138,071	45,255	20.0%
Agency Total Revenues	78,259	99,396	127,041	133,356	133,356	138,161	138,161	45,080	19.9%

PROGRAM SUMMARY

Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

PROGRAM PROFILE:

Minnesota's financial aid policy, the Design for Shared Responsibility, enables people to enhance their self-sufficiency by facilitating financial access for residents, regardless of their economic status, to attend the institution that can best meet their educational needs.

The Design for Shared Responsibility assigns responsibilities for paying for post-secondary education to students, families, and taxpayers. Students, as primary beneficiaries, are assigned a significant payment responsibility. The remainder of the price is assigned to families and taxpayers. Assignments to families are based on their ability to pay.

Minnesota State Grants, working in combination with Federal Pell Grants, provide coverage of the Assigned Taxpayer Responsibilities, as necessary. Minnesota Work Study jobs assist students in earning money to help meet their assigned payment responsibilities. Minnesota Student Educational Loan Fund (SELF) loans, along with other federal and private loans, enable students and their families defer part of their payment responsibilities until after the student completes his or her academic career. The Post-secondary Child Care Grant Program and the Safety Officers' Survivor Grant Program assist students, who have specific needs or circumstances, cover expenses associated with pursuing post-secondary educations.

Interstate Tuition Reciprocity agreements enhance student access by eliminating non-resident admission barriers and expanding student choice by reducing non-resident tuition prices. The Minnesota College Savings Plan will enable families to save for their children's post-secondary expenses with tax deferred accounts. The Parent and Student Information Program helps students and families plan for and make informed decisions about post-secondary education participation.

STRATEGIES AND PERFORMANCE:

For the 2002-03 biennium, the objectives for student financial aid are to:

- Enable residents of Minnesota to enroll in a post-secondary institution.
- Support the ability of students to choose the post-secondary institution that best meets their educational needs, regardless of their financial circumstances.
- Help pay for child care if students need such assistance to attend post-secondary institutions.
- Expand work opportunities so that students can earn income to help pay for post-secondary education.

- Encourage post-secondary participation by providing information about college and how to pay for college, especially to low income and families of color.

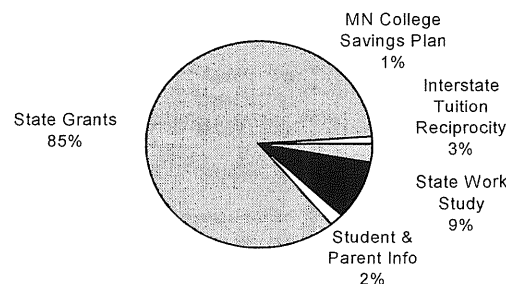
BUDGET ISSUES:

To compete in today's global economy, most Minnesotans will enroll in some form of post-secondary education. As education has become more and more essential, Minnesota has enacted significant programs of financial aid and other assistance so that barriers to post-secondary education can be overcome. The activities under this program are part of the state's strategy to keep education affordable and accessible for all Minnesota families.

The important budget issues facing student financial aid services are to reach decisions that will:

- reflect accurate and increasing prices for post-secondary education so that students do not fall behind in their ability to pay educational expenses;
- maintain eligibility requirements for student aid that are consistent with enrollment patterns of today's students; expect a rigorous but reasonable investment by students in their own educations and provide flexible opportunities to meet this expectation through work and borrowing;
- meet obligations under interstate tuition reciprocity agreements that reduce the price of educational options available to Minnesota residents; and
- respond to changes in Minnesota's increasingly diverse population by providing information and other support mechanisms for low income students and families to increase their awareness of post-secondary educational opportunities, and the steps they must take to prepare academically and financially to access such opportunities.

**Student Financial Aid Services
2000-01 Expenditures by Activity
Total \$290.6 Million**



Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
STATE GRANTS	113,903	114,366	133,286	129,162	135,252	125,059	129,162	147,482	134,019
MN COLLEGE SAVINGS PLAN	8	15	3,025	1,520	1,520	1,520	1,520	1,520	1,520
INTERSTATE TUITION RECIPROCITY	4,111	4,195	4,805	4,500	5,250	5,250	4,500	5,250	5,250
STATE WORK STUDY	11,398	11,955	12,933	12,444	15,444	12,444	12,444	15,444	12,444
STUDENT & PARENT INFORMATION	646	1,749	2,845	2,829	3,484	4,829	2,934	3,619	4,934
STUDENT FINANCIAL AID SERVICES	634	635	771	729	737	729	741	749	741
Total Expenditures	130,700	132,915	157,665	151,184	161,687	149,831	151,301	174,064	158,908
Change Items:	Fund								
(B) STATE GRANTS- LENGTH OF ELIGIBILITY	GEN				5,090	5,090		5,560	5,560
(B) STATE GRANT- LME ADJ & REALLOCATION	GEN				(4,880)	(11,900)		(1,120)	(8,100)
(B) STATE GRANTS-INDIVIDUAL TUITION & FEES	GEN				450	450		5,140	5,140
(B) STATE GRANTS- TUITION & FEE CHANGES	GEN				3,230			6,540	
(B) STATE GRANTS- SUMMER ACADEMIC ENRICH	GEN				50			50	
(B) FINANCIAL AID-INDEPENDENT STUDENTS	GEN					7,000			7,000
(B) CHILD CARE	GEN				2,150			2,150	
(B) CHILD CARE CONSOLIDATION	GEN					(4,743)			(4,743)
(B) INTERSTATE TUITION RECIPROCITY	GEN				750	750		750	750
(B) STATE WORK STUDY	GEN				3,000			3,000	
(B) GET READY - GREATER MINNESOTA	GEN				100			125	
(B) INTERVENTION INVESTMENT GRANTS	GEN				500	2,000		500	2,000
(B) STUDENT PARENT INFORMATION	GEN				55			60	
(B) MIDWESTERN HIGHER EDUCATION COMM	GEN				8			8	
Total Change Items					10,503	(1,353)		22,763	7,607
Financing by Fund:									
Carry Forward:									
GENERAL	3	7	50	50	50	50	50	50	50
Direct Appropriations:									
GENERAL	129,926	131,414	154,853	148,441	158,944	147,088	148,458	171,221	156,065
Statutory Appropriations:									
GENERAL	0	0	318	250	250	250	250	250	250
SPECIAL REVENUE	12	3	0	0	0	0	0	0	0
FEDERAL	759	1,491	2,444	2,443	2,443	2,443	2,543	2,543	2,543
Total Financing	130,700	132,915	157,665	151,184	161,687	149,831	151,301	174,064	158,908

Program: STUDENT FINANCIAL AID SERVICES
 Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>FTE by Employment Type:</u>									
FULL TIME	18.2	37.8	40.7	41.7	43.7	41.7	42.7	44.7	42.7
Total Full-Time Equivalent	18.2	37.8	40.7	41.7	43.7	41.7	42.7	44.7	42.7

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BUDGET ACTIVITY SUMMARY

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

The State Grant Activity provides financial aid in four categories for Minnesota residents attending Minnesota post-secondary institutions.

1. Minnesota State Grant Program [M.S. 136A.121]

The State Grant Program is the state's foundational program of post-secondary financial aid assistance grants for undergraduate students.

Financing a post-secondary education is a major undertaking for most students and their families. In Minnesota for the 2000-01 academic year, students pay average tuition and fees of \$2,388 in the technical colleges, \$2,590 in community colleges, \$3,258 in state universities, \$4,877 at the University of Minnesota, and \$16,873 at a private liberal arts colleges. During the 1990s, Minnesota per capita income rose by 50%. Students and families, however, faced tuition and fee increases ranging from 58% in technical colleges to 82% at the University of Minnesota.

State Grants help maintain an appropriate and reasonable distribution of the price of post-secondary education among students, families, and taxpayers so that Minnesotans of all economic backgrounds can choose and attend Minnesota post-secondary institutions. While future changes in post-secondary education expenses are likely, the State Grant Program is designed to respond to actual charges for tuition and estimated living costs.

The program accommodates a wide array of undergraduate students and student choices. There are no age or program restrictions. Students may be enrolled for as few as three semester credits. Undergraduates may attend any Minnesota public post-secondary institution and most Minnesota private post-secondary institutions.

2. Minnesota Post-Secondary Child Care Grant Program [M.S. 136A.125]

Minnesota students with young children face additional expenses associated with child care while attending school. To help offset the price paid for child care services, Post-Secondary Child Care Grants are made available to students who: have children 12 years of age and younger (14 years of age and younger if the child has a disability); do not receive assistance under the Minnesota Family Investment Program (MFIP); and who need child care assistance in order to attend an eligible post-secondary institution.

This was established in 1989 because other state child care subsidies, including the Basic Sliding Fee Program, are targeted to working parents.

3. Public Safety Officers' Survivor Grant [M.S. 299.45]

The Public Safety Officers' Survivor Grant program honors public safety officers killed in the line of duty and assures that their survivors will be able to afford higher education tuition. Dependent children and surviving spouses may receive assistance under this program.

4. Summer Scholarships for Academic Enrichment [M.S. 126.56]

Summer Scholarships for Academic Enrichment encourage talented Minnesota students in grades 7-12 to pursue academic development and exposure to post-secondary education opportunities during the summer.

Low income Minnesota students in grades 7-12, who attend eligible summer academic programs sponsored by Minnesota post-secondary institutions, are eligible for tuition grants. Students must have a B average overall or in the relevant subject area for the academic term prior to application.

FINANCING INFORMATION:

Programs under this activity are funded from General Fund appropriations.

STRATEGIES AND PERFORMANCE:

Program	Number of Awards	Total Award Amount
Minnesota State Grants*	61,618	\$108,931,824
Minnesota Post-Secondary Child Care Grants	2,659	\$4,179,769
Safety Officer Survivor Grants	13	\$35,522
Minnesota Summer Scholarships for Academic Enrichment	284	\$189,400

FY 1999 statistics *

Minnesota State Grant Program

Minnesota State Grants are based on a policy called the Design for Shared Responsibility, which assigns specific responsibilities for paying the price of attendance to students, families, and taxpayers. Minnesota State Grants are determined by establishing a price of attendance and then subtracting the amount

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

of that price assigned to students, families, and the amount paid by taxpayers through Federal Pell Grants.

The Design starts with a recognized, realistic price of attendance defined as tuition and fees plus a standard living and miscellaneous expense allowance. The allowance is established by legislation and reflects the prices of room and board, books, supplies and miscellaneous expenses. For students attending public institutions, actual tuition and fees are used. For students attending eligible private institutions, a tuition maximum limits the recognized price. To keep up with increasing prices, the recognized tuition and fees and living and miscellaneous allowance should be adjusted each year to reflect what students and families actually pay. The price of attendance is based on 15 credits per term for two semesters (or equivalent), and the price of attendance used to calculate the grant is reduced if the student registers for fewer credits.

Under the Design for Shared Responsibility, students are assigned a major part of the price of attendance which can be covered by savings, earnings, loans, or assistance from institutional or private sources. The amount assigned to students should be "rigorous, but reasonable" for students to assume with work or borrowing if necessary. The current Assigned Student Responsibility is 46 percent of the price of attendance.

The remaining part of the price is assigned to families and taxpayers. The dollar amount assigned to families is based on the family's income and net worth. Some students who meet specific criteria are eligible to apply as independent students. These students are assigned a family responsibility based on their ability to pay similar to the way the state assigns payment responsibilities to the parents of dependent students.

The policy assigns taxpayers the responsibility for covering the amount not assigned to students and families. Taxpayer assignments are covered by a combination of Federal Pell Grants which students receive from the federal government and Minnesota State Grants from the state government. The basic strategy of the Design for Shared Responsibility is that Minnesota should set state policy for the appropriate responsibilities of students themselves, their families, and taxpayers for the accurate cost of attending post-secondary education. Minnesota leverages the taxpayer-provided aid invested in the student through the Federal Pell Grant Program and appropriates sufficient state funds to guarantee that the remaining taxpayer's responsibility is picked up by a State Grant for students who qualify.

Minnesota Post-Secondary Child Care Grant Program

A maximum grant award (currently \$2,000) is established in statute. Grant awards are based on family income and family size. Students may receive grant assistance for up to 40 hours/week per eligible child. The selection of recipients is made on campus from an allocation made to the institution from the state appropriation.

Public Safety Officers' Survivor Grant

The Commissioner of Public Safety certifies that the applicant is a survivor of a public safety officer killed in the line of duty. Eligible applicants receive grant assistance to enroll in an undergraduate or certificate program at a Minnesota post-secondary institution. The grant is equal to the tuition and fees charged by that institution up to the amount of the highest tuition and fees charged by a Minnesota public institution.

Summer Scholarships for Academic Enrichment

Grants for actual tuition costs, up to \$1,000, are made to students from families with annual incomes of less than \$24,000. The program is publicized by Minnesota secondary schools, summer enrichment programs offered by Minnesota post-secondary institutions, the Minnesota Minority Education Partnership, and the Academic Excellence Foundation.

The Services Office surveyed students who received grants in 1998 to ask about their experiences. Students overwhelmingly reported that they had academically benefited and learned what it will be like to attend college.

BUDGET ISSUES:

The Minnesota State Grant Program has been successful in managing the impact of paying for post-secondary education on Minnesota students and families. It is a major way in which the state has supported student financial access to post-secondary education and the financial ability of students to choose among post-secondary options according to their educational needs. The current appropriation recognizes the actual prices paid by students attending public institutions, a legislatively-determined tuition maximum, a frugal but livable allowance for living and miscellaneous expenses, and a manageable Assigned Student Responsibility.

- For the coming biennium, prices charged by public and private institutions are likely to increase, and living costs continue to rise. Adjustments in the appropriation will be needed to help students respond to the increasing price of attending higher education.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

- The Services Office is also proposing that the prices charged to students would be more accurate if Minnesota State Grants were no longer based on a uniform charge for students attending the same institution. In reality, tuition and fees can vary under the pricing policies of many institutions.
- Another change that policymakers could consider would extend the maximum eligibility for State Grants for workers who return to post-secondary education and other students who take longer than four years of attendance to earn a baccalaureate degree. The current policy restricts the ability of Minnesotans to use post-secondary education to respond to workforce demands in a changing economy.

In the Post-Secondary Child Care Grant Program, reflecting realistic costs of child care is an important issue to evaluate when making appropriations decisions. Students attending for-profit institutions and religious programs and institutions are currently not eligible for Post-Secondary Child Care Grants, but this policy is inconsistent with the eligibility requirements of other state student financial aid programs.

As more is learned about the importance of early awareness and encouragement for low income students to attend post-secondary education, the Summer Scholarships for Academic Enrichment could play a wider role by serving students before they reach the seventh grade.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$450,000 in FY 2002 and \$5.14 million in FY 2003 to recognize individual tuition and fees charged by institutions in the calculation of State Grants, as proposed by HESO.

The Governor recommends an increase of \$5.09 million in FY 2002 and \$5.56 million in FY 2003 to extend the length of time a student is eligible to receive a State Grant, as proposed by HESO.

The Governor recommends an increase of \$7.0 million in FY 2002 and \$7.0 million in FY 2003 to reduce the assessment of independent students' income by 33% for the State Grant Program.

The Governor recommends reallocating \$11.9 million in FY 2002 and \$8.1 million in FY 2003 by capping the increase in Living and Miscellaneous Expenses (LME) at 2.5% per year. The Governor recommends using the

remaining savings generated by the increase in the federal Pell Grant maximum to help finance the State Grant initiatives recommended above by the Governor.

The Governor recommends the Child Care Grant program be consolidated with other state child care programs operated by the Department of Children, Families, and Learning. More information on this proposal can be found in the Children, Families and Learning budget book.

Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	21	23	27	26	26	26	26	26	26
OTHER OPERATING EXPENSES	4	7	7	7	5,837	457	7	8,697	7
Subtotal State Operations	25	30	34	33	5,863	483	33	8,723	33
PAYMENTS TO INDIVIDUALS	113,761	114,336	133,252	129,129	129,389	124,576	129,129	138,759	133,986
LOCAL ASSISTANCE	117	0	0	0	0	0	0	0	0
Total Expenditures	113,903	114,366	133,286	129,162	135,252	125,059	129,162	147,482	134,019
Change Items:	Fund								
(B) STATE GRANTS- LENGTH OF ELIGIBILITY	GEN				5,090	5,090		5,560	5,560
(B) STATE GRANT- LME ADJ & REALLOCATION	GEN				(4,880)	(11,900)		(1,120)	(8,100)
(B) STATE GRANTS-INDIVIDUAL TUITION & FEES	GEN				450	450		5,140	5,140
(B) STATE GRANTS- TUITION & FEE CHANGES	GEN				3,230			6,540	
(B) STATE GRANTS- SUMMER ACADEMIC ENRICH	GEN				50			50	
(B) FINANCIAL AID-INDEPENDENT STUDENTS	GEN					7,000			7,000
(B) CHILD CARE	GEN				2,150			2,150	
(B) CHILD CARE CONSOLIDATION	GEN					(4,743)			(4,743)
Total Change Items					6,090	(4,103)		18,320	4,857
Financing by Fund:									
Carry Forward:									
GENERAL	3	7	50	50	50	50	50	50	50
Direct Appropriations:									
GENERAL	113,406	113,865	132,323	128,368	134,458	124,265	128,368	146,688	133,225
Statutory Appropriations:									
GENERAL	0	0	318	250	250	250	250	250	250
FEDERAL	494	494	595	494	494	494	494	494	494
Total Financing	113,903	114,366	133,286	129,162	135,252	125,059	129,162	147,482	134,019

Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Revenue Collected:									
Dedicated									
GENERAL	0	318	0	250	250	250	250	250	250
FEDERAL	494	494	595	494	494	494	494	494	494
Nondedicated									
GENERAL	165	306	50	320	320	320	50	50	50
Total Revenues Collected	659	1,118	645	1,064	1,064	1,064	794	794	794
FTE by Employment Type:									
FULL TIME	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Full-Time Equivalent	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5

BUDGET CHANGE ITEM (46890)

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: STATE GRANT- LENGTH OF ELIGIBILITY

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$5,090	\$5,560	\$5,560	\$5,560
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				

If yes, statute(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

RATIONALE:

This request would update State Grant eligibility criteria to accommodate the attendance patterns of many of today's workers and students. Minnesota faces workforce shortages that can be alleviated by making it easier for residents to return to post-secondary education for new skills.

Currently, eligibility for a State Grant expires once a student has attained a baccalaureate degree or has attended college for the equivalent of four years on a full-time basis. Students who wish to pursue educational opportunities often find, however, that prior course work does not apply toward their current undergraduate degree if it was earned at another institution or in a different field of study.

This request would allow students to retain eligibility for State Grants until they obtain a baccalaureate degree. Program regulations would no longer be an obstacle for students who run out of eligibility a few credits short of a degree and for students who return to college for new skills.

Existing policies will continue to deter students from prolonging enrollment. All students are expected to cover 46 percent of the price of attendance and make satisfactory academic progress.

FINANCING:

The Services Office is requesting \$5.1 million in FY 2002 and \$5.6 million in FY 2003 to adapt the State Grant Program to modernize the length of time for State Grant eligibility.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	\$128,275,000	\$128,745,000

Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$123,185,000	4.1%	4.5%

OUTCOMES:

This proposal change would reduce financial barriers for adults returning to post-secondary education or for students whose programs require more than four years of attendance. An estimated 2,400 students per year who otherwise would have exhausted their State Grant eligibility would be eligible for State Grants if they meet other requirements. These students may be:

- current workers who see opportunities for a different career in Minnesota's changing economy;
- students who adjusted their educational objectives and career plans as they learned more about their abilities and the job market; or
- students enrolled in programs that take longer than four years because jobs require advanced and multiple competencies.

As a secondary outcome, the process of applying for financial aid will be easier for transfer students. Students will no longer have to obtain transcripts from all institutions they have previously attended even when credits previously earned are not applicable to the educational programs being pursued.

BUDGET CHANGE ITEM (59833)

Budget Activity: STATE GRANTS

Program: STUDENT FINANCIAL AID SERVICES

Agency: HIGHER EDUCATION SVCS OFFICES

Item Title: STATE GRANT-LME ADJ & REALLOCATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	(\$4,880)	(\$1,120)	(\$1,120)	(\$1,120)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency request. In the time following approval of HESO's request by the HESO Board of Directors, Congress took final action on the federal Pell Grant Maximum, increasing it \$450 to \$3,750. HESO assumed only a \$250 increase when calculating the cost of this initiative.

If the LME increase is capped at 2.5% per year (as suggested by HESO in this initiative), significant reallocation opportunities are created. According to HESO estimates, \$11.9 million in FY 2002 and \$8.1 million in FY 2003 are available for reallocation. The Governor recommends these dollars be reallocated to increase aid for independent students, to allow for individual tuition and fees to be included in the State Grant calculations, and to extend the time a student is eligible to receive a State Grant.

RATIONALE:

A guiding principle of this budget activity is recognize living and miscellaneous expenses faced by students and then to assign responsibility for these payment responsibilities to students, families, and taxpayers. To keep up with rising expenses due to inflation, adjustments in the prices used to calculate Minnesota State Grants are needed. Without such adjustments, more of the payment responsibility would fall to the low and moderate income families served by Minnesota State Grants.

Minnesota State Grants are coordinated with Federal Pell Grants, so increases in the Federal Pell Grant Maximum result in smaller Minnesota State Grants for *some* students and less overall state spending. In past years, the state has chosen to reinvest the savings to improve Minnesota State Grants. Current statutes (M.S. 36A.1211) require any savings due to changes in the Federal Pell Grant Maximum be used to increase the Living and Miscellaneous Expense Allowance (LME) component of the price of attendance.

The Federal Pell Grant Maximum is likely to be increased for the state's FY 2002 as part of the budget appropriation being negotiated by Congress and the President for federal FY 2001. The most conservative estimate of the amount to be included in the appropriations for the U.S. Department of Education has been in the range of an \$250 increase. An increase of \$250 would allow the LME to be increased from \$5,405 in FY 2001 to \$5,705 in FY 2002 and FY 2003.

Consumer prices are projected to increase 2.5 percent each year of the biennium. If LME increases were limited to inflation, the LME would be increased from \$5,405 in FY 2001 to \$5,540 in FY 2002 and \$5,679 in FY 2003.

Funding only inflationary increases in the LME would free up funds that could be reallocated to other change items. HESO proposes that these funds be used as an offset the cost of implementing the Change Item: State Grant - Length of Eligibility described below.

FINANCING:

A \$250 increase in the Federal Pell Grant Maximum is projected to reduce Minnesota State Grant spending by \$8.52 million per year. The inflationary increases in LME are projected to increase spending by \$3.64 million in FY 2002 and \$7.4 million in FY 2003. The differences of \$4.88 million in FY 2002 and \$1.12 million in FY 2003 is proposed to be reallocated to the Change Item: State Grant - Length of Eligibility

	FY 2002	FY 2003
Grants to Students	\$3,640,000	\$7,400,000
Reallocation	\$4,880,000	\$1,120,000
Total	\$8,520,000	\$8,520,000

	FY 2002 Percent Change	FY 2003 Percent Change
State Grant Spending	2.9%	6.0%
FTE	No Change	No Change

OUTCOMES:

Unlike programs in many states, Minnesota State Grants are based on a recognition of all expense items related to students pursuing post-secondary education opportunities. The changes requested in this section will increase Minnesota State Grant awards as the prices students face increase.

BUDGET CHANGE ITEM (45042)

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: STATE GRANT-INDIVIDUAL TUITION & FEES

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$450	\$-0-	\$-0-	\$-0-
-Grants	\$-0-	\$5,140	\$5,140	\$5,140
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

RATIONALE:

Minnesota students need to attend post-secondary institutions that prepare them for lifelong learning and a world that relies on technology. Minnesota's financial aid programs should support their educational goals.

A guiding principle of the Minnesota State Grant program is to recognize the full tuition, fees, living and miscellaneous prices faced by students and then assign responsibility for these prices to students, families and state and federal taxpayers. State Grants have been calculated based on a single tuition and fee charge for 15 credits identified annually for each institution. Only fees paid by all undergraduates are recognized. Students taking fewer than 15 credits are assumed to pay prorated tuition and fees. (The calculation of grants for students attending private institutions is also subject to the tuition maximums set in state law.)

This practice does not reflect the increasing variation in charges made to students within an institution: 1) per credit tuition schedules that vary by the course load taken (i.e., "banding"); 2) special tuition rates in particular programs, 3) individual course fees; and 4) required computer and other equipment purchases or leases. Students who incur additional costs because

they take more than 15 credits do not receive any consideration of these expenses.

FINANCING:

Based on existing fee policies and attendance patterns at MnSCU institutions and University of Minnesota campuses, approximately 20,000 students per year would receive larger grants to recognize expenses in excess of current budgets.

To take advantage of the new flexibility, institutions will have to develop the ability to link student billing statements from the business office to financial aid processes.

The Services Office is requesting \$450,000 in FY 2002 to contract software program changes and \$5.14 million in FY 2003 to make State Grant awards that reflect actual educational costs charged to individual students by their institutions.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	-0-	\$5,140,000
Computer software Revisions	\$450,000	-0-
Total	\$123,635,000	\$128,325,000

	FY 2002 % Change	FY 2003 % Change
Current Base		
\$123,185,000	0.4%	4.2%

OUTCOMES:

The prices of attendance used to establish eligibility for State Grants will be consistent with the real expenses students encounter when they enroll in post-secondary education.

- This initiative supports the ability of students to choose the educational options that best meet their needs. It will reduce financial barriers for State Grant recipients who want to enroll in majors that require them to pay special tuition, computer or other charges.
- Recipients who take more than 15 credits a term in order to complete their programs within four years or to acquire additional skills will receive educational state grant assistance if they are charged for these additional credits.

BUDGET CHANGE ITEM (46892)

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Item Title: STATE GRANT- TUITION & FEE CHANGES

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$3,230	\$6,540	\$6,540	\$6,540
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative.

RATIONALE:

A guiding principle of this budget activity is to recognize tuition and fees, as well as living and miscellaneous expenses faced by students and then to assign these payment responsibilities to students, families and taxpayers. To keep up with rising expenses due to inflation, adjustments in the prices used to calculate Minnesota State Grants are needed. Without such adjustments, more of the payment responsibility would fall to the low and moderate income families served by Minnesota State Grants.

Although tuition and fees will be set later by the governing boards, tuition and fees are assumed to increase 2.5% each year. In accordance with state law, actual tuition and fees, up to statutory maximums, will be used to calculate awards. The Services Office is requesting an additional appropriation to increase the tuition and fee maximums specified in law by 2.5% each year. The maximum recognized tuition and fees for students attending four-year institutions would increase from \$8,550 in FY 2001 to \$8,764 in FY 2002 and \$8,983 in FY 2003. The maximum recognized tuition and fees for students

attending two-year institutions would increase from \$6,580 in FY 2001 to \$6,744 in FY 2002 and \$6,913 in FY 2003.

FINANCING:

To respond to the projected increases in tuition and fees as well as proposed changes in the tuition maximums, \$3.23 million is being requested for FY 2002 and \$6.54 million for FY 2003.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	\$126,415,000	\$129,725,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base		
\$123,185,000	2.6%	5.3%

OUTCOMES:

Minnesota State Grants are designed to respond to changes in tuition and fees. The changes requested in this section will fund larger Minnesota State Grant awards to moderate the effects of tuition and fee increases on students and families.

BUDGET CHANGE ITEM (45237)

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES
Item Title: STATE GRANTS- SUMMER ACADEMIC ENRICH

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$50	\$50	\$50	\$50
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative.

RATIONALE:

The Summer Scholarship Program for Academic Enrichment serves students in the 7th through 12th grades. Under this proposal, the program would be broadened to serve low income students in 4th through 6th grades who choose to attend summer academic enrichment programs.

This initiative supports the Governor's Big Plan goal of "High Student Achievement for All Students". Research shows that students who are academically engaged over the summer tend to lose less academically than those who participate in no educational activities. The proposal is consistent with the Services Office goal of helping low income students to aspire to a post-secondary education. This proposal also complements the agency's early intervention programs that focus on supporting early academic success for low-income families. Often such families have little or no higher education experience. Research shows that many students from low income families at an early age limit their future education and career options and don't prepare well academically or financially. Under the Summer Scholarship Program, students have an opportunity to benefit from academic experiences on college

campuses and expand their awareness of post-secondary education opportunities. Prior evaluations of this program indicated that: students had positive academic experiences; the program reinforced or initiated plans for higher education; and scholarship assistance made a significant difference in providing access to summer academic enrichment programs.

FINANCING:

The current funding level for the Summer Scholarship Program is \$275,000 per year. The proposal represents an increase of 18% each year of the program. Based on a current average award of \$667, the request would provide approximately 75 additional scholarships per year. This change does not affect agency FTE.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Summer Scholarships to Students	\$325,000	\$325,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base		
\$275,000	18.2%	18.2%

OUTCOMES:

As a result of broadening the program, more low income students would enhance their academic success in school; they would develop goals and aspirations for education beyond high school, and work to achieve them. Subsequently, program participants would complete high school and attend some type of post-secondary institution and become self-sufficient citizens contributing to the state's economic well being. The Services Office will track Summer Scholarship recipients over time to assess the impact of summer experiences on future educational success.

BUDGET CHANGE ITEM (61316)**Agency: HIGHER EDUCATION SVCS OFFICES****Item Title: FINANCIAL AID-INDEPENDENT STUDENTS**

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$7,000	\$7,000-	\$7,000	\$7,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation**GOVERNOR'S RECOMMENDATION:**

The Governor recommends lowering the assessment rates on independent students' income when calculating Minnesota State Grant award eligibility by 33%. This requires an increase of \$7.0 million in FY 2002 and \$7.0 million in FY 2003. HESO did not request funds for this initiative.

RATIONALE:

Many currently employed Minnesotans are underemployed and working at a level below their potential. Nearly 40 percent of the Minnesota workforce is earning less than \$10.00/hour. In many cases, additional coursework at a higher education institution will enhance a worker's skills and allow them to command a higher wage in the marketplace.

This proposal would have two purposes. First, it would ease the financial burden for incumbent workers currently receiving a State Grant. For example, an independent student with an Adjusted Gross Income (AGI) between \$5,000 and \$10,000 taking seven credits/semester, and now receiving a grant of \$162 would receive \$462 (an increase of \$299) with this proposal.

In addition, this proposal will provide an incentive for low-income adults to increase their skills. In FY 2001, only 22% of State Grant dollars went to independent students. Many part-time students do not even apply for a State Grant because they are ineligible or the prospective award is so small. Under

this proposal, a significant financial incentive would be provided to many part time students. For example, a student with an AGI between \$10,000 and \$15,000 taking nine credits/semester who currently doesn't receive a State Grant would receive a State Grant of \$879 under this proposal.

FINANCING:

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	\$130,185,000	\$130,185,000

Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$123,185,000	5.7%	5.7%

BUDGET CHANGE ITEM (45046)

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: CHILD CARE

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$2,150	\$2,150	\$2,150	\$2,150
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative. Instead, the Governor recommends the Child Care Consolidation proposal described on the following page.

RATIONALE:

The cost of full-time child care for 30 weeks, the approximate length of the academic year, exceeds \$5,000 in most Minnesota counties. Current law authorizes the Services Office to increase the maximum award amount from \$2,000 to \$2,200 for FY 2001 only. Students needing child care services must cover the remaining child care price from their own resources. This serves to deter a parent from pursuing post-secondary education.

Students attending private career schools are eligible for Minnesota State Grants and Minnesota State Work Study. Many students attending such institutions are working adults with children who need child care support in order to attend. In addition, these institutions tend to offer shorter career-focused programs that are popular with working adults. Minnesota citizens who select a for-profit institution as their educational provider deserve equal access to the Post-secondary Child Care Grant Program as students attending other post-secondary institutions.

FINANCING:

The current Post-secondary Child Care Grant Program is funded at \$4.7 million per year.

Increasing the award maximum to \$2,500 would require an additional \$1,250,000 per year of the biennium. Covering the inclusion of private, for-profit institutions would require an additional \$900,000 each year of the biennium.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	\$6,893,000	\$6,893,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base	45.3%	45.3%
	\$4,743,000	

.5 FTE is included in this activity to administer Child Care Grants. No increase in agency FTE is proposed as a result of this proposal.

OUTCOMES:

By increasing the maximum Post-secondary Child Care Grant Award, and expanding program eligibility to the for-profit schools, more parents would be able to enroll in a post-secondary institution and increase their earning capability for the future, thus becoming more self-sufficient and improving their contributions to the state.

BUDGET CHANGE ITEM (62016)

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES
Item Title: CHILD CARE CONSOLIDATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Federal TANF	\$10,343	(\$9,198)	\$1,994	\$7,276
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: 119B,

☐ New Activity ☒ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends reallocating existing child care resources to create a consolidated child care assistance system in which eligibility aligns more closely with policy priorities. This proposal will result in a decrease in TANF spending of \$6.1 million in FY 2002-03 and an increase in TANF spending of \$16.8 million in FY 2004-05 when consolidation is done in conjunction with proposed changes in MFIP eligibility.

To be eligible for benefits under the consolidated system, families must have incomes at or below 50% of State Median Income (SMI) and be working 20 hours a week or have an authorized Minnesota Family Investment Program (MFIP) employment plan. (Under current Basic Sliding Fee (BSF) child care, entry and exit is at 75% of SMI.) Families will transition off the system when their income reaches 75% of SMI. At that point their co-pay responsibilities will be comparable to the cost of care minimizing the cliff effect.

The consolidated system will include post-secondary students (working 20 hours a week or with an MFIP employment plant). For those who qualify, it will significantly increase potential benefits for that low-income population. For further details, see the Department of Children, Families, and Learning budget.

RATIONALE:

Currently, low-income families access state supported child care subsidies in three ways: the Child Care Assistance Program administered by the

Department of Children, Families, and Learning (CFL); the Dependent Care Tax Credit program administered by the Department of Revenue (DOR), and the Post-Secondary Child Care Grant program administered by the Higher Education Services Office (HESO). CFL's Child Care Assistance Program is by far and away the most significant source of support available to Minnesota families both in terms of available resources and number of families served.

Unfortunately, these programs do not consistently:

- allocate resources to the highest priority families,
- provide incentives for families to transition to self sufficiency, or
- treat families in similar circumstances similarly.

Consolidation of current child care programs will address these concerns and consequently improve service delivery and simplify program administration.

The Child Care Assistance Program at CFL currently consists of two subprograms: Minnesota Family Investment Program (MFIP)/ Transition Year (TY) and Basic Sliding Fee (BSF). MFIP/TY child care serves families either receiving MFIP cash assistance or in their first year transitioning off of MFIP. The appropriation for MFIP/TY is forecast to meet demand. BSF serves families not attached to MFIP cash assistance. The BSF appropriation is not forecast.

Demand for BSF often exceeds available funds. Working families who are eligible for MFIP based on their income, but who choose not to apply for cash assistance, are sometimes not able to get child care assistance (depending on their county of residence). This creates a perverse incentive for families to apply for MFIP cash assistance in order to receive help paying for their child care.

The Dependent Care Tax Credit program requires that families pay their child care expenses during the year and then allows them to claim a tax credit when they file their taxes. Low-income families may not have the cash flow necessary to finance the full cost of child care in anticipation of a tax credit at a later time. As a result the program is underutilized.

The HESO Post-Secondary Child Care Grant program is available to eligible students who are not receiving MFIP benefits. Awards are based on income and family size, but are capped at a maximum of \$2,000. Anecdotal evidence suggests that many students turn down the grants because they do not adequately cover child care costs.

FINANCING:

This proposal consolidates child care resources from all three programs described above into a single system. Current resources, additional resources, and total costs are detailed in the chart in the next section.

BUDGET CHANGE ITEM (62016) (Continued)

Budget Activity: STATE GRANTS
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

proposals are not enacted, the resources required to fund this proposal will change.

Item Title: CHILD CARE CONSOLIDATION

Although the demand for the consolidated program will be forecast, it will include a cost containment measure to limit program expenditures, if necessary. Due to the lack of directly comparable historical data on which to base forecasts, and the need to ensure that risk to the state budget can be mitigated, the program will include a cost containment feature. If projected expenditures at the end of any quarter exceed 110% of the forecast appropriation, program entry will be limited until projected expenditures returned to forecasted levels.

OUTCOMES:

Consolidation of child care will emphasize self-sufficiency for families by targeting resources in an equitable manner to the highest priority families. By de-coupling access to the system from MFIP cash assistance, resources will follow families as they transition to self-sufficiency without the disruptions that risk contributing to families falling (back) into welfare. Consolidation will also simplify administration at the county level.

DETAILED FINANCING:**Child Care Consolidation (Nov 2000 Forecast)**

	Dollars in Thousands			
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
General Fund	\$130,961	\$127,980	\$132,937	\$135,999
Special Revenue	2,096	2,009	1,930	1,901
Federal Funds(CCDF)	51,852	53,761	54,254	54,254
Federal Funds (TANF)	20,973	20,637	10,200	10,200
County Share	2,914	2,914	2,914	2,194
HESO (GF)	4,743	4,743	4,743	4,743
DCTC (GF)	-0-	12,000	12,000	12,000
Total Current Resources	213,539	224,044	218,978	222,011
MFIP Changes (TANF)	2,663	18,857	24,148	27,657
Total Anticipated Resources	216,202	242,902	243,126	249,668
Total Consolidation Cost	226,545	233,704	245,120	256,944
Marginal Cost (TANF)	\$ 10,343	\$ (9,198)	\$ 1,994	\$ 7,276

The proposal as presented in this document assumes the enactment of the MFIP eligibility changes recommended in the Department of Human Services (DHS) budget, which have resulting child care assistance costs. If these

BUDGET ACTIVITY SUMMARY

Budget Activity: MN COLLEGE SAVINGS PLAN
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

Individuals and families are encouraged to save for post-secondary education with the Minnesota College Savings Plan. Tax advantages are provided by Internal Revenue Code 529 and Minnesota Statutes 136A.241-136A.245. In addition, the state of Minnesota provides a matching grant to low and middle income Minnesota families.

STRATEGIES AND PERFORMANCE:

The Minnesota College Savings Plan is designed to provide federal tax advantages included in the Tax Reform Act of 1997. Under Section 529 of the Internal Revenue Code, taxpayers can receive tax deferment on investment earnings in a "qualified state tuition program". Parents, grandparents or other individuals can establish an account on behalf of a designated beneficiary who will attend college in the future. Contributions to a qualified state tuition program are not tax deductible. Earnings on investments accumulate tax-free until used to pay for college. At the time funds are withdrawn to pay for college expenses, the tax on earnings is paid by the student, who typically is taxed at a lower rate than the account owner.

Federal law does not permit the account owner or the designated beneficiary of qualified state tuition programs to direct the investment. Minnesota College Savings Plan investment decisions are made by the Minnesota State Board of Investment.

Minnesota College Savings Plan funds can be used to pay for tuition and fees at a public or a private post-secondary education institution located in any state. Withdrawals can also be used to pay for room and board if the student is attending half-time or more as defined by federal law.

Minnesota's program offers a state paid matching grant based on family income and contributions. The matching grant is available to Minnesota resident designated beneficiaries whose parents file a Minnesota individual income tax return with family income at or below \$80,000. If the beneficiary's family income is \$50,000 or less, 15% of the contribution can be matched up to a total of \$300 annually. If the beneficiary's family income is between \$50,000 and \$80,000, 5% of the contribution can be matched up to a total of \$300 annually. A minimum \$200 contribution is required in order to be considered for a matching grant. Matching grants must remain invested for a minimum of three years, cannot be transferred, and cannot be withdrawn for reasons other than a qualified higher education expenditure as defined by federal law. The matching

grant is not an entitlement. Availability is limited by the amount of funds appropriated.

In 1999, legislation was approved permitting Plan investments in mutual funds. In June 2000, the Minnesota Department of Administration approved a temporary classification of account holder data as private. Both of these actions were necessary to make the Plan viable.

The Minnesota Higher Education Services Office and the Minnesota State Board of Investment are contracting with TIAA-CREF, Tuition Financing, Inc. to administer the Minnesota College Savings Plan. TIAA-CREF, Tuition Financing Inc. is administering state programs in New York, Missouri, and California. Contract language has been agreed upon. The Plan's participation agreement and enrollment forms have been produced. Marketing materials and a draft web page are in place. Pending the Minnesota Legislature's approval of an extension of special rule making authority for this program, the Plan is ready for launch.

FINANCING INFORMATION:

Investment management, record keeping and other administrative expenses are paid by Minnesota College Savings Plan account owners through an annual fee equivalent to .065% of their account balances. The Minnesota Plan will be among the least costly to account owners for a fully contracted plan in the United States. Matching grants are financed from a General Fund direct appropriation.

BUDGET ISSUES:

The General Fund appropriation of \$1.52 million is used to provide matching grants to Minnesota College Savings Plan account owners. Because the Minnesota College Savings Plan is not yet operational, it is not known whether the base appropriation will be sufficient to meet the demand of matching grants. Administrative expenses for the Higher Education Services Office are less than \$75,000 annually.

Activity: MN COLLEGE SAVINGS PLAN
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	0	0	47	51	51	51	53	53	53
OTHER OPERATING EXPENSES	8	15	28	19	19	19	17	17	17
Subtotal State Operations	8	15	75	70	70	70	70	70	70
PAYMENTS TO INDIVIDUALS	0	0	2,950	1,450	1,450	1,450	1,450	1,450	1,450
Total Expenditures	8	15	3,025	1,520	1,520	1,520	1,520	1,520	1,520
Financing by Fund:									
Direct Appropriations:									
GENERAL	8	15	3,025	1,520	1,520	1,520	1,520	1,520	1,520
Total Financing	8	15	3,025	1,520	1,520	1,520	1,520	1,520	1,520
FTE by Employment Type:									
FULL TIME	0.0	0.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	0.0	0.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8

BUDGET ACTIVITY SUMMARY

Budget Activity: INTERSTATE TUITION RECIPROCITY
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

Minnesota's tuition reciprocity agreements enhance student access by eliminating nonresident admission barriers and expand student choice by reducing non-resident tuition prices. Minnesota has ongoing tuition reciprocity agreements with Wisconsin, North Dakota, South Dakota, one institution in Iowa, and the Canadian province of Manitoba. The purpose of tuition reciprocity is the mutual improvement of educational advantages for the residents of Minnesota and other states or provinces with whom agreements are made (*Minnesota Statutes 136A.08*).

Residents of the participating jurisdictions are considered residents for purposes of admission to public post-secondary institutions under tuition reciprocity. A Minnesota resident may enroll in an undergraduate or graduate program at a public institution in Wisconsin, North Dakota, South Dakota, Manitoba, or Iowa Lakes Community College without paying higher non-resident tuition rates, through tuition reciprocity. Similarly, residents of Wisconsin, North Dakota, South Dakota, Manitoba, and the Iowa Lakes Community College attendance area may enroll at Minnesota public institutions without paying higher non-resident tuition rates.

The Minnesota Higher Education Services Office is responsible for negotiating and administering tuition reciprocity agreements. The University of Minnesota Board of Regents and the Minnesota State Colleges and Universities Board of Trustees must ratify the agreements. Modifications to Minnesota's tuition reciprocity agreements are negotiated as needed.

STRATEGIES AND PERFORMANCE:

Student participation in tuition reciprocity has grown since Minnesota first entered an agreement with Wisconsin for academic year 1968-69. Over 36,000 tuition reciprocity students were enrolled in public institutions in the participating states and province in fall, 1999. Through its mission, the Higher Education Services Office is committed to helping students achieve financial access to post-secondary education and enabling students to choose among post-secondary educational options. Tuition reciprocity agreements support the mission of the Services Office by reducing price and admissions barriers at public institutions outside the student's state or province of residence.

FINANCING INFORMATION:

The state appropriation for tuition reciprocity meets Minnesota's financial obligation to Wisconsin and North Dakota. Agreements with South Dakota,

Manitoba, and one institution in Iowa do not require interstate payment calculations.

Students and taxpayers share responsibility for financing tuition reciprocity. Minnesota's agreements with Wisconsin and North Dakota require each state to pay the marginal instructional costs of their resident students attending in the other state. Marginal instructional costs are defined in the agreements as 64% of instructional costs. Marginal instructional costs in the Minnesota/Wisconsin and Minnesota/North Dakota agreements exceed \$150 million annually. Student paid tuition is subtracted from marginal instructional costs to determine each state's net financial obligation. The state with the higher net financial obligation makes a payment of the difference to the other state. Interstate tuition reciprocity payments represent less than 5% of the total financial activity involved in the agreements.

BUDGET ISSUES:

Three variables drive Minnesota's tuition reciprocity financial obligation: 1) marginal instructional costs, 2) reciprocity tuition rates, and 3) student enrollment choices. Minnesota's tuition reciprocity payments have varied as much as \$4 million between any two fiscal years as marginal costs, tuition rates and student enrollment choices vary. Minnesota's interstate tuition reciprocity payments to Wisconsin and North Dakota are estimated at \$4.2 million in FY 2001. Increases in reciprocity enrollment, marginal instructional costs, and changes in tuition rates are projected to result in Minnesota interstate tuition reciprocity payments of \$5.25 million in FY 2002 and \$5.25 million in FY 2003.

Activity: INTERSTATE TUITION RECIPROCITY
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Category:</u>									
PAYMENTS TO INDIVIDUALS	4,111	4,195	4,805	4,500	5,250	4,500	4,500	5,250	4,500
LOCAL ASSISTANCE	0	0	0	0	0	750	0	0	750
Total Expenditures	4,111	4,195	4,805	4,500	5,250	5,250	4,500	5,250	5,250
<u>Change Items:</u>	<u>Fund</u>								
(B) INTERSTATE TUITION RECIPROCITY	GEN				750	750		750	750
Total Change Items					750	750		750	750
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	4,111	4,195	4,805	4,500	5,250	5,250	4,500	5,250	5,250
Total Financing	4,111	4,195	4,805	4,500	5,250	5,250	4,500	5,250	5,250

BUDGET CHANGE ITEM (45223)

Budget Activity: INTERSTATE TUITION RECIPROCITY
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: INTERSTATE TUITION RECIPROCITY

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$750	\$750	\$750	\$750
-Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statute(s) affected:				
_____ New Activity <u>X</u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

RATIONALE:

Minnesota's agreements with Wisconsin and North Dakota require each state to pay the marginal instructional costs of their resident students attending in the other state net of student paid tuition. Minnesota's appropriation for tuition reciprocity fulfills the terms of the agreements. Failure to meet tuition reciprocity financial obligations would likely result in termination of the agreements, legal action to compel payment, and significant price increases to reciprocity students attending in Wisconsin, North Dakota, and Minnesota.

If reciprocity students attending in Minnesota were to attend in their state of residence and if Minnesota residents attending in reciprocity states were to attend public institutions in Minnesota and be included in the instructional appropriations base at more than marginal instructional costs, the costs to the Minnesota taxpayer would be greater than the payments made to North Dakota and Wisconsin under the tuition reciprocity program.

FINANCING:

Minnesota's tuition reciprocity agreements with Wisconsin and North Dakota represent over \$150 million in reciprocity student generated marginal instructional costs. Student tuition payments cover approximately \$96 million of the marginal instructional costs. The remainder is the responsibility of the participating states, with the state having the greater net obligation paying the other state the difference. Minnesota's FY 2001 tuition reciprocity payments to Wisconsin and North Dakota represented about four percent of the underlying financial activity.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Projected interstate Tuition Reciprocity payments to Wisconsin and North Dakota	\$5,250,000	\$5,250,000

	Current Base Funding	FY 2002 Percent Change	FY 2003 Percent Change
State Appropriations	\$4,500,000	16.7%	16.7%

Staffing for this activity is included in Student Financial Aid Services. No increase in agency FTE is proposed.

OUTCOMES:

Minnesota's tuition reciprocity agreements are designed for the mutual improvement of educational advantage for the residents of Minnesota and other states or provinces with whom agreements are made. The agreements

- enhance student access to post-secondary education by eliminating nonresident admission barriers at public institutions in the participating jurisdictions;
- expand student choice by reducing non-resident tuition prices; and
- increase student opportunities to enroll in post-secondary institutions that best meet their educational needs.

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BUDGET ACTIVITY SUMMARY

Budget Activity: STATE WORK STUDY
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

Under Minnesota's student aid policy, the Design for Shared Responsibility, students are expected to make a substantial investment in their education through their own savings, work, borrowing, or grants from non-government sources.

The State Work Study Program was created in 1975 to assist students in paying for their education by providing opportunities to work on and off-campus. In addition to helping students with educational expenses, work study positions staff campus functions and provide experiences related to students' academic programs and career objectives.

The federal Work Study Program is similar to the state program. Campuses draw upon both sources of funding to expand campus and community service employment for students demonstrating financial need.

STRATEGIES AND PERFORMANCE:

The program serves undergraduate and graduate students who demonstrate financial need and who are enrolled for at least six credits per term.

Most State Work Study jobs are on-campus, but the program has always allowed and encouraged institutions to arrange jobs with non-profit community organizations, senior citizens, and persons with disabilities. In 1997, the statute was amended to permit the use of State Work Study funds for internship positions with for-profit businesses if the internship is directly related to the student's field of study.

The State Work Study Program is campus-based. In FY 2000, 77 institutions participated in this program. Allocations are made to participating institutions which use the funds to make work study awards to their students. Institutions are responsible for identifying on and off-campus job opportunities that allow students to earn their work-study awards.

FINANCING INFORMATION:

Direct appropriations cover up to 75% of the wages paid to work study students. The remaining 25% is paid by the employers.

BUDGET ISSUES:

The State Work Study Program is popular with both students and institutions because it usually provides jobs that are convenient to students and helps integrate students into the campus community.

The State Work Study Program plays a significant role in assisting many Minnesota students. Institutions that attract older students, part-time students, and other students who are likely to already be employed enroll proportionately fewer students interested in work study positions. Each year, funds are reallocated from some institutions unable to utilize their allocations to other institutions with unmet demands for work study jobs.

Institutions and other employers set wage rates for work study positions. Work study wages on many campuses lag behind the local labor market. In the current job market, wage rates will probably increase to attract students or to respond to a change in the minimum wage.

Under Minnesota's financial aid policy, all students are expected to contribute 46 percent of their price of attendance. Work study earnings can help students fulfill their responsibility in paying their share of the price of attendance. The Work Study Program, however, is restricted to students who show "financial need", and students' past earnings can restrict their eligibility.

Activity: STATE WORK STUDY
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
PAYMENTS TO INDIVIDUALS	11,398	11,955	12,933	12,444	15,444	12,444	12,444	15,444	12,444
Total Expenditures	11,398	11,955	12,933	12,444	15,444	12,444	12,444	15,444	12,444
Change Items:	Fund								
(B) STATE WORK STUDY	GEN				3,000			3,000	
Total Change Items					3,000			3,000	
Financing by Fund:									
Direct Appropriations:									
GENERAL	11,398	11,955	12,933	12,444	15,444	12,444	12,444	15,444	12,444
Total Financing	11,398	11,955	12,933	12,444	15,444	12,444	12,444	15,444	12,444
Revenue Collected:									
Nondedicated									
GENERAL	0	235	0	50	50	50	0	0	0
Total Revenues Collected	0	235	0	50	50	50	0	0	0

BUDGET CHANGE ITEM (45197)

Budget Activity: STATE WORK STUDY
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: STATE WORK STUDY

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$3,000	\$3,000	\$3,000	\$3,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative.

RATIONALE:

The current level of funding for the State Work Study Program is \$12.4 million per year. The Services Office is requesting an additional \$3 million each year to allow campuses to make awards to more students and to increase the amounts students are able to earn in their State Work Study jobs. The additional funds would support a change in student eligibility to remove current barriers to assisting students who must work to earn money for higher education.

Under Minnesota's Design for Shared Responsibility, each undergraduate student is expected to use personal resources to pay 46% of the recognized price of attendance of post-secondary education. The student can pay for the Assigned Student Responsibility through work, loan, savings, institutional and private grants, and other sources.

Because all students have a significant self-help expectation, the Services Office is proposing that campus financial aid offices be allowed to award State Work Study positions to any Minnesota resident up to the amount of their Assigned Student Responsibility. Under the current policy, financial aid

administrators award work study based on financial need as determined by the needs analysis system used for federal financial aid programs. The proposed policy change would give campus financial aid administrators more discretion in awarding State Work Study within their campus allocations. A statutory change is not required because M.S. 136A.231 - 136A.233 allows the Services Office to determine how "financial need" is defined for this program.

FINANCING:

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Work Study Awards	\$15,444,000	\$15,444,000
	FY 2002 Percent Change	FY 2003 Percent Change
Current Base	24.1%	24.1%
\$12,444,000		

Staffing for this activity is included in Student Financial Aid Services. No increase in agency FTE is proposed.

OUTCOMES:

This change aligns the State Work Study Program with the State's Design for Shared Responsibility which assumes that all students have an obligation to use their own earnings to pay a significant part of their educational expenses.

Students who could benefit from the increased campus flexibility include

- students who cannot qualify or qualify for reduced State Work Study awards because their earnings from the previous year count against them in the federal need analysis; and
- students who do not receive the amount of family assistance that is assumed in the federal need analysis.

Increased eligibility for State Work Study funds should help alleviate some student borrowing.

The average student participating in the State Work Study Program earns approximately \$1,400 for the academic year. An increase of \$3 million in state appropriations, matched with \$1 million from employers, would allow an additional 2,900 students to be served at the current average earnings level. Alternatively, the added appropriation would allow campuses to raise student wages or assign more hours to the same number of recipients if local conditions warrant. At the current participation level, the 11,500 students who worked in FY 1999 could earn an additional \$350 each.

BUDGET ACTIVITY SUMMARY

Budget Activity: STUDENT & PARENT INFORMATION
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

The Higher Education Services Office provides information to students and parents about planning and preparing for future educational opportunities. Without reliable information, families may make ill-informed decisions or rule out post-secondary education altogether.

Studies indicate that many parents and students:

- Lack information about financial and academic preparation;
- Have misperceptions about the cost of different types of colleges;
- Have little knowledge about financial aid; and
- Are not saving at all or nearly enough to pay for college costs.

Among the least informed are low income families, families of color, or families with no previous post-secondary experience. Despite efforts to expand access to post-secondary education for these populations, significant gaps in equal educational opportunity remain. Many students face substantial financial, academic, social, and cultural barriers to post-secondary education. Helping families obtain access to higher education through academic enhancement and information about planning for future education fits well with the goals of the Governor's Big Plan. Closing gaps in educational achievement and opportunity will enhance the self-sufficiency of individuals who will develop skills needed by Minnesota's workforce, and contribute to the state's economy and its communities.

STRATEGIES AND PERFORMANCE:

The Services Office has developed several information and intervention strategies to communicate with students and parents. Strategies for providing information include distributing information to all eighth grade students about planning for life after college; informing parents with children of all ages about academic and financial planning for their children; distributing and presenting information about financial aid and higher education tax benefits; and developing information for high school counselors.

These efforts use a variety of media, including publications, videos, and the internet. They involve outreach to community organizations and agencies, minority papers, and other pre-college programs. The Services Office provides an annual Get Ready workshop on academic and financial planning for parents

and free presentations on paying for post-secondary education. A major redesign of the agency's web page with a focus on students and parents and how to pay for college has been completed. The web page enables families to find the prices of colleges in Minnesota and neighboring states, learn about higher education tax credits and savings programs, learn about state and federal financial aid programs, estimate financial aid eligibility, and apply on-line for interstate tuition reciprocity benefits.

Through the Get Ready! Program, counseling and information have been provided to students and parents since 1995-96. Minnesota was one of nine states selected to participate in the federal National Early Intervention Scholarship and Partnership Program. The 1997 Legislature appropriated funds for early awareness to supplement these federal grants. In summer 1999, Minnesota was one of 21 states selected to receive a five-year federal grant under the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) program. Through this state and federal partnership, the Get Ready! Program provides the following services:

- Counseling information, and academic support for children in grades 4-6 and parents of color, low incomes, or no previous post-secondary education who reside in the Twin Cities, Duluth, Cloquet, St. Cloud, Bemidji and Willmar.
- Curricula that cover goal setting, career awareness, paying for college, and higher education options.
- College planning presentations and theatre performances on preparing for college given to elementary and middle school classes.
- Monthly meetings of staff with students on a one-on-one basis or in small groups to present the curriculum. Students also participate in events and activities, such as a career expo, higher education night, career field trips, and college visits.

To help sustain a continuum of service to low income students through high school, the 1999 Legislature appropriated funding to the Services Office, which has enabled the agency to create the Intervention for College Attendance Program. For the biennium, the Office has awarded 10 grants to post-secondary institutions and community agencies aimed at enhancing or expanding programs that provide services such as mentoring, tutoring, information about college options, parental involvement, and summer academic experiences to low income students. In 2000, the Services Office received an AmeriCorps-Youth Works grant to supplement Get Ready! early awareness activities.

To help inform and encourage families to prepare and save for higher education, the Office is working in partnership with the Insurance Federation of Minnesota to

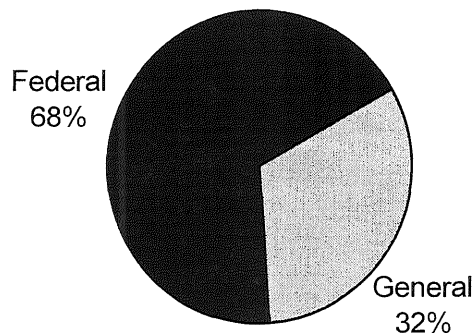
BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: STUDENT & PARENT INFORMATION
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

launch a college awareness campaign. This effort involves several private and public sector organizations.

The Get Ready! program includes an evaluation component. An internal agency team has developed an Outcome Measurement Framework for future evaluations. In addition, end-of-year evaluations of participants and teachers indicate that the program is successfully motivating and informing students about preparing for their future educations.

Student & Parent Information 2000-01 Estimated Financing by Fund



FINANCING INFORMATION:

The Get Ready! program represents a partnership among the federal and state governments, and private sources. Under GEAR UP, Minnesota has received a five-year grant totaling \$8.5 million, contingent on annual appropriations. Federal funds total \$1.5 million in FY 2000 and \$1.6 million in FY 2001. The federal government requires that recipients provide not less than 50% of the

cost of the program in cash or in kind through state, local, private or institutional funds. Funding for the Intervention for College Attendance Grants for the 2000-2001 biennium totals \$1 million. The AmeriCorps grant for 2000-2001 totals \$348,000 in federal funds and \$97,000 in state Youth Works funds.

BUDGET ISSUES:

Although the state has established a foundation for informing students and parents about academic and financial planning for post-secondary education, research findings, as well as demographic and economic trends, suggest the need for further efforts.

Projected demographic trends show increases in populations historically underrepresented in post-secondary education. As *Minnesota Milestones 1998* points out, racial and ethnic minorities, who comprise nearly 15% of all school children, are far behind white children in academic achievement.

High school graduates of color are projected to increase by 80% in the next decade. However, fewer than 50% of African American, American Indian, and Hispanic students graduate from high school on time, and about 40% of all minority students drop out. The college participation rate of minority students peaked at 42% in 1992, then dropped to 33.5% by 1998.

Given these trends, policymakers may consider what programs, services, and approaches can help parents become involved in planning for their children's future education; what services can assist an increasingly diverse Minnesota population learn about and prepare for higher education, including people who speak a growing variety of non-English languages; the possible expansion of the Get Ready! program throughout Minnesota to help more low income families in more communities aspire and plan for higher education; and what services can be developed or expanded to help low income families navigate the complexities of the financial aid application process.

Activity: STUDENT & PARENT INFORMATION
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	381	799	1,402	1,621	1,702	1,621	1,728	1,816	1,728
OTHER OPERATING EXPENSES	263	481	948	713	787	713	711	808	711
Subtotal State Operations	644	1,280	2,350	2,334	2,489	2,334	2,439	2,624	2,439
LOCAL ASSISTANCE	2	469	495	495	995	2,495	495	995	2,495
Total Expenditures	646	1,749	2,845	2,829	3,484	4,829	2,934	3,619	4,934
Change Items:	Fund								
(B) GET READY - GREATER MINNESOTA	GEN				100			125	
(B) INTERVENTION INVESTMENT GRANTS	GEN				500	2,000		500	2,000
(B) STUDENT PARENT INFORMATION	GEN				55			60	
Total Change Items					655	2,000		685	2,000
Financing by Fund:									
Direct Appropriations:									
GENERAL	433	798	1,052	936	1,591	2,936	941	1,626	2,941
Statutory Appropriations:									
SPECIAL REVENUE	12	3	0	0	0	0	0	0	0
FEDERAL	201	948	1,793	1,893	1,893	1,893	1,993	1,993	1,993
Total Financing	646	1,749	2,845	2,829	3,484	4,829	2,934	3,619	4,934
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	20	20	0	0	0	0	0	0	0
FEDERAL	204	947	1,793	1,893	1,893	1,893	1,993	1,993	1,993
Total Revenues Collected	224	967	1,793	1,893	1,893	1,893	1,993	1,993	1,993
FTE by Employment Type:									
FULL TIME	10.5	30.3	32.7	33.7	35.7	33.7	34.7	36.7	34.7
Total Full-Time Equivalent	10.5	30.3	32.7	33.7	35.7	33.7	34.7	36.7	34.7

BUDGET CHANGE ITEM (45235)

Budget Activity: STUDENT & PARENT INFORMATION
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE
Item Title: GET READY! - GREATER MINNESOTA

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$100	\$125	\$125	\$125

Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No ☒ X

If yes, statute(s) affected:

_____ New Activity ☒ X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this request.

RATIONALE:

The proposed expansion of the Get Ready! early intervention/early awareness program to two new Greater Minnesota sites recognizes demographic, academic, and educational achievement trends occurring statewide. Many communities outside the Twin Cities have significant populations of families of color, low income, or no previous higher education and could benefit from Get Ready! The program provides low income students and parents with the motivation, information, skills, and academic support to finish high school and pursue higher education. Students of color, low income, or no previous higher education participate in higher education at much lower rates than their counterparts from more affluent families with college experience. Helping families obtain access to higher education through academic support and information about planning for higher education fits with the goals of the Big Plan. Closing gaps in educational achievement and opportunity will enhance the self-sufficiency of individuals who will develop skills needed by Minnesota's workforce and contribute to the state's economy and its communities.

FINANCING:

Get Ready! program funding represents a partnership with most of the support (\$1.6 million in FY 2001) provided by the federal government, \$283,000 per

year in state appropriations, and additional in kind support from program partners.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Early Intervention/ Early Awareness	\$383,000	\$408,000

Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$283,000	35.3%	44.2%

OUTCOMES:

Early awareness and intervention services would be provided to 50 students and parents at each site. The program serves 4th to 6th grade students and their families and connects them with middle school and high school programs. As a result of the Get Ready! services, students who historically have not attended post-secondary education are more likely to succeed academically, finish high school, and pursue post-secondary education. In the short term, more students and parents gain increased knowledge of higher education options and careers, view higher education as a possibility, and demonstrate increased academic success.

End of Year Student Get Ready! Evaluation			
Item	Agree	Somewhat Agree	Disagree
Get Ready! has:	%	%	%
Helped me understand importance of going to college	96%	3%	1%
Taught importance of accomplishing goal	95%	4%	1%
Helped me learn about careers	94%	4%	2%
Motivated me to do well in school	86%	11%	3%
Encouraged me to attend school every day	82%	15%	3%
Helped me understand what college campuses look like	88%	10%	2%
Helped me understand different ways to pay for post-secondary education	95%	4%	1%
Prepare for my future	94%	5%	1%

BUDGET CHANGE ITEM (45233)

Budget Activity: STUDENT & PARENT INFORMATION
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE
Item Title: INTERVENTION INVESTMENT GRANTS

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$500	\$500	\$500	\$500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
_____ New Activity <input checked="" type="checkbox"/> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$2.0 million in FY 2002 and \$2.0 million in FY 2003. The Governor also recommends that these grants be increasingly targeted to children of families that do not have a history of participation in higher education.

RATIONALE:

Students from low income families that have not attended college participate in higher education at much lower rates than those from more affluent, educated families. A number of early intervention programs---supported by state, federal, and private sources---have been established to provide information and academic support to these students. The funding supports tutoring, mentoring, summer academic experiences, and parental involvement. The current level of activity in these programs falls far short of the need resulting from demographic, academic, and economic trends. This funding would enable the state to build on programs like Get Ready! which works with elementary age students to establish a continuum of service through college. An appropriation of \$1 million in 1999 enabled the Services Office to award 10 grants to community agencies and colleges to expand or enhance existing early intervention programs. However, the Services Office was able to fund only half the proposals received with the funding available.

Although these initial grant initiatives have not been operational long enough to evaluate them thoroughly, many are patterned after existing early intervention programs, such as Federal TRIO programs that for many years have helped low income students enter college. Over the past 30 years, TRIO programs have been successful in helping students overcome barriers to higher education. For example, students in Upward Bound (one of the TRIO programs), are four times more likely to earn an undergraduate degree than students from similar backgrounds who did not participate in the program.

Helping families obtain access to higher education through academic support and information about planning for future education fits well with the goals of the Big Plan. Closing gaps in educational achievement and opportunity will enhance the self-sufficiency of individuals who will develop skills needed by Minnesota's workforce.

FINANCING:

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Intervention Grants	\$1,000,000	\$1,000,000
Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$500,000	100%	100%

Staffing is adequate for this activity. No additional FTE are needed

OUTCOMES:

This proposal would provide funding for seven to ten additional early intervention programs.

As a result of this proposal, more students and families will be motivated to plan for and pursue higher education. The gap in achievement and college participation will narrow; and as a result of the knowledge and skills acquired through their educational experience, more students will become self-sufficient.

BUDGET CHANGE ITEM (45207)

Budget Activity: STUDENT & PARENT INFORMATION
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: STUDENT PARENT INFORMATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$55	\$60	\$60	\$60
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative.

RATIONALE:

In view of changing demographics and growing diversity of its population, Minnesota has an expanded number of people who do not speak English. The number of languages spoken in Minnesota has increased significantly. For example, more than 84 languages are spoken in Minneapolis, over 79 languages in St. Paul, and over 50 languages in Rochester. Language barriers deny many families the information they need to help their children succeed academically. In a recent survey by the Blandin Foundation of key issues affecting rural Minnesota, more than four in ten respondents indicated their communities had become more diverse. An increased investment in translating and interpreting information can help non-English speaking populations access information about planning for higher education. The Services Office has translated some publications into Spanish, Hmong, and Somalian, but has identified a need to do more in these and to other languages.

FINANCING:

Current base level funding for student and parent information is \$153,000 per year. This proposal would add \$55,000 in FY 2002 and \$60,000 in FY 2003.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Student/Parent Information	\$208,000	\$213,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base \$153,000	35.9%	39.2%

OUTCOMES:

By translating additional information into foreign languages, the Services Office will give parents and students the tools to access information in order to prepare for higher education opportunities.

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BUDGET ACTIVITY SUMMARY

Budget Activity: STUDENT FINANCIAL AID SERVICES
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

The division of Student Financial Aid Services administers student financial aid programs for which the Services Office is the fiscal agent. This activity includes eight state student financial assistance programs, five tuition reciprocity programs, a Midwestern Student Exchange Program, and two federal student assistance programs.

The division's responsibilities include the dissemination of financial aid program information, application processing, applicant notification, preparation of payment requests to recipients, program reports and evaluation of program effectiveness. The staff also provide administrative assistance to post-secondary institutional student financial aid offices, which includes troubleshooting and answering program questions.

The programs help to ensure post-secondary access and choice for Minnesota residents by providing financial assistance to students from low and moderate income families.

STRATEGIES AND PERFORMANCE:

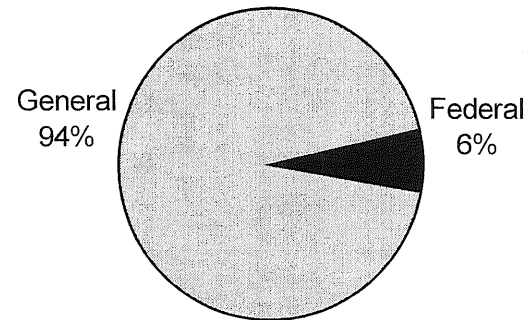
During FY 2000, the Student Financial Aid Services Division processed approximately 125,000 student aid applications, delivering \$125 million of financial assistance to approximately 76,205 students attending both public and private post-secondary educational institutions. Also, included are 20,623 students attending institutions in Wisconsin, North Dakota, South Dakota, Iowa, and Manitoba under tuition reciprocity agreements.

All of the 132 institutions participating in the State Grant Program have decentralized delivery of grant funds to students. Funds to be used each term are disseminated to institutions which calculate individual student awards according to statutory specifications, and then report student data and results to the Services Office. The Services Office is working to enhance service delivery via the web to continually improve citizen access to agency services and information.

FINANCING INFORMATION:

Direct state appropriations support this activity. Federal funding does not support program administrative activities.

Student Financial Aid Services 2000-01 Estimated Financing by Fund



BUDGET ISSUES:

Current level funding is adequate to cover projected expenses for financial aid program administration.

Activity: STUDENT FINANCIAL AID SERVICES
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	348	365	383	394	394	394	406	406	406
OTHER OPERATING EXPENSES	223	221	332	279	287	279	279	287	279
OTHER FINANCIAL TRANSACTIONS	64	49	56	56	56	56	56	56	56
Subtotal State Operations	635	635	771	729	737	729	741	749	741
PAYMENTS TO INDIVIDUALS	(1)	0	0	0	0	0	0	0	0
Total Expenditures	634	635	771	729	737	729	741	749	741
Change Items:	Fund								
(B) MIDWESTERN HIGHER EDUCATION COMM	GEN				8			8	
Total Change Items					8			8	
Financing by Fund:									
Direct Appropriations:									
GENERAL	570	586	715	673	681	673	685	693	685
Statutory Appropriations:									
FEDERAL	64	49	56	56	56	56	56	56	56
Total Financing	634	635	771	729	737	729	741	749	741
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	7	8	5	0	0	0	0	0	0
FEDERAL	64	49	56	56	56	56	56	56	56
Nondedicated									
GENERAL	88	44	40	40	40	40	40	40	40
Total Revenues Collected	159	101	101	96	96	96	96	96	96
FTE by Employment Type:									
FULL TIME	7.2	7.0	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Total Full-Time Equivalent	7.2	7.0	6.7	6.7	6.7	6.7	6.7	6.7	6.7

BUDGET CHANGE ITEM (44522)

Budget Activity: STUDENT FINANCIAL AID SERVICES
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: MIDWESTERN HIGHER EDUCATION COMM

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Midwest Higher Education Commission Membership	\$83,000	\$83,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base	10.7%	10.7%
\$75,000		

OUTCOMES:

The proposed supplemental funding will enable Minnesota to continue its membership in the Commission and benefit from its programs and services. Continued collaboration and shared programming will enhance the efficiency and effectiveness of higher education for all member states.

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$8	\$8	\$8	\$8
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statute(s) affected:				
_____ New Activity <u>X</u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative.

RATIONALE:

The Midwestern Higher Education Commission (MHEC) was established in 1991 by the Midwestern Regional Education Compact, an interstate agreement among Midwestern states including: Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin. The mission of MHEC is to improve higher education opportunities and services in the Midwest region through interstate cooperation and resource sharing. The Services Office serves as the fiscal agent for Minnesota's participation in the MHEC.

Minnesota's continued membership in the MHEC is essential to ensure ongoing participation in Commission activities such as the Midwest Student Exchange Program and the Interactive Video Program.

FINANCING:

The proposed annual membership dues increase each year of the biennium is needed to meet rising costs associated with the administration of a larger number of Commission initiatives that benefit Minnesota and other states in the Compact.

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PROGRAM SUMMARY

Program: STATE STUDENT LOAN SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

PROGRAM PROFILE:

This program includes the Student Educational Loan Fund Program (SELF), the Federal Stafford Loan Program, the Graduated Repayment Income Protection Program (GRIP), and the Minnesota Medical and Osteopathy Loan Program (MMOLP). These loan programs assist undergraduate and graduate students in financing their education expenses.

STRATEGIES AND PERFORMANCE:

The SELF program is designed to provide an additional source of low-interest funding for Minnesota residents and non-residents attending post-secondary education institutions in Minnesota, and to Minnesota residents attending post-secondary education institutions in other states.

The Services Office is no longer an active lender in the Federal Stafford Student Loan Program. Also, the GRIP and MMOLP programs are being phased out with no new participants allowed in either program.

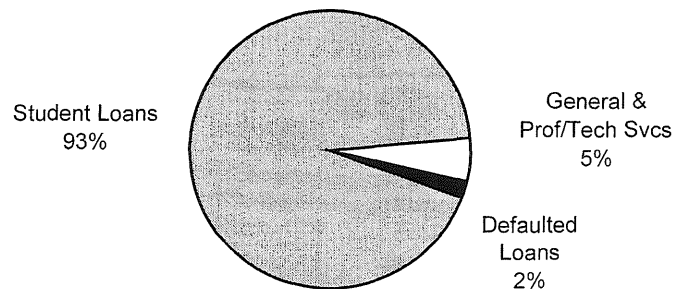
FINANCING INFORMATION:

There are no General Fund appropriations for this program. Operating expenses are financed from bonds, loan repayments, and investment income.

BUDGET ISSUES:

The SELF Program is funded through repayments of existing SELF loans and through \$68.5 million of tax exempt bonds and \$61.2 million of taxable bonds outstanding. Based on current loan volume projections, the Services Office anticipates that adequate funds exist for the FY 2000-01 biennium. It is anticipated that additional bonds will need to be issued for FY 2001-02. The Services Office is working with the Department of Finance to secure tax exempt financing for future bond issues. The Services Office is limited to a maximum of \$550 million in outstanding bonds. Based on current loan growth, the amount of outstanding bonds could approach that maximum in fewer than 10 years. The Services Office may need to seek an increase in the maximum in the future.

**State Student Loans
2000-01 Expenditures by Category
Total \$201.8 Million**



Program: STATE STUDENT LOAN SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
STATE SUPPLEMENTAL LOANS	72,316	92,019	108,394	113,423	113,423	113,423	118,423	118,423	118,423
OTHER LOAN PROGRAMS	804	617	600	600	600	600	600	600	600
STAFFORD LOAN	67	53	75	30	30	30	30	30	30
Total Expenditures	73,187	92,689	109,069	114,053	114,053	114,053	119,053	119,053	119,053
Financing by Fund:									
Statutory Appropriations:									
HIGHER EDUCATION SVCS OFFICE	73,187	92,689	109,069	114,053	114,053	114,053	119,053	119,053	119,053
Total Financing	73,187	92,689	109,069	114,053	114,053	114,053	119,053	119,053	119,053
FTE by Employment Type:									
FULL TIME	9.1	9.3	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Total Full-Time Equivalent	9.1	9.3	9.6	9.6	9.6	9.6	9.6	9.6	9.6

BUDGET ACTIVITY SUMMARY

Budget Activity: STATE SUPPLEMENTAL LOANS
Program: STATE STUDENT LOAN SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

The Student Educational Loan Fund (SELF) Program provides an additional source of long-term, low interest funding to Minnesota residents and non-residents attending post-secondary education institutions both in and outside Minnesota and the providence of Manitoba. M.S. 136A.1701 permits the creation of such supplemental loan programs.

The state of Minnesota has long understood the economic and social benefits derived from having an educated, knowledgeable, and skilled population able to participate in the global economy. As a result, the state has been proactive in establishing programs like SELF to help ensure access to education for all Minnesota citizens.

The private sector has created additional private loan programs in recent years. However, the SELF loan has continued to provide funding to students at a lower interest rate and without charging origination and guarantee fees. The SELF Program is a low cost financing option for students. It provides a service to Minnesota residents, and to non-residents attending Minnesota schools, in ensuring access to an education of their choice. As the price of higher education continues to increase, more students need to partially or fully fund their education with student loans. Without the SELF program, many students might be unable to complete their education at the college of their choice.

The program requires a credit-worthy co-signer and payment of interest while the borrower is in school. The Services Office also uses various collection tools to collect on defaulted SELF loans.

STRATEGIES AND PERFORMANCE:

The program's strategies to meet the needs of students in funding their post-secondary education:

- Provide an alternative source of funding for parents and students.
- Inform students, parents and financial aid administrators about the benefits of the SELF Program through various printed publications, post-secondary financial aid offices, and information on the agency website.
- Conduct ongoing research regarding improvements to the SELF Program.
- Monitor annual lending activity.

- Continue to structure the program to reduce defaulted loans.

The goal of the program is to strive continually for program improvement to better meet the needs of students, parents and schools. The program uses technological advances to improve services. More use has been made of the Internet to provide services to customers.

Since 1985, the Services Office has made more than 145,000 SELF loans totaling over \$490 million to students from all sectors of higher education. The Services Office collected over \$2.3 million from SELF defaulters in FY 2000. The cumulative SELF default rate after collections is less than 1%.

FINANCING INFORMATION:

The SELF Program is funded through a combination of tax-exempt and taxable financing, repayment of principal and interest on SELF and federal Stafford loans, and investment earnings. These revenues finance additional SELF loans, pay interest on the bonds, pay loan servicing costs, and cover program operating costs.

BUDGET ISSUES:

The Services Office is seeking a tax-exempt bonding allocation to continue to keep the overall cost of the State Supplemental Loan Programs as low as possible to help ensure continuation of the Programs. Tax-exempt bonds can be issued for student loans under Section 144(b)(1)(B) of the Internal Revenue Code of 1986, as amended.

Activity: STATE SUPPLEMENTAL LOANS
Program: STATE STUDENT LOAN SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	399	386	500	529	529	529	529	529	529
OTHER OPERATING EXPENSES	5,826	6,225	7,894	7,894	7,894	7,894	7,894	7,894	7,894
OTHER FINANCIAL TRANSACTIONS	66,091	85,409	100,000	105,000	105,000	105,000	110,000	110,000	110,000
Subtotal State Operations	72,316	92,020	108,394	113,423	113,423	113,423	118,423	118,423	118,423
PAYMENTS TO INDIVIDUALS	0	(1)	0	0	0	0	0	0	0
Total Expenditures	72,316	92,019	108,394	113,423	113,423	113,423	118,423	118,423	118,423
<u>Financing by Fund:</u>									
Statutory Appropriations:									
HIGHER EDUCATION SVCS OFFICE	72,316	92,019	108,394	113,423	113,423	113,423	118,423	118,423	118,423
Total Financing	72,316	92,019	108,394	113,423	113,423	113,423	118,423	118,423	118,423
<u>Revenue Collected:</u>									
Dedicated									
HIGHER EDUCATION SVCS OFFICE	72,967	92,134	119,199	125,029	125,029	125,029	130,054	130,054	130,054
Total Revenues Collected	72,967	92,134	119,199	125,029	125,029	125,029	130,054	130,054	130,054
<u>FTE by Employment Type:</u>									
FULL TIME	9.1	9.3	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Total Full-Time Equivalent	9.1	9.3	9.6	9.6	9.6	9.6	9.6	9.6	9.6

BUDGET ACTIVITY SUMMARY

Budget Activity: OTHER LOAN PROGRAMS
Program: STATE STUDENT LOAN SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

This activity includes three targeted state student loan programs and the federal Stafford Loan Program. The Graduated Repayment Income Protection (GRIP) Program, the Minnesota Medical and Osteopathy Loan Program (MMOLP), and the Optometry and Osteopathy (O&O) Program are being phased out. The Services Office has not made any Stafford Loans since 1988.

GRIP participants are graduates of Minnesota schools in dentistry, medicine, pharmacy, veterinary medicine, public health, and chiropractic medicine and Minnesota residents graduating from osteopathy programs. The GRIP Loan was discontinued in 1995 for new participants. Loans are still being made to participants who entered the program prior to 1995.

The MMOLP program assisted students in medical and osteopathy schools by providing loans which would be forgiven if they served in rural Minnesota upon completion of their medical training. The Optometry and Osteopathy (O&O) Program targeted loans to medical students in those fields to encourage them to practice in Minnesota upon completion of their medical training.

STRATEGIES AND PERFORMANCE:

The GRIP program enabled program participants to repay their student loans with a repayment loan based on their projected annual income. There are 132 individuals in repayment. Five individuals are in repayment under the O&O Program and one individual is in repayment in the MMOLP. The Services Office has a portfolio of less than \$2 million under the Stafford Loan Program, which will be serviced until the loans have been repaid.

FINANCING INFORMATION:

Repayments to the MMOLP and O&O Programs are deposited in the General Fund as non-dedicated receipts. Repayment to the GRIP and Stafford Programs are deposited in the Loan Capital Fund.

BUDGET ISSUES:

The Services Office will continue to monitor and oversee the repayment process for these loan programs in a cost effective manner.

Activity: OTHER LOAN PROGRAMS
Program: STATE STUDENT LOAN SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
OTHER FINANCIAL TRANSACTIONS	804	617	600	600	600	600	600	600	600
Total Expenditures	804	617	600	600	600	600	600	600	600
Financing by Fund:									
Statutory Appropriations:									
HIGHER EDUCATION SVCS OFFICE	804	617	600	600	600	600	600	600	600
Total Financing	804	617	600	600	600	600	600	600	600
Revenue Collected:									
Dedicated									
HIGHER EDUCATION SVCS OFFICE	213	101	600	600	600	600	600	600	600
Total Revenues Collected	213	101	600	600	600	600	600	600	600

PROGRAM SUMMARY

Program: RESEARCH & PROGRAM SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

PROGRAM PROFILE:

Minnesota students are able to enroll in higher education institutions which meet state quality standards and priorities through consumer protection services and targeted grants to institutions. Minnesota has access to statewide data on higher education through research services.

STRATEGIES AND PERFORMANCE:

This program includes the following activities;

- **Consumer protection and consumer information through registration and licensing of private non-profit colleges and for-profit career schools.** State statutes require oversight of these institutions, which are not accountable to Minnesota public governing boards, to prevent "degree mills" and fraudulent or inadequate institutions from operating in this state and to provide other safeguards to Minnesota students.
- **A state collection point for information and data on Minnesota post-secondary students, institutions and financial aid.** The Services Office manages statewide databases and performs analyses that provide a picture of students attending all types of institutions. This information is used by policymakers, institutions, the media and the general public.
- **State and federal grants to institutions to accomplish specific educational objectives.** Competitive grant programs target specific areas of need to encourage institutions to align educational curricula with state priorities.

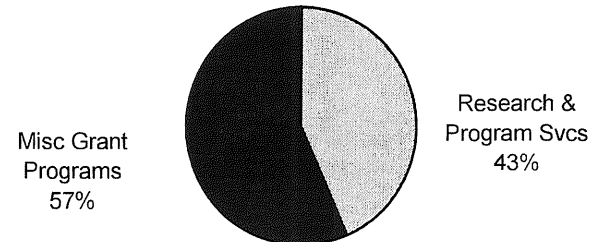
FINANCING INFORMATION:

Consumer protection is financed through state appropriations and through dedicated fee revenue collected from institutions that must be licensed or registered.

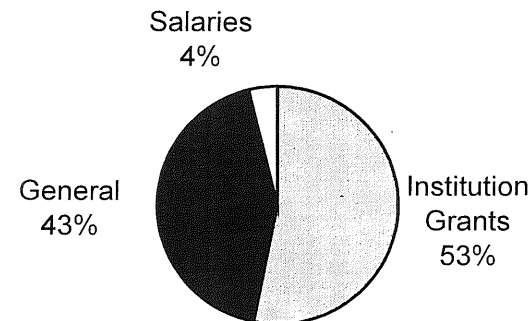
Research services are funded through state General Fund appropriations.

Grants to institutions consist of separate programs funded at the state or federal levels.

**Research & Program Services
2000-Expenditures by Budget Activity
Total \$3,436,000**



**Research & Program Services
2000-2001 Expenditures by Category
Total \$3.4 Million**



Program: RESEARCH & PROGRAM SERVICES
 Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
RESEARCH & PROGRAM SERVICES	634	709	784	768	768	768	784	784	784
MISCELLANEOUS GRANT PROGRAMS	890	969	974	881	1,141	881	881	1,141	881
Total Expenditures	1,524	1,678	1,758	1,649	1,909	1,649	1,665	1,925	1,665
Change Items:	Fund								
(B) POST SECONDARY SERVICE LEARNING	GEN				260			260	
Total Change Items					260			260	
Financing by Fund:									
Direct Appropriations:									
GENERAL	628	616	792	715	975	715	730	990	730
Statutory Appropriations:									
SPECIAL REVENUE	86	102	111	112	112	112	112	112	112
FEDERAL	763	911	798	763	763	763	763	763	763
HIGHER EDUCATION SVCS OFFICE	47	49	57	59	59	59	60	60	60
Total Financing	1,524	1,678	1,758	1,649	1,909	1,649	1,665	1,925	1,665
FTE by Employment Type:									
FULL TIME	10.8	10.8	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Total Full-Time Equivalent	10.8	10.8	9.5	9.5	9.5	9.5	9.5	9.5	9.5

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BUDGET ACTIVITY SUMMARY

Budget Activity: RESEARCH & PROGRAM SERVICES
Program: RESEARCH & PROGRAM SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

This activity includes the following;

Consumer Protection. Statutes allow the state to set minimum standards for private and out-of-state institutions that offer programs in Minnesota. The Minnesota Private Institution Registration Act (M.S. 136A.61-136A.71) provides quality control and fosters consumer protection for approximately 80 private, non-profit and out-of-state post-secondary institutions offering educational programs within the state. Licensing of private for-profit schools (M.S. Chapter 141) provides quality control and consumer protection for approximately 60 private, for-profit career training providers.

Standards address the quality of faculty, facilities and other program resources; financial stability; advertising and promotion; and protection for students if an institution does not maintain the program as promised or ceases operations. State oversight protects prospective students from schools that collect tuition money fraudulently, "diploma mills" that sell degrees without offering legitimate programs, and schools that lack sufficient expertise or financial resources to develop and maintain adequate post-secondary programs.

New types of providers of post-secondary education, including non-Minnesota institutions serving residents through distance education, affect consumer protection needs and the state's ability to respond.

Research Services. Agency staff provide several services to enable the state to identify trends and conditions in post-secondary education. While individual institutions maintain information on their own activities, data collection and analyses at the Services Office cover both public and private institutions so that a statewide picture is feasible. These services are used by policy makers, institution staff, the media, and the general public who need a single source of data on post-secondary education in Minnesota.

Agency-maintained data bases include fall term enrollments and degrees and other awards conferred by Minnesota institutions. Student enrollment information has been collected since 1983, allowing analyses of transfer and persistence over time. The Services Office also coordinates data collection from Minnesota institutions for the federal Integrated Post-Secondary Education Data System (IPEDS) which maintains enrollment, financing, staffing and other data at the U.S. Department of Education.

Research on student financing, including surveys of all financial aid received by undergraduates at Minnesota institutions, and assessment of state financial aid programs for budgetary and policy purposes, is also part of this activity.

STRATEGIES AND PERFORMANCE:

Consumer Protection. Regulatory standards for private institution registration and licensure of private career schools are contained in the authorizing statutes and in agency rules. Institutions applying for licensure or registration can access application material via the agency web site. Managers evaluate programs and assist institutions in understanding state requirements. Outside evaluators are used when specialized expertise is needed. Staff answer student inquiries and work with institutions to ensure student complaints are addressed satisfactorily. When complaints or other information indicate that state standards are not being met, legal action can be taken to protect students.

	<u>FY 1999</u>	<u>FY 2000</u>
Private Institution Registration		
Registrations renewed	72	73
New institutions registered	1	3
New degrees approved	2	7
Private Career School Licensure		
Schools licensed at end of fiscal year	59	60
New schools licensed during year	8	2

Research Services. The agency's student enrollment and degree data bases are cooperative ventures with public and private institutions, which agree on data elements and definitions and provide data annually. The Services Office publishes both standard reports and special analyses. Upon request, staff produce tailored summary reports and analyses for researchers from a variety of organizations. Staff also use federal and other sources of information to provide answers to data questions about Minnesota higher education.

	<u>FY 1999</u>	<u>FY 2000</u>
Published reports	6	6
Special requests for analyses (approximate)	50	50

Most information of general interest is posted on the agency website which is becoming the primary way many customers first seek access to data. Since November 1999, the basic enrollment data report has been accessed 451 times, and users have accessed a feature allowing them to generate customized reports on enrollments 307 times.

BUDGET ACTIVITY SUMMARY (Continued)

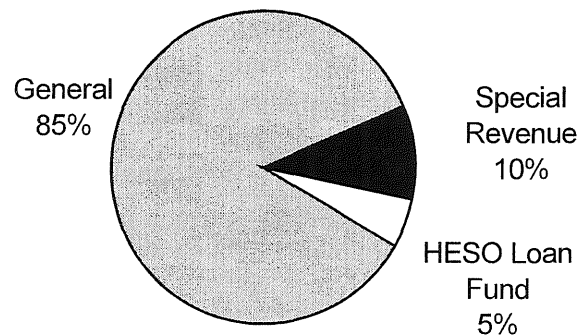
Budget Activity: RESEARCH & PROGRAM SERVICES
Program: RESEARCH & PROGRAM SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

The Services Office produces analyses of student financing for state policy makers and staff, for agency planning, and for others. A research data base on the State Grant Program is maintained to project expenditures for budget planning and simulations.

FINANCING INFORMATION:

This activity generates dedicated revenue from fees for Private Institution Registration and Private Career School Licensure. No fee increases are anticipated. Enrollment reporting and analysis are fully supported from state General Fund appropriations. Student financing analysis is financed by the Loan Capitol Fund and General Fund appropriations.

Research & Program Services 2000-01 Estimated Financing by Fund



BUDGET ISSUES:

A continuation of the base for consumer protection and research services is proposed. No fee increases are requested.

Activity: RESEARCH & PROGRAM SERVICES
Program: RESEARCH & PROGRAM SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	536	566	574	591	591	591	607	607	607
OTHER OPERATING EXPENSES	98	143	210	177	177	177	177	177	177
Total Expenditures	634	709	784	768	768	768	784	784	784
Financing by Fund:									
Direct Appropriations:									
GENERAL	501	558	616	597	597	597	612	612	612
Statutory Appropriations:									
SPECIAL REVENUE	86	102	111	112	112	112	112	112	112
HIGHER EDUCATION SVCS OFFICE	47	49	57	59	59	59	60	60	60
Total Financing	634	709	784	768	768	768	784	784	784
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	105	106	111	112	112	112	112	112	112
Total Revenues Collected	105	106	111	112	112	112	112	112	112
FTE by Employment Type:									
FULL TIME	10.1	10.1	8.8	8.6	8.6	8.6	8.6	8.6	8.6
Total Full-Time Equivalent	10.1	10.1	8.8	8.6	8.6	8.6	8.6	8.6	8.6

BUDGET ACTIVITY SUMMARY

Budget Activity: MISCELLANEOUS GRANT PROGRAMS
Program: RESEARCH & PROGRAM SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

PROGRAM PROFILE:

This activity manages the following state and federal grants to encourage post-secondary institutions and nonprofit organizations to address specific areas of need. Funds for these programs are awarded on a competitive basis.

- The state **Post Secondary Service Learning Grants** support the development of campus/community collaborations that address significant long-term community needs and enhance the academic and civic development of post-secondary students.
- The federal **Dwight D. Eisenhower Professional Development Program** provides assistance to state and local educational agencies and to institutions of higher education to improve learning by providing K-12 teachers and other staff with professional development aligned to challenging state and local content and student performance standards.

STRATEGIES AND PERFORMANCE:

Post-Secondary Service Learning Grants: Since 1994, the state has funded grants for community service projects to encourage service-learning, a process through which college students are involved in community work that contributes to positive social change and students' academic, civic, personal, and career growth and their understanding of larger social issues.

- For the 1998-99 biennium, 9 of 63 proposals from higher education institutions and nonprofit organizations were funded. Four projects focused on improving the quality of existing campus-community collaboration initiatives. Two grants were given to improve the quality, impact and sustainability of curriculum based initiatives. Three projects supported new service learning and campus-community collaboration initiatives.
- For the 2000-01 biennium, 12 grants were awarded for 7 higher education projects and 5 community based projects to increase the quality, impact and sustainability of service-learning and campus-community collaboration initiatives. Five projects address quality improvement through enhancement of existing programs or implementation of new program initiatives. Four projects focus on initiatives to integrate service with academic study, and three projects begin service-learning or campus-community collaboration initiatives.

Dwight D. Eisenhower Professional Development Program: These grants provide K-12 teachers and other staff with sustained and intensive high quality professional development that emphasizes in-depth understanding of subject matter and appropriate pedagogy and follow-up to assure classroom implementation.

- Initially, the program focused on providing professional development for teachers of mathematics and science. In 1994, Congress expanded the program to allow a portion of the funds to be spent on professional development in other core subject areas.
- For the 1998-99 academic year, 21 of 32 proposals were funded at 10 Minnesota colleges and one non-profit organization. Seventeen projects addressed inservice development for teachers, and four projects addressed upgrading preservice coursework in mathematics and science.
- For the 1999-2000 academic year, 27 of 43 proposals were funded at 13 Minnesota colleges and one non-profit organization. The program continued its focus on providing sustained and intensive professional development through support of 19 projects addressing teacher inservice in mathematics and science; five projects addressing teacher inservice in reading, history and geography; and three projects providing inservice in mathematics for classroom paraprofessionals.

FINANCING INFORMATION:

Program funds are awarded to higher education institutions and non-profit organizations on a competitive basis for activities specified in the Requests for Proposals. The Services Office retains 5% of federal and a portion of state funds to support program administration.

BUDGET ISSUES:

The growth in interest and activity in service learning by students, community leaders, campus staff, administrators and faculty indicates an increased need for support of campus-based program activities and systematic evaluation of program outcomes. Increased program activity would require increased staff time for program administration, technical assistance to institutions and coordination with the state coalition of college presidents, an organization formed to promote higher education service learning.

Activity: MISCELLANEOUS GRANT PROGRAMS
Program: RESEARCH & PROGRAM SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	46	50	55	46	69	46	46	69	46
OTHER OPERATING EXPENSES	(1)	1	0	0	28	0	0	28	0
Subtotal State Operations	45	51	55	46	97	46	46	97	46
LOCAL ASSISTANCE	845	918	919	835	1,044	835	835	1,044	835
Total Expenditures	890	969	974	881	1,141	881	881	1,141	881
<u>Change Items:</u>	<u>Fund</u>								
(B) POST SECONDARY SERVICE LEARNING	GEN				260			260	
Total Change Items					260			260	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	127	58	176	118	378	118	118	378	118
Statutory Appropriations:									
FEDERAL	763	911	798	763	763	763	763	763	763
Total Financing	890	969	974	881	1,141	881	881	1,141	881
<u>Revenue Collected:</u>									
Dedicated									
FEDERAL	763	909	798	763	763	763	763	763	763
Total Revenues Collected	763	909	798	763	763	763	763	763	763
<u>FTE by Employment Type:</u>									
FULL TIME	0.7	0.7	0.7	0.9	0.9	0.9	0.9	0.9	0.9
Total Full-Time Equivalent	0.7	0.7	0.7	0.9	0.9	0.9	0.9	0.9	0.9

BUDGET CHANGE ITEM (45205)

Budget Activity: MISCELLANEOUS GRANT PROGRAMS
Program: RESEARCH & PROGRAM SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: POST SECONDARY SERVICE LEARNING

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$51	\$51	\$51	\$51
-Grants	\$209	\$209	\$209	\$209
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statute(s) affected:				
_____ New Activity <u>X</u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative.

RATIONALE:

The Services Office is proposing an increase of \$260,000 each year of the 2002-03 biennium. While advancing the Services Office's provision of educational services to Minnesota citizens, added funding for collaborative community and higher education programs supports the Governor's Big Plan vision of people working together to establish healthy vital communities throughout the state.

The request for additional support would allow expansion of services beyond the nine to 12 sites that have been funded in recent years and would support implementation of a performance-based accountability system to provide an assessment of program outcomes. This is the only Minnesota program of state support for higher education community service programs.

Minnesota post-secondary service-learning projects have also been funded through the federal Corporation for National Service. The federal office has been supportive in past years with funds awarded in a competitive grant program. Minnesota's most recent application for federal support, however,

was not funded because of an escalating request for program support from other states and their community-based organizations. The continued existence of the federal program of support for state and local initiatives is not assured.

FINANCING:

To respond to the increased need and interest in advancing collaborative service-learning programs, \$260,000 is requested for each year of the FY 2002-03 biennium.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Program administration and evaluation	\$51,000	\$51,000
Grants to institutions for service learning projects and to the Minnesota Campus Compact for technical assistance	\$209,000	\$209,000
Total:	\$260,000	\$260,000

Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$118,000	220%	220%

.1 FTE is currently included in this activity to administer Post-Secondary Service Learning Grants. Staff reallocation to .4 FTE is anticipated if the program is expanded. No increase in agency FTE is proposed as result of this proposal.

OUTCOMES:

New funding would advance statewide priorities for healthy vital communities though support for

- Two or three campus-based centers for community partnerships. Regional centers would strengthen efforts to utilize connections with multiple agencies within an institution's service area;
- Two or three additional small grants to campuses for start up service learning activities, integration with academic course work or specific community collaboration projects;
- A formal evaluation to determine if project outcomes reflect program performance measures, and to identify lessons that can be applied to other campus/community collaborative initiatives; and
- Increased support for technical assistance and program oversight.

PROGRAM SUMMARY

Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

PROGRAM PROFILE:

Minnesota residents can utilize resources from libraries across the state and take courses through distance learning because of state programs to support library cooperation, resource sharing, and educational telecommunications.

These programs make it possible for Minnesota's schools, colleges, and universities to join together to take advantage of emerging technologies. They support the Governor's Big Plan goals of Lifelong Learning for Work and Life and Building an Information Highway.

- **The Learning Network of Minnesota**, funded by grants awarded through the Minnesota Education Telecommunications Council, allows courses and academic degrees to be delivered through telecommunications and other technologies.
- **The MINITEX Library Information Network** coordinates resource sharing and other cooperative programs among the state's academic and public libraries.
- **The Minnesota Library Information Network (MnLINK)** is a statewide library information system being developed under guidance of the Minnesota Library Planning Task Force.

STRATEGIES AND PERFORMANCE:

Through use of information technologies for education and library services, these activities promote efficiency and effectiveness and reduce geographic barriers through the following strategies.

- The Learning Network is a technological infrastructure to improve access to higher education programs, courses, and degrees.
- MINITEX identifies and transfers interlibrary loan documents among academic and public libraries, maintains a unified catalog of serial holdings, supports cooperative cataloging, and expands the availability of electronic information resources.
- MnLINK will be an automated library information system and a gateway system that will allow collections in most Minnesota libraries to appear as a single resource to the user.

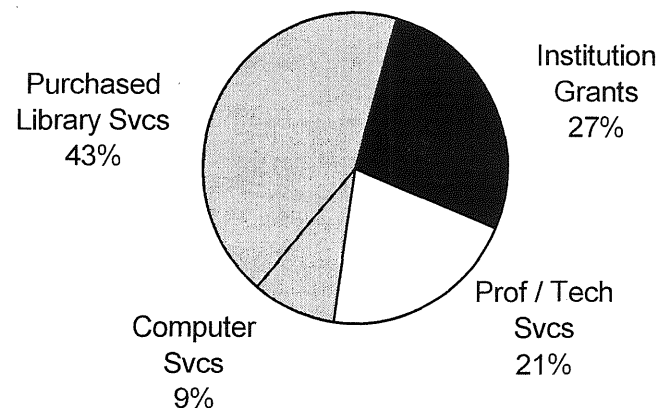
FINANCING INFORMATION:

Learning Network of Minnesota. Through the Services Office, the state appropriated \$10.4 million for FY 2000 and FY 2001 to support the higher education portion of the network and administration of the Minnesota Education Telecommunications Council. A 10% match is required from the higher education telecommunication regions.

MINITEX: In the FY 2000-01 biennium, MINITEX was financed through \$9.0 million in state appropriations and an additional \$2.4 million from contracts with the Minnesota Department of Children, Families and Learning, and the North and South Dakota State Libraries. In addition, an estimated \$4.7 million will be generated by Online Computer Library Center (OCLC) online cataloging services to participating MINITEX libraries –these funds are passed directly to OCLC.

MnLINK: The 1997 Legislature provided a one-time appropriation of \$12 million to implement MnLINK. Future operating costs of the automated library information system will be shared by participating libraries. A \$450,000 annual appropriation funds operation of the Gateway.

**Libraries & Technology
2000-2001 Expenditures by Category
Total \$38.6 Million**



PROGRAM SUMMARY (Continued)

Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

BUDGET ISSUES:

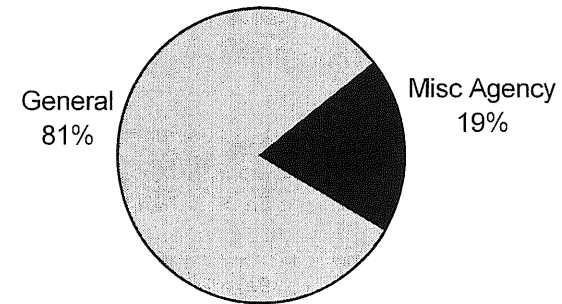
The activities under this program are shaped by rapid changes in the potential benefits and costs of information technologies.

- **Learning Network of Minnesota:** The Learning Network maintains links among post-secondary institutions as well as between those institutions and public school districts and libraries. The Minnesota Education Telecommunications Council has been working with the state's education leaders and the Department of Administration to develop the next stage of the Learning Network. The higher education portion of the network is continuing to upgrade equipment and capacity and to support user demand for newer technologies.
- **MINITEX:** MINITEX provides Minnesotans with cost-effective access to a full range of library resources and information. Investments in sharing among libraries pay off in efficient use of library collections. New technologies can be used to transmit some printed materials electronically. As the number of library users and the amount of available information expands, inter-library loan demand continues to grow.

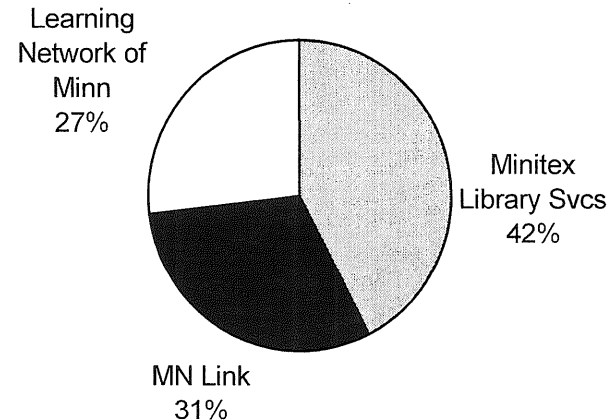
More and more materials are becoming available in electronic formats. Through MINITEX, Minnesota has been investing in electronic information at the state level in order to take advantage of volume-based pricing and to expand access to libraries and users. The 1998-99 biennial appropriation included funds to subsidize online access to full-text articles in science and technology journals that support higher education academic programs. A second initiative is supported by tandem 2000-01 appropriations to the Higher Education Services Office and the Department of Children, Families and Learning. These appropriations, which are administered by MINITEX, provide access to information resources that benefit users across the educational spectrum on a statewide basis (including K-12, higher education, state government, and public libraries).

- **MnLINK:** MnLink is still in the developmental stages. Implementation funds are currently being used for project management and related expenses, implementation hardware, and software licenses. Transition costs for libraries will be subsidized to the extent possible. The long term financing of MnLink will require negotiated cost-sharing among participating libraries using the automated library information system and an on-going appropriation to support the gateway.

Library & Technology Services 2000-2001 Financing by Fund Total \$38.4 Million



Library & Technology Services 2000-2001 Expenditures by Budget Activity Total \$



Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
MINITEX LIBRARY SERVICES	5,665	8,150	8,187	8,187	9,987	9,987	8,187	9,912	9,912
MN LINK	754	2,112	9,757	450	450	450	450	450	450
LEARNING NETWORK OF MINN	6,070	5,150	5,208	5,179	6,679	5,179	5,179	6,679	5,179
Total Expenditures	12,489	15,412	23,152	13,816	17,116	15,616	13,816	17,041	15,541
Change Items:	Fund								
(B) MINITEX	GEN				1,800	1,800		1,725	1,725
(B) LEARNING NETWORK OF MINNESOTA	GEN				1,500			1,500	
Total Change Items					3,300	1,800		3,225	1,725
Financing by Fund:									
Direct Appropriations:									
GENERAL	9,431	11,701	19,483	10,147	13,447	11,947	10,147	13,372	11,872
Statutory Appropriations:									
SPECIAL REVENUE	1	59	0	0	0	0	0	0	0
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669
Total Financing	12,489	15,412	23,152	13,816	17,116	15,616	13,816	17,041	15,541
FTE by Employment Type:									
FULL TIME	3.0	3.0	3.1	1.1	1.1	1.1	1.1	1.1	1.1
Total Full-Time Equivalent	3.0	3.0	3.1	1.1	1.1	1.1	1.1	1.1	1.1

BUDGET ACTIVITY SUMMARY

Budget Activity: MINITEX LIBRARY SERVICES
Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

Now in its 31st year of operation, the MINITEX Library Information Network (MINITEX) is a publicly-supported network of more than 225 academic, public state government, and other special libraries in Minnesota, North Dakota, and South Dakota working cooperatively to improve library services by sharing library resources and services for the benefit of residents in Minnesota and neighboring states. MINITEX's mission is to enhance the effectiveness and efficiency of libraries by expanding their access to local, state, regional, national and international information resources.

STRATEGIES AND PERFORMANCE:

MINITEX fulfills its objective through four primary activities: 1) document delivery; 2) a union list of serial holdings (journals and magazines) of participating libraries; 3) a common data base of participants' books and non-print holdings through on-line shared cataloging; and 4) group licenses for on-line access to bibliographic and full-text data bases. In addition, MINITEX provides three secondary services on a reimbursement basis: cooperative purchasing, periodical exchange and a reference service.

	FY 1999	FY 2000
Document Delivery Requests	304,380	312,425
Online Shared Cataloging: Participating libraries	196	196
Union List of Serials (MULS): Number of titles	155,511	157,550
On-line data bases: Number of hits	2,371,363	4,930,563

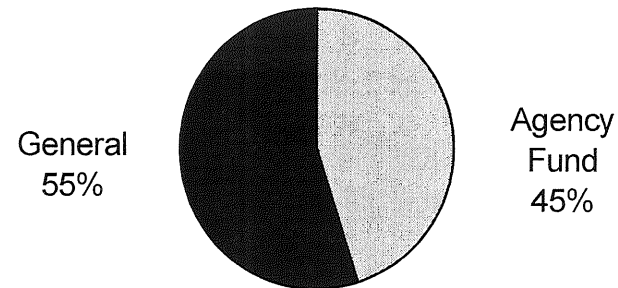
FINANCING INFORMATION:

The entire MINITEX appropriation is for contracted services provided by MINITEX at the University of Minnesota. The University of Minnesota provides space and related physical plant and administrative support services without charge to MINITEX.

Additional revenue is generated from contracts with the Minnesota Department of Children, Families and Learning, the North Dakota State Library, and the South Dakota State Library. All these funds are passed directly to MINITEX at the University of Minnesota. Revenue is also generated by the Online Computer Library Center (OCLC) online cataloging service in which the revenue is received from libraries using OCLC services through the MINITEX office and passed directly to OCLC.

The FY 2000-01 biennial appropriation included an additional \$3.0 million for access to electronic resources. With this appropriation, MINITEX licensed access to the full text of general magazines, references resources, and newspapers (with additional funds from the Department of Children Families and Learning) as well as to scholarly journals and other online resources. In addition, MINITEX licensed the content of over 4,500 electronic books for access throughout Minnesota. These electronic collections have become the Electronic Library for Minnesota.

MINITEX Library System 2000-01 Estimated Financing by Fund



BUDGET ISSUES:

For the FY 2002-03 biennium, there are several issues regarding the appropriation for MINITEX services to academic and state government libraries.

- The number of document delivery requests is expected to increase with the expansion of distance education and implementation of the MnLINK system, which will enable library patrons to search and request items from distant sites.
- Investments in new scanning technologies could increase the efficiency of transmitting requested articles to libraries as well as directly to patrons.
- As the availability of online journals and data bases continues to increase, there are far greater potential cost savings in joint licensing and purchasing agreements than existed when libraries purchased materials individually.

Activity: MINITEX LIBRARY SERVICES
Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
OTHER OPERATING EXPENSES	5,665	8,150	8,187	8,187	9,987	9,987	8,187	9,912	9,912
Total Expenditures	5,665	8,150	8,187	8,187	9,987	9,987	8,187	9,912	9,912
Change Items:	Fund								
(B) MINITEX	GEN				1,800	1,800		1,725	1,725
Total Change Items					1,800	1,800		1,725	1,725
Financing by Fund:									
Direct Appropriations:									
GENERAL	2,608	4,498	4,518	4,518	6,318	6,318	4,518	6,243	6,243
Statutory Appropriations:									
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669
Total Financing	5,665	8,150	8,187	8,187	9,987	9,987	8,187	9,912	9,912
Revenue Collected:									
Dedicated									
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669
Total Revenues Collected	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669

INFORMATION TECHNOLOGY CHANGE ITEM (45241)

Activity: MINITEX LIBRARY SERVICES
Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES
IT Change Item: MINITEX

ITEM DESCRIPTION AND PURPOSE:

The Services Office is seeking an increase in funding for MINITEX to respond to the increased demand for items exchanged or shared by academic and state agency libraries. New funds would be used to purchase equipment and software to expand the electronic delivery of materials to more libraries, to expand a pilot project in which MINITEX will send electronic copies directly to the library patron, and to increase access to online resources. Online resources could include: (1) licenses to online journals and periodicals as well as the purchase of electronic books, especially those in science and technical fields, and (2) a subscription to The OCLC Collection. The OCLC Collection includes a global catalog of library holdings along with several databases that include journal table of contents and magazine article citations. Included in The OCLC Collection annual subscription would be Net First, a database describing and linking to high quality Internet-accessible resources. This database enables users to identify the source and subjects of websites and to link directly to the sites.

FUNDING: (Dollars in Thousands)

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	200	125	25	25	25	25
Software	0	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	1,600	1,600	1,600	1,600	1,600	1,600
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Total	1,800	1,725	1,625	1,625	1,625	1,625

RATIONALE:

Document Delivery: The number of items exchanged or shared by academic and state agency libraries through the MINITEX delivery system increased 2.6% from FY 1999 to FY 2000, and the increase in demand is expected to continue as MnLINK is used to find and request materials in other libraries. The Services

Office is seeking an increase of \$250,000 in FY 2002 and \$175,000 in FY 2003 to respond. Funds would be used to purchase equipment and software to expand electronic delivery to more libraries and to enable MINITEX to begin sending electronic copies directly to the library patron's own computer. MINITEX will be able to deliver more materials and do it more quickly.

Electronic Information Resources: The Services Office is proposing an increase of \$1,550,000 for access to online resources for each year of the 2002-03 biennium. This request includes the following three items:

1) An additional \$750,000 for licenses to the increasing number of online journals and periodicals, especially in science and technology. Typically, online journals and periodical licenses are available for a collection of journals rather than for one journal at a time, and price discounts may be negotiated for groups of libraries. The FY 2000 and 2001 base appropriations, in collaboration with funding from CFL, have afforded statewide licensing to more online journals and periodicals for academic, public, and K-12 school libraries at discounted prices. Science and technology journals are typically the most expensive types of journals online. As publishers move to online periodicals, sharing those resources beyond a specific campus is permitted only if a multi-campus or statewide contract is negotiated. Funding is needed to maximize access to this growing resource while minimizing the cost to Minnesota and its libraries.

2) An additional \$500,000 to purchase electronic books in science, medical, and technical fields is being requested for each year of the biennium. This investment would quadruple MINITEX's current small collection of electronic books available to residents statewide. It would provide permanent access to books in electronic format and would minimize staffing or delivery network costs to MINITEX while increasing availability of shared materials.

3) \$300,000 is being requested annually to subscribe to The OCLC Collection. This resource will assist patrons in being self-sufficient in selecting and accessing Internet and other global materials.

All funding for access to electronic information will especially benefit patrons who are not located near major library resources. It will support distance learning and help overcome disadvantages communities in dispersed regions face in maintaining a continuously educated workforce.

INFORMATION TECHNOLOGY CHANGE ITEM (45241) (Continued)

Activity: MINITEX LIBRARY SERVICES
Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES
IT Change Item: MINITEX

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development						
Operations	X	X	X	X	X	X
Modification						
Retirement						

OFFICE OF TECHNOLOGY ANALYSIS:

Deliverables/Objectives: This initiative is a pass through of funds and would provide grants to fund the purchase of more equipment and software to expand the electronic delivery of materials to more libraries. It also expands a pilot project, in which MINITEX will be sending electronic copies directly to library patrons and increase access to online resources. This initiative expands existing services already offered by MINITEX. It addresses EGS, collaboration, infrastructure and Big Plan (SSP --Assuring Lifelong Learning for Work and Life, SNS--Electronic Government Services Initiative) components. The initiative is listed as a priority in the agency SIRMP. Conclusion: This initiative meets information technology criteria for funding. This is an example that other agencies can use for aggregation of services. Biennial report documenting savings is requested.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

BUDGET ACTIVITY SUMMARY

Budget Activity: MnLINK
Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

Minnesota residents will be able to search the catalogs of academic, government, public and school libraries from single web interface through the Minnesota Library Information Network (MnLINK). MnLINK will be a statewide virtual library to widen access to library resources by drawing upon the combined collections of Minnesota libraries. MnLINK will also increase the efficiency of library operations by using a common library automation system in all public academic libraries and by employing technology to streamline communications for resource sharing.

The Higher Education Services Office is developing MnLINK in cooperation with the Library Planning Task Force which was created by the 1994 legislature to make recommendations about library and information services.

STRATEGIES AND PERFORMANCE:

The MnLINK project includes the following:

- The *Integrated Library System*, an automated library information system for the University of Minnesota libraries; MnSCU (libraries of technical colleges, state universities, and community colleges); state government libraries; and interested private college, public and school libraries.
- A *Gateway* that provides links to the statewide system for other libraries using a different system for local operations.
- Technical support for planning and training at participating libraries.

Implementation of MnLINK is being coordinated with the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), the Minnesota Education Telecommunications Council, the MINITEX Advisory Committee, the advisory council of the Office of Library Development and Services in the Department of Children, Families and Learning, the Office of Technology, and the Department of Administration. Members from these bodies are represented on the Library Planning Task Force.

The Services Office contracts with MnSCU for management of MnLINK and operation of the Gateway. The Gateway began services in April, 1999. It is accessed at www.mnlink.org. A vendor for the Integrated Library System software has been selected and contract negotiations with them began in fall, 2000.

FINANCING INFORMATION:

The implementation of MnLINK is funded through a 1997 state appropriation of \$12 million, which is carried over until expended. Once operational, the Integrated Library System will be funded by the participating libraries just as they have paid for their own automated library systems in the past. The Gateway serves a broader public function as a statewide resource allowing Minnesota residents to access library and information at libraries throughout the state. State funds are provided in an annual appropriation for the ongoing coordination and operations of the Gateway.

BUDGET ISSUES:

The initial \$12 million appropriation is expected to cover MnLINK costs through the installation of the two systems and the training of staff in participating libraries. While Gateway operations are relatively new, the ongoing appropriation appears sufficient for the next biennium.

Activity: MN LINK
Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	87	71	50	0	0	0	0	0	0
OTHER OPERATING EXPENSES	667	2,041	9,707	450	450	450	450	450	450
Total Expenditures	754	2,112	9,757	450	450	450	450	450	450
Financing by Fund:									
Direct Appropriations:									
GENERAL	753	2,053	9,757	450	450	450	450	450	450
Statutory Appropriations:									
SPECIAL REVENUE	1	59	0	0	0	0	0	0	0
Total Financing	754	2,112	9,757	450	450	450	450	450	450
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	60	0	0	0	0	0	0	0	0
Total Revenues Collected	60	0	0	0	0	0	0	0	0
FTE by Employment Type:									
FULL TIME	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0

BUDGET ACTIVITY SUMMARY

Budget Activity: LEARNING NETWORK OF MINN
Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

The Learning Network of Minnesota (LNM) is a technological highway to provide access to educational programs and library resources through telecommunications technology such as interactive television (ITV), Internet, and satellite. The purpose of the network is to expand access to learning opportunities throughout the state and to improve the quality and efficiency of programming using new technologies and configurations that meet the educational needs of Minnesotans.

The LNM is managed by the Minnesota Education Telecommunications Council (METC). Representatives of K-12 and post-secondary education, public libraries, state agencies, and legislators serve on the METC. The METC oversees the distribution of grants to regional entities to ensure interoperability (different technologies and equipment on the same network) and efficiency of the network. The Services Office provides staff support for the METC and serves as fiscal agent for the higher education portion of the network.

STRATEGIES AND PERFORMANCE:

The METC awards grants to the six higher education telecommunications regions, which maintain links among post-secondary institutions as well as between those institutions and public school districts and libraries. The council encourages collaboration with other community, regional, and state initiatives, such as those introduced by the Department of Administration. In addition, the council promotes interoperability and efficiency through its recommendations concerning infrastructure investments, governance, and technical standards.

The METC is investigating ways to document use of the network. For the higher education portion, regional coordinators report annually to the council on network use according to Services Office performance measures. Each region also prepares an annual report that is presented to the council and regional constituents.

FINANCING INFORMATION:

The higher education portion of the LNM is financed through state appropriations. A 10% match is required from the regions for ongoing operational costs and for planning and coordination of funds.

The K-12/Library portion of the LNM is also financed through state appropriations. For FY 2001 and FY 2002, the K-12 funds are allocated directly to school districts in the form of categorical aid, which is administered by the Department of Children, Families, and Learning.

For the higher education portion of the LNM, additional funds allocated for FY 2000-2001 have helped to modernize the network. Regions have added or upgraded hardware, expanded desktop video capability, converted to a digital platform, and deployed ATM service.

Fiscal Years	Budget Category	Amount
1994	Initial Start-Up Fund	1.75 Million
1995/1996/ 1997	Operational Base & Administrative Costs	\$3.050 Million per year
1998/1999	Operational Base & Administrative Costs	\$3.426 Million per year
	Special Projects	1998/ \$2.076 Million 1999/ \$1.866 Million - \$1.0 Million for New Technology - \$.5 Million for Quality/Capacity improvements (Non-Recurring) - \$3.66 Million Inter/State Regional Connections (Non-Recurring)
2000/2001	Operational Base & Administrative Costs	2000: \$3,716,225 2001: \$4,788,269
	Special Projects	2000: \$1,461,775 2001: \$ 390,731 - Modernization of network

BUDGET ISSUES:

Over the past biennium, the higher education regions have worked to achieve greater cost efficiencies and reduce duplication, so recurring network costs are increasing at a lower rate. Still, infrastructure maintenance/replacement and upgrades to newer technologies are necessary to support current levels of service and expand learning opportunities for students. With fluctuating levels of funding support for the K-12/Library portion of the LNM, the higher education sites are sharing staff, hardware, and lines and are providing technical assistance to K-12/Library sites.

The allocation for regional administrative costs has not changed for a number of years. As a result, member institutions of each region have contributed considerably more than the required 10% match. During FY 2000, the average match was 16% with a range of 13-22% across the six regions.

Activity: LEARNING NETWORK OF MINN
Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	39	50	63	63	63	63	63	63	63
OTHER OPERATING EXPENSES	17	22	41	41	41	41	41	41	41
Subtotal State Operations	56	72	104	104	104	104	104	104	104
LOCAL ASSISTANCE	6,014	5,078	5,104	5,075	6,575	5,075	5,075	6,575	5,075
Total Expenditures	6,070	5,150	5,208	5,179	6,679	5,179	5,179	6,679	5,179
Change Items:	Fund								
(B) LEARNING NETWORK OF MINNESOTA	GEN				1,500			1,500	
Total Change Items					1,500			1,500	
Financing by Fund:									
Direct Appropriations:									
GENERAL	6,070	5,150	5,208	5,179	6,679	5,179	5,179	6,679	5,179
Total Financing	6,070	5,150	5,208	5,179	6,679	5,179	5,179	6,679	5,179
FTE by Employment Type:									
FULL TIME	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Total Full-Time Equivalent	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1

INFORMATION TECHNOLOGY CHANGE ITEM (45200)

Activity: LEARNING NETWORK OF MINN
Program: LIBRARY & TECHNOLOGY SERVICES
Agency: HIGHER EDUCATION SVCS OFFICES
IT Change Item: LEARNING NETWORK OF MINNESOTA

ITEM DESCRIPTION AND PURPOSE:

The Services Office, on behalf of the six higher education regional telecommunications coordinators, recommends an increase of \$1.5 million each year of the biennium. These additional funds would pay for infrastructure maintenance and replacement, upgrades to newer technologies, administrative/coordination costs (the administrative portion of the grants has been fixed for several years), and rate increases. The Network is the technological highway that provides education programs and access to library resources. The higher education telecommunications regions collaborate with K-12 schools and public libraries, sharing staff, equipment and technical expertise.

FUNDING: (Dollars in Thousands)

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Software	0	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	0	0	0	0	0	0
Training	0	0	0	0	0	0
Grants	1,500	1,500	1,500	1,500	1,500	1,500
Total	1,500	1,500	1,500	1,500	1,500	1,500

The change item of \$1,500,000 per year of the biennium includes the following budget item:

\$150,000 in increased bandwidth costs (an inflationary increase).

\$900,000 in maintenance costs.

\$450,000 in modernization (new technology) funds.

This increase represents a 29.5% increase over the base and has no impact on agency FTE.

RATIONALE:

The Minnesota Education Telecommunications Council awards grants to six higher education telecommunications regions, which maintain links among post-secondary institutions as well as between those institutions and public school districts and libraries. The council encourages collaboration with other

community, regional, and state initiatives, such as those introduced by the Department of Administration. In addition, the council promotes interoperability and efficiency through its recommendations concerning infrastructure investments, governance and technical standards.

This request was developed by analyzing the following budget issues facing the higher education portion of the Learning Network:

- 1) The state's telecommunications rates have increased, requiring additional funding to maintain current levels of network operation.
- 2) As leases expire, they are replaced by agreements offering more current technologies with a corresponding increase in costs. For example, the higher education regions are continuing to replace analog services and equipment with digital technologies.
- 3) Some sections of the network receive very heavy use during peak hours, and additional capacity is required to satisfy user needs. In addition, digital technology increases network capabilities to include voice and data as well as video. Regions are now offering services such as IP telephony and desktop video, and they require additional capacity to support user demands for these technologies.
- 4) The network requires continual upgrading and modernization to take advantage of new educational applications and to support user expectations.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development						
Operations	X	X	X	X	X	X
Modification						
Retirement						

OFFICE OF TECHNOLOGY ANALYSIS:

This initiative is a pass through of funds and a collaborative effort on behalf of the six regional telecommunications coordinators. The Learning Network is the technological highway that provides education programs and access to library resources. Deliverables/Objectives: This initiative provides infrastructure maintenance and replacement, increases network bandwidth, administrative costs, and will cover rate increases. These funds will be distributed as grants to

INFORMATION TECHNOLOGY CHANGE ITEM (45200) (Continued)

Activity: LEARNING NETWORK OF MINN

Program: LIBRARY & TECHNOLOGY SERVICES

Agency: HIGHER EDUCATION SVCS OFFICES

IT Change Item: LEARNING NETWORK OF MINNESOTA

the six regions. This initiative is listed as a priority in the agency SIRMP. It supports collaboration, infrastructure, and Big Plan (HVC -- Information Highway Leaving No Community Excluded) components. Recommendation: Yes, approve funding to continue the regional telecommunication efforts in partnership with the METC, and in relationship to the Dept. of Admin. as it relates to HVC.

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative.

PROGRAM SUMMARY

Program: AGENCY/LOAN ADMINISTRATION
Agency: HIGHER EDUCATION SVCS OFFICE

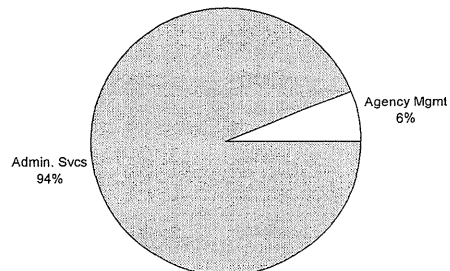
PROGRAM PROFILE: Agency Administration provides leadership, direction, and supervision of the Higher Education Services Office, works and provides recommendations and administrative support to the Higher Education Services Council; and supports the agency's divisions and programs with fiscal services, human resources, office services, administrative services, data processing, and information management services.

In addition, the scope of its management services also involves service to outside customers including: the Governor and Legislature, other governmental agencies and appropriate congressional offices, the post-secondary education community, K-12 entities, students, communities of color, the general public, and the media. Moreover, agency administration dedicates staff and fiscal resources toward addressing primary agency issues and strategies relating to student access to post-secondary education, focusing on the importance of financial assistance as well as information relating to educational programs and opportunities. The agency's use of technology to provide access to program information, services and instructional opportunities is key to the efforts of agency administration.

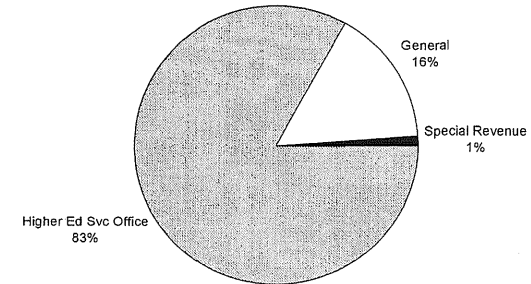
This program is an essential element in ensuring the agency's effectiveness in achieving its mission.

STRATEGIES AND PERFORMANCE: This program activity provides overall administrative support for the Services Office and fulfillment of its agency responsibilities. The activities provided under this program ensure fiscal integrity, efficient and effective use of resources through the use of continued process improvement methodologies including measurements and analysis, and enhanced service to the public through the use of technology.

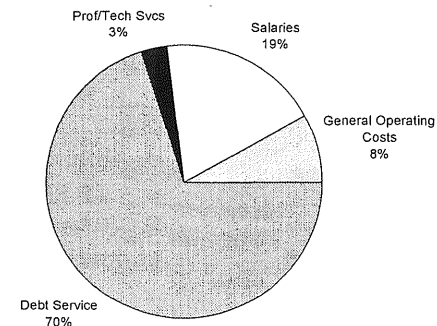
**Agency/Loan Administration
2000-2001 Expenditures by Activity**
Total: \$14.9 Million



**Agency/Loan Administration
2000-2001 Expenditures by Fund**
Total: \$14.9 Million



**Agency/Loan Administration
2000-2001 Expenditures by Category**
Total: \$14.9 Million



Program: AGENCY/LOAN ADMINISTRATION
Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
AGENCY MANAGEMENT	557	537	646	619	619	619	632	632	632
ADMINISTRATIVE SERVICES	1,628	1,443	12,269	12,277	12,441	12,277	12,324	12,441	12,324
Total Expenditures	2,185	1,980	12,915	12,896	13,060	12,896	12,956	13,073	12,956
Change Items:	Fund								
(B) STATE GRANT PROGRAM REWRITE	GEN				164			117	
Total Change Items					164			117	
Financing by Fund:									
Direct Appropriations:									
GENERAL	1,259	1,084	1,335	1,299	1,463	1,299	1,335	1,452	1,335
Statutory Appropriations:									
SPECIAL REVENUE	31	64	50	50	50	50	50	50	50
HIGHER EDUCATION SVCS OFFICE	895	832	11,530	11,547	11,547	11,547	11,571	11,571	11,571
Total Financing	2,185	1,980	12,915	12,896	13,060	12,896	12,956	13,073	12,956
FTE by Employment Type:									
FULL TIME	22.5	22.5	23.8	23.8	24.8	23.8	23.8	24.8	23.8
Total Full-Time Equivalent	22.5	22.5	23.8	23.8	24.8	23.8	23.8	24.8	23.8

BUDGET ACTIVITY SUMMARY

Budget Activity: AGENCY MANAGEMENT
Program: AGENCY/LOAN ADMINISTRATION
Agency: HIGHER EDUCATION SVCS OFFICE

BUDGET ISSUES:

The Services Office anticipates that base level funding is adequate for this budget activity through the 2002-03 biennium.

ACTIVITY PROFILE:

The agency Management Activity includes the agency Director's Office (1.20 FTE) which provides overall leadership, direction, and supervision to 86.7 full time equivalent staff; guides activities of the agency; manages an overall budget of \$300 million; and serves the nine member Higher Education Services Council. The Council appoints the Director of the Services Office, provides advice and review regarding the performance of the Services Office, and communicates with and makes recommendations to the governor and legislature.

This activity also includes the Communication, Legislation & Outreach Services Division which is responsible for development and fulfillment of the agency communication plan, public relations and community outreach initiatives.

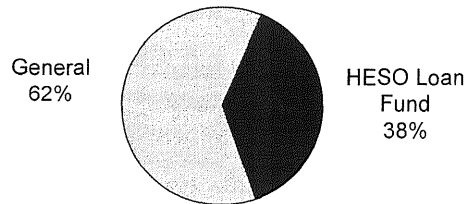
STRATEGIES AND PERFORMANCE:

Responsibilities include;

- Developing and accomplishing the agency's work plan;
- Identifying agency priorities; and
- Communicating the results of agency and Council actions and policies to the governor, legislature, and public.

FINANCING INFORMATION:

**Agency Management
2001 Estimated Financing by Fund**



Activity: AGENCY MANAGEMENT
Program: AGENCY/LOAN ADMINISTRATION
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	333	337	346	360	360	360	373	373	373
OTHER OPERATING EXPENSES	176	152	252	211	211	211	211	211	211
Subtotal State Operations	509	489	598	571	571	571	584	584	584
LOCAL ASSISTANCE	48	48	48	48	48	48	48	48	48
Total Expenditures	557	537	646	619	619	619	632	632	632
Financing by Fund:									
Direct Appropriations:									
GENERAL	386	352	443	413	413	413	424	424	424
Statutory Appropriations:									
SPECIAL REVENUE	0	28	0	0	0	0	0	0	0
HIGHER EDUCATION SVCS OFFICE	171	157	203	206	206	206	208	208	208
Total Financing	557	537	646	619	619	619	632	632	632
FTE by Employment Type:									
FULL TIME	5.0	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Total Full-Time Equivalent	5.0	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5

BUDGET ACTIVITY SUMMARY

Budget Activity: ADMINISTRATIVE SERVICES
Program: AGENCY/LOAN ADMINISTRATION
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

This activity provides administrative support services in the areas of information and technology, financial management, internal office services and human resources to assist all agency managers in the effective implementation and efficient administration of their programs.

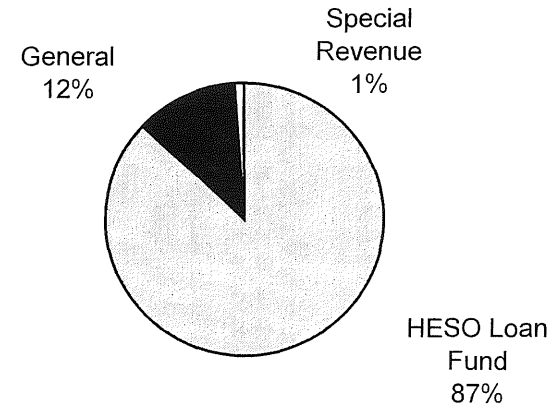
STRATEGIES AND PERFORMANCE:

The Administrative Services activity includes three work units within the Higher Education Services Office.

- The Financial Services unit provides services including: accounting, auditing, budgeting, fiscal oversight for agency contracts, financial analysis and reporting, agency administrative policies and procedures, purchasing, travel management, disbursement and receipt of funds and repayment processes for several programs.
- The Human Resources and Agency Services unit provides services including: all aspects of human resource functions such as hiring, retention, termination, training, employee orientation, policies and procedures relating to human resource issues; ensuring compliance with affirmative action regulations and efforts relating to the Americans with Disabilities (ADA) Act; provision of agency receptionist duties; fiscal note preparation; agency rule making process; management of agency biennial budget narrative; creation/oversight of contracting process to ensure compliance with state contract regulations and requirements; and application of quality improvement methodology to all services provided by the Services Office.
- The Information and Technology Services unit provides services including: analysis, design, programming, maintenance, operation, database administration, and staff training for application systems; analysis, programming, and database administration for statistical analysis projects; interfacing with hardware, software, and service vendors; maintenance training and technical support for minicomputer, personal computers, networking, and office automation systems.

FINANCING INFORMATION:

Administrative Services 2000-01 Estimated Financing by Fund



BUDGET ISSUES:

This budget activity primarily supports internal operational functions of the Services Office, without which the agency would be unable to perform its statutory responsibilities. An increase of \$164,000 in FY 2002 and \$117,000 in FY 2003 is being requested for the Information and Technology Services unit in order to address costs that will be incurred in order to modernize and upgrade the State Grant Program language and applications. This will result in more efficient and effective service to students and post-secondary institutions participating in the State Grant Program.

Activity: ADMINISTRATIVE SERVICES
Program: AGENCY/LOAN ADMINISTRATION
Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	882	995	1,137	1,167	1,249	1,167	1,205	1,292	1,205
OTHER OPERATING EXPENSES	739	446	932	910	992	910	919	949	919
OTHER FINANCIAL TRANSACTIONS	0	0	10,200	10,200	10,200	10,200	10,200	10,200	10,200
Subtotal State Operations	1,621	1,441	12,269	12,277	12,441	12,277	12,324	12,441	12,324
PAYMENTS TO INDIVIDUALS	2	2	0	0	0	0	0	0	0
LOCAL ASSISTANCE	5	0	0	0	0	0	0	0	0
Total Expenditures	1,628	1,443	12,269	12,277	12,441	12,277	12,324	12,441	12,324
Change Items:	Fund								
(B) STATE GRANT PROGRAM REWRITE	GEN				164			117	
Total Change Items					164			117	
Financing by Fund:									
Direct Appropriations:									
GENERAL	873	732	892	886	1,050	886	911	1,028	911
Statutory Appropriations:									
SPECIAL REVENUE	31	36	50	50	50	50	50	50	50
HIGHER EDUCATION SVCS OFFICE	724	675	11,327	11,341	11,341	11,341	11,363	11,363	11,363
Total Financing	1,628	1,443	12,269	12,277	12,441	12,277	12,324	12,441	12,324
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	30	50	50	50	50	50	50	50	50
Total Revenues Collected	30	50	50	50	50	50	50	50	50
FTE by Employment Type:									
FULL TIME	17.5	17.5	19.3	19.3	20.3	19.3	19.3	20.3	19.3
Total Full-Time Equivalent	17.5	17.5	19.3	19.3	20.3	19.3	19.3	20.3	19.3

INFORMATION TECHNOLOGY CHANGE ITEM (53768)

Activity: ADMINISTRATIVE SERVICES
Program: AGENCY/LOAN ADMINISTRATION
Agency: HIGHER EDUCATION SVCS OFFICES
IT Change Item: STATE GRANT PROGRAM REWRITE

ITEM DESCRIPTION AND PURPOSE:

Funding is requested to allow the Higher Education Services Office to migrate the State Grant application from its legacy COBOL implementation to a relational database platform. This would reduce maintenance, allow modifications to the State Grant Program to be implemented more quickly, and dramatically improve reporting and ad hoc query capabilities.

The software HESO currently uses to run the State Grant Program is leased from Sigma Systems, Incorporated. The software was intended for use by post-secondary institutions to manage student financial aid at a single institution. The COBOL code had to be extensively modified in order to be used for the State Grant Program.

Sigma upgrades their software for each academic year and HESO staff has to reinsert the State Grant specific code into every upgraded program. HESO staff spends approximately two months each year modifying and testing the upgrades. This amount of time will only increase if the application is not rewritten, since new State Grant specific modifications are made each year.

FUNDING: (Dollars in Thousands)

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	82	87	87	87	87	87
Supplies	1	1	1	1	1	1
Hardware	28	5	5	5	5	5
Software	35	6	6	6	6	6
Facilities	8	8	8	8	8	8
Services	0	0	0	0	0	0
Training	10	10	10	10	10	10
Grants	0	0	0	0	0	0
Total	164	117	117	117	117	117

The Administrative Services budget activity has a general fund annual base budget of \$1,798,000. The change proposed represents a 15% increase over the biennium. 1.0 FTE is a 5% increase over the current FTE base for this activity. The 1.0 FTE funding would pay for a programmer/analyst position. This change request would also cover the costs of an Intel-based database server, database software and development tools.

RATIONALE:

The State Grant Program currently uses software leased from Sigma Systems, Incorporated at a cost of \$25,000 annually. This fee would be eliminated upon completion of the State Grant rewrite. The leased COBOL programs have been extensively modified by Services Office staff. These Office-specific changes need to be reinserted each year when Sigma releases its annual upgrades. It currently takes Office staff approximately two months each year to modify and test the upgraded code. The amount of time spent on maintenance will increase since new modifications are made each year.

The State Grant Program rewrite will reduce the amount of staff time needed to maintain the application, and will reduce the amount of time and effort required to make modifications due to changes in statute or at the requests of agency customers. Ad hoc reporting and querying capabilities will be improved for administrative and research needs as well as to respond to the information requests of our customers. Electronic government services to financial aid administrators, such as providing information about an institution's students, will be much easier to implement.

The State Grant Program provides grants to approximately 61,000 students annually. It has a base budget of \$123,000,000 per year.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development	X	X				
Operations		X	X	X	X	X
Modification		X	X	X	X	X
Retirement						

OFFICE OF TECHNOLOGY ANALYSIS:

Deliverables/Objectives: This initiative allows the migration of the State Grant application from its legacy COBOL implementation to a relational database platform. This would reduce maintenance, allow modifications to the State Grant Program to be implemented more quickly, and dramatically improve reporting and ad hoc query capabilities. This initiative supports infrastructure, collaboration, EGS and Big Plan (SNS--Electronic Government Services initiative) components. It is listed as priority in the agency SIRMP. **Recommendation:** Yes, approve funding to upgrade database. This application needs to conform to Minnesota Laws 2000, Chapter 332, regarding the posting of grants to web sites.

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative.

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UNIVERSITY OF MINNESOTA - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The statutory mission of the University of Minnesota is to "offer undergraduate, graduate, and professional instruction through the doctoral degree, and be the primary state-supported academic agency for research and extension services" (MS 135A.052, subdivision. 1).

The University of Minnesota, founded in the belief that all people are enriched by understanding, is dedicated to the advancement of learning and the search for truth; to the sharing of this knowledge through education for a diverse community; and to the application of this knowledge to benefit the people of the state, the nation, and the world. The University's mission, carried out on multiple campuses and throughout the state, is three-fold:

- *Research and Discovery.* Generate and preserve knowledge, understanding, and creativity by conducting high-quality research, scholarship, and artistic activity that benefit students, scholars, and communities across the state, the nation, and the world.
- *Teaching and Learning.* Share that knowledge, understanding, and creativity by providing a broad range of educational programs in a strong and diverse community of learners and teachers, and prepare graduate, professional, and undergraduate students, as well as non-degree-seeking students interested in continuing education and lifelong learning, for active roles in a multiracial and multicultural world.
- *Outreach and Public Service.* Extend, apply, and exchange knowledge between the University and society by applying scholarly expertise to community problems, by helping organizations and individuals respond to their changing environments, and by making the knowledge and resources created and preserved at the University accessible to the citizens of the state, the nation, and the world.

Put succinctly, the University's vision is to be preeminent in the state in knowledge creation and transmission in an era in which intellectual property and creation of ideas will be the driving force of our economy and cultural life.

KEY SERVICE STRATEGIES:

As outlined in its mission statement, the University of Minnesota provides services in three primary areas.

- *Research and Discovery* - The University plays a critical role in the state's economy and is a major stimulus of both economic activity and long-term development. The University of Minnesota, Twin Cities, is one of the nation's top 30 universities in any ranking of public and private universities.

Only 17 states can boast a top-30 university, and only 12 support a public university of this caliber. In terms of population, Minnesota is the smallest state to support one of these institutions.

- *Teaching and Learning* - The University of Minnesota awards approximately 10,000 degrees per year in more than 300 program areas, making it one of the leading degree granting institutions in the nation. Recruiting students who are prepared and motivated to take best advantage of the University's programs and maintaining access to these programs for all such students, regardless of their financial circumstances, are two of the most important University objectives.
- *Outreach and Public Service* - Through its outreach and public service programs, the University makes the knowledge and information generated by the faculty available to the state and its citizens in ways that go beyond the formalized instruction of its teaching and learning activities. The individual and collective actions of dozens of campuses, colleges, and centers, as well as the University's outreach activities address significant aspects of the state's economy, cultural and community development, and quality of life.

OPERATING ENVIRONMENT:

A variety of broad social factors will continue to have an impact on the future of the University of Minnesota and higher education in general. The most critical of these issues are outlined below:

Fierce Competition for 'Top' Scholars

A world-class university is first, and foremost, known for the quality and reputation of its faculty and staff. Put simply, it is individual people that develop the new educational programs, that make the breakthrough scientific discoveries, that push the new knowledge out to the broader community and that work to create practical applications from basic research pursuits. As such, the competition for talent at universities is no different than the competition for talent at firms and corporations. Each year, the institutions with the most competitive compensation packages grow stronger by recruiting and retaining highly talented and productive people, while other institutions fall further behind.

Rising Cost of Health Care

Health insurance premiums nationwide, after a period of relatively modest price increases, are rising at an alarming rate. Private and public employers alike are facing the prospect of double-digit inflation every year for at least the next four years. Higher prices for prescription drugs, increased use of health care services by an aging population, Medicare cutbacks, and ever more costly technology are all leading to higher premiums. Despite the increased burden, recent surveys indicate that in order to attract and retain good workers, employers are

UNIVERSITY OF MINNESOTA - EXECUTIVE SUMMARY (Continued)

increasingly reluctant to either pass a greater portion of costs on to employees or to reduce the scope of their benefits package.

A National Crisis in Health Professional Education

Major forces continue to reshape American health care, significantly affecting the ability of universities to offer high quality health professional education. Medical schools, both locally and nationally, have suffered from these broad forces. Cost saving measures by all health care payers have reduced patient care reimbursement rates and in the process eroded what has traditionally been a primary source of medical education funding. In addition to the funding problems in medical education, Minnesota is experiencing a critical shortage of healthcare professionals. The state is not training enough pharmacists, nurses, rural dentists, and medical technology specialists to both meet the increased demand and replace retiring practitioners. Unless action is taken soon, the state will not have sufficient healthcare service professionals to meet the needs of the state's current and aging population.

Heightened Competition for Undergraduate Students

The competition for good students, nation-wide, is fierce. The best Minnesota students know they are highly sought after and have high expectations for the universities that they chose to attend. Students, as the consumer of an increasingly expensive product, demand smaller classes, a sense of community, more access to the senior faculty, international opportunities, state of the art teaching laboratories, and access to cutting edge computer technology. Employers are also increasing their expectations for students coming out of higher education institutions. Regardless of the field, potential employers are demanding high skills and solid learning experiences. A university's success is as much tied to its ability to recruit and retain good students as it is to its ability to provide them with knowledge and skills that meet employer expectations.

Increasing Demand for Information Resources & Technology

Information is the lifeblood of a university. As agents for creating and transferring knowledge, faculty and students require rapid access to information, modern, well-maintained facilities, and the ability to communicate with scholars and professional communities around the world. These most basic teaching and research tools, however, do not come without a price. Nationwide, the costs of both traditional and electronic information resources are escalating at a rate far in excess of inflation. Expanded user expectations, rapid changes in telecommunication and information technology, exponential growth of Internet usage, and a 160% growth in journal subscription costs have all lead to the rising cost of supporting basic information infrastructure.

The Increased Economic Value of a Research University

If there is one element that always appears to be present in regional economic growth, it is the presence of a research university. Universities are an increasingly powerful force in the knowledge economy, both because "brains" are

greater assets than ever before and because of a growing trend in which institutions of higher education are looked upon as generators of new business opportunities and licensable technology. If Minnesota wishes to thrive in a global economy, there are several key technological fields in which it must be prepared to compete. Among these key scientific fields are the medical, computer and biological sciences, and the rapidly developing field of nanotechnology.

Rural Transition

Rural Minnesota is in the midst of a major economic and demographic transition. Farm consolidation, aging and declining populations, weak commodity prices, adequate healthcare and small business survival are just some of the major issues faced by rural communities. While niche markets for specialty consumer products, advances in digital and biological technology and an increased emphasis on workforce development have all resulted in new economic opportunities, a need exists for programs that can exploit these opportunities and promote the long-term vitality of rural communities.

ORGANIZATION/PROGRAM STRUCTURE:

As a comprehensive, research land-grant institution, the University of Minnesota carries out its mission on four campuses, at one collaborative center, and through numerous statewide outreach centers.

The campus and collegiate structure of the University of Minnesota is detailed below.

Board of Regents

President

Executive Vice President and Provost, Twin Cities Campus

- Agricultural Experiment Station
- Carlson School of Management
- College of Agricultural, Food, and Environmental Sciences
- College of Architecture and Landscape Architecture
- College of Biological Sciences
- College of Continuing Education
- College of Education and Human Development
- College of Human Ecology
- College of Liberal Arts
- College of Natural Resources
- General College
- Humphrey Institute of Public Affairs
- Institute of Technology
- Law School
- University Libraries
- University of Minnesota Extension Service
- Vice President, Student Development

UNIVERSITY OF MINNESOTA - EXECUTIVE SUMMARY (Continued)

ORGANIZATION/PROGRAM STRUCTURE:

- Senior Vice President, Health Sciences
 - Duluth School of Medicine
 - School of Dentistry
 - Medical School
 - School of Nursing
 - College of Pharmacy
 - School of Public Health
 - College of Veterinary Medicine
- Vice President, Agricultural Policy
- Vice President, Human Resources
- Vice President, Research and Dean, Graduate School
- Vice President, University Relations
- Vice President, University Services
- Chief Financial Officer, Treasurer, and Associate Vice President for Budget and Finance
- General Counsel
- Chancellor, University of Minnesota, Crookston
- Chancellor, University of Minnesota, Duluth
 - UMD College of Education and Human Service Professionals
 - UMD College of Liberal Arts
 - UMD College of Science and Engineering
 - UMD Natural Resources and Research Institute
 - UMD School of Business and Economics
 - UMD School of Fine Arts
- Chancellor, University of Minnesota, Morris

Agency: UNIVERSITY OF MINNESOTA

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Program:</u>									
MAINTENANCE & OPERATIONS	742,359	752,410	784,494	777,928	851,628	791,319	784,254	923,654	811,481
UNIVERSITY SPECIALS	72,199	72,279	73,109	73,259	77,294	73,259	73,259	77,624	73,259
OTHER APPROPRIATIONS	4,214	14,759	12,817	13,668	15,306	22,803	16,052	16,760	16,532
LCMR/MN RESOURCES	0	200	0	0	0	0	0	0	0
Total Expenditures	818,772	839,648	870,420	864,855	944,228	887,381	873,565	1,018,038	901,272
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	1,723	1,972	0	708	480	0	708	480
GENERAL	574,147	582,471	604,382	597,966	675,701	619,357	604,292	748,057	631,519
MINNESOTA RESOURCES	0	950	0	0	840	565	0	0	0
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	90	90	0	0	0
HEALTH CARE ACCESS	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537
SPECIAL REVENUE	0	200	0	0	0	0	0	0	0
MEDICAL EDUCATION & RESEARCH	0	7,840	7,056	7,809	7,809	7,809	8,447	8,447	8,447
Statutory Appropriations:									
GENERAL	240,411	242,218	253,221	253,221	253,221	253,221	253,221	253,221	253,221
MISCELLANEOUS AGENCY	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
Total Financing	818,772	839,648	870,420	864,855	944,228	887,381	873,565	1,018,038	901,272

UNIVERSITY OF MINNESOTA - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$604,382	\$604,382	\$1,208,764
<u>BASE ADJUSTMENT</u>			
One-time appropriations	(240)	(240)	(480)
Enrollment adjustment 1999	(3,163)	0	(3,163)
Enrollment adjustment 2000	(3,163)	0	(3,163)
Dept of Natural Resources Transfer	150	150	300
<u>BASE LEVEL (for 2002 and 2003)</u>	\$597,966	\$604,292	\$1,202,258
<u>CHANGE ITEMS</u>			
Strengthening the Foundation / Gross Amount	76,335	126,865	203,200
Less Tuition Revenue	(7,600)	(15,400)	(23,000)
Less Reallocation	(15,100)	(15,100)	(30,200)
Strengthening the Foundation / State Request	53,635	96,365	150,000
Investing in the Future	<u>24,100</u>	<u>47,400</u>	<u>71,500</u>
Change Item TOTAL	77,735	143,765	221,500
AGENCY REQUEST	\$675,701	\$748,057	\$1,423,758
<u>GOVERNOR'S RECOMMENDATION</u>			
Strengthening the Foundation	27,986	40,638	68,624
Investing in the Future	16,105	17,089	33,194
Tuition Revenue	(7,600)	(15,400)	(23,000)
Reallocation	(15,100)	(15,100)	(30,200)
GOVERNOR'S RECOMMENDATION	\$619,357	\$631,519	\$1,250,876

BRIEF EXPLANATION OF BUDGET DECISIONS:

The University of Minnesota Board of Regents and President Mark Yudof have set ambitious goals for the 'U'. These goals, based on existing priorities, are designed to keep University programs competitive and to address emerging issues in Minnesota. The overall message of the University's 2002-03 biennial budget proposal is simple: a strong research university is critical to Minnesota's future economy and quality of life.

The biennial budget proposal is a two-part strategy that will simultaneously strengthen the foundation of the University and make the investments needed for Minnesota's future. To use a building analogy, the first floor has to be secure

before the second floor can be built. To "Strengthen the Foundation," the first floor in the U's building, the University proposes \$150 million in additional state funding. To support the "Investment in the Future," the second floor of the U's building, the University proposes \$71.5 million in additional state funding.

The "Strengthening the Foundation" component of the biennial budget proposes funds for inflationary salary adjustments, extraordinary health care costs, the undergraduate experience, the Medical School, State Specials, facilities support, libraries, and technology.

This initiative focuses on the University's efforts to maintain existing strengths, renew core programs and provide the basic level of services necessary to compete with other world-class institutions. Once the foundation components of the University's proposal have been funded, the opportunity exists to make the investments needed to fuel Minnesota's future economic growth.

"Investing in the Future" is the second part of the biennial budget proposal. With a properly supported foundation, working within the framework of established priorities, the University can direct resources to areas critical to Minnesota's long-term social, environmental, and economic health. Success, however, does not happen by chance. As Minnesota makes its decisions about where to invest resources, it needs to give careful consideration to its future. A well-educated population, access to quality health care professionals, and industry partnerships in growing technology-based fields are just some of the outcomes of future-focused investments in the University of Minnesota.

This initiative focuses on the University's efforts to attract and retain the highest quality faculty, address emerging social and environmental issues, meet industry demands for a highly skilled workforce, and compete in rapidly developing technology-based fields. Investments are proposed in competitive compensation; interdisciplinary academic initiatives in the medical and biological sciences, computer and information sciences, and nanotechnology; health professional education; and state special programmatic initiatives focused on rural, agricultural, and environmental issues.

The University's 2002-03 Biennial Budget Proposal represents an increase of \$221.5 million in state funding over adjusted base level funding -- \$150.0 million for Strengthening the Foundation and \$71.5 million for Investing in the Future. In addition, the proposal includes a tuition model to average 3.0% for each of the two years to yield a biennial increase of \$23.0 million in tuition revenue, and a reallocation model to average 2.5% of the University's current state appropriation to yield a biennial reallocation amount of \$30.2 million. The total biennial appropriation request is \$1.423758 billion. The University's current biennial appropriation base is \$1.208764 billion. The adjusted base, or starting point, for FY 2002-03 is \$1.202258 billion.

UNIVERSITY OF MINNESOTA - BUDGET BRIEF

Fund: GENERAL (Continued)

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends an increase of \$21.391 million in FY 2002 and \$27.227 million in FY 2003 from the General Fund. This will provide the University with two-thirds of an inflationary adjustment of 3% per year for faculty and staff compensation. The remaining third of the inflationary adjustment would come from increased tuition revenues.

This recommendation also provides an increase of \$8.0 million in FY 2002 from the General Fund to stabilize core funding for the medical school. The Governor also recommends an additional \$8.0 million in FY 2003 and later years to the Department of Health from the Medical and Research Education Fund, generated by the tobacco endowment, as a contingent appropriation for the University's Medical School. Additional details are provided in the Department of Health's budget.

An important principle of the Governor's budget process has been to strongly encourage agencies to reallocate within their existing budget to fund higher priorities. The Governor is encouraged that the University has agreed with this principle. Although the Governor does not recommend specific initiatives to be funded by the University's reallocations, he encourages the University to fund priorities that exceed his recommendations out of these reallocations.

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PROGRAM SUMMARY

Program: MAINTENANCE & OPERATIONS
Agency: UNIVERSITY OF MINNESOTA

PROGRAM PROFILE:

The citizens of Minnesota, through their 150 years of continual support for the University of Minnesota, have created one of the most comprehensive and prestigious educational institutions in the country. With a world class faculty, one of the country's largest libraries, some of the world's most sophisticated research laboratories, and an extensive network of branch agricultural experiment stations, the University is well positioned to meet the state's growing demand for intellectual capital. As society's principle agent for creating and transferring new information, research universities are at the center of the knowledge-based economy.

The University believes its strength and competitive advantage is its status as a comprehensive institution capable of both offering quality programs and supporting interdisciplinary research in a wide variety of fields. To stay competitive as a research institution and to maintain its reputation for innovative, high quality academic programs, the University will continue to look to the state of Minnesota for long-term, core financial support. The priorities outlined in the University's 2002-03 Biennial Budget Proposal, therefore, are a continuation of the initiatives presented two years ago. This budget is designed to both strengthen the University's foundation and to build upon that strengthened foundation with targeted investments in areas critical for Minnesota's future.

STRATEGIES AND PERFORMANCE:

In the fall of 1998, the University of Minnesota made substantial changes in its strategic planning management process. Noteworthy is a system of agreements, or compacts, between the administration and each of the campuses, colleges, and many of the University's support units initiated by President Yudof. Compacts are written management agreements that delineate directions and actions, respective responsibilities, investments, outcomes, and mutual expectations for accountability within the University's and the unit's longer-range plan. The agreements typically address an intermediate to long-range vision of the unit's programs, but they are developed and written annually and jointly by the unit and the administration throughout each academic year.

The compact process is designed to align the goals, directions and overall investment strategy established by the president and Board of Regents with the academic priorities established within each unit by deans, directors, faculty, and staff. The president and the Board of Regents establish these goals and strategic directions through the capital request, the academic supplemental request, the biennial request, and institutional evaluation measures, and are aligned with investments through a process that decentralizes authority and

responsibility to campuses, colleges, and support units. Furthermore, unit and University accountability is stressed, as the compacts contain specific outcome measures and indicators of progress (linked to the University's critical measures), emphasizing specific outcomes (e.g., quality, efficiency, effectiveness, and service).

Complementing the compact process are institutional performance measures, which establish benchmarks for measuring institutional, campus, and unit performance. The measures are designed to: confirm to the public the University's success in reaching its stated goals; guide self improvement for the institution, campuses, colleges, and support units; serve as a link between planning, performance evaluation, and resource allocation (e.g., the Compact Planning Process); provide a means for comparison with other similar institutions (e.g., other Research I institutions for the Twin Cities campus); and meet the increasing demands of outside agencies for institutional accountability.

FINANCING INFORMATION:

The General Fund state appropriation to the University of Minnesota for the Maintenance and Operations program totaled \$501,948,000 for FY 1999. The total University revenues for FY 1999 totaled \$1,733,180,000. These are the most recent audited figures for the University. The Maintenance and Operations state appropriation provides a significant share of the general operating dollars for the University to support the missions of teaching and learning, research and discovery, and outreach and public service.

BUDGET ISSUES:

The 2000-2001 biennial state appropriation for Maintenance and Operations totals \$1,041,465,000. This appropriation supports academic, academic support, and management units across all campuses of the University.

The FY 1999 Maintenance and Operations appropriation of \$501,948,000, combined with tuition revenue of \$240,411,374 was expended throughout the University in the following manner:

EXPENDITURES BY FUNCTION TYPE

Instruction	46.0%
Academic Support	16.7%
Operations & Maintenance of Plant	13.0%
Institutional Support	9.9%
Student Services	6.7%
Research	3.3%
Scholarships	2.2%
Other	2.2%

PROGRAM SUMMARY (Continued)

Program: MAINTENANCE & OPERATIONS
Agency: UNIVERSITY OF MINNESOTA

EXPENDITURES BY OBJECT CLASS

Salaries	59.7%
Fringe Benefits	15.0%
Supplies & Services	8.2%
Facilities	6.7%
Equipment	3.8%
Communications	2.1%
Student Aid	2.0%
Other	2.5%

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$13.391 million in FY 2002 and \$27.227 million in FY 2003 from the General Fund. This will provide the University with two-thirds of an inflationary adjustment of 3% per year for faculty and staff compensation. The remaining third of the inflationary adjustment would come from increased tuition revenues.

An important principle of the Governor's budget process has been to strongly encourage agencies to reallocate within their existing budget to fund higher priorities. The Governor is encouraged that the University has agreed with this principle. Although the Governor does not recommend specific initiatives to be funded by the University's reallocations, he encourages the University to fund priorities that exceed his recommendations out of these reallocations.

Program: MAINTENANCE & OPERATIONS
 Agency: UNIVERSITY OF MINNESOTA

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
MAINTENANCE & OPERATIONS	742,359	752,410	784,494	777,928	851,628	791,319	784,254	923,654	811,481
Total Expenditures	742,359	752,410	784,494	777,928	851,628	791,319	784,254	923,654	811,481
Change Items:	Fund								
(P) STRENGTHENING THE FOUNDATION	GEN				76,200	19,986		126,600	40,638
(P) INVESTING IN THE FUTURE	GEN				20,200	16,105		43,300	17,089
(P) TUITION REVENUE MODEL	GEN				(7,600)	(7,600)		(15,400)	(15,400)
(P) U OF MN REALLOCATION	GEN				(15,100)	(15,100)		(15,100)	(15,100)
Total Change Items					73,700	13,391		139,400	27,227
Financing by Fund:									
Direct Appropriations:									
GENERAL	501,948	510,192	531,273	524,707	598,407	538,098	531,033	670,433	558,260
Statutory Appropriations:									
GENERAL	240,411	242,218	253,221	253,221	253,221	253,221	253,221	253,221	253,221
Total Financing	742,359	752,410	784,494	777,928	851,628	791,319	784,254	923,654	811,481

BUDGET CHANGE ITEM (47225)

Program: MAINTENANCE & OPERATIONS

Agency: UNIVERSITY OF MINNESOTA

Item Title: STRENGTHENING THE FOUNDATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$53,635	\$96,365	\$96,365	\$96,365
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity <u> X </u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$13.391 million in FY 2002 and \$27.227 million in FY 2003 from the General Fund. This will provide the University with two-thirds of an inflationary adjustment of 3% per year for faculty and staff compensation. The remaining third of the inflationary adjustment would come from increased tuition revenues.

An important principle of the Governor's budget process has been to strongly encourage agencies to reallocate within their existing budget to fund higher priorities. The Governor is encouraged that the University has agreed with this principle. Although the Governor does not recommend specific initiatives to be funded by the University's reallocations, he encourages the University to fund priorities that exceed his recommendations out of these reallocations.

RATIONALE:

For over 150 years the 'U' has met the changing needs of Minnesota's citizens, businesses, farmers, and public institutions. Meeting these changing needs, however, requires the University to continually renew and re-evaluate its existing programs, while at the same time make targeted investments in emerging fields. Minnesota's long-term interests are best served by a strong, comprehensive institution capable of both offering quality programs and supporting productive research in a wide variety of fields. Unless funds are provided to maintain the

overall strength of the University's current operations, the University of Minnesota will 'lose ground' against its competitors and be unable to provide programs in areas important to Minnesota's future.

This initiative focuses on the University's efforts to maintain the scope and quality of its research, education, and outreach programs, to renew essential core programs and provide the basic level of technology, resources, and services necessary to serve Minnesota citizens and to compete with other world-class institutions. Investments are proposed in general compensation, the strengthening of undergraduate programs, and providing essential support for the Medical School, State Specials, facilities, libraries, and technology. Faced, in some cases, by double-digit inflationary cost increases, these investments are needed for the University to maintain its current position as a leading teaching and research institution and to meet its land-grant responsibilities. In order for the University to make the important strategic investments for Minnesota's future, outlined in the Biennial Budget Change Item "Investing for the Future", it is important that this initiative be fully funded.

General Compensation

A world-class university is first, and foremost, known for the quality and reputation of its faculty and staff. It is individual people that develop the new educational programs, that make the breakthrough scientific discoveries, that push the new knowledge out to the broader community, and that work to create practical applications from basic research pursuits. As such, the competition for talent at universities is no different than the competition for talent at firms and corporations. Each year, the institutions with the most competitive compensation packages grow stronger by recruiting and retaining highly talented and productive people, while other institutions fall further behind.

Inflationary Salary Adjustment

An annual cost-of-living increase is a basic component of any compensation program. In order to attract and retain employees in the current job market, the University needs, at a minimum, to insure that its faculty and staff are not 'losing ground'. This plan would provide an annual 3% inflationary salary adjustment for all employee groups.

Extraordinary Health Care Cost Increases

After a period of relatively modest price increases, health insurance premiums nationwide are rising at an alarming rate. Private and public employers alike are facing the prospect of double-digit inflation every year for at least the next four years. Higher prices for prescription drugs, increased use of health care services by an aging population, and ever more costly technology are all leading to higher premiums. The University of Minnesota, as a participant in the state of Minnesota Health Plan, is facing double-digit annual cost increases. Under this

BUDGET CHANGE ITEM (47225) (Continued)

Program: MAINTENANCE & OPERATIONS

Agency: UNIVERSITY OF MINNESOTA

Item Title: STRENGTHENING THE FOUNDATION

plan the University will simply be able to continue providing its employees with their current level of health insurance coverage.

Minimum Level of Annual Compensation

As a public entity, the University should strive to serve the needs of all Minnesotans, including its own employees. Treating hardworking employees with respect requires more than verbal accolades, it requires that employees be paid at a level that allows them to live in the community at a level above the poverty line. Under this plan, the University will set the minimum pay for employees working at least 75% time at \$12.00 an hour.

Undergraduate Experience

The competition for good students nation-wide is fierce. The best Minnesota students know they are highly sought after and have high expectations for the universities that they choose to attend. Students, as the consumer of an increasingly expensive product, demand smaller classes, a sense of community, more access to the senior faculty, international opportunities, state-of-the-art teaching laboratories, and access to cutting-edge computer technology. Employers are also increasing their expectations for students coming out of higher education institutions.

Increased Undergraduate Teaching Capacity

Well-educated graduates are one of the University's greatest contributions to Minnesota's economic health and high quality of life. At a time when Minnesota companies are seeking an ever more skilled workforce, the University, which graduates more than 10,000 students each year, has an obligation to make sure that these students receive the best education possible. Providing the best education possible begins by treating every student like an honors student. Students need good advising, faculty mentors, and intense, small group learning opportunities. Research shows that contact with faculty is one of the most significant variables in determining a student's overall success at a university.

The funds provided in this initiative will be used to hire 40 new faculty members to support the University's undergraduate teaching initiatives outlined below.

Freshman Seminars

Freshman seminars are small, faculty-taught courses (no more than 15 students) that introduce new students to the unique quality of undergraduate education in a research university. Seminars help to build a sense of belonging among first-year students through the creation of small learning communities focused on the

development of analytic, writing, and critical thinking skills. Students experience first-hand, the energy, creativity, and intellectual inquiry that form the basis for the work of a research institution.

Freshman seminars have proven to be a very effective recruiting tool and most of the University's peer institutions offer similar courses. At the University of Minnesota, freshman seminars began in 1998 as a pilot project serving 400 students on the Twin Cities campus. The pilot program was a phenomenal success and was expanded (using the thirty new faculty positions funded by additional state dollars in the current biennium) to serve 1,875 Twin Cities students, 550 Duluth students, and 450 Morris students. Additional faculty resources are required on all four campuses if the University is to meet student demand for seminar courses. The 40 additional faculty will make it possible for an additional 2,400 students to participate in seminars each year.

Interdisciplinary Minors

Interdisciplinary minors are designed to provide students with a series of courses that will simultaneously compliment their major field of study and prepare them to take advantage of post-university employment opportunities. Students from all areas of the University will have the chance to take courses in high demand areas like business, design, information technology, and non-profit management. Students who graduate with interdisciplinary minors will not only be better prepared to face the demands of a constantly evolving world, making them more productive and thoughtful citizens, but will serve as a pool of well-trained and flexible talent for Minnesota companies.

Writing Intensive Curriculum

Writing skills are not only a fundamental component of a university education, but a critical life-skill. Effective writing instruction, however, does not occur in a large lecture hall, but rather through one-on-one interaction between the instructor and the student. Recognizing the importance of written communication, even in a wireless, digital age, the University's general education requirements now stipulate that all students must take four writing-intensive courses in addition to a freshman-level composition class. Because these classes are smaller and involve more intense interaction with the instructor, additional faculty are needed to support this effort.

Residential Learning

The University's housing office works with various colleges and academic departments to provide residence hall students with a variety of living-learning opportunities. In the residential learning program, students select a housing option based on a particular academic interest or theme. More than 1,000 students currently participate in residential learning programs through communities like Biology House, La Casa de Español, and the West Bank Arts House.

BUDGET CHANGE ITEM (47225) (Continued)

Program: MAINTENANCE & OPERATIONS

Agency: UNIVERSITY OF MINNESOTA

Item Title: STRENGTHENING THE FOUNDATION

These programs have been very successful, and in fact success has been residential learning's biggest challenge. What started as a small pilot project has grown into a large and successful program. These programs require more faculty and staff involvement, and more complex programming, than a traditional residence hall experience. Administrative funding is provided by the housing office and the various colleges but faculty participation, a key element of the programs success, is done on a voluntary basis. Additional faculty support will be required to meet the growing demand for the limited number of spaces.

Student Advising

Completing a baccalaureate program in four years requires students to make good decisions about their academic career from the moment they first arrive on campus. Most students, however, are not prepared to make these kind of difficult decisions entirely on their own. It is the role of the academic advisor to help students recognize interests and abilities, focus on key decisions, and develop a plan for completing their degree program on time. Ideally academic advising and career planning are integrated so that from the first day of class, students can be working toward a long-term career goal. When students have clear goals and a good understanding of the steps necessary to achieve those goals, graduation rates increase and the average time required to graduate declines.

Despite an increased use of Web and other technology-based advising services, the University does not have enough advising staff to serve all students well. In the College of Liberal Arts (CLA), the University's largest college, the student to advisor ratio is 350 to 1. (The National Association for Academic Advisers suggests that a good target ratio for full-time advisors is 300 to 1.) Advising staff in CLA work intensively with students in their first year to get them off to a solid start. This approach has improved first-year retention rates, but current levels of funding provide insufficient advising resources for students in subsequent years.

The funds provided in this initiative will be used to hire 20 undergraduate advisors, provide training to both new and existing advisors and to enhance technology-based advising services. The additional resources will decrease the student to advisor ratio, provide students with increased access to advising services, integrate academic advising and career planning, and enhance the quality of existing advising services for all students. Better and more frequent advising is expected to increase student graduation rates.

Undergraduate Research Opportunities

The Undergraduate Research Opportunities Program (UROP) is a nationally recognized program providing undergraduate students with the opportunity to conduct original research under the guidance of a faculty mentor. Students are responsible for formulating a question, developing a methodology to answer the question, conducting the necessary research (often involving laboratory, field, and library work), and presenting their results to the University community through written documentation and oral presentations. This program, which is open to students on all four campuses, is a major recruiting tool for both in-state and out-of-state high-ability students and provides participants with a unique opportunity to work closely with an individual faculty member on a research issue of common interest. Through UROP, students develop the writing, thinking, and problem-solving skills so heavily sought by employers.

Funds provided in this initiative will be used to more than double the number of students who can participate in UROP every year. The University currently offers 440 UROP awards each year, with stipends of \$1,700 per award. With the additional funding the University will be able to serve 1,000 students annually and will increase the UROP stipend to be more competitive with other work opportunities available to students. The stipend increase will insure that all students, particularly those students with the highest level of financial need, have the opportunity to participate in such an educationally rewarding program.

Student Study Abroad Opportunities

Minnesota is a small place in a big world and the economic future of this state is dependent on the ability of its citizens and businesses to compete globally. If Minnesota wants to remain competitive it needs individuals with international experience who are capable of working with people from other countries on transnational issues. It is critical to the future of the state that university graduates have first hand experience with societies and cultures outside of the United States.

Study abroad programs are the best and most efficient way to introduce students to the broader international community. No other experience is as valuable in helping students understand themselves, the world, and the opportunities available in a global society, than living overseas. This kind of education, however, does not come cheaply. Study abroad programs cost from \$2,000 to \$8,000 more in direct costs to the student than on-campus study. For many students studying abroad also involves the opportunity cost of not being able to work. During the 1999-2000 school year, only 1,020 students, or 19% of the graduating class, participated in a study abroad program.

Funds provided in this initiative will be used to increase the number of undergraduate students who study abroad by offering 3,000 study abroad scholarships during the biennium. Scholarships will be for an average of \$1,000. The University has set as its goal that half of all undergraduate

BUDGET CHANGE ITEM (47225) (Continued)

Program: MAINTENANCE & OPERATIONS

Agency: UNIVERSITY OF MINNESOTA

Item Title: STRENGTHENING THE FOUNDATION

students on each campus participate in a study abroad program prior to graduation. Meeting this goal will require financial support for students, as well as funding to develop programs, and training for faculty to lead study abroad trips.

Stabilize Core Funding of Medical School

Major forces continue to reshape American health care, significantly affecting the ability of universities to offer high quality health professional education. Medical schools, both locally and nationally, have suffered from these broad forces. Cost saving measures by all health care payers have reduced patient care reimbursement rates and in the process eroded what has traditionally been a primary source of medical education funding. Despite an increase in the number of patients seen annually by University of Minnesota Medical School faculty, the patient care revenues available for education have declined and the Medical School has been unable to replace the eighty-four faculty members it has lost since 1995.

Minnesota, according to the US Health Index, is the healthiest state in the nation, and while no one factor can be solely credited with this accomplishment, Minnesota's longstanding commitment to provide its citizens with access to quality health care has surely played a significant role. As the state's primary source for physicians, the University's Medical School is a statewide asset. Changes in health care financing, however, are eroding the Medical School's core funding, and threatening the University's ability to maintain current enrollment levels in core programs.

A decline in the patient care revenues available for education lies at the heart of the financial problem. In 1995, the Medical School supported 54% of the direct cost of medical education with patient care revenues and other non-state dollars. Despite an increase in the number of patients seen by the Medical School faculty, patient care revenues declined as insurance companies, government agencies, and other health care payers reduced their reimbursement rates. By 1999, only 43% of the direct cost of medical education was supported with patient care revenues and other non-state dollars. This financial crisis is not unique to Minnesota. Medical schools nationwide have traditionally used patient care revenues as a primary source of funding for medical education. In Minnesota, less than 9% of the Medical School's budget currently comes from state appropriations.

The Medical School has already undertaken substantial cost reductions. Over the past four years, the school has re-organized, streamlined operations, and reduced operating expenditures by \$11.5 million. The school merged its 18 physician practice groups into a single group to improve efficiency and reduce overhead costs. In 1997, the University eliminated its liability for hospital operating losses by selling the hospital and affiliating with Fairview Health Services. On the revenue side, the school has raised tuition by 28% since 1995 and has begun a \$380 million capital campaign to increase philanthropic support.

The efforts outlined above have only delayed the crisis. Since 1992, the cost of medical education has exceeded Medical School revenues. The Medical School's annual operating shortfalls have averaged \$8 million and the school has been forced to pull \$67 million from cash reserves and unrestricted endowments to cover these annual shortfalls. If additional funds are not found to eliminate the annual operating shortfall, core programs will have to be pared or discontinued.

This initiative requests state appropriations to stabilize funding for the Medical School's core education programs, thereby eliminating the school's reliance on one-time funds (e.g. balances and reserves) to finance ongoing medical education expenses. Stabilizing the Medical School's core funding will enable the school to continue to meet national accreditation standards, maintain current enrollments, and establish a solid financial base for rebuilding the Medical School faculty.

State Specials – Inflationary Increase

The 1989 legislature combined twenty-six State Special appropriations into four appropriations (Agriculture and Extension Service, Health Sciences, Technology, and System Specials). Beginning in FY 1998, numerous components of each of these four Specials were moved from State Special funding to Operations and Maintenance funding. This change left 16 components in the four major appropriations. This initiative includes an inflationary increase of 3% for each year of the biennium for the components of the State Specials that are not included in the programmatic increases presented in the "Investment in the Future" initiative. These are: Rural Physicians Associates Program, Health Sciences Research, Dental Care, and the Biomedical Engineering Center in the Health Science special; Geological Survey and the Talented Youth Mathematics Program in the Technology Special; and General Research, Student Loans Matching Money, Industrial Relations Education, Center for Urban and Regional Affairs, Bell Museum of Natural History, and the Humphrey Exhibit in the System Special. This additional funding will provide much needed resources to continue the work intended by the state when the Specials were established.

BUDGET CHANGE ITEM (47225) (Continued)

Program: MAINTENANCE & OPERATIONS

Agency: UNIVERSITY OF MINNESOTA

Item Title: STRENGTHENING THE FOUNDATION

For ease of discussion, this item is included here rather than in the section of this document dedicated to State Specials. Funding for this piece of this initiative is proposed as an increase to the respective State Specials.

Facilities Support

As agents for creating and transferring knowledge, faculty and students require modern, well-maintained facilities. Since 1997, the University, in partnership with the State of Minnesota, has invested more than \$1.2 billion in modernizing and upgrading campus buildings and infrastructure. The initiatives outlined below provide the basic resources needed to safely operate campus facilities and to continue the improvement process.

Utility Inflation

The University of Minnesota is responsible for providing heat, power, water, and other utility services to more than 350 major buildings throughout the state. Conservation programs have held utility consumption rates constant over the last several years but the unit cost of fuel, water, and electricity continue to rise. The price of natural gas, a primary fuel, has increased significantly in the last year.

The funds provided in this initiative will be used to pay for the increased costs of producing and purchasing the utilities required to operate the University on a daily basis.

Maintenance and Operating Funds for New and Renovated Buildings

The University needs to provide maintenance, custodial, utility, and other building support services when it opens new facilities. Despite constructing more efficient buildings, factors like code requirements (e.g. the frequency of air exchanges), more complex control systems, and increasing user power requirements have resulted in higher operating costs for both new and renovated facilities.

The funds provided in this initiative will be used to pay for the increased costs of operating new and renovated buildings on all campuses during the next biennium.

Building Renewal and Replacement

Building components like roofs, elevators, chillers, windows, and HVAC systems have a limited life and eventually need to be replaced. In order to more effectively manage the building renewal process, the University is proposing to increase funds for building renewal and replacement. The requested resources are equivalent to the annual depreciation cost of specific building components

like windows, roofs, walls, interiors, HVAC, plumbing, and electrical systems. Funds would be allocated when new buildings are opened and major renovations are completed. If funded, the new policy would apply to all buildings opening during and after FY 2002.

The funds provided in this initiative will be used to increase the University's ongoing investment in the repair and replacement of major building systems. These funds will extend the life of existing facilities and increase the University's ability to routinely upgrade its facilities.

Debt

The University's efforts to upgrade obsolete laboratories, develop programs in emerging fields, and attract quality employees have driven a massive reinvestment in the campus facilities. This reinvestment, while necessary for the University to remain competitive, has increased the University's capital debt.

The funds provided in this initiative will be used to finance the University's debt obligation for capital projects including those funded during the 1998 and 2000 legislative sessions.

Libraries

Through established arrangements like MINITEX, a statewide library resource sharing program, and emerging technology based access programs like MnLINK, the University's library clientele continues to grow. The digital library initiatives outlined below will further enhance the University's abilities to serve both internal and external patrons.

User Services and Support

The move from an entirely print-based collection to a collection including both traditional and digital resources has created a need for more librarians and technology literate support staff. Patrons using digital collections and on-line services require more assistance from library staff than the traditional print-oriented client does. Librarians also spend more time teaching students and faculty to use the changing research technology. Despite an increase in the demand for services, the University libraries have 12% fewer librarians now than ten years ago. In that same time period, the University's peer institutions in the Big 10 have, on average, added 9% more librarians.

The funds provided in this initiative will be used to hire five digital technology librarians and five library support staff. The additional personnel will improve library services for a growing base of on-campus and off-campus users.

Library Collections and Access

Despite advances in digital technology, the cost of library resources continues to rise. Students and faculty now demand traditional resources (i.e. books and

BUDGET CHANGE ITEM (47225) (Continued)

Program: MAINTENANCE & OPERATIONS

Agency: UNIVERSITY OF MINNESOTA

Item Title: STRENGTHENING THE FOUNDATION

journals) as well as access to costly online research indexes and full text services. University libraries are forced, in effect, to develop, manage and service two parallel libraries -- paper and digital -- with a level of funding that was barely adequate to keep pace with developments in print media. The decision by many publishers to only sell the electronic versions of their publications to customers who have already paid for a paper subscription creates additional financial problems.

The funds provided in this initiative will be used to increase library acquisitions on all campuses. Emphasis will be placed on databases, electronic texts, geospatial data, and numeric files, as well as on more traditional resources. Particular attention will be paid to enhancing the collection in certain science, medical, and engineering fields.

Digital Library Technology and Infrastructure

Libraries are totally dependent on technology. Every aspect of library operations, even so-called "behind-the-scenes" functions like cataloging and acquisitions, now rely on computers. These technology needs range from the basic (e.g. workstations, servers, and software licenses) to more high-end equipment for specialized units like the Automated Cartographic Center, the Machine Readable Data Center, and the Electronic Text Research Center. As more and more emphasis is placed on digital services, additional resources will be required to keep library technology capabilities current and competitive.

The funds provided in this initiative will be used to support the University's Digital Library efforts. Resources will be used to purchase equipment, implement the new statewide MnLINK online library system, and to provide support for digital librarians working in the Walter Digital Technology Center.

Technology

World-class universities of the 21st century will be distinguished from less prominent institutions by the quality and capacity of their information infrastructure. An institution's competitive advantage will, in part, be based on its ability to grow, manage, and sustain complex information-based systems. The following initiatives will provide the technical infrastructure and human expertise necessary to link Minnesota scholars and students, as well as the business, government, medical, and legal communities, to global information resources.

Technical Infrastructure

A high performance, high capacity network is an essential component of the University's operating infrastructure. The University's central computing system has grown from a few mainframe-based systems serving hundreds of users to dozens of open, distributed systems serving tens-of-thousands of users. As the back-bone for all electronic operations at the University, the central networks are responsible for efficiently and securely processing the millions of data transfers required to support research projects, administrative operations, student records, financial management, and building control systems, as well as the regional internet traffic passing through the University.

The funds provided in this initiative will be used to expand the capacity and performance of the University's central computing and electronic communications networks. These goals will be achieved through targeted investments in staff, computer security, standardization of network connections, and the implementation of *Internet 2*, a university-led next generation Internet effort involving government and industry partners.

Technology Enhanced Learning

Used effectively, technology enhances student learning experiences and provides cost-effective alternatives for the delivery of educational services. At the University of Minnesota, the demand for technology-enhanced learning exists at all educational levels, and in all disciplines.

The funds provided in this initiative will support training programs for faculty on how to use technology to enhance classrooms, laboratory, library, and distance education. Approximately 200 faculty members will participate in these training activities each year. Priority will be placed on improving courses that reach the most students and on classes that serve as capstone courses for undergraduate programs.

Enterprise System Management

In June of 2000, the University of Minnesota completed a self-financed \$60 million investment in its administrative computing systems. These new administrative systems, which support sponsored research, human resources, employee benefits, payroll, admissions, registration, student records, financial aid, management reporting, and web enabled self-services, form the back-bone for the day-to-day operations of the University. A new library administration system, designed in part to enhance statewide library integration, will be implemented in the coming fiscal year. The central computing organization, however, does not have enough staff to support these new systems. Contract programmers, hired through consulting firms, are being used as a temporary solution, but this practice is not cost effective.

The funds provided in this initiative will be used to hire 18 new information technology professionals in the areas of information management reporting,

BUDGET CHANGE ITEM (47225) (Continued)

Program: MAINTENANCE & OPERATIONS

Agency: UNIVERSITY OF MINNESOTA

Item Title: STRENGTHENING THE FOUNDATION

FINANCING:

(Dollars in thousands)

web systems, application programming, and computer operations. Funds will also be used to increase server capacity and purchase additional software licenses to support the new library system.

Mass Disk Storage

Large research universities generate a lot of data. High performance computing, particularly in fields like genomics, requires massive amounts of readily accessible data storage. Information from administrative systems, online courses, and digital libraries need to be compressed, cataloged, and stored for future access. Finally, the move to self-service transaction systems will require long-term storage, archiving, and backup for both evidentiary and historical purposes.

The funds provided in this initiative will be used to purchase four terabytes of scaleable hierarchical mass data storage, associated fiber channel connectivity for high-accessibility, and robotics for long-term storage, archiving, and backup.

Classroom Technology Enhancements

In a digital era, classrooms with blackboards are no longer adequate. Prospective students, who have often had computers in their classrooms since elementary school, include the 'wired' factor in their admissions decisions. Currently, however, only 35% of the Twin Cities campus general-purpose classrooms have even the most basic data and video projection capabilities. The demand by faculty for classrooms that can support multi-media lectures using real time web-based data far exceeds the supply.

The funds provided in this initiative will be used to equip between 25 and 30 classrooms each year with network connections, a computer, and a multimedia display. Each classroom will be designed to accommodate the learning needs of the most frequent users. Some classrooms will support lecture formats, while others will be designed for teamwork activities.

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennial Total</u>
3% salary inflation & non-health fringe	20,600	42,200	62,800
Extraordinary health care cost increases	22,600	35,500	58,100
Reasonable minimum annual comp.	1,550	1,650	3,200
Increased undergrad teaching capacity	1,900	5,200	7,100
Student advising	1,000	2,000	3,000
Undergraduate research opportunities	500	900	1,400
Student study abroad opportunities	1,000	2,500	3,500
Stabilize core funding of Medical School	8,000	8,000	16,000
State Special – Inflationary increase	135	265	400
Facilities Support	12,150	22,550	34,700
Libraries	2,000	2,000	4,000
Technology	4,900	4,100	9,000
Tuition Revenue Model	(7,600)	(15,400)	(23,000)
Reallocation Model	(15,100)	(15,100)	(30,200)
TOTAL Strengthening the foundation	\$53,635	\$96,365	\$150,000

BUDGET CHANGE ITEM (47232)

Program: MAINTENANCE & OPERATIONS

Agency: UNIVERSITY OF MINNESOTA

Item Title: INVESTING IN THE FUTURE

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund				
-State Operations	\$24,100	\$47,400	\$47,400	\$47,400
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statute(s) affected:				
_____ New Activity <u>X</u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative. The Governor encourages the University to fund these out of their reallocations.

RATIONALE:

Success does not happen by chance, but rather through thoughtful, strategic, long-range thinking about how to most effectively invest limited resources. As Minnesota makes its decisions about where to invest resources, it needs to give careful consideration to its future. With a properly supported foundation, working with-in the framework of established priorities, the University can direct resources to areas critical to Minnesota's long-term social, environmental, and economic health. A well-educated population, access to quality health care professionals, and industry partnerships in growing technology-based fields are just some of the outcomes of future-focused investments in the University of Minnesota.

This initiative focuses on the University's efforts to attract and retain the highest quality faculty, address emerging social and environmental issues, meet industry demands for a highly skilled workforce, and compete in rapidly developing technology-based fields. Investments are proposed in competitive compensation; interdisciplinary academic initiatives in the medical and biological sciences, computer and information sciences, and new advances in science and technology through nanotechnology; health professional education;

and State Special programmatic initiatives focused on rural, agricultural, environmental, and quality of life issues.

Competitive Compensation

Improving the Competitive Position of the Faculty

The University's high national standing, its ability to successfully compete for sponsored research funds, and its ability to transfer new ideas to the broader community are directly linked to the creativity embodied in its faculty. The best young faculty the University attempts to recruit generally have several offers from peer institutions, while the established faculty are always at risk of being "stolen" by competing institutions. Institutions with competitive compensation policies can increase the quality of their teaching and research programs by recruiting and retaining the most highly talented and productive people.

The University's faculty salaries are not yet nationally competitive. For example, while there has been improvement, faculty salaries on the Twin Cities campus still remain in the lowest tier of the top 30 research universities, as shown in the table below.

1999-00 Faculty Salaries for Top 30 Research Universities	
U of M Average Twin Cities Faculty Salary	\$75,200
Mean Salary for Top 30	\$86,500
Deviation from Mean \$	\$(11,300)
Deviation from Mean %	(15%)
U of M Twin Cities Rank in Top 30	25th

Faculty salaries at the University of Minnesota, in fact, have not even kept pace with the growth in Minnesota's average per capita income. Since 1969, average per capita income in Minnesota has increased by \$13,000 above the level of inflation. The average salary of a faculty member on the Twin Cities campus has increased by just \$10,000.

The University's priority objective over the next four years is to increase salaries for Twin Cities campus faculty members at a rate above the level of inflation, and to move faculty salaries inline with the mean of the top 30 research universities. This plan may also be used to increase salaries on coordinate campuses to offset competitive pressures. The requested funding is calculated using the Twin Cities faculty salary base and increasing it by 4% (above the average 3% salary increase for all University employees) for both years of the 2002-2003 biennium (\$32.3 million) and 5% (above the average 3% salary increase for all University employees) for both years of the 2004-2005 biennium (\$43.0 million). University decisions on the use of this funding will be made on the basis of market and merit

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criteria. Decisions regarding this funding will be respectful of the collective bargaining process as applicable on a campus basis.

Targeted Staff Recruitment and Retention

The national labor market for information technology (IT) professionals is very competitive. Some estimates predict that by the end of the year, there will be as many as 600,000 unfilled IT jobs around the country. This shortage has meant that even the highest paying employers are having difficulty recruiting and retaining qualified staff. At the University of Minnesota, where salaries for IT professionals are more than 15% below labor market average, some positions have gone unfilled for over six months. Under this plan the University will raise salaries for targeted groups of information technology staff in order to compete effectively for employees. This investment will also address serious competitive salary issues in the recruitment and retention of research and technical education staff in greater Minnesota (e.g., University of Minnesota Extension Service positions) and in laboratory research staff positions in the biological and medical sciences.

Interdisciplinary Academic Initiatives

If there is one element that always appears to be present in regional economic growth, it is the presence of a research university. Universities are an increasingly powerful force in the knowledge economy, both because "brains" are greater assets than ever before and because of a growing trend in which institutions of higher education are looked upon as generators of new business opportunities and licensable technology. If Minnesota, both the state and the university, wishes to thrive in a global economy, there are several key technological fields in which it must be prepared to compete.

Biological and Medical Sciences

The most dynamic and rapidly growing fields of scientific inquiry in the world are the biological and medical sciences and there is, quite simply, no foreseeable end to the groundbreaking discoveries that continue to occur in both corporate and university laboratories. Driven by a combination of high profile research initiatives such as the human genome project, rapid advances in information technology, and a continual demand for solutions to medical and agricultural problems, the life sciences have experienced exponential growth. Private industry and state governments, recognizing the important long-term economic benefits of being a strong participant in the biological and biomedical revolution, have invested heavily in research and development programs.

At the start of the biological and biomedical revolution, Minnesota found itself in a poor competitive position. A decade of retrenchment and reallocation had left the University with fewer faculty and obsolete laboratories. States like California, Washington, and Massachusetts had already begun to increase their investments in the biological sciences and new centers of biology driven economic activity were emerging in places like San Diego and Boston.

In the past three years, Minnesota has made significant progress in rebuilding its competitive position. Although other states continue to invest more, the University's strategic investments in digital technology, agricultural outreach, and molecular and cellular biology have resulted in new faculty, facilities, opportunities for students, and partnerships with industry. To date, however, the majority of these investments have been focused on strengthening the basic science elements of molecular and cellular biology. For the University to continue moving forward and for the state to obtain the maximum benefit from its previous investments, additional support is required in the areas outlined below.

Law, Ethics & Public Policy

Gene-based research has been responsible for amazing advances in agriculture and human medicine. But accompanying the benefits of this research has been an increasingly complex set of legal, ethical, and social issues. The search for cures for diseases has brought with it new questions about the ownership of genetic information, patenting of life, and the insurability of people with genetic defects. As the rate of discovery continues to increase, there needs to be a mechanism for critical examination of complex issues. The University, as a public institution, has an obligation to pay equivalent attention to both the science and the associated environmental, legal, ethical, and public policy impacts.

The funds provided in this initiative will be used to hire three faculty members in the fields of intellectual property, bioethics, and environmental ethics. These new faculty members will strengthen the work being done through the University's *Consortium in Law, Values, and the Life Sciences* and will support the joint Ph.D./J.D. program of the College of Biological Sciences, the Medical School, and the Law School.

Ecology & Environment

For centuries, naturalists have been warning about environmental degradation and while some of their prophecies have eventually come true, what is different today is the degree to which humans truly dominate the global ecosystem. More than 40% of all terrestrial production and about half of all precipitation-derived water is appropriated for human use. Through a hundred years of agricultural and industrial developments, humans have proceeded to double the natural global rate of both nitrogen fixation and phosphorous liberation with profound environmental implications. More recent developments in gene-based biological research have raised questions around the world about the ecological impacts of "tinkering with nature's code". The University, as a sponsor of the new biology research and a

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key player in the development of other new technologies, has a role to play in examining how the application of this new knowledge will affect the earth's life sustaining systems.

The funds provided in this initiative will be used to hire three faculty members in the fields of climatology and ecosystem modeling. These new faculty members will fill a critical void in the University's current ability to study global climate change and biodiversity.

Microbial and Plant Genomics

The creation of the *Center for Microbial and Plant Genomics* and the funding for the *Microbial and Plant Genomics Building* established a strong base for the University of Minnesota's strategic move into the field of functional genomics. Other states, however, continue to invest more than Minnesota in this revolutionary science. To remain competitive and to obtain the maximum benefit from previous investments, Minnesota must continue to invest in the necessary scientists and scientific equipment.

The funds provided in this initiative will be used to hire two faculty members to support ongoing activities in the *Center for Microbial and Plant Genomics*. A strong teaching and research program in genomics is important for both the competitive position of the University and the long-term development of Minnesota's agriculture and biotechnology sectors.

Bioinformatics

Bioinformatics, the management and analysis of biological data using advanced computing techniques, is an essential component of genomics research. Cutting-edge biology research requires the ability to collect, store, analyze, and synthesize massive amounts of digital information. The genetic information obtained from a single microbe, for example, results in a document equivalent in size to the Minneapolis phonebook. Sequencing something slightly more genetically complex, like a fungus, requires ten times the data capacity. Expand this concept across hundreds of faculty comparing information on tens of thousands of complex organisms and data management becomes a real challenge. Through the Academic Health Center's *Bioinformatics Center*, the University has an excellent start on a world-class bioinformatics program but expanding this same level of teaching and research throughout the University's biology programs will require several additional faculty.

The funds provided in this initiative will be used to hire four bioinformatics faculty. These new faculty will teach and conduct research in such areas as

software development, networking, graphics, and data mining. These new faculty hires will directly support the University's strategic initiatives in digital technology, agriculture, and molecular and cellular biology.

Research Support for Faculty

Genomics, and other cutting-edge biology research, is highly data intensive. Scholars working to answer even basic questions in such areas as protein folding, genetics, tissue biomechanics, neuroscience, and drug delivery require access to powerful computational and analytical tools. While the University, through strategic faculty hires, has made significant progress towards 'filling the gaps' in its teaching and research programs, it has not been able to keep pace with the increased demands for both modern equipment and the technical staff to maintain and operate increasingly sophisticated research tools.

The funds provided in this initiative will be used to purchase equipment and to establish a central technical support service for faculty conducting translational research in the biological and medical sciences. Equipment funds will be spent on both laboratory tools (microarray readers and writers, lab robots, two-dimensional gel electrophoresis apparatus, and mass spectrometers) and bioinformatics infrastructure (computer workstations, graphic displays, and networking). Technical support funds will be used to hire five genomics and proteomics technicians to operate and maintain the new equipment and six computer and networking technicians to maintain the University's bioinformatics infrastructure.

Medical School Faculty

At a time of major increases in federal funding for medical research, the University of Minnesota's Medical School ranking from the National Institutes of Health (as determined by grant funding) has fallen. The school, which has long been among the nation's top 20 NIH recipients, dropped from 20th in 1995 to 27th in 1999. This drop comes from an overall loss in the number of faculty, rather than from a lack of faculty productivity. In fact, grant funding per faculty member has actually increased since 1995.

Since 1995, the Medical School has lost 16% of its tenure/tenure-track faculty, resulting in the loss of over \$41 million in NIH funding. Faculty have been recruited by other leading universities, or have gone into private practice. The 84 empty Medical School positions have gone unfilled because the school does not have enough resources to hire replacements. Funding for medical education is a national issue and is discussed in detail in the University of Minnesota Change Item titled "Strengthening the Foundation".

The funds provided in this initiative will be used to implement a six-year program to rebuild the Medical School faculty. Under the program, the Medical School will hire 26 new faculty during each of the next three biennia. The new faculty will be physician scientists in the school's clinical departments, who will teach, conduct research, and provide patient care. Current plans call for new hires in priority areas chosen based on the needs of the state, partnership opportunities, faculty

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strengths, and opportunities for major research and clinical advancements. The most critical needs are in the following fields:

Aging	Genetics & Genomics
Cancer	Immunology & Infectious Disease
Cardiovascular & Pulmonary Science	Neuroscience
Developmental Biology, Children & Adolescent Health	Stem Cell Biology

This faculty renewal program will enable the Medical School to develop new approaches to disease prevention and treatment. Examples of potential benefits include: new care models for older populations; enhanced cancer detection in high-risk individuals; studies of the effects of nutrition and environment on infant brain functioning and learning; new therapies for heart and lung diseases; more research on Alzheimer's, Parkinson's and strokes; and enhanced research in infectious disease control.

Computer and Information Sciences

The information technology and computer industries have been responsible over the past decade for unprecedented social and economic change. New ways now exist to conduct business, communicate electronically, and obtain up to the minute information. This transformation of old institutions, and the creation of new industries, has fueled the demand for well-trained computer and information technology graduates in all sectors of the economy.

The Minnesota Department of Economic Security projects that the demand for computer literate workers will only grow. Technology-related jobs occupy the top five positions in the list of the state's 10 fastest growing job areas and Minnesota is projected to add thousands of new information technology jobs each year for at least the next 10 years. Employers continue to demand more computer science graduates than the University can provide. If Minnesota hopes to grow and retain its technology companies it must take steps to address this critical workforce shortage.

Employers are not the only ones demanding computer science skills. Student demand for computer science classes has increased systemwide. On the Twin Cities campus, the number of computer science majors has doubled since 1993, while the number of full-time faculty in the department was reduced through reallocation. Similar statistics reflect an increase in demand at

Crookston, Duluth, and Morris. Systemwide, programs are at capacity and enrollment is being limited.

The funds provided in this initiative will be used to support 28 new faculty positions in computer science and information technology fields on all four University campuses.

Twin Cities Campus – Eighteen positions. Sixteen positions will be allocated to the Department of Computer Science and Engineering to support a 50% increase (over a three year period) in the number of computer science majors on the Twin Cities campus. Admissions to the department will increase from 160 to 230 students per year with the goal of attracting one third of the increased enrollment from out-of-state. Since the majority of out-of-state students who receive their baccalaureate degrees in Minnesota stay in the state to work, high ability students will be offered in-state tuition. Faculty positions will be targeted primarily in the areas of Internet computing and applications, high performance mobile and wireless computing, interactive multimedia systems, system and software engineering, human-computer interface, and data mining. The two remaining positions will be allocated to the Carlson School of Management to support teaching and research programs in e-commerce and management information systems.

Duluth Campus – Six positions. The new positions will be used to increase enrollments in computer science, digital graphic design, electrical and computer engineering, and management information systems.

Morris Campus – Two positions. The new positions will be used to increase enrollments in computer science and will support the development of an information technology minor.

Crookston Campus – Two positions. The new positions will be used to support the campuses baccalaureate-level programs in health information management and education technology, as well as a new interdisciplinary minor in information networking management.

Taken together these new faculty will dramatically increase the University's computer science teaching capacity, generate millions of dollars of additional research funds, and create new opportunities for partnerships with Minnesota's information technology industry.

Nanotechnology

The ability to store the entire contents of the Library of Congress in a device the size of a sugar cube was just one potential outcome given by President Clinton when he announced the federal government's new initiative in nanotechnology. The new program, called the National Nanotechnology Initiative (NNI), is centered around a \$227 million increase in federal support for nanotechnology research and

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development. Defined as the ability to manipulate and move individual, nanometer-sized bits of matter, nanotechnology is leading to unprecedented understanding of the fundamental building blocks of all physical things. The new technology has enormous potential for changing the way almost everything, from vaccines to computers to objects not yet imagined, are designed and manufactured. Under the current plans, roughly seventy percent of the new funding proposed under the NNI will go to university-based research in an attempt to simultaneously meet the growing demand for workers with nanoscale science and engineering skills and to broadcast discoveries to as many participants as quickly as possible.

Minnesota came late to both the digital and biological revolutions. With potential applications in materials and manufacturing, nanoelectronics, medicine and healthcare, environment and energy, chemicals and pharmaceuticals, biotechnology and agriculture, and computation and information technology, the National Nanotechnology Initiative is this state's chance to be a significant player in the next major driver of technology based economic growth. The federal government will soon be selecting a limited number of institutions to serve as national nanotechnology research centers. With this designation will come federal funds to support research infrastructure, train graduate students, form partnerships with industry, and study the legal, ethical, and social impacts of such a broad ranging new technology.

The funds requested by the University will be used to purchase updated basic nanofabrication and characterization equipment necessary for University faculty to compete for federal nanotechnology research money and to position the University for its bid to be a federally designated National Center for Nanotechnology Research. More specifically, the University will purchase two primary pieces of equipment: an e-beam nanolithography writer and an advanced transmission electron microscope scanning nanoprobe. The University, with nationally recognized programs in a number of science and engineering fields, is in a good position to compete for this designation but requires a small amount of assistance in modernizing its nanoscale research capabilities.

Health Professional Education

In addition to the funding problems in medical education outlined elsewhere in this document, Minnesota is experiencing a critical shortage of healthcare professionals. The state is not training enough pharmacists, nurses, rural dentists, and medical technology specialists to both meet the increased demand and replace retiring practitioners. Unless action is taken soon, the

state will not have sufficient healthcare service professionals to meet the needs of the state's current and aging population.

Nursing

An aging population, advances in medical technology, and an expanded role in patient care have led to an increased need for nurses. While nurses still operate in traditional clinical and hospital settings, their overall role has been greatly expanded. The shift of non-acute health care from hospitals to community settings, the use of advanced practice nurses as cost-effective primary care service providers, the use by rural hospitals of nurses as principal staffers for emergency rooms and urgent care services, and the desire by health care organizations to have nurses fill case management and informatics positions are several examples of trends driving the increased demand.

The supply of nurses has not met the increased demand. Health care organizations continue to have difficulty recruiting and retaining nurses despite offering signing bonuses and supplementary pay for overtime and off-shift work. At the state level, Minnesota currently has more than 1,700 job openings for registered nurses and 180 openings for specialty nurses. More than half of these openings (58%) are in Greater Minnesota. At the national level, the average age of nurses now exceeds that of the general workforce and a large proportion of the existing employees are expected to retire in the next decade. At both the state and national level, this shortage is expected to grow significantly over the next 10 years.

This initiative requests funds to establish a satellite of the University's undergraduate Bachelor of Science Nursing (BSN) program at the University Center in Rochester. Recent projections estimate that the demand for registered nurses in Olmstead County alone will increase 17% in the next five years, and that within two years the Mayo Foundation will need to hire 500 new nurses. The program, a collaborative effort with the Mayo Foundation and MnSCU, will enroll 60 students: 30 in the University of Minnesota's BSN program and 30 in Winona State University and Minnesota State University, Mankato programs. The University's School of Nursing will hire faculty, recruit students, and complete other preparatory work during the 2001-02 academic year and will enroll students in the Fall of 2002.

Medical Technology

Medical technologists perform various diagnostic procedures used in the detection, diagnosis, treatment, and monitoring of disease. The increasing use of complex diagnostic procedures for an aging population is fueling the demand for more medical technologists.

The supply of medical technologists has not met the increased demand. Minnesota's three accredited medical technology programs are at capacity. Statewide, Minnesota currently has over 100 job openings for medical

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technologists, a number that is only expected to grow. Recent projections estimate that Olmstead County alone will require 370 additional medical technologists in the next five years.

This initiative requests funds to establish a satellite of the University's medical technology program at the University Center in Rochester. The program, in collaboration with the Mayo Foundation and MnSCU, will enroll 20 students annually. The first two years (pre-professional curriculum) will be offered at MnSCU institutions in Rochester or elsewhere in southeast Minnesota. The remaining two years of the program (professional curriculum) will consist of advanced course work, laboratory instruction, and a 22 week clinical rotation in a Rochester area facility. Classes will begin in the fall of 2002.

Pharmacy

Drugs are playing an increasingly important role in sustaining individuals' long-term health and quality of life, particularly as the population ages. With this increased reliance on pharmaceuticals has come a change in the role of pharmacists. In community pharmacies, hospitals, clinics, long-term care facilities, and home health care settings, pharmacists now play a major role in managing increasingly complex drug-based care regimens, ensuring that medications are used safely and effectively, preventing drug related medical errors, and providing convenient access to a health care professional.

While the demand for pharmacists has increased, the supply has not kept pace. Minnesota currently graduates only 2 pharmacists per 100,000 residents, well below the national average of 3.1 pharmacists per 100,000 residents. As a result, Minnesota already has over 200 unfilled pharmacy job openings, a number that is expected to grow in the next decade as a large number of pharmacists reach retirement age. The problem is of particular concern in rural Minnesota where a greater percentage of pharmacists are reaching retirement age.

This initiative requests funds to establish a branch of the University's pharmacy program at the University of Minnesota Duluth. Under this plan, the University will increase annual enrollments by 50 students, bringing Minnesota into line with the national average of 3.1 graduates per 100,000 residents. The first three years of training will be taught by on-site faculty as well as by Twin Cities-based faculty using distance education. Faculty from the Duluth School of Medicine will teach the required biochemistry, physiology and pharmacology courses. The fourth year, which is the experiential clerkship year for pharmacy students, will be taught in several locations including Duluth, St. Cloud, and

Rochester. The program will enroll students in the Fall of 2002 and graduate its first class in the Spring of 2006.

Rural Dentistry

With more than 40% of the state's dentists expected to retire in the next 10 years, Minnesota is facing a severe shortage of dental professionals. This workforce issue, however, is of particular concern to rural Minnesota where citizen groups, state and local government agencies, local dentists, and the Minnesota Dental Association have all raised concerns about the availability of dentists and dental hygienists. The attraction of dental professionals to rural areas has become a serious challenge nationwide and has prompted a need to develop new ways of training and recruiting dental professionals to serve the needs of rural communities.

This initiative requests funds to establish a rural dentistry program. The program will recruit and train dental professionals to serve rural communities, provide dental care to underserved rural patients, and conduct research on dental care and dental policy in rural communities. To meet the program's practicum requirements, the School of Dentistry will establish two dental clinics in rural Minnesota: one in cooperation with the Hibbing Community College, and the second in conjunction with the Otter Tail County Public Health Department. Under the current plan, 20% of the school's undergraduate dental and dental hygiene students and 12 of its graduate dental residents will spend their clinical training rotations in one of these clinics. When the program is fully operational, these students will see between 8,000 and 10,000 patients annually. Additional clinics in other rural communities will be considered as the program matures.

The rural dentistry program will collaborate with dental auxiliary programs in the MnSCU system to help enhance the educational experience of dental assistant and dental hygiene students. It will provide a platform for distance education efforts involving the School of Dentistry and the allied dental health programs in MnSCU and continuing dental education programs for regional dentists, dental hygienists, and dental assistants.

State Specials – Programmatic Initiatives

Rural Minnesota is in the midst of an economic and demographic transition. Farm consolidation, aging and declining populations, weak commodity prices, adequate healthcare, and small business survival are just some of the major issues faced by rural communities. While niche markets for specialty consumer products, advances in digital and biological technology, and an increased emphasis on workforce development have all resulted in new economic opportunities, a need exists for programs that can exploit these opportunities and promote the long-term vitality of rural communities.

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Agriculture, Natural Resources, and the Environment

The University of Minnesota has a long tradition of providing research and outreach support for the agriculture and natural resource sectors of Minnesota's economy. Emerging issues and changing technology have driven the need for additional resources in the following areas:

Water Resources, Eco-Systems, and Land Use

Lakes, streams, and wetlands are an important element of Minnesota's overall quality of life. Threats to these natural environments have generated an increased interest by Minnesotans in ecological issues surrounding air and water quality, resource recycling, biodiversity, and chemical usage. Although the University has been conducting ecosystem research for years, agricultural ecosystems are a relatively new field of study. Forest ecosystems have a longer history of study, but recent federal policy changes on public lands have thrust timber demand issues onto generally unprepared private landowners. Additional funding is required if the University is to be able to conduct research into these emerging ecosystem issues.

Minnesota's urban and rural landscapes are changing as well. How these landscapes change, however, can be guided through good land-use planning. Minnesotans, recognizing that poor land-use planning decisions can fragment communities, generate costly infrastructure extensions, preclude industry diversification, diminish environmental quality, and magnify public safety issues, have taken an interest in "smart growth" strategies. With additional support, the University can provide land-use data, design expertise, and analysis capability at the local level.

The funds provided in this initiative will be used for faculty, extension staff, and program support. Specifically, the University will hire a bioengineering faculty member to conduct research into the use of vegetation and native ecology in controlling erosion, and two faculty members to focus on sustainable agricultural systems (e.g. livestock production systems and structures, animal welfare, odor, and nutrient cycling). Two extension personnel will be hired to provide educational programming on water resource issues. Finally, funds will be provided to support programs in state water resource management, ecosystem change, sustainable agroforestry practices, and community based land-use planning.

Center for Agricultural, Food, and Environmental Ethics and Policy

The recent growth in genomics and biotechnology applications has generated a need to examine the impact of basic science discoveries on food, human health, and the environment. As a public, land-grant research institution, the

University should be in a position to provide the ethical and educational leadership required for informed debate. The colleges most involved with these issues (Agricultural, Food, and Environmental Sciences, Natural Resources, Biological Sciences, Human Ecology, and Veterinary Medicine) have a need for additional ethics and policy-focused faculty.

The funds provided in this initiative will be used to provide core funding for the development of a *Center for Agricultural, Food, and Environmental Ethics and Policy* on the St. Paul Campus. A world-class bioethicist will be hired to coordinate efforts in the areas of agricultural and environmental ethics, law, and public policy. The new position will work closely with other University ethics oriented programs like the *Center for Bio-Ethics* and *Consortium in Law, Values, and the Life Sciences*.

Regional Partnerships

The land grant university mission has evolved over its 100 year history. The five Regional Partnerships, launched in 1997, are the latest stage in this evolving mission. Designed around the principles of active citizen leadership, co-learning, and sustainable development, the partnerships have been responsible for over 50 programmatic initiatives aimed at enhancing regional sustainability.

The funds provided in this initiative will be used stabilize the core funding for the five existing partnerships and to establish two additional regional partnerships.

Vital Communities and Rural Development

Families and businesses in rural communities face unique challenges in the global economy. The University will assist rural communities through the following initiatives.

Business Entrepreneurship, Innovation, and Marketing

Information technology, biotechnology, and the globalization of markets are just three of the trends causing farms and other firms in rural economies to search for new business opportunities. These trends are impacting agricultural producers, suppliers, and processors of all sizes as well as firms in other sectors of the rural economy. If rural companies are to make the kind of changes necessary to thrive in the global marketplace, additional technical and business assistance is required.

The funds provided in this initiative will be used to establish a Center for Rural Entrepreneurship and Business Innovation. The center will house five rural business support programs. Included in the request are funds for: 1) the *Agriculture Information and Structure* program; 2) the *Master Marketer* program; 3) the creation of a *Minnesota Certified Program*; 4) two additional faculty in entrepreneurship and food marketing; 5) the *Access Minnesota Main Street* program; an internet and e-commerce education initiative; and 6) the *Business Retention and Expansion* program.

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Human and Social Capital

Many of the issues facing rural Minnesota cross county boundaries and problems are best addressed on a regional level. In 1998, the legislature made a one-time allocation to fund a single University research associate to focus on the sustainability of agricultural systems and rural communities. This program, based out of the West Central Research and Outreach Center in Morris, has been successful in reaching its goals.

The funds provided in this initiative will be used to support five positions in rural sociology, and youth, family, and community development to be located at either a research and outreach center or on the Crookston, Duluth, or Morris campus. These new positions will: 1) establish connections between University resources and community needs in greater Minnesota; 2) address regional issues related to social and economic development; and 3) enhance rural community vitality through research and outreach education programs focused on supporting youth, family, and community development.

Equine Program

The faculty in the College of Veterinary Medicine on the St. Paul campus and the Agriculture Management Division of the University of Minnesota Crookston currently devote a significant amount of time to external groups seeking equine related information. The volume of requests from Minnesota's growing number of recreational and commercial horse owners has exceeded the University's ability to respond effectively.

The funds provided in this initiative will be used for a faculty position in Applied Equine Nutrition, equine program support, and distance education technology.

Food Safety and Human Health

The production of safe and healthy food is a priority for the state of Minnesota. The University is uniquely positioned to assist in the development of healthy foods, contribute to the enhanced safety of the food supply, add value to agricultural products, and educate consumers about food safety issues through the following initiatives.

Food Safety and Human Health Research

University food safety initiatives have traditionally focused on animal-based products and processes. The development of new plant-based food processing and distribution systems, as well as the development of new plant-based foods has increased the need to expand existing safety programs with both

consumers and producers. Lowering the risk of food borne illnesses requires research in pre-harvest practices, food processing, handling, and distribution. It also requires education programs for processors, food handlers, and consumers. The growth of the food processing sector in rural Minnesota has only increased the demand for producer related food safety programs.

The funds provided in this initiative will be used to: 1) hire two faculty in the areas of food toxicology and microbiological pathogen detection; 2) hire two staff to coordinate programs in food safety and small business development in food processing; and 3) provide leveraging / seed money for food safety and healthy food research.

Biotechnology Outreach and Education

Advances in biotechnology and genomics are providing new tools for creating agricultural and human health products. The use of biotechnology, however, has been the focus of considerable discussion and debate. For Minnesota producers, processors, and consumers to gain benefit from new biological technology, comprehensive food safety assessments, public debate, and education programs are needed.

The funds provided in this initiative will be used for a faculty position in agricultural biotechnology education and extension.

For ease of discussion, Agriculture, Natural Resources, and the Environment, Vital Communities and Rural Development, and Food Safety and Human Health are included here rather than in the section of this document dedicated to State Specials. Funding for these initiatives is proposed as an increase to the Agriculture and Extension Service State Special.

Natural Resources Research Institute

Since its establishment in 1983, the UMD Natural Resources Research Institute (NRRI) has been an important research and technology development tool for Minnesota. The Institute's mission is to foster the economic development of Minnesota's natural resources in an environmentally sound manner to promote private sector employment. An increase in State Special funding will be used to support research in emerging areas where NRRI base level funding has been limited. Included in these areas are environmental clean-up, expanded use of hybrid poplars, and use of wood processing waste in developing agriculture and pharmaceutical products.

For ease of discussion, this item is included here rather than in the section of the request dedicated to State Specials. Funding for this piece of this initiative is proposed as an increase to the System Special for the Natural Resources Research Institute.

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Veterinary Diagnostic Lab

The Veterinary Diagnostic Laboratory was established in 1904 to help prevent loss from disease in the state's livestock, poultry, companion animals, and wildlife. The laboratory also helps to protect human health by diagnosing animal diseases transmissible to humans through food or animal contact. As the official laboratory of the Minnesota Board of Animal Health, it provides essential support for the state's animal disease control and eradication programs and provides laboratory analyses required for local, interstate, and international movement of animals and animal genetic materials. An increase in State Special funding is required to assure the laboratory has adequate funding to continue to play this very important role for the state.

For ease of discussion, this item is included here rather than in the section of this document dedicated to State Specials. Funding for this piece of this initiative is proposed as an increase to the Health Sciences Special for the Veterinary Diagnostic Laboratory.

FINANCING:

(Dollars in thousands)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennial Total</u>
Competitive position of faculty	10,200	22,000	32,200
Targeted staff recruitment/retention	800	1,700	2,500
Biological Sciences	2,000	4,000	6,000
Medical Sciences	3,100	7,300	10,400
Computer & Information Sciences	1,000	2,800	3,800
Nanotechnology	500	1,000	1,500
Nursing	330	320	650
Medical Technology	650	480	1,130
Pharmacy	1,400	3,250	4,650
Rural Dentistry	220	450	670
State Special Program Initiatives	3,900	4,100	8,000
 TOTAL Investing in the future	 \$24,100	 \$47,400	 \$71,500

BUDGET CHANGE ITEM (47252)**Program: MAINTENANCE & OPERATIONS****Agency: UNIVERSITY OF MINNESOTA****Item Title: TUITION REVENUE MODEL**

additional \$7.6 million and the increase in the second year generates an estimated additional \$7.8 million for an estimated biennial total of \$23.0 million.

This estimated \$23.0 million of increased tuition revenue, in addition to the \$30.2 million identified as reallocation of current state appropriation for the University, act as offsets to the request for additional state funding for the Strengthening the Foundation initiative of the request. The costs associated with the Strengthening the Foundation initiative total \$203.2 million. Offsetting revenue generated by a tuition increase and reallocation of current state appropriation reduces the request for new state appropriation for the Strengthening the Foundation initiative to \$150.0 million (\$203.2 - \$23.0 - \$30.2 = \$150.0).

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$7,600	\$15,400	\$15,400	\$15,400
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity	_____ Supplemental Funding	_____ Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the University use \$6.595 million in FY 2002 and \$13.411 million in FY 2003 of the revenue identified in this initiative to finance one-third of a 3% per year inflationary adjustment for faculty and staff. The Governor encourages the University to fund priorities that exceed his recommendations out of the remaining tuition identified in this initiative.

RATIONALE:

The University's projected tuition revenue increases for FY 2002 and FY 2003 are modeled on average tuition increases for students of 3%.

It should be explicitly noted that although tuition revenue projections are modeled on average tuition rate increases for students of 3%, the actual rate increase for any individual student may be more or less than the average. The variation results from a tuition structure designed to provide incentives for students to take a full course load each semester.

FINANCING:

A 3% tuition revenue increase would yield an estimated additional \$23.0 million for the 2002-03 biennium. The increase in the first year generates an estimated

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BUDGET CHANGE ITEM (47253)**Program: MAINTENANCE & OPERATIONS****Agency: UNIVERSITY OF MINNESOTA****Item Title: REALLOCATION MODEL**

2.5% of the University's recurring state biennial appropriation. As with the planned increase in tuition revenue, these reallocated funds act as an offset to the request for additional state funding for the Strengthening the Foundation initiative of the request. The costs associated with the Strengthening the Foundation initiative total \$203.2 million. Offsetting revenue generated by a tuition increase and reallocation of current state appropriation reduces the request for new state appropriation, for the Strengthening the Foundation initiative, to \$150.0 million (\$203.2 - \$23.0 - \$30.2 = \$150.0).

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund				
-State Operations	\$15,100	\$15,100	\$15,100	\$15,100
-State Operations	\$(15,100)	\$(15,100)	\$(15,100)	\$(15,100)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity _____ Supplemental Funding <u> X </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

An important principle of the Governor's budget process has been to strongly encourage agencies to reallocate within their existing budget to fund higher priorities. The Governor is encouraged that the University has agreed with this principle, as described by this initiative. Although the Governor does not recommend specific initiatives to be funded by the University's reallocations, he encourages the University to fund priorities that exceed his recommendations out of these reallocations.

RATIONALE:

The development of any long-range financial plan should have as a central strategy the need to continue to focus, reshape, right size, and reallocate resources within and across units. As such, the University is proposing a reallocation of current state appropriation to help meet the costs of the Strengthening the Foundation initiative of this biennial budget proposal.

FINANCING:

The University's biennial budget proposal calls for a strategic reallocation goal that will total \$15.1 million per year. This level of reallocation is equivalent to

BUDGET ACTIVITY SUMMARY

Budget Activity: AGRICULTURE SPECIAL
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

Through the unique land-grant partnership with federal, state, and local funding, the Minnesota Agricultural Experiment Station (MAES) and the University of Minnesota Extension Service conduct mission-oriented research and relevant, research-based informal education that is sharply focused on the issues facing Minnesotans where they live and work.

Minnesota Agricultural Experiment Station (MAES)

The Minnesota Agricultural Experiment Station organizes and supports research that provides the science and technology to support a highly diversified production, processing, marketing, and distribution system that produces an abundant supply of high-quality biological products, including food, fiber, and forest products. Significant research focuses on family and community life, human nutrition and interactions, recreation and tourism, sustainable management and protection of our natural resource base, and enhancement of overall environmental quality in Minnesota. Consistent with the University of Minnesota's land-grant mission, the research conducted by MAES scientists is integrated with academic programs and the extension delivery program.

This legislative special provides core funding support for scientists in over 30 departments across the colleges of Agricultural, Food, and Environmental Sciences, Human Ecology, Natural Resources, Veterinary Medicine, and Biological Sciences. Station scientists conduct applied research on the St. Paul campus, the branch stations at Grand Rapids, Crookston, Morris, Lamberton, and Waseca, the Cloquet Forestry Center, the Minnesota Landscape Arboretum, the Horticultural Research Center, and numerous cooperative "off-station" sites.

New demands and exciting new challenges do not lessen the necessity of on-going maintenance research. Agriculture and natural resources involve biological and, consequently, dynamic processes. Continued research and development is necessary even for well-established commodities such as trees, corn, and cattle. However, opportunities exist for expanded basic and applied research in many areas such as biological controls, alternative crops, value-added products, utilization, sustainability, economic development, youth and families, biodiversity, resource assessment, recycling, water quality, and public policy.

The economic and social returns from investing in these research efforts are tremendous. For example, the investment in research and extension efforts to develop and release two varieties of barley, Morex and Robust, totaled \$9.2 million. The return was \$297 million, based on increased grain yield and malt extract, faster malting germination, and superior performance. The result is a benefit-to-cost ratio of 32:1. Stated as an annual rate of return, the payback to the Minnesota economy is in the neighborhood of 91%.

Agriculture and related natural resource industries will continue as the backbone of Minnesota's economic base. Continuing support for basic and applied research in support of profitable production, processing, and distribution in an environmentally and socially acceptable manner is critical to maintaining Minnesota's competitive advantage. Additionally, significant issues, such as aging, youth and families, human nutrition and health, housing, aquaculture, recycling, economic vitality of communities, integrated resource management, environmental concerns, and other issues facing Minnesotans require research conducted by MAES-supported scientists.

University of Minnesota Extension Service

Since 1909, the University of Minnesota Extension Service has helped state residents move toward goals of a better state and more prosperous, productive, and healthy citizens. Extension is integral to the University's overall outreach program. Extension extends the University to the people by: 1) utilizing a network of faculty in every county, providing fast, easy access, expedited by a state-wide computer and satellite down-link system; 2) providing practical, research-based information and education; and 3) providing preventive education that helps people address underlying causes of problems through awareness of alternatives and teaching the skills needed to make informed choices. This educational system is further extended by over 30,000 volunteers with other agencies and organizations--schools, human services, religious organizations, local governments--to insure that individual and community needs are identified, prioritized, and met. Extension's mission is "to involve people in improving the quality of life and enhancing the economy and the environment through education, applied research and the resources of the University of Minnesota." Extension reaches over one million Minnesotans each year with educational programs and information.

The state's citizens recognize the University of Minnesota Extension Service as a hardworking partner in their pursuit of economic stability, enriched family and community life, and a healthy environment. Extension is an educational bridge. Both the University and the people of the state appreciate its role in transforming research-based knowledge into practical guidance for everyday living. In setting its research agenda, the University community relies on Extension for insights garnered from daily contact with its many publics.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: AGRICULTURE SPECIAL
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

Extension is a catalyst in an increasingly diverse and disjointed society. It helps government, education, the private sector, communities, and individuals to work fruitfully together.

Extension is both traditional and progressive. It is a key player in Minnesota's international leadership in agriculture and supports those who choose farming as their way of life. It works to enrich youth and families while maintaining sensitivity and respect for the increasing diversity of contemporary society. It is at the leading edge of efforts to enhance and preserve the quality of communities and the environment.

Extension is a responsive organization. It listens and observes to discern the needs of its public, and then applies research-based knowledge to resolve them. It exists, not because it always has, but because Minnesotans recognize that it serves the indispensable role of connecting them with the knowledge generated by the University, and, in the process, with each other.

Extension programs of the future will continue to be directed and defined by the changing issues facing Minnesotans and the role they expect their land-grant university to play in helping them address those issues.

FINANCING INFORMATION:

This special appropriation is the result of the action taken by the 1989 legislature to combine the specials for the Minnesota Agricultural Experiment Station (MAES) and the University of Minnesota Extension Service. MAES, established in 1885, and Extension, established in 1909, are long-standing legislative specials within the University of Minnesota budget. MAES and Extension have an impressive history of helping fulfill the land-grant mission of the University of Minnesota.

BUDGET ISSUES:

The FY 2000-01 appropriation for the Agriculture Special is \$115,776,000.

For ease of discussion and reading, the Agency Budget Brief discusses the University Biennial Budget response at the Agency Plan level. The Change Item pages discuss the University's biennial budget proposal in greater detail and reference budget issues concerning the Agriculture Special.

Activity: AGRICULTURE SPECIAL
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
LOCAL ASSISTANCE	54,980	57,588	58,188	58,338	61,938	58,338	58,338	62,138	58,338
Total Expenditures	54,980	57,588	58,188	58,338	61,938	58,338	58,338	62,138	58,338
Change Items:	Fund								
(P) INVESTING IN THE FUTURE	GEN				3,600			3,800	
Total Change Items					3,600			3,800	
Financing by Fund:									
Direct Appropriations:									
GENERAL	54,980	57,588	58,188	58,338	61,938	58,338	58,338	62,138	58,338
Total Financing	54,980	57,588	58,188	58,338	61,938	58,338	58,338	62,138	58,338

BUDGET ACTIVITY SUMMARY

Budget Activity: HEALTH SCIENCE SPECIAL
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

The Health Science Specials complements the undergraduate, graduate, and professional training of some 4,000 students each year at various levels. Important to the quality of these educational experiences, and accessible to Minnesotans, is state-of-the-art scientific equipment and physical plant that seeks to enhance the total learning atmosphere. Through these opportunities, Minnesotans can take advantage of advanced education and training, recognized universally as the key factor in facilitating progress toward leadership in a global economy.

The basic and applied research discoveries and resulting innovations made possible by the Health Science Specials, together with other Academic Health Center programs, help to insure that Minnesotans will have the best possible chance for a healthy life. In addition, research in the health sciences results in innovative techniques and--through technology transfer and licensing of patents--new businesses and industries that contribute toward an economy that creates and shares wealth.

Rural Physicians Associate Program

The Rural Physicians Associate Program (RPAP) was established by the 1970 Legislature in response to a shortage of family physicians in greater Minnesota. Its purpose is to provide third-year medical students an opportunity to spend nine months of their clinical training living, learning, and working in a non-metropolitan medical practice.

Since its inception, the Rural Physicians Associate Program has enrolled more than 700 medical students for greater Minnesota practices. Of these, more than 60% have returned to practices in Minnesota with more than 70% going into Family Practice and nearly 80% going to communities of 50,000 population or less. More than half practice in towns of 15,000 or less.

Efforts will continue to increase enrollment in the Rural Physicians Associate Program and to increase the numbers of non-metropolitan community faculty who serve as hosts for the students.

Veterinary Diagnostic Laboratory

The Veterinary Diagnostic Laboratory was instituted to help prevent loss from disease in the state's livestock, poultry, companion animals, and wildlife by identifying the cause of animal disease. The Laboratory also helps to protect

human health by identifying animal diseases transmissible to humans through animal contact or through foods of animal origin. As the official laboratory of the Minnesota Board of Animal Health, it is very important in the state's animal disease control and eradication program.

The Veterinary Diagnostic Laboratory will continue to provide services related to the food animal industries, companion animals, and wildlife, utilizing current and emerging technology. With direction from the Minnesota Board of Health, the Laboratory will also continue to identify and monitor health hazards to humans, a major responsibility.

Biomedical Engineering Center

The Biomedical Engineering Center is an interdisciplinary focal point for education, research and technology transfer in biomedical engineering that seeks to continue Minnesota's long tradition of excellence in the field and to cooperate with Minnesota's large and vibrant medical device industry.

The Biomedical Engineering Center is pursuing further development of a wealth of technologies--cardiac pacemakers, artificial heart valves, intraocular lens implants for cataract surgery, vascular grafts, and orthopedic implants. The center's technology transfer program involves 300 biomedical engineering companies nationwide.

The Biomedical Engineering Center's objectives include an increase in medical implant evaluations, additional tracking for medical implants, greater interaction with industry, additional patenting and licensing of peptide-based hybrid materials, and revision of the graduate curriculum to include tissue engineering, biomaterials and biointerfacial science, and biomedical imaging.

FINANCING INFORMATION:

The 1989 legislature consolidated those State Specials administered by the University of Minnesota Academic Health Center into a single appropriation in support of programs deemed of great interest and benefit to the state.

BUDGET ISSUES:

The FY 2000-01 appropriation for the Health Science Special is \$11,635,000.

For ease of discussion and reading, the Agency Budget Brief discusses the University Biennial Budget response at the Agency Plan level. The Change Item pages discuss the University's biennial budget proposal in greater detail and reference budget issues concerning the Health Science Special.

Activity: HEALTH SCIENCE SPECIAL
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
LOCAL ASSISTANCE	7,065	5,789	5,846	5,846	5,981	5,846	5,846	6,011	5,846
Total Expenditures	7,065	5,789	5,846	5,846	5,981	5,846	5,846	6,011	5,846
Change Items:	Fund								
(P) INVESTING IN THE FUTURE	GEN				100			100	
(P) STRENGTHENING THE FOUNDATION	GEN				35			65	
Total Change Items					135			165	
Financing by Fund:									
Direct Appropriations:									
GENERAL	7,065	5,789	5,846	5,846	5,981	5,846	5,846	6,011	5,846
Total Financing	7,065	5,789	5,846	5,846	5,981	5,846	5,846	6,011	5,846

BUDGET ACTIVITY SUMMARY

Budget Activity: TECHNOLOGY SPECIAL
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

Minnesota Geological Survey (MGS)

The Minnesota Geological Survey is the state's primary geological center, conducting basic and applied research on Minnesota's geology, providing outreach services to the public, and training undergraduate and graduate students in practical earth sciences work for professional careers in the earth sciences. The Survey's fundamental tasks are geological mapping to elucidate the state's three-dimensional geologic framework and its evolution in geologic time and to translate mapping results into practical applications for the public. The main users of MGS maps and reports are local and state decision makers confronted by environmental issues, land-use planners, well drillers, geological and engineering consultants, the mining and mineral exploration industry, and educators.

The Minnesota Geological Survey is the University's outreach unit devoted to supplying earth sciences research for growing state needs in water management, environmental geology, and economic development of natural resources. Given Minnesota's commitment to maintaining environmental quality, protecting groundwater supplies, and sustaining urban and rural development, the demand for sound, unbiased geotechnical information continues to increase. In addition to conducting applied research pertinent to environmental and economic concerns, MGS personnel answer public inquiries about geology and water wells, help people to interpret and use geological information in their local areas, and produce and distribute popular and technical maps and publications about the geological features and phenomena of our state.

Talented Youth Mathematics Program

The University of Minnesota Talented Youth Mathematics Program (UMTYMP) is an intense and accelerated program for very talented mathematics students in grades five through 12, operated by the School of Mathematics at the University of Minnesota. Talented students in grades four through eight, identified by the home schools, are invited to participate in a qualifying examination. Of the 1,400 to 1,750 students who test annually, approximately 125 are invited to participate in the Twin Cities program, and 40 to 50 are invited to the various outreach sites.

The Talented Youth Mathematics Program offers the advanced education and training necessary to make the state a leader in the global economy. UMTYMP

fosters a positive learning environment and encourages acquisition of the skills necessary to compete internationally for highly talented young students.

The Talented Youth Mathematics Program will continue working to increase the participation of females in UMTYMP calculus and increase participation of students of color and economically disadvantaged students in UMTYMP. The State Special is critical in providing core support, which enables UMTYMP to acquire funding from other sources.

FINANCING INFORMATION:

The 1989 legislature consolidated those State Specials administered by the University of Minnesota Institute of Technology into a single program appropriation in support of special technological purposes deemed of great interest to the state.

BUDGET ISSUES:

The FY 2000-01 appropriation for the Technology Special is \$3,245,000.

For ease of discussion and reading, the Agency Budget Brief discusses the University Biennial Budget response at the Agency Plan level. The Change Item pages discuss the University's biennial budget proposal in greater detail and reference budget issues concerning the Technology Special.

Activity: TECHNOLOGY SPECIAL
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
LOCAL ASSISTANCE	2,976	1,600	1,645	1,645	1,655	1,645	1,645	1,665	1,645
Total Expenditures	2,976	1,600	1,645	1,645	1,655	1,645	1,645	1,665	1,645
Change Items:	Fund								
(P) STRENGTHENING THE FOUNDATION	GEN				10			20	
Total Change Items					10			20	
Financing by Fund:									
Direct Appropriations:									
GENERAL	2,976	1,600	1,645	1,645	1,655	1,645	1,645	1,665	1,645
Total Financing	2,976	1,600	1,645	1,645	1,655	1,645	1,645	1,665	1,645

BUDGET ACTIVITY SUMMARY

Budget Activity: SYSTEM SPECIALS
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

Bureau of Business and Economic Research University of Minnesota, Duluth

Established in 1968, the Bureau of Business and Economic Research (BBER) has three major missions. First, it serves the region and the state in collection and dissemination of information regarding Duluth, Northeastern Minnesota, and the state economy. Second, it acts as the research arm of the Center for Economic Development to identify and help treat important business and economic problems and opportunities in the region. Third, the BBER is a catalyst to generate research activity of the faculty, staff, and students of the University of Minnesota, Duluth, School of Business and Economics.

The Bureau of Business and Economic Research at the University of Minnesota, Duluth works to develop research on the regional economy to promote regional growth and diversity. The Bureau provides information through its publications, which include: Duluth Business Indicators (DBI), Selected Economic Data for Duluth and Northeastern Minnesota, an annual forecast issue of the DBI, a quarterly construction report, a monthly Duluth Tourist Index, Retail Sales Report, and the Bank Deposit Report

The Bureau of Business and Economic Research at the University of Minnesota, Duluth will continue to focus its efforts on helping the region expand and diversify its economy. This effort will require the development of new economic data on new and expanding industries (i.e. tourism, research, and medical services).

Bureau of Business and Economic Research University of Minnesota, Twin Cities

The Bureau of Business and Economic Research was established in the 1950s and supports research in business and economics. The Bureau generates knowledge useful to the organizations and economy of the Twin Cities region and the State of Minnesota. Projects supported by Bureau funds have addressed, for example, labor-management relations, the management of innovation and change, and customer satisfaction. The findings have direct implications for regional businesses. The inclusion of non-profit organizations serving the community's special needs in the scope of topics addressed by the Bureau extends its contributions.

Bureau funds play an important role as "seed money" to attract external funding from federal agencies and private sources. These funds also serve as the basis for matching money in the public-private partnership between the Carlson School and private organizations. Bureau funds are an important source of support to young faculty members in helping them establish their research programs and, therefore, play an important role in recruiting and retaining talented faculty members.

Funding from public and private agencies/organizations increasingly requires evidence of preliminary progress on a research project as a basis for a favorable funding decision. The "seed money" role of the Bureau of Business and Economic Research on the Twin Cities campus is more important than ever.

Two imperatives of the Carlson School's strategic plan are: 1) to conduct high quality research that addresses problems of the management profession and advances scientific knowledge in the disciplines; and 2) to establish closer linkages with the management community and to be a visible force for change within the management community. State Special funds provided to the Bureau of Business and Economic Research on the Twin Cities campus directly support both objectives.

General Research

The General Research Fund was initiated by a legislative appropriation over 50 years ago to support and encourage the research, scholarship, and artistic productivity of the University's faculty. It can be thought of as an investment by the state in the vitality of the faculty, helping them to initiate new projects and helping them bridge gaps in external funding of their programs. In these areas, the General Research Fund is the most important source of University support to the faculty and is one of the programs most appreciated by the faculty for the encouragement of their scholarship and research. This fund is also used to solve short-term fiscal crises and cover special, temporary needs. It is highly successful in leveraging funding from external sources.

This fund also helps to enhance advanced education and training and promote the generation of new knowledge and concepts that are vitally important to a highly technological industrial base competing in a global economy. Such contributions are essential to maintaining and strengthening the economic base on which our state depends for its excellent quality of life.

Many faculty members credit the General Research Fund with the initiation of successful programs that have brought in much larger external support. A respected faculty committee awards grants-in-aid of Research, Artistry and Scholarship each year. This is a competitive process. High likelihood of receiving future external funding as a result of these grants is a primary criterion used in making these awards.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: SYSTEM SPECIALS
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

The General Research program is working well and has a high degree of support from the whole University community. Output in terms of meritorious projects that can be funded and brought to a satisfactory conclusion will continue to be directly proportional to the funds available.

Humphrey Forum

The Humphrey Forum is a teaching program and exhibit of 20th century history and politics at the Hubert H. Humphrey Institute of Public Affairs. Its purpose is to link the University, the Humphrey Institute, Minnesota's schools, community groups, and individuals in promoting active and thoughtful citizenship. The Forum's program of public events, workshops, and publications emphasizes the importance and effectiveness of each individual's participation in government and public life.

The Humphrey Forum's audience has grown in numbers and diversity each year since it opened in November 1989. The forum now attracts more than 20,000 visitors each year. The Forum has formed partnerships with organizations to sponsor community service projects, adult education programs, and civic activities. Program evaluations remain enthusiastic.

The Humphrey Forum will continue to work to increase school group visits and the number of adult visitors. It will also continue to develop and strengthen partnerships with the Minnesota cable television networks, newspapers (including neighborhood and rural weeklies), and public affairs radio programming.

Industrial Relations Education Fund

The Industrial Relations Education Fund (IREF) supports a broad range of research and training outreach activities servicing diverse groups in industrial, employee, and labor relations including employers, union leaders and activists, arbitrators, mediators, academics, and public officials.

Programs and initiatives supported by the Industrial Relations Education Fund provide consistent and up-to-date information, approaches, and technical support to Minnesota employers, union leaders, and public officials in labor-management, employment and labor law, policy, and practice. Educational activities funded by the IREF cover a wide variety of traditional and emerging subjects, reflecting the changing landscape of employer-employee relations in the state.

Specific objectives of the Industrial Relations Education Fund reflect a commitment to remain on the cutting edge of issues and changes in industrial, employment and labor relations. Outreach plans anticipate new developments in relation to the changing demographics of the workforce, the pressures of the globalization of the economy, and the need to expand the delivery of information and ideas.

James Ford Bell Museum of Natural History

The James Ford Bell Museum of Natural History (MNH) has two subdivisions, Comparative Biology and Public Programs. The mission of Public Programs, which includes Public Education and Public Exhibits, is to provide education to all sectors of the public regarding nature, its values to humankind, and an understanding of biological processes and the scientific method.

Through its educational programs the James Ford Bell Museum of Natural History helps the public understand issues of environmental quality and policy including wise habitat management and what constitutes a healthy natural environment and helps the public appreciate the complexities of natural communities, the interdependencies of all species in a community, and the need to conserve natural habitats so as to save both common and rare species. The museum's research is focused on systematic and evolutionary relationships, including the use of the modern methods of molecular biology to examine the evolutionary relationships among species through the study of their genes. The identification of species and their evolutionary relationships provides the essential baseline data for studies in conservation biology.

The principal measure of outcomes of the James Ford Bell Museum of Natural History's public programs is the size of its membership and the attendance figures for each of its functions and programs. The MNH has more than 700,000 contacts per year. Comparative Biology outcomes will be measured by scientific papers and books published, number of specimens added to the computerized records of the museum's collections, scientific specimens prepared and acquired through exchanges, grants awarded, research projects completed, and the number of graduate students receiving advanced degrees.

Natural Resources Research Institute

Several factors led to establishment of the Natural Resources Research Institute (NRRI) almost a decade ago, including: 1) loss of jobs in northeastern Minnesota, due to the decline of the taconite industry; 2) realization that economic diversification was needed in natural resource dependent regions of Minnesota; and 3) recognition that quality of life was also dependent on understanding and maintaining Minnesota's unique natural environment. Thus, from its inception, NRRI's mission has been "to foster economic development of Minnesota's natural

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: SYSTEM SPECIALS
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

resources in an environmentally sound manner to promote private sector employment."

The timeliness of the Natural Resources Research Institute's mission and consequent demand for services, has resulted in a number of prospects including: the opportunity to use its wood facilities to help industry; the challenge of helping the taconite industry remain competitive; the growing opportunity for developing environmental businesses; the opportunity to obtain federal grants for research to improve our knowledge of wetlands, upland forests, lakes and streams; and the prospect of continuing its business development role to assist start-up and expansions for small companies.

The Natural Resources Research Institute will carry out a full slate of projects focused on its three major goals: 1) near-term economic development efforts to promote private sector job creation and retention; 2) applied research in focused natural resource areas to develop products, processes, and services that will benefit Minnesota; and 3) research that will improve the knowledge base required for sound future economic and environmental decisions.

Student Loan Matching Program

The University of Minnesota provides matching funds for five federal student assistance programs. Included are the U.S. Department of Education's Federal Supplemental Education Opportunity Grant (SEOG), the Federal Perkins Loan Program, the Community Service Learning portion of the Federal College Work Study (CWS) program, and the U.S. Department of Health and Human Services' Nursing Student Loan Program (NSL) and Loans for Disadvantaged Students (LDS) program. In order to be eligible for funds from federal financial aid programs that require matches, the University provides matching funds from the Student Loan Matching Program.

The objective of the Student Loan Matching Program will continue to be to maximize the amount of federal funding available to the University of Minnesota for student financial aid and to maintain a base of money available to the most needy students.

Center for Urban and Regional Affairs

The Center for Urban and Regional Affairs (CURA) was established to help focus University attention on the broad range of urban-related issues and problems confronting the people and communities of Minnesota. CURA encourages and supports University faculty and graduate students who work on

research projects and applied technical assistance programs growing out of the major issues in the state. CURA's projects are carried out in conjunction with, and frequently with matching support from, persons, agencies, or community groups outside the University, often from the public sector.

The emphases in the Center for Urban and Regional Affairs' programs change as community problems and needs change. CURA is involved in numerous projects: some large; some small; some involving research that is both basic and applied; some primarily technical assistance. Many are faculty research projects, and most include graduate students and are done in cooperation with communities, agencies, or organizations throughout the state. Most CURA projects result in reports, many in widely circulated publications, including the "CURA Reporter."

The Center for Urban and Regional Affairs will continue to encourage and support research projects and technical assistance programs by University faculty and graduate students that are focused on the major urban-related issues facing the people and communities of Minnesota.

FINANCING INFORMATION:

The 1989 legislature combined 26 State Special appropriations into four. This program is an aggregation of those special appropriations that could not reasonably be assigned to the Agricultural, Health Science, or Technology Specials.

BUDGET ISSUES:

The FY 2000-01 appropriation for the System Specials is \$14,732,000.

For ease of discussion and reading, the Agency Budget Brief discusses the University Biennial Budget response at the Agency Plan level. The Change Item pages discuss the University's biennial budget proposal in greater detail and reference budget issues concerning the System Special.

Activity: SYSTEM SPECIALS
Program: UNIVERSITY SPECIALS
Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
LOCAL ASSISTANCE	7,178	7,302	7,430	7,430	7,720	7,430	7,430	7,810	7,430
Total Expenditures	7,178	7,302	7,430	7,430	7,720	7,430	7,430	7,810	7,430
Change Items:	Fund								
(P) INVESTING IN THE FUTURE	GEN				200			200	
(P) STRENGTHENING THE FOUNDATION	GEN				90			180	
Total Change Items					290			380	
Financing by Fund:									
Direct Appropriations:									
GENERAL	7,178	7,302	7,430	7,430	7,720	7,430	7,430	7,810	7,430
Total Financing	7,178	7,302	7,430	7,430	7,720	7,430	7,430	7,810	7,430

PROGRAM SUMMARY

Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

PROGRAM PROFILE:

The Other Appropriations Program includes those activities that occur as a result of special funding provided to the University to initiate and carry out a given specific initiative. Included in this program are the following activities: Legislative Commission of Minnesota Resources; MinnesotaCare; and Tobacco Medical Endowment.

Legislative Commission on Minnesota Resources

Projects funded by the Legislative Commission on Minnesota Resources (LCMR) provide research, and public service support in accordance with legislative initiatives in the areas of recreation, water, education, agriculture, forestry, fisheries, wildlife, land management, minerals, waste, and energy.

MinnesotaCare

The state has provided the University of Minnesota funding through MinnesotaCare since 1993 to increase Medical School primary care residency graduates and to encourage these physicians to establish practices in medically underserved areas in rural and urban Minnesota.

The University has responded to the request by developing medical student and primary care resident educational programs to improve geographic distribution of primary care physicians in Minnesota who are better equipped to provide high-quality and cost effective care to consumers. To date, there has been a substantial increase in the proportion of pediatric and medicine residents selecting generalist careers, a number of general pediatric and medicine resident graduates locating in rural Minnesota, and implementation of the Waseca-Mankato Rural Family Practice Residency Program.

Tobacco Medical Endowment

Tobacco settlement payment legislation developed in the 1999 legislative session created a Medical Education Endowment Fund. Earnings from this fund are appropriated for medical education activities in the state of Minnesota. A portion of these earnings is appropriated to the Board of Regents for the instructional costs of health professional programs at the Academic Health Center. A budget plan for FY 2001 is included as a supplement to this document.

Permanent University Fund

Since 1992, the Permanent University Fund, established with royalties for mining under state mineral leases, has supported two endowments: a Mineral Research endowment and an Iron Range Scholarship endowment. The Mineral Research endowment supports mineral and mineral-related research at the Coleraine facility operated by the Natural Resources Research Institute. The scholarship endowment provides scholarships to undergraduate students on all four University campuses who are Minnesota residents.

BUDGET ISSUES:

See Budget Activity narrative for budget issues.

Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
LCMR/MN RESOURCES	0	2,673	1,972	0	1,638	1,135	0	708	480
MINNCARE	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537
PERMANENT UNIVERSITY FUND	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
TOBACCO MEDICAL EDUCATION	0	7,840	7,056	7,809	7,809	15,809	8,447	8,447	8,447
Total Expenditures	4,214	14,759	12,817	13,668	15,306	22,803	16,052	16,760	16,532
Change Items:	Fund								
(A) DENITRIFICATION	EVT				115	115		115	115
(A) EDUCATIONAL TV SERIES	EVT				228			228	
(A) FECAL POLLUTION	MNR				275	275			
(A) FOREST MANAGEMENT PRACTICES	MNR				200	200			
(A) GREEN STRATEGIES	MNR				275				
(A) IMPROVED AIR QUALITY	SGS				90	90			
(A) LANDSCAPE ARBORETUM	EVT				365	365		365	365
(A) STARCH BASED PLASTICS	MNR				90	90			
(P) STRENGTHENING THE FOUNDATION	GEN					8,000			
Total Change Items					1,638	9,135		708	480
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	1,723	1,972	0	708	480	0	708	480
GENERAL	0	0	0	0	0	8,000	0	0	0
MINNESOTA RESOURCES	0	950	0	0	840	565	0	0	0
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	90	90	0	0	0
HEALTH CARE ACCESS	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537
MEDICAL EDUCATION & RESEARCH	0	7,840	7,056	7,809	7,809	7,809	8,447	8,447	8,447
Statutory Appropriations:									
MISCELLANEOUS AGENCY	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
Total Financing	4,214	14,759	12,817	13,668	15,306	22,803	16,052	16,760	16,532

BUDGET ACTIVITY SUMMARY

Budget Activity: LCMR/MN RESOURCES
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

Projects funded by the Legislative Commission on Minnesota Resources (LCMR) provide research and public service support in accordance with legislative initiatives in the areas of recreation, water, education, agriculture, forestry, fisheries, wildlife, land management, minerals, waste, and energy.

BUDGET ISSUES:

The Legislative Commission on Minnesota Resources project recommendations for the University of Minnesota in the 2002-2003 biennium include the following:

Evaluating Timber Harvesting and Forest Management Guidelines **\$200,000**

In cooperation with the Minnesota Forest Resources Council to initiate an evaluation of the effectiveness of forest management timber harvesting guidelines for riparian areas.

Green Infrastructure Design Strategies in Washington, Ramsey, and Dakota Counties **\$275,000**

To develop green infrastructure design strategies for incorporation into public works projects.

Implementing Denitrification Strategies for Minnesota's Contaminated Aquifers **\$230,000**

To assess denitrification technology to remediate nitrate-contaminated groundwater.

Improving Air Quality by Using Biodiesel in Generators **\$90,000**

To evaluate the use of biodiesel fuel in diesel powered generators and associated impacts of emissions on air quality.

Determination of Fecal Pollution Sources in Minnesota Watersheds **\$275,000**

To determine sources of fecal pollution in three impacted watersheds utilizing DNA fingerprinting techniques, and evaluate the efficacy of implemented and proposed abatement procedures to remediate fecal contamination.

Land Acquisition at the Minnesota Landscape Arboretum **\$730,000**

To the University of Minnesota for an agreement with the University of Minnesota Landscape Arboretum Foundation for the fourth biennium to acquire in-holdings of the Minnesota Landscape Arboretum.

Uncommon Ground: An Educational Television Series **\$455,000**

To complete production of a multipart televised film series of the history of Minnesota's natural landscapes.

Accelerated Technology Transfer for Starch-Based Plastics **\$90,000**

To produce and market biodegradable, starch-based plastic.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that funding for the Green Infrastructure Design Strategies and the Uncommon Ground video projects be reallocated to other projects the administration considers to be higher priorities. A discussion of this recommendation is included in the LCMR section of the Environmental Budget. The Governor recommends all other LCMR projects.

Activity: LCMR/MN RESOURCES
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
LOCAL ASSISTANCE	0	2,673	1,972	0	1,638	1,135	0	708	480
Total Expenditures	0	2,673	1,972	0	1,638	1,135	0	708	480
Change Items:	Fund								
(A) DENITRIFICATION	EVT				115	115		115	115
(A) EDUCATIONAL TV SERIES	EVT				228			228	
(A) FECAL POLLUTION	MNR				275	275			
(A) FOREST MANAGEMENT PRACTICES	MNR				200	200			
(A) GREEN STRATEGIES	MNR				275				
(A) IMPROVED AIR QUALITY	SGS				90	90			
(A) LANDSCAPE ARBORETUM	EVT				365	365		365	365
(A) STARCH BASED PLASTICS	MNR				90	90			
Total Change Items					1,638	1,135		708	480
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	1,723	1,972	0	708	480	0	708	480
MINNESOTA RESOURCES	0	950	0	0	840	565	0	0	0
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	90	90	0	0	0
Total Financing	0	2,673	1,972	0	1,638	1,135	0	708	480

BUDGET ACTIVITY SUMMARY

Budget Activity: MINNCARE
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

The state has provided the University of Minnesota funding through MinnesotaCare since 1993 to increase Medical School primary care residency graduates and to encourage these physicians to establish practices in medically underserved areas in rural and urban Minnesota.

The University has responded to the request by developing medical student and primary care resident educational programs to improve geographic distribution of primary care physicians in Minnesota who are better equipped to provide high-quality and cost effective care to consumers. To date, there has been a substantial increase in the proportion of pediatric and medicine residents selecting generalist careers, a number of general pediatric and medicine resident graduates locating in rural Minnesota, and implementation of the Waseca-Mankato Rural Family Practice Residency Program.

FINANCING INFORMATION:

The annual recurring appropriation from the Health Care Access fund to the University is \$2,537,000.

Activity: MINNCARE
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
LOCAL ASSISTANCE	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537
Total Expenditures	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537
Financing by Fund:									
Direct Appropriations:									
HEALTH CARE ACCESS	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537
Total Financing	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537

BUDGET ACTIVITY SUMMARY

Budget Activity: PERMANENT UNIVERSITY FUND
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

Since 1992, the Permanent University Fund, established with royalties for mining under state mineral leases, has supported two endowments: a Mineral Research endowment and an Iron Range Scholarship endowment. The Mineral Research endowment supports mineral and mineral-related research at the Coleraine facility operated by the Natural Resources Research Institute. The scholarship endowment provides scholarships to undergraduate students on all four University campuses who are Minnesota residents.

Activity: PERMANENT UNIVERSITY FUND
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Category:</u>									
LOCAL ASSISTANCE	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
Total Expenditures	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
<u>Financing by Fund:</u>									
Statutory Appropriations:									
MISCELLANEOUS AGENCY	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
Total Financing	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068

BUDGET ACTIVITY SUMMARY

Budget Activity: TOBACCO MEDICAL EDUCATION
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

The 1999 legislature created the Medical Education Endowment Fund with proceeds from the state's tobacco suit settlement lump sum payments. Earnings from this fund are appropriated for medical education activities in the state of Minnesota. A portion of these earnings is appropriated to the Board of Regents for the instructional costs of health professional programs at the Academic Health Center.

Endowment funds are used within the Academic Health Center to support a variety of medical education expenditures including: faculty salaries in the medical school; nursing education; Twin Cities medical school accreditation standards; rural health school programs; and Academic Health Center programs in Rochester.

FINANCING INFORMATION:

Under M.S. 2000, up to 5% of the fair market value of the Medical Education Endowment Fund is appropriated for medical education activities in the state of Minnesota. The University of Minnesota receives quarterly appropriations based on a percentage of this five percent of the fair market value of the fund.

At the time the endowment was established in statute, the appropriation to the University was estimated to be \$8.0 million per year. For FY 2000, the appropriation totaled \$7.8 million. For FY 2001, the appropriation is estimated to be \$7.0 million. Due to lower than anticipated lump sum payments from the tobacco companies, the endowment principle is \$24.4 million less than originally intended by the legislature. The result of this lower principle is less than intended earnings and therefore, less than intended appropriations to the University for purposes of medical education. (The principle of the Tobacco Prevention Endowment, also established by the legislature in 1999, is \$38.1 million lower than anticipated due to the lower lump sum payment amounts.)

In order for legislative intent to be fully realized (i.e. the annual appropriation from this fund to the University of Minnesota will total approximately \$8.0 million), the principle of the Medical Education Endowment Fund needs to equal the amount originally estimated when the endowment was established. The principle of the endowment is currently \$24.4 million less than originally intended. The University of Minnesota suggests that from the final lump sum payments of the tobacco suit settlement, the state appropriate \$24.4 million to the Medical Education Endowment Fund. In addition, the increased appropriation will also benefit the medical education and research costs trust

fund (MERC) through which the Commissioner of Health distributes funds to Minnesota hospitals and clinics (i.e. those affiliated with the Academic Health Center) to help cover the cost of providing clinical training sites for medical, dental, pharmacy, advanced nursing, and other health professional students and residents.

BUDGET ISSUES:

Budget plans for FY 2000 and 2001 are included as a supplement to this document.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$8.0 million in FY 2002 from the General Fund to stabilize core funding for the medical school. The Governor recommends an additional \$8.0 million in FY 2003 and later years to the Department of Health from the Medical and Research Education Fund (generated by the tobacco endowment) as a contingent appropriation for the University's Medical School. Additional details are provided in the Department of Health's budget.

Activity: TOBACCO MEDICAL EDUCATION
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
LOCAL ASSISTANCE	0	7,840	7,056	7,809	7,809	15,809	8,447	8,447	8,447
Total Expenditures	0	7,840	7,056	7,809	7,809	15,809	8,447	8,447	8,447
Change Items:	Fund								
(P) STRENGTHENING THE FOUNDATION	GEN					8,000			
Total Change Items						8,000			
Financing by Fund:									
Direct Appropriations:									
GENERAL	0	0	0	0	0	8,000	0	0	0
MEDICAL EDUCATION & RESEARCH	0	7,840	7,056	7,809	7,809	7,809	8,447	8,447	8,447
Total Financing	0	7,840	7,056	7,809	7,809	15,809	8,447	8,447	8,447

Agency: UNIVERSITY OF MINNESOTA

RECONCILIATION OF F.Y. 2001 TO BASE LEVEL
HIGHER EDUCATION BILL (GENERAL FUND)

	F.Y. 2001	F.Y. 2002	F.Y. 2003	2002-03 BIENNIUM
	-----	-----	-----	-----
INSTRUCTION:				
APPROPRIATION -- O & M	329,316	312,781	312,781	625,562
COST STUDY ADJUSTMENT (EST.)	(16,535)			
INCOME	253,221	0	0	0
INTENT TUITION	186,781	186,781	186,781	
ADDITIONAL TUITION	66,440	66,440	66,440	
FORMULA ADJUSTMENTS (actual only)				
NON RECURRING (F.Y. 1999)		(3,163)		(3,163)
NON RECURRING (F.Y. 2000)		(3,163)		(3,163)
CURRENT SPENDING	566,002	559,676	566,002	1,125,678
NON-INSTRUCTION:				
APPROPRIATION -- O & M (1)	201,937	218,492	218,492	436,984
COST STUDY ADJUSTMENT (EST.)	16,535			
NON RECURRING (UMD Child Care)		(220)	(220)	(440)
NON RECURRING (Parenting Education Curriculum)	20	(20)	(20)	(40)
APPROPRIATION -- SPECIALS	73,109	73,109	73,109	146,218
RECURRING (Transfer from DNR)		150	150	300
CURRENT SPENDING	291,601	291,511	291,511	583,022
BASE LEVEL SPENDING	857,603	851,187	857,513	1,708,700
DIRECT APPROPRIATIONS SUMMARY:				
BASE LEVEL TOTALS	604,382	597,966	604,292	1,202,258

Agency: UNIVERSITY OF MINNESOTA

INSTRUCTIONAL BASE CALCULATIONS

Per M.S. 135A

Part I

Enrollment Summary (FYE Students) :

Adjustment Summary:

	Actual F.Y. 1995	Actual F.Y. 1996	Actual F.Y. 1997	Actual F.Y. 1998	Actual F.Y. 1999	F.Y. 1998	Adjusted (2) Appropriation	Tuition @ 33%	Legislative Calculated Spending
Undergraduate						F.Y. 1997 Instruction (recurring only)	243,272	119,821	363,093
Lower Division	17,743	17,704	17,806	18,008	18,979				
Upper Division	17,391	17,327	17,487	18,085	19,489	Fixed Base @ 35%	85,145	41,937	127,082
Subtotal	35,134	35,031	35,293	36,093	38,468				
Less: NRNR & MFS (1)	2,245	2,524	2,465	2,266	2,653	Variable Base @ 65%	158,127	77,883	236,010
Total UG	32,889	32,507	32,828	33,827	35,815				
						Actual Adjustment Factor 0.0%	0	0	0
Graduate	8,515	8,492	8,150	8,041	8,171	Adjusted Instructional Base	243,272	119,821	363,093
Professional	7,012	6,886	6,755	6,609	5,904				
Marginally Funded Students						F.Y. 1999			
PSEO	437	550	562	411	471				
Midwest Compact	52	190	178	189	219	F.Y. 1997 Instruction (recurring only)	243,272	119,821	363,093
Subtotal	489	740	740	600	690				
Weight @ .5	245	370	370	300	345	Fixed Base @ 35%	85,145	41,937	127,082
Total Formula Enrollment	48,661	48,255	48,103	48,777	50,235	Variable Base @ 65%	158,127	77,883	236,010
Enrollment Base (actual)	48,661	48,661	48,661	48,661	48,661				
						Actual Adjustment Factor 2.0%	3,163	1,558	4,720
Percent Change From Base				0.2%	3.2%	Adjusted Instructional Base	246,435	121,378	367,813
Allowable Adjustment Factor				0.0%	2.0%				
Calculated Enrollment Base					49,634				

(1) NRNR = "Non-resident Non-reciprocity"; MFS = "Marginally Funded Students"

CLEAN UP ADJUSTMENT: none

Adjustment factor F.Y. 1999 Actual	3,163
Adjustment factor F.Y. 1999 Estimate	6,325
Non recurring correction F.Y. 99 & 00	(\$3,162)

INSTRUCTIONAL BASE CALCULATIONS
Per M.S. 135A
Part II

Enrollment Summary (FYE Students) :

Adjustment Summary:

	Actual F.Y. 1997	Actual F.Y. 1998	Actual F.Y. 1999	Actual F.Y. 2000	Projected F.Y. 2001	F.Y. 2000	Adjusted (2) Appropriation	Tuition @ 33%	Legislative Calculated Spending
Undergraduate						F.Y. 1999 Instruction (recurring only)	269,332	132,656	401,988
Lower Division	17,806	18,008	18,979	20,104	19,998				
Upper Division	17,487	18,085	19,489	17,044	17,409	Fixed Base @ 35%	94,266	46,430	140,696
Subtotal	35,293	36,093	38,468	37,148	37,407	Variable Base @ 65%	175,066	86,226	261,292
Less: NRNR & MFS (1)	2,465	2,266	2,653	2,398	2,400				
Total UG	32,828	33,827	35,815	34,750	35,007	Applicable Adjustment Factor 0.0%	0	0	0
Graduate	8,150	8,041	8,171	8,667	8,601	Adjusted Instructional Base	269,332	132,656	401,988
Professional	6,755	6,609	5,904	5,718	5,985				
Marginally Funded Students						F.Y. 2001			
PSEO	562	411	471	470	470	F.Y. 1999 Instruction (recurring only)	269,332	132,656	401,988
Midwest Compact	178	189	219	266	260				
Subtotal	740	600	690	736	730	Fixed Base @ 35%	94,266	46,430	140,696
Weight @ .5	370	300	345	368	365	Variable Base @ 65%	175,066	86,226	261,292
Total Formula Enrollment	48,103	48,777	50,235	49,503	49,958	Applicable Adjustment Factor			
Enrollment Base (calculated)				49,634	49,634	Adjusted Instructional Base	269,332	132,656	401,988
Percent Change From Base				-0.3%					
Allowable Adjustment Factor				0.0%					

(1) NRNR = "Non-resident Non-reciprocity"; MFS = "Marginally Funded Students"

No base adjustments required:

Agency: UNIVERSITY OF MINNESOTA

INSTRUCTIONAL BASE CALCULATIONS
Per M.S. 135A
Part III

Enrollment Summary (FYE Students) :						Adjustment Summary:	Adjusted (2)	Tuition	Legislative
	Actual	Actual	Projected	Projected	Projected	F.Y. 2002	Appropriation	@ 33%	Calculated
	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003				Spending
Undergraduate						F.Y. 2001 Instruction (recurring only)	312,781	154,056	466,837
Lower Division	18,979	20,104	19,998	19,998	20,500				
Upper Division	19,489	17,044	17,409	17,922	18,435	Fixed Base @ 35%	109,473	53,920	163,393
Subtotal	38,468	37,148	37,407	37,920	38,935				
Less: NRNR & MFS (1)	2,653	2,398	2,400	2,500	2,500	Variable Base @ 65%	203,308	100,137	303,444
Total UG	35,815	34,750	35,007	35,420	36,435				
						Applicable Adjustment Factor			
Graduate	8,171	8,667	8,601	8,650	8,649	Adjusted Instructional Base	312,781	154,056	466,837
Professional	5,904	5,718	5,985	5,982	5,983				
Marginally Funded Students						F.Y. 2003			
PSEO	471	470	470	475	475				
Midwest Compact	219	266	260	260	260	F.Y. 2001 Instruction (recurring only)	312,781	154,056	466,837
Subtotal	690	736	730	735	735				
Weight @ .5	345	368	365	368	368	Fixed Base @ 35%	109,473	53,920	163,393
Total Formula Enrollment	50,235	49,503	49,958	50,420	51,435	Variable Base @ 65%	203,308	100,137	303,444
						Applicable Adjustment Factor			
Percent Change From Base						Adjusted Instructional Base	316,847	156,059	472,906
Allowable Adjustment Factor									

(1) NRNR = "Non-resident Non-reciprocity"; MFS = "Marginally Funded Students"

Agency: UNIVERSITY OF MINNESOTA

FULLY ALLOCATED EXPENDITURES
F.Y. 1999 (1)

	Primary Programs				Support Programs				
Campus	Instruction	Research	Public Service	Other	Academic Support	Student Support	Institutional Support	Physical Plant	Total
Twin Citites	309,054	83,211	48,067	5,399	54,174	25,913	48,535	49,693	624,046
Duluth	32,786	4,367	335	3,688	5,071	4,700	4,394	9,378	64,720
Morris	8,090	123	114	418	1,229	2,468	2,648	3,189	18,279
Crookston	3,365	55		740	1,183	2,253	1,229	1,975	10,799
System				21,999					21,999
Total	353,295	87,756	48,516	32,244	61,657	35,334	56,806	64,235	739,843
Physical Plant	27,398	20,997	2,976		6,766	1,074	5,024	(64,235)	
Institutional Support	22,352	19,381	8,987	4,170	4,817	2,123	(61,830)		
Student Support	36,566	1,965				(38,531)			
Academic Support	50,703	14,315	8,222		(73,240)				
Total	490,314	144,414	68,701	36,414	-	-	-	-	739,843

(1) per Exhibit I(a); Instructional Cost Study -- F.Y. 1999 (excluding tuition waivers)

Agency: UNIVERSITY OF MINNESOTA

EXPENDITURES PER STUDENT
F.Y. 1999

	FYE Students -----	(1) Instructional Expenditures -----	Expenditures per Student -----
System Wide Enrollments			
Lower Division	18,979	126,553,727	6,668
Upper Division	19,489	179,785,914	9,225
Graduate	8,171	99,173,809	12,137
Professional & Grad Prof	5,904	84,801,714	14,363
Total	52,543	490,315,164	9,332

(1) Per exhibit II, Instructional Cost Study, F.Y. 1999;
State Funded (appropriation and tuition)

Agency: UNIVERSITY OF MINNESOTA

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	<u>F.Y. 1999 Actual</u>	<u>F.Y. 2000 Actual</u>	<u>F.Y. 2001 Projected</u>	<u>F.Y. 2002 Projected</u>	<u>F.Y. 2003 Projected</u>
Twin Cities					
Agriculture					
Lower Division	384	426	424	424	435
Upper Division	461	427	436	449	462
Graduate	268	293	291	292	292
Total	1,113	1,146	1,151	1,165	1,189
Architecture & Landscape Architecture					
Lower Division	91	84	84	84	86
Upper Division	198	272	278	286	294
Graduate	232	228	226	227	227
Total	521	584	588	597	607
Biological Sciences					
Lower Division	537	577	574	574	589
Upper Division	433	445	455	468	481
Graduate	185	293	291	293	293
Total	1,155	1,315	1,320	1,335	1,363
Education & Human Development					
Lower Division	445	411	409	409	419
Upper Division	1,137	1,150	1,175	1,209	1,244
Graduate	1,782	1,722	1,709	1,719	1,719
Total	3,364	3,283	3,293	3,337	3,382
General College					
Lower Division	877	984	979	979	1,003
Upper Division	18	3	3	4	4
Graduate	-	-	-	-	-
Total	895	987	982	983	1,007
Human Ecology					
Lower Division	202	273	272	272	279
Upper Division	450	358	366	377	388
Graduate	257	253	251	252	252
Total	909	884	889	901	919
Law					
Lower Division					
Upper Division					
Professional & Grad Professional	769	705	738	738	738
Total	769	705	738	738	738

Agency: UNIVERSITY OF MINNESOTA

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	<u>F.Y. 1999 Actual</u>	<u>F.Y. 2000 Actual</u>	<u>F.Y. 2001 Projected</u>	<u>F.Y. 2002 Projected</u>	<u>F.Y. 2003 Projected</u>
Twin Cities					
Liberal Arts					
Lower Division	6,093	5,699	5,669	5,669	5,811
Upper Division	6,219	6,134	6,265	6,450	6,634
Graduate	1,433	1,448	1,437	1,445	1,445
Total	13,745	13,281	13,371	13,564	13,890
Management					
Lower Division	169	242	241	241	247
Upper Division	716	736	752	774	796
Graduate	1,413	1,579	1,567	1,576	1,576
Total	2,298	2,557	2,560	2,591	2,619
Natural Resources					
Lower Division	75	64	63	63	65
Upper Division	192	173	177	182	187
Graduate	83	80	79	80	80
Total	350	317	319	325	332
Public Affairs					
Lower Division	-	-	-	-	-
Upper Division	9	32	33	34	35
Graduate	182	202	200	202	202
Total	191	234	233	236	237
Technology					
Lower Division	2,592	3,710	3,691	3,691	3,783
Upper Division	2,947	1,862	1,902	1,958	2,014
Graduate	1,339	1,426	1,415	1,423	1,423
Total	6,878	6,998	7,008	7,072	7,220
Dentistry					
Lower Division	25	25	25	25	26
Upper Division	48	60	61	63	65
Professional & Grad Professional	596	611	643	640	640
Total	669	696	729	728	731
Medicine -- TC					
Lower Division		23	23	23	24
Upper Division	360	290	296	304	313
Professional & Grad Professional	3,265	2,970	3,107	3,107	3,107
Total	3,625	3,283	3,426	3,434	3,444

FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION

	F.Y. 1999 Actual	F.Y. 2000 Actual	F.Y. 2001 Projected	F.Y. 2002 Projected	F.Y. 2003 Projected
Twin Cities					
Medicine -- Duluth					
Lower Division		-		-	-
Upper Division		16	17	17	18
Professional & Grad Professional	272	256	268	268	268
Total	272	272	285	285	286
Nursing					
Lower Division	5	7	7	7	7
Upper Division	194	216	220	227	233
Graduate	195	179	178	179	179
Total	394	402	405	413	419
Pharmacy					
Lower Division		-	-	-	-
Upper Division		35	35	36	37
Professional & Grad Professional	441	471	492	492	493
Total	441	506	527	528	530
Public Health					
Lower Division	-	-	-	-	-
Upper Division	124	129	132	136	140
Graduate	341	362	359	361	361
Total	465	491	491	497	501
Veterinary Medicine					
Lower Division	2	14	13	13	14
Upper Division					
Professional & Grad Professional	561	705	737	737	737
Total	563	719	750	750	751
Continuing Education					
Lower Division	1,384	719	715	715	733
Upper Division	1,782	992	1,013	1,043	1,073
Graduate	105	94	93	93	93
Total	3,271	1,805	1,821	1,851	1,899
Duluth					
Business & Economics					
Lower Division	363	364	362	362	371
Upper Division	453	422	431	444	456
Graduate	22	20	20	20	20
Total	838	806	813	826	847

Agency: UNIVERSITY OF MINNESOTA

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	<u>F.Y. 1999</u> <u>Actual</u>	<u>F.Y. 2000</u> <u>Actual</u>	<u>F.Y. 2001</u> <u>Projected</u>	<u>F.Y. 2002</u> <u>Projected</u>	<u>F.Y. 2003</u> <u>Projected</u>
Duluth					
Education & Health Services Professions					
Lower Division	531	687	683	683	700
Upper Division	805	756	772	795	817
Graduate	155	184	183	184	184
Total	1,491	1,627	1,638	1,662	1,701
Fine Arts					
Lower Division	541	526	523	523	536
Upper Division	187	167	171	176	181
Graduate	6	7	7	7	7
Total	734	700	701	706	724
Liberal Arts					
Lower Division	1,295	1,310	1,303	1,303	1,336
Upper Division	939	767	784	807	830
Graduate	17	20	20	20	20
Total	2,251	2,097	2,107	2,130	2,186
Science & Engineering					
Lower Division	1,096	1,489	1,481	1,481	1,518
Upper Division	719	407	415	427	440
Graduate	133	143	142	143	142
Total	1,948	2,039	2,038	2,051	2,100
Supportive Services					
Lower Division	25	41	40	40	41
Upper Division	11	10	10	11	11
Graduate	-	-	-	-	-
Total	36	51	50	51	52
Continuing Education					
Lower Division	-	228	227	227	232
Upper Division	-	208	212	218	225
Graduate	-	92	92	92	92
Total	-	528	531	537	549

Agency: UNIVERSITY OF MINNESOTA

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	<u>F.Y. 1999 Actual</u>	<u>F.Y. 2000 Actual</u>	<u>F.Y. 2001 Projected</u>	<u>F.Y. 2002 Projected</u>	<u>F.Y. 2003 Projected</u>
Morris					
Lower Division	1,180	1,202	1,196	1,196	1,226
Upper Division	727	597	610	627	645
Total	1,907	1,799	1,806	1,823	1,871
Crookston					
Lower Division	1,042	981	976	976	1,000
Upper Division	299	353	360	371	382
Total	1,341	1,334	1,336	1,347	1,382
Unattached					
Lower Division	25	18	18	18	19
Upper Division	61	27	28	29	30
Graduate	23	42	41	42	42
Total	109	87	87	89	91
Grand Total	52,543	51,533	51,993	52,552	53,567

Agency: UNIVERSITY OF MINNESOTA

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	F.Y. 1999 Actual	F.Y. 2000 Actual	F.Y. 2001 Projected	F.Y. 2002 Projected	F.Y. 2003 Projected
Summary by Campus					
Twin Cities (including Unattached)	41,997	40,552	40,973	41,419	42,155
Duluth	7,298	7,848	7,878	7,963	8,159
Morris	1,907	1,799	1,806	1,823	1,871
Crookston	1,341	1,334	1,336	1,347	1,382
Total	52,543	51,533	51,993	52,552	53,567
Summary by Level					
Lower Division	18,979	20,104	19,998	19,998	20,500
Upper Division	19,489	17,044	17,409	17,922	18,435
Graduate	8,171	8,667	8,601	8,650	8,649
Professional & Grad Professional	5,904	5,718	5,985	5,982	5,983
Total	52,543	51,533	51,993	52,552	53,567

**Medical Education Endowment
Budgets for FY2000 and FY2001
(\$'s in thousands)**

	<u>FY 2000 Budget</u>	<u>FY 2001 Budget</u>
Replacing Patient Care Revenue		
1 TC Medical: salary coverage for faculty in clinical depts who teach med students	\$ 2,300.0	\$ 2,013.0
2 TC Medical: Dean's discretionary	\$ -	\$ 468.0
3 Duluth -- medical student teaching by clinical faculty	\$ 125.0	\$ 109.0
4 TC Medical accreditation standards	\$ 350.0	\$ 306.0
5 Allied health programs	\$ 250.0	\$ 219.0
Total	<u>\$ 3,025.0</u>	<u>\$ 3,115.0</u>
Interscholastic Education		
1 Community-based education: program development	\$ 700.0	\$ 612.0
2 Rural Health School programs	\$ 300.0	\$ 262.0
3 Center for Spirituality and Healing	\$ 350.0	\$ 306.0
4 Technology-enhanced education	\$ 500.0	\$ 438.0
5 Teaching broader skills and knowledge	\$ 200.0	\$ -
6 Woodlands Wisdom	\$ -	\$ 13.0
7 Community-University Health Care Center	\$ 200.0	\$ 263.0
Total	<u>\$ 2,250.0</u>	<u>\$ 1,894.0</u>
Community		
1 Rochester/AHC programs	\$ 500.0	\$ 437.0
2 Hibbing dental program	\$ 325.0	\$ 284.0
3 Rural Health School programs	\$ 300.0	\$ 262.0
4 Expanding pharmaceutical care education and outcomes research	\$ 275.0	\$ 241.0
5 Improving access to cancer Information	\$ 300.0	\$ 263.0
6 Expanding nurse education and outreach	\$ 275.0	\$ 241.0
7 Veterinary comparative medicine	\$ 250.0	\$ 219.0
Total	<u>\$ 2,225.0</u>	<u>\$ 1,947.0</u>
Special Programs		
1 Extension Service Health Outreach (matching)	\$ 50.0	\$ 44.0
2 Biomedical Library	\$ 250.0	\$ -
3 Senior VP initiative fund	\$ 200.0	\$ -
Total	<u>\$ 500.0</u>	<u>\$ 44.0</u>
Grand Total	<u><u>\$ 8,000.0</u></u>	<u><u>\$ 7,000.0</u></u>

Agency: UNIVERSITY OF MINNESOTA

Minnesota Agricultural Experiment Station
Rapid Agricultural Response Fund

Projects Funded for Fiscal Year 2000-2001

Accelerated Breeding Strategies for Developing Disease and Insect Resistant Potato Cultivars \$200,000

Potato producers and processors are seeking replacements for varieties susceptible to disease, pests and viruses. Potato late blight is currently the most serious threat. Since 1995, new strains of fungicide resistant late blight have emerged, and no commercial variety shows resistance to them. Furthermore, application of chemical fungicides on potatoes to control late blight can enhance green peach aphid outbreaks, and the viruses the aphids spread reduce plant productivity and tuber quality.

Goals – Assure stability of the region's potato industry; Enable reduced inputs of chemical controls; Support the development of accelerated breeding strategies for developing disease and insect resistant cultivars; Operate disease-screening nurseries to evaluate new hybrids, breeding germplasm, and existing commercial cultivars for resistance.

Aphid Alert: Virus/Vector Surveillance and Management Strategies for Potato \$100,000

Our region's 280,000 acres of potato represent an on-farm value of \$400 million. Seed potatoes (40,000 acres) have an international reputation for quality. Since 1993, aphid-transmitted viruses have devastated the industry. Losses in Minnesota and North Dakota have contributed to a 40 percent decline in acreage entered in seed potato certification programs, and in each of the last two years, 57 percent of seed lots entered in Minnesota winter trials were rejected for rectification because of the viruses. The Aphid Alert project was initiated in spring 1998, and continued with funding through the 2000 growing season.

Goals – Operate a region-wide, 29 location aphid trapping network through 2002; Continue associated seed potato virus management research; Maintain communications (Aphid Alert newsletters, web site, and e-mail) providing potato growers with nearly real-time information on aphid flight.

Development and Implementation of MnCert (Minnesota Certified) in the Minnesota Pork Industry \$50,000

Supply side oriented food production often distorts the market for producers by creating oversupplies of farm products. Farmers are challenged to create

quality, demand oriented marketing. An urgent need exists to develop standardized good manufacturing production procedures enabling independent farmers to access quality oriented domestic and international markets.

Goals – Support development of MnCert quality management and certification for all agricultural commodities; Help develop a pilot MNCEP (Minnesota Certified Pork, a product of independent Minnesota pork producers) standardized and audited quality management and certification system.

Evaluation and Implementation of OFFSET in Selected Minnesota Counties \$100,000

Complaints and lawsuits from surrounding communities against animal feedlot odors have become a critical factor prohibiting expansion and development of Minnesota's livestock and poultry industry. OFFSET (Odor from Feedlots – Setback Estimation Tool) is a tool for predicting odor impacts and assisting in the development of setback distances for new or expanding livestock and poultry operations. Validation and implementation of this tool is urgently needed to maintain these industries' growth and health.

Goals – Implement and validate the accuracy and performance of OFFSET; Extend present OFFSET capabilities to include local wind direction data, topographical information, and multiple or cumulative odor sources.

Farm Sustainability and Survivability in Minnesota's Red River Valley \$20,000

Many Red River Valley farmers have left farming or altered production plans and restructured their businesses in response to severe production and economic shocks in recent years. Evaluating farm adaptations to production and market shocks could help identify combinations of farm business characteristics and farmer-household responses that have most enabled farm survival.

Goals – Identify the farm characteristics and adaptive management responses that contribute to farm survival in the region; Communicate findings to producers and lenders; Help sustain rural communities by enabling higher farm survival rates and improved farm sustainability.

Forecasting Potato Late Blight for Minnesota \$150,000

Potato losses in 1999 due to late blight fungus cost Red River Valley growers about \$32 million. Fungicides, often applied every five days during the growing season, hurt beneficial fungi, particularly those that feed off aphids, making it more difficult to control that pest. A weather monitoring network to provide hourly data would help producers forecast conditions favorable for late blight development, allowing more accurate fungicide applications.

Goals – Provide growers with current weather information each morning relaying the conditions favorable to late blight fungus, with disease outbreaks identified; Help growers determine optimal intervals between fungicide applications.

Agency: UNIVERSITY OF MINNESOTA

Fungal Growth Rates on Stored High-Oil and BT Corn Compared to Conventional Varieties \$40,000

Increasingly, farmers are growing higher value high-oil corn or genetically altered corn that produces *Bacillus thuringiensis* (Bt) to control insect damage. High-oil corn presents a storage problem because, at a given moisture content, grain storage fungi appear to grow faster, leading to significantly shorter storage life. Bt corn appears to be less susceptible to growth of fungi. Research needs to confirm and/or quantify these observations.

Goals – Produce corn storability information that will be immediately useful to farmers, stored grain managers, and seed companies; Help modify grain drying and storage management to reduce losses and preserve quality of Bt enhanced and high-oil corn; Inform seed companies of potential needs to modify breeding programs to address storability of these new varieties.

Multidisciplinary Approach to Control/ Eradication of Johne's Disease in Minnesota Dairy Herds \$100,000

Scope and severity of Johne's disease, a chronic digestive disease of ruminants, has only recently been recognized. At least 24 percent of Midwest herds are infected; 40 percent of large herds. Losses can amount to \$200 per cow per year, and the disease is spreading. Concern has also arisen that the bacterium that causes this disease may also be a cause of Crohn's disease in humans.

Goals – Find effective ways to control Johne's disease in Minnesota cattle herds; Develop improved diagnostic tests to enable detection of infected herds; Study the disease organism, host factors that predispose an animal to infection, and relevant farm management practices; Educate dairy producers.

Reducing Crop Losses from Excess Water in Northwest Minnesota with Subsurface Drainage \$160,000

Excess water has contributed significantly to reducing yields in northwest Minnesota during the 1990's (as much as 30 percent below attainable yields; estimated annual economic impact of \$20.3 million). Subsurface drainage appeared to help some producers, and sound, research-based water management information and education is needed.

Goals – Assess performance and economic feasibility of subsurface of drainage in northwest Minnesota; Provide community education addressing water management and drainage.

Sustainability of Grazing Based Livestock Systems in Minnesota \$35,000

Proposed legislative changes in state feedlot regulations could threaten the viability of grazing based livestock systems. Loss of grazing systems could hurt state environmental quality goals, since grazing systems diversify landscapes, reduce runoff, and provide wildlife habitat. Producers and regulators are seeking science-based information to guide future rule revisions.

Goals – Combine research and education to identify management options to meet environmental protection goals, including riparian area grazing and livestock wintering approaches; Quantify water and contaminant losses from alternative wintering systems; Provide information to regulatory agencies to assist in making science-based policy.

Turkey Respiratory Disease Control \$470,000

Avian pneumovirus (APV) infection has caused tens of millions of dollars in loss to Minnesota's turkey industry. The industry lacks adequate control measures for combating APV infection, understanding of the modes of virus transmission, and information on how the virus is changing.

Goals – Continue basic research to identify how APV spreads; Continue development of new diagnostic methods for monitoring APV spread; Communicate results widely to Minnesota producers, veterinarians, and extension specialists.

Projects –

- Control of Viral Respiratory Diseases of Turkeys (\$44,000).
- Vaccination strategies against avian pneumovirus (\$87,000).
- Recombinant vaccines for avian respiratory pathogens (\$87,000).
- Competitive Matrix Protein-Based ELISA for Detection of Avian Pneumovirus Antibodies (\$16,000).
- Pathogenesis of Avian Pneumovirus Infection in Turkeys (\$21,500).
- *Ornithobacterium rhinotracheale* (ORT) Infection in Turkeys (\$8,000).
- Epidemiology, Modes of Transmission, and Control of Avian Pneumovirus (\$66,500).
- Development and Testing of Turkey Cell Substrates for APV Propagation and Vaccine Production (\$35,000).
- Generation of Deletion Mutant and Recombinant Vaccines for Avian Pneumovirus (\$52,500).
- Pathogenesis and control of respiratory viruses of turkeys (\$53,000).

STATE COLLEGES & UNIVERSITIES - CONTENTS

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 MN STATE COLLEGES & UNIVERSITIES	
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STATE COLLEGES & UNIVERSITIES - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The mission of Minnesota State Colleges and Universities (MnSCU) is outlined in M.S. 135A.052:

- The technical colleges shall offer vocational training and education to prepare students for skilled occupations that do not require a baccalaureate degree;
- The community colleges shall offer lower division instruction in academic programs, occupational programs in which all credits earned will be accepted for transfer to a baccalaureate degree in the same field of study, and remedial studies, for students transferring to baccalaureate institutions and for those seeking associate degrees;
- The state universities shall offer undergraduate and graduate instruction through the masters degree, including specialist certificates, in the liberal arts and sciences and professional education.

The Minnesota State Colleges and Universities Board of Trustees has adopted the following vision and mission statement in May, 2000:

MnSCU Vision:

MnSCU will be the preferred pathway to higher educational opportunities and a valued partner in statewide economic development and community building.

The uniqueness and diversity of the Minnesota State Colleges and Universities and the power of a unified system will enable MnSCU to excel as the most accessible, highest-quality, and innovative education provider in the region.

MnSCU Mission:

Our mission is to provide the diverse citizens of Minnesota the benefits of high-quality, accessible, future-oriented higher education; relevant research; and community service.

The MnSCU System of diverse institutions offers unequalled breadth, variety, and quality of educational opportunities across the state. Collectively, and in partnership, we offer learning opportunities for a technologically sophisticated world that result in:

- Contributing and empowered citizens
- Active participants in a democratic society
- Educated, skilled, and adaptable workers
- Innovative lifelong learners

- Practical research and development
- Strong communities

KEY SERVICE STRATEGIES:

MnSCU is the largest single provider of higher education in the state of Minnesota. The system consists of 35 public colleges and universities located on 53 campuses in 46 communities throughout Minnesota. (See figure 1a and 1b). Together, these institutions offer more than 3,500 degree programs and produce approximately 27,000 graduates annually including the largest share of the state's new teachers, accountants, police officers, nurses, computer professionals, business people, firefighters, technicians, tradespeople and others from a broad range of disciplines.

Eighty to 90% of these graduates stay in Minnesota.

Teaching and learning is the core service strategy for MnSCU. The colleges and universities serve 216,000 students in for-credit courses, 100,000 students and 5,000 employers through customized training, and 100,000 students in non-credit continuing education programs.

An investment in MnSCU is an investment in the state economic infrastructure. A study by Anton & Associates found that for every \$1 the state invests in MnSCU there is an impact on the state's economy of \$5.75.

MnSCU BIENNIAL BUDGET REQUEST:

The theme of MnSCU's FY 2002-03 biennial operating budget request is "Campuses at the Crossroads: The Cost to Compete" and will focus on quality, competitiveness and accountability. The goals of the proposal include:

- Communicating to the governor and the Legislature that there are direct consequences in the quality and competitiveness of the higher education experience that result from the level of funding the state provides.
- Encouraging each college and university to develop local budget strategies that support MnSCU's overall commitment to quality and competitiveness.
- Clearly illustrating MnSCU's commitment to measurable accountability for the funds provided by the governor and Legislature.

Governor Ventura's "Big Plan" contains a vision for Minnesota which requires educated citizens, fosters vital communities, strengthens Minnesota's global competitive stance and produces measurable improvements in the services afforded every citizen.

MnSCU colleges and universities and the faculty and staff are key contributors to the ability of the state to advance the goals of the Big Plan. Development of the

STATE COLLEGES & UNIVERSITIES - EXECUTIVE SUMMARY (Continued)

MnSCU biennial budget request has been guided by a strong commitment to local budget leadership.

OPERATING ENVIRONMENT:

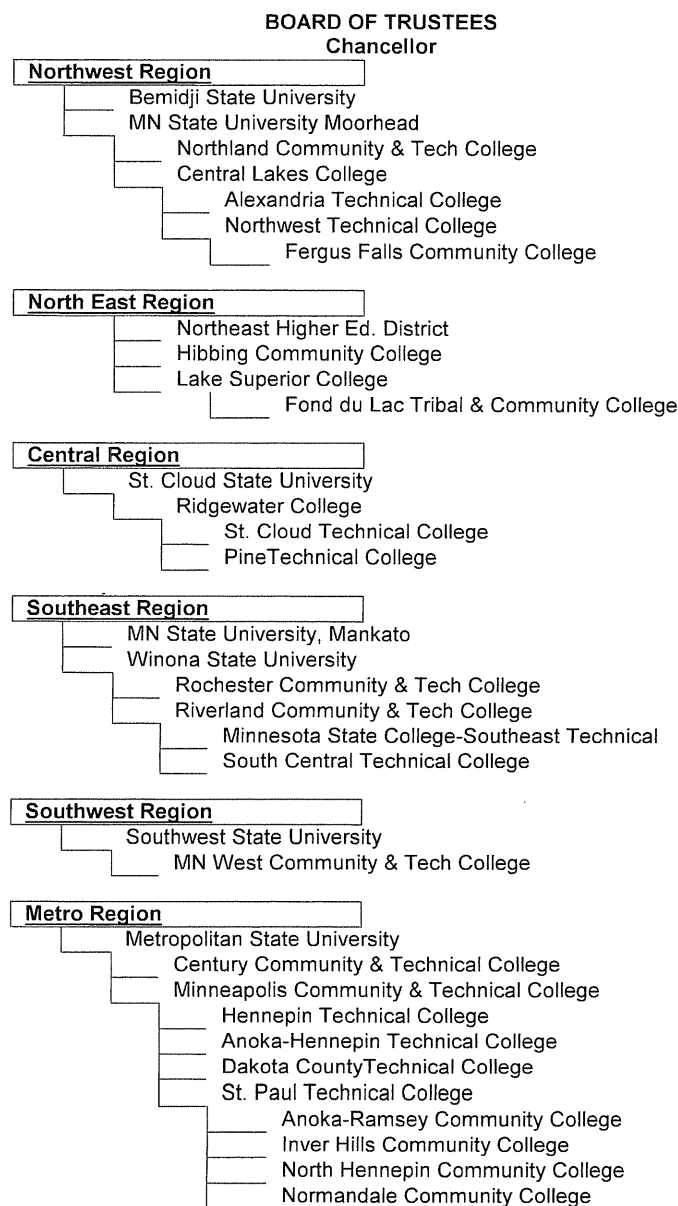
The MnSCU system is affected by a number of changing economic, demographic and social trends. These trends include:

- **A rapidly changing economy.** In the 1990s, Minnesota added 49,000 jobs a year compared to 26,000 jobs added each year in the 1980's. Between now and 2005, 271,000 more jobs will be created and another 444,000 jobs will come open when Minnesotans retire or move away.
- **A critical shortage of skilled labor.** Dun and Bradstreet found that Minnesotas' companies cannot find an adequate number of skilled workers. Minnesota education institutions must broaden the continuum of students they serve to fill the state's labor market needs.
- **Changing demographics.** Institutions will need to serve a growing number of economically and racially diverse students while maintaining access to higher education to students in all areas of the state, including regions experiencing declining populations.
- **Increasing competitive environment.** Higher education is a mature industry facing tremendous opportunities and threats from economic and technological changes. New forums and formats for providing education are quickly emerging, requiring traditional organizations to invest heavily in redefining their structures.

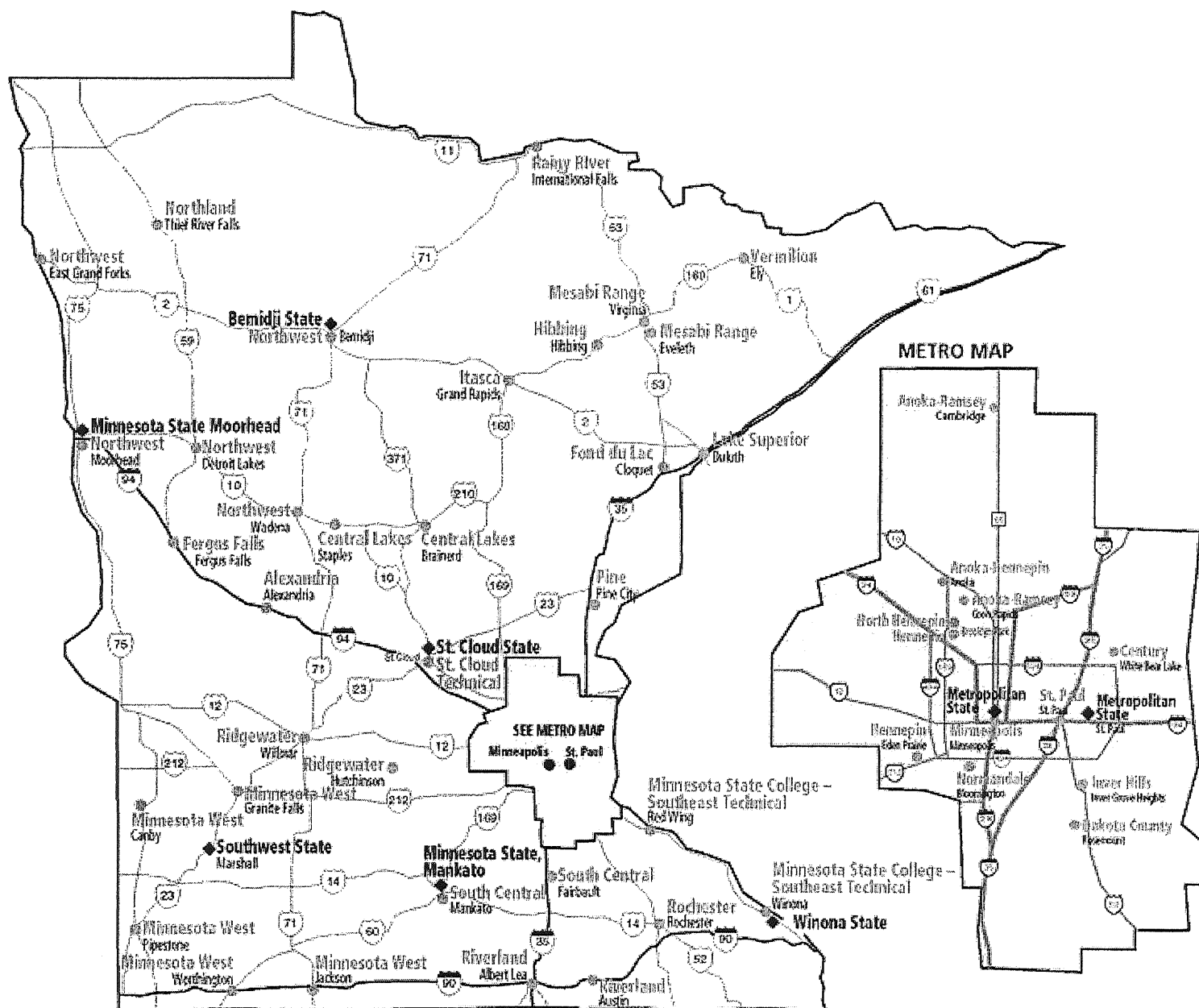
ORGANIZATION/PROGRAM STRUCTURE:

The MnSCUs system is governed by a 15-member Board of Trustees. The Board of Trustees provides policy guidance and leadership for the colleges and universities in the system, hires the system chancellor and the presidents of each of the state colleges and universities; and adopts budgets for all campuses.

The colleges and universities operate autonomously, with policy oversight by the Board of Trustees and management oversight by the Chancellor and system office. Each institution has a president who is responsible for the overall operation of the college or university. College and university presidents play an active role in advising the Board of Trustees and the Chancellor through the Council of Presidents (made up of all 35 presidents). Figure 2 illustrates MnSCUs organizational structure.



STATE COLLEGES & UNIVERSITIES - EXECUTIVE SUMMARY (Continued)



Agency: STATE COLLEGES & UNIVERSITIES

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Program:									
MN STATE COLLEGES & UNIVER	937,072	976,599	1,044,156	1,026,937	1,124,311	1,043,836	1,047,612	1,205,825	1,078,358
Total Expenditures	937,072	976,599	1,044,156	1,026,937	1,124,311	1,043,836	1,047,612	1,205,825	1,078,358
Financing by Fund:									
Direct Appropriations:									
GENERAL	549,954	549,297	579,674	567,679	685,053	581,078	573,888	732,101	601,134
SPECIAL REVENUE	0	0	0	0	0	3,500	0	0	3,500
Statutory Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	200	0	0	0	0	0	0	0	0
GENERAL	320,798	363,164	378,132	389,065	389,065	389,065	403,531	403,531	403,531
SPECIAL REVENUE	3,446	4,156	4,600	4,450	4,450	4,450	4,450	4,450	4,450
FEDERAL	39,984	36,545	36,238	36,703	36,703	36,703	36,703	36,703	36,703
MISCELLANEOUS AGENCY	16,369	16,833	19,680	18,940	18,940	18,940	18,940	18,940	18,940
GIFT	5,352	5,766	21,595	6,709	6,709	6,709	6,709	6,709	6,709
SUB SUPPLEMENTAL & IRA RETIRE	891	751	1,566	754	754	754	754	754	754
MNSCU ENTERPRISE ACTIVITIES	78	86	2,670	2,637	2,637	2,637	2,637	2,637	2,637
ENDOWMENT	0	1	1	0	0	0	0	0	0
Total Financing	937,072	976,599	1,044,156	1,026,937	1,124,311	1,043,836	1,047,612	1,205,825	1,078,358

STATE COLLEGES & UNIVERSITIES - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000's)			
Appropriations	\$579,674	\$579,674	\$1,159,348
BASE ADJUSTMENT			
FY 95 to FY99 Base Est enrollment	(5,399)	(5,399)	(10,798)
Est. Correct Base FY99Actual to FY01	5,783	5,783	11,566
1-X Est. Correct FY 95 Actual to FY 99	(13,500)	(13,500)	(27,000)
1-X CorrFY95Actual to FY99Act-Base 00	(5,399)	-0-	(5,399)
1-X Est. Correction FY99Actual to	5,784	-0-	5,784
One time Appropriations	(5,800)	(5,800)	(11,600)
Debt Service/Local TC	(58)	(59)	(117)
Base Adj Enrollment FY01 Est to FY02-	6,594	-0-	6,594
Base Adj Enrollment FY02 Est to FY03-	-0-	13,189	13,189
BASE LEVEL (for 2002 and 2003)	\$567,679	\$573,888	\$1,141,567
 Inflation Support	 50,200	 103,061	 153,261
Quality and Competitive Investment	65,561	92,177	157,738
Tuition Plan	(8,387)	(17,025)	(25,412)
Reallocation	(10,000)	(20,000)	(30,000)
 Sub Total Change	 \$97,374	 \$158,213	 \$255,587
 AGENCY REQUEST	 \$665,053	 \$732,101	 \$1,397,154
 GOVERNOR'S RECOMMENDATION			
Inflation Support	19,999	40,665	60,664
Quality and Competitive Investment	16,134	17,953	34,087
Tuition Plan	(8,387)	(17,025)	(25,412)
Reallocation	(14,347)	(14,347)	(28,694)
TOTAL	\$581,078	\$601,134	\$1,182,212

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$13.399 million in FY 2002 and \$27.246 million in FY 2003 from the General Fund. This will provide Minnesota State Colleges and Universities (MnSCU) with two-thirds of an inflationary adjustment of 3% per year for faculty and staff compensation. The remaining third of the inflationary adjustment would come from increased tuition revenues.

In addition, the Governor recommends an appropriation of \$3.5 million in FY 2002 and \$3.5 million in FY 2003 from the Workforce Development Fund to fund Regional Programs of Excellence. These funds are to implement high priority programs that address critical workforce needs of the region.

An important principle of the Governor's budget process has been to strongly encourage agencies to reallocate within their existing budget to fund higher priorities. The Governor is encouraged that MnSCU has agreed with this principle. Although the Governor does not recommend specific initiatives to be funded by MnSCU's reallocations, he encourages MnSCU to fund priorities that exceed his recommendations out of these reallocations.

BRIEF EXPLANATION OF BUDGET DECISIONS:

The MnSCU budget request is designed to enhance the capacity of the system's 35 institutions to provide high-quality, flexible and accessible educational opportunities to Minnesotans.

Base Adjustments. MnSCU's current spending levels will be reduced 4.4% in FY 2002 and will increase 1.3% in FY 2003. Adjustments to Minnesota State Colleges and Universities base level funding include:

- A \$20.5 million increase in base funding for a net of actual and projected enrollment increases and declines.
- A \$26.6 million reduction in base funding for a one-time net of actual and projected enrollment increases and declines.
- A \$11.6 million reduction in one-time appropriations.

Change Items. Minnesota State Colleges and Universities are requesting a \$255.6 million budget increase to build the capacity of its 35 institutions to provide students with high quality education and competitive skills.

Minnesota State Colleges and Universities have identified \$311 million in initiatives to make the 35 campuses more competitive. Of that, \$55.4 million of the top priorities will be funded internally, by reallocating resources from low-priority activities to high priority activities and through tuition increases at the rate of inflation. The resulting request is for a budget increase of \$255.6 million.

Of the \$255.6 million total request, \$157.7 million represents the cost of providing quality academic programs, competitive course offerings and assurance of access to higher education for all Minnesotans. The remainder is to cover the cost of inflation.

For the first time, Minnesota State Colleges and Universities are presenting a campus-based budget request. The request reflects what it will take to meet the changing needs of Minnesota's communities.

- New investments in critical areas over the next two years will have far-reaching impact on Minnesota's quality of life and the capacity of the campuses to enhance intellectual power and skills of Minnesota's workforce.

STATE COLLEGES & UNIVERSITIES - BUDGET BRIEF

Fund: GENERAL (Continued)

- Students of all ages will benefit from greater access to high demand academic and workforce training programs using cutting-edge instructional technology and equipment. More courses will be conveniently delivered on-line and closer to home. Necessary campus repair and replacement projects will be undertaken.
- MnSCU will be implementing a strategic tuition and enrollment policy to recruit students from other states to attend college in Minnesota and stay in Minnesota to work after graduation.
- New strategies will create seamless transfer policies so that students can easily transfer from two-year colleges to four-year universities. These strategies include creation of new Bachelor of Applied Science degrees, aligning curriculum across campuses to ease transfer credit, building career paths from high school and technical colleges through four-year degrees, and establishing new procedures to assess prior learning for academic credit.

Other Budget Issues. MnSCU is requesting a review of the current State Grant program. Despite the programs overall generosity and scope, students may not be receiving the level of funding necessary to overcome significant financial barriers. MnSCU seeks the following changes in the State Grant program:

- The tuition and fees component in the State Grant program formula should be set at the amount a public college student actually pays, regardless of credit load.
- Savings that accrue to the State Grant program because of increases in the maximum Pell grant should be directed toward the lowest-income students.
- The state should explore ways to provide grant equity for part-time students.
- We support an increase in the maximum child care grant to \$2,500. In addition, we support the extension of student eligibility for state work study up to the amount of the student's share under the Design for Shared Responsibility.

STATE COLLEGES & UNIVERSITIES - REVENUE SUMMARY

REVENUE SOURCES:

Minnesota State Colleges and Universities (MnSCU) generates revenue from dedicated sources such as tuition, student fees and federal grants. The majority of the revenue is generated through tuition from credit-based instruction.

FEE STRUCTURE:

During the current year (FY 2001), the Board of Trustees approved individual institution per credit tuition rate increases ranging from 2% to 8%. On average, MnSCU per credit tuition rates increased by 4.7%, which is an increase of \$100.05 for a full-time undergraduate student taking 30 credits.

The Board of Trustees' fee policy which outlines mandatory and optional fees and the maximum amount an institution may charge, was changed during FY 2000 to allow institutions to increase the amount they charge for the technology fee to \$8.00 from \$5.00 a credit previously.

RECENT CHANGES:

The Board of Trustees allows colleges and universities the option to consider alternative tuition approaches (i.e., program/course specific, credit banding, etc.). The Board of Trustees requires that any tuition increase be supported by a plan which provides 1) detail of the process used in determining a tuition increase; 2) rationale for the tuition increase; 3) explanation on how additional revenue will be expended; and 4) documentation of student involvement in the process.

In addition, the fee policy approved by the Board of Trustees eliminated the course/lab supply fees. Because of this change in the fee structure, the Board of Trustees allowed institutions to merge the financial impact of course and lab fees into overall tuition charges or to charge differential tuition for programs and courses that had previously charged fees.

FORECAST BASIS:

Using Department of Finance guidelines, the attached revenue forecast assumes no tuition rate increases but has been adjusted for changes in revenue that result from projected changes in enrollment. Using this approach, MnSCU projects tuition revenues of \$283 million in FY 2002 and \$289 million in FY 2003. Other revenues assume no change.

MnSCU's biennial request assumes a 3% annual increase in tuition rates to reflect a commitment from students to help fund the request.

Agency: STATE COLLEGES & UNIVERSITIES

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>Dedicated Receipts:</u>									
Grants:									
GENERAL	12,028	12,514	14,596	12,514	12,514	12,514	12,514	(2,082)	(7.7%)
SPECIAL REVENUE	3,201	3,929	3,929	3,929	3,929	3,929	3,929	0	0.0%
FEDERAL	40,091	36,387	35,620	36,387	36,387	36,387	36,387	767	1.1%
MISCELLANEOUS AGENCY	15	30	0	0	0	0	0	(30)	(100.0%)
GIFT	5,833	6,992	19,567	6,709	6,709	6,709	6,709	(13,141)	(49.5%)
Other Revenues:									
GENERAL	308,921	339,291	351,497	357,781	357,781	363,609	363,609	30,602	4.4%
SPECIAL REVENUE	163	392	361	361	361	361	361	(31)	(4.1%)
FEDERAL	43	332	0	332	332	332	332	332	100.0%
MISCELLANEOUS AGENCY	3	23	0	0	0	0	0	(23)	(100.0%)
CC SUPPLEMENTAL RETIREMENT	0	(1)	0	0	0	0	0	1	(100.0%)
GIFT	(211)	(289)	0	0	0	0	0	289	(100.0%)
SUB SUPPLEMENTAL & IRA RETIRE	616	704	800	0	0	0	0	(1,504)	(100.0%)
MNSCU ENTERPRISE ACTIVITIES	92	106	103	108	108	108	108	7	3.3%
ENDOWMENT	6	7	7	7	7	7	7	0	0.0%
Other Sources:									
GENERAL	14,072	10,383	10,513	10,383	10,383	10,383	10,383	(130)	(0.6%)
SPECIAL REVENUE	17	129	150	160	160	160	160	41	14.7%
FEDERAL	0	(20)	0	(20)	(20)	(20)	(20)	(20)	100.0%
MISCELLANEOUS AGENCY	15,496	18,887	18,940	18,940	18,940	18,940	18,940	53	0.1%
GIFT	4	6	0	0	0	0	0	(6)	(100.0%)
SUB SUPPLEMENTAL & IRA RETIRE	122	50	0	754	754	754	754	1,458	2,916.0%
MNSCU ENTERPRISE ACTIVITIES	(4)	3	2,449	2,444	2,444	2,444	2,444	2,436	99.3%
Total Dedicated Receipts	400,508	429,855	458,532	450,789	450,789	456,617	456,617	19,019	2.1%
Agency Total Revenues	400,508	429,855	458,532	450,789	450,789	456,617	456,617	19,019	2.1%

BUDGET CHANGE ITEM (49543)**Agency: STATE COLLEGES & UNIVERSITIES****Item Title: QUALITY AND COMPETITIVE INVESTMENT**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
-State Operations	\$65,561	\$92,177	\$92,177	\$92,177
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: MS135.031.Subd.2

☐ New Activity ☒ Supplemental Funding ☒ Reallocation**GOVERNOR'S RECOMMENDATION:**

The Governor recommends an appropriation of \$3.5 million in FY 2002 and \$3.5 million in FY 2003 from the Workforce Development Fund to fund Regional Programs of Excellence. These funds are to implement high priority programs that address critical workforce needs of the region.

An important principle of the Governor's budget process has been to strongly encourage agencies to reallocate within their existing budget to fund higher priorities. The Governor is encouraged that MnSCU has agreed with this principle. Although the Governor does not recommend specific initiatives to be funded by MnSCU's reallocations, he encourages MnSCU to fund priorities that exceed his recommendations out of these reallocations.

RATIONALE:

The MnSCU FY 2002-03 biennial budget request is the first stage of a two biennia re-investment proposal. Each of the elements in the FY 2002-03 biennial budget request has been considered as part of a four year plan to structurally and substantially improve the financial condition and the quality of the student experience possible at each of the 35 MnSCU colleges and universities.

MnSCU are at a crossroads. Lawmakers must determine whether they want the state's largest system of higher education to struggle to maintain programs

and services or to become a major force in building Minnesota's economy and quality of life.

The campus presidents continue to streamline their operations through consolidation and collaboration with sister institutions and employers. But today they cannot compete without significant new commitment from the state.

MnSCU institutions now rank at or near the 50th percentile in investment per student when compared with similar institutions nationally. In order to maintain its current standing, the system and its institutions need \$98.0 million in new inflation funding just to meet core financial obligations over the next two years. At this level campuses are limited in their capacity to adopt new technology, develop high quality curriculum and respond to emerging local and regional needs.

This budget aims to move all MnSCU beyond the basic maintenance level to a competitive level of funding; over a four year period MnSCU institutions would move to about the 75th percentile nationally in funding per student.

Part of this long-term re-investment strategy is the allocation framework approved by the MnSCU Board of Trustees in December 2000. The allocation framework recommendations include requesting legislative support for re-building institutional base budgets over the next four years. MnSCU urges the governor and legislature to systematically invest in MnSCU colleges and universities in order to reach the 75th percentile of the national rankings by 2005.

As part of its commitment to efficiency and effectiveness, MnSCU established an acceptable range of state support and reallocated resources to support historically underfunded institutions. MnSCU also identified the cost of the state's historical commitment to access--both programmatic and geographic--and incorporated it into the request.

For the first time ever, MnSCU's biennial budget request was developed through a campus-based budget process. Every institution would receive funds in the initiative. The Chancellor and the Board initiated the process by establishing broad goals and system-wide investment targets with the assistance of a budget advisory team, consisting of college and university representatives and system office staff. The initial investment targets developed by the Board and Chancellor consisted of the following categories: Quality and competitiveness, Enrollment, Equipment, State-wide initiatives and Repair and Replacement.

College and university presidents were asked to develop and prioritize campus budget initiatives within the established investment targets. Presidents were encouraged to place campus initiatives in the area or areas of highest priority. Once the responses from the presidents were returned, a consistent, but slightly different picture emerged for the biennial budget request. The priorities of the presidents included all aspects of the initial investment targets, but were re-arranged according to the institutions' perspective. The campus budget priorities,

BUDGET CHANGE ITEM (49543) (Continued)

Agency: STATE COLLEGES & UNIVERSITIES

Item Title: QUALITY AND COMPETITIVE INVESTMENT

described below, were organized into the following categories: Academic Excellence, Workforce Development, Instructional Technology, Equipment, and Repair and Replacement.

	Dollars in Thousands		
	FY 2002	FY 2003	Biennium
Academic excellence	\$21,243	\$29,867	\$51,110
Workforce development	\$10,935	\$15,375	\$26,310
Equipment	\$5,619	\$7,899	\$13,518
Instructional technology	\$15,378	\$21,622	\$37,000
Repair and replacement	\$12,386	\$17,414	\$29,800
Quality and Competitive Investment - TOTAL	\$65,561	\$92,177	\$157,738

The state's investment would enable the individual MnSCU to do the following:

- **Academic Excellence** Enhance academic excellence throughout the system by expanding Internet course delivery, expanding services to help students stay in school, creating new programs, increasing quality in existing programs, and upgrading labs and classrooms.

A few examples of Academic Excellence initiatives from the 35 institutions: One metro community college will develop an on-line center for teaching and learning to provide training and instruction for faculty. A technical college in greater Minnesota will establish science labs in support of general education programs, such as health care coursework in anatomy, physiology, chemistry, and physics. To improve access, another outstate technical college will bring training programs in computer-controlled manufacturing technology, advanced medical diagnostics technology and advanced computer applications to various sites in mobile labs. A consolidated college will create at least two new applied science programs. A state university will establish a baccalaureate nursing program.

- **Workforce Development** Develop new, innovative programs in areas critical to the state's economy and workforce needs, and recruit students into these programs. Part of the workforce development strategy is the implementation of a **strategic tuition and enrollment policy** to recruit students from other states to attend college in Minnesota and stay in Minnesota to work after graduation. More than 9,000 students currently attend MnSCU institutions from states that do not have tuition reciprocity agreements with Minnesota. These students pay tuition at twice the rate paid by Minnesota residents and are not counted in the state funding formula. By eliminating the non-resident tuition surcharge, Minnesota will

attract ambitious college-minded people to the state to fill workforce needs created by Minnesota's strong economy. Currently, 84% of all MnSCU graduates stay in Minnesota.

A few examples of Workforce Development initiatives from the 35 institutions: A consolidated college will create a mobile radiology clinical lab to serve additional students. A metro community college will add two information technology programs. An outstate technical college will develop an advanced certificate in eBusiness.

- **Instructional Technology** Provide students of all ages greater access to high-demand academic and workforce training programs using cutting-edge instructional technology and equipment. More courses will be delivered conveniently online and closer to work and home.

A few examples of Instructional Technology initiatives from the 35 institutions: A state university will make classrooms laptop compatible and add electronic classroom equipment. A technical college will establish multi-media technology rooms.

- **Equipment** Upgrade equipment used in industrial trades and other areas to meet the ever-increasing standards of high demand industries and the changing work environment.

A few examples of Equipment initiatives from the 35 institutions: A consolidated college in greater Minnesota will replace equipment in automotive, electronics and radio/television programs. A state university will construct a wireless wing with 10 digital classrooms. A community college will equip an environmental science lab.

- **Repair and Replacement** Increase the long-term investment in the campuses physical assets. The size of deferred maintenance and the importance of these facilities to the colleges and universities' educational mission require continual attention and investment.

A few examples of Repair and Replacement initiatives from the 35 institutions: A technical college will address life safety or failed equipment issues such as retro-fitting air conditioning chillers to an approved refrigerant and tuckpointing. Another technical college will repair the hot water system and update the electronic security system. A consolidated college will make additional restrooms handicap accessible.

Along with the budget priorities of an institution, each president was required to submit a list of accountability indicators that would specify how an institution would measure the positive impact of the additional budget support on the institution.

BUDGET CHANGE ITEM (49543) (Continued)

Agency: STATE COLLEGES & UNIVERSITIES

Item Title: QUALITY AND COMPETITIVE INVESTMENT

FINANCING:

The biennial budget request for the MnSCU has been developed through a campus-based budget process that brings together the needs of the 35 institutions and the students and communities they serve. As part of this first-ever campus-based budget process, each institution has developed a plan for investing state funds in a way that most effectively addresses the issues particular to that campus and community.

The MnSCU budget request reflects the result of how the state appropriation would be invested rather than how the request was derived. To arrive at the overall biennial budget request, general MnSCU goals and investment targets were developed by the Board and Chancellor with the assistance of a budget advisory team. The campus priorities were based on the Board of Trustees and Chancellor's general goal of improving the quality of the student experience and MnSCU's competitiveness with similar institutions nationally. The initial investment targets are listed below.

	FY2002-03 Biennium
Quality and competitiveness	58,000
Enrollment	26,354
Equipment	13,000
State wide initiatives	30,384
Repair and replacement	30,000
Total Quality & Competitive Investment	157,738

Quality and competitiveness

This category reflects MnSCU's goal of maintaining high quality programs by supporting a four-year reinvestment plan. MnSCU is currently below average compared to similar institutions nationally. MnSCU seeks to ensure that the investment per student is increased to the 75th percentile of similar institutions nationally. Increasing the investment per student will provide funds to all institutions to continually enhance program offerings to students. Additionally, funds are requested to improve the financial position of those colleges and universities lagging national competitors. This category also includes a safety net program to support access to higher education for all Minnesota residents.

Repair and replacement

MnSCU has determined that annual incremental increases of \$10 million in the operating budget through 2007, aimed specifically towards repair and maintenance, would serve to raise capacity at each institution to a level at which new backlog is not created and sufficient funds are available to adequately maintain existing state-owned buildings. Simultaneously, a HEAPR program of \$100 million, coupled with an emphasis on asset preservation within major capital renovation and renewal projects, would theoretically reduce the deferred maintenance backlog (currently estimated at \$498 million) to \$1 million by 2020.

Enrollment

In FY 2000, Minnesota state colleges and universities enrolled 9,234 non-resident and non-reciprocity (NR/NR) students. The students represent 4.3% of the 216,000 students who attend one of the 35 MnSCU institutions. NR/NR's are not recognized in the current state funding formula. The request reflects the increase in MnSCU's base budget as a result of recognizing these students in the same manner as resident and reciprocity students in the funding formula. Attracting more students into Minnesota from outside the state could be an extremely powerful strategy for long-term labor force development.

Equipment (includes Instructional Technology)

In the 2000-01 biennium, MnSCU received \$5 million in equipment funding, which was used to leverage over \$17 million in equipment donations from private employers. MnSCU seeks to repeat this very successful program in 2002-03. New equipment purchased in the current program include digitized technology for precision manufacturing, science lab equipment, an ambulance simulator, and a geographic plotter.

State-wide initiatives

State-wide initiatives fall into three general categories: technology, academic excellence and workforce development.

The technology initiatives, targeted at \$22.3 million, will benefit students of all ages by providing greater access to high-demand academic and workforce training programs using cutting-edge instructional technology and equipment. More courses will be delivered conveniently on-line and closer to work and home. In addition, instructional equipment used in industrial trades will be upgraded to meet the ever-increasing standards of high demand industries.

The Academic Excellence initiative, with a target of \$4.2 million, will use grants to colleges and universities to update curriculum, create on-line delivery and enhance teaching strategies in order to provide competitive quality learning experiences for students. The \$2.5 million provided by the legislature last biennium yielded over \$19 million in campus requests.

Minnesota's economic vitality requires more strategic investments in training and education to meet key industry needs, but more importantly to provide citizens with

BUDGET CHANGE ITEM (49543) (Continued)

Agency: STATE COLLEGES & UNIVERSITIES

Item Title: QUALITY AND COMPETITIVE INVESTMENT

career paths that will enable them to be lifelong learners and productive citizens. The workforce development initiative targets \$3.9 million to align programs with industry standards, add bachelor of applied science degrees, and create an articulation network.

MnSCU is partnering with the Workforce Development Committee and has included in this request support for planning and establishing the infrastructure for regional centers of excellence. MnSCU is also working with the committee to identify high priority training-economic development regional programs of excellence.

OUTCOMES:

- New investments in critical areas will improve Minnesota's quality of life and the capacity of the campuses to enhance intellectual power and skills of Minnesota's workforce.
- Greater access to high demand academic and workforce training programs using cutting-edge instructional technology and equipment.
- More courses will be conveniently delivered on-line and closer to home.
- Necessary campus repair and replacement projects will be undertaken.
- Minnesota will attract ambitious college-minded people to the state to fill workforce needs created by Minnesota's strong economy by eliminating the non-resident tuition surcharge.
- New strategies will create seamless transfer policies so that students can easily transfer from two-year colleges to four-year universities.

BUDGET CHANGE ITEM (49537)

Agency: STATE COLLEGES & UNIVERSITIES

Item Title: INFLATION SUPPORT

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
-State Operations	\$50,200	\$103,061	\$103,061	\$103,061
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity <u> X </u> Supplemental Funding <u> X </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$13.399 million in FY 2002 and \$27.246 million in FY 2003 from the General Fund. This will provide MnSCU with two-thirds of an inflationary adjustment of 3% per year for faculty and staff compensation. The remaining third of the inflationary adjustment would come from increased tuition revenues.

An important principle of the Governor's budget process has been to strongly encourage agencies to reallocate within their existing budget to fund higher priorities. The Governor is encouraged that MnSCU has agreed with this principle. Although the Governor does not recommend specific initiatives to be funded by MnSCU's reallocations, he encourages MnSCU to fund priorities that exceed his recommendations out of these reallocations.

RATIONALE:

MnSCU inflation support request totals \$153.3 million for general fund supported expenditures and includes a 3.0% increase for compensation (\$62.8 million), an additional 2% increase for competitive salaries (\$39.5 million), a health insurance supplement (\$29.1 million) and a 3% increase in other operating related expenditures (\$21.9 million).

Executive branch agencies are receiving a base budget inflation related increase in the 2002-2003 biennial budget equal to 3.0% of adjusted FY 2000 compensation. MnSCU must request this base inflation as a change item. If

inflation were funded in MnSCU's base as it is for state agencies, MnSCU's request would be \$60.7 million lower or \$92.6 million for the biennium. (Note: the difference in the amount of 3% per year inflation between state agencies (\$60.7) and MnSCU's request (\$62.8) results from a global 3% being applied to the FY 2000 base for agencies to arrive at FY 2001 expenditures while MnSCU used its FY 2001 base.)

MnSCU's colleges and universities have reallocated an average of \$25 million a year each of the last four years to cover salary related inflation. The pressures to maintain quality compete directly with ordinary inflation costs. The quality of the student experience is threatened by any additional reallocations.

MnSCU is also asking for an additional increase -- 2% on total compensation -- to cover the cost of attracting and retaining quality faculty and staff. During the last 10 years MnSCU university faculty salaries have lagged behind their national peers. Community, technical and consolidated colleges face competition for faculty from business and industry in high technology fields. Hiring of staff in areas such as computer technology, health and accounting is increasingly difficult.

In the 2000 session, the Legislature recognized the sharp increases in health care costs and directed that MnSCU spend enrollment deficiency one-time funding to cover extraordinary increases for three of the institutions. Rates began to increase in FY 1998 - 8.24%, then 14% in FY 1999 and for the current biennium rates have increased almost 21% per year. MnSCU has been advised by the Department of Employee Relations that these increases will continue into the foreseeable future. MnSCU has in the past four years reallocated over \$28 million from areas affecting services to students. MnSCU feels that this is no longer a feasible solution and asks the state to support the increase of 20% or more per year projected for the next biennium because of its negative effect on funding educational programs to students.

In addition to the 3% inflation increase for compensation, MnSCU's biennial budget request provides for other operating cost related inflation at 3% per year. Other operating costs include such items as fuel oil, natural gas, postage, supplies, equipment, contract services, and library materials, which in many cases will see greater than 3% inflation.

BUDGET CHANGE ITEM (49537) (Continued)**Agency: STATE COLLEGES & UNIVERSITIES****Item Title: INFLATION SUPPORT****FINANCING:**

	Dollars in Thousands		
	FY 2002	FY 2003	Biennium
Salary (3% per year)	\$16,583	\$33,663	\$50,246
Benefits (3% per year)	\$4,146	\$8,416	\$12,561
Compensation (3% per year)	\$20,728	\$42,079	\$62,807
Additional Compensation (2% per year)	\$13,020	\$26,448	\$39,468
Additional Health Insurance Inflation Increase	\$9,235	\$19,883	\$29,118
Sub-Total Compensation	\$42,983	\$88,410	\$131,394
Other Operating Cost Inflation (3% per year)	\$7,217	\$14,650	\$21,867
Total Inflation	\$50,200	\$103,061	\$153,261

OUTCOMES:

MnSCU can no longer preserve the volume and quality of service to students nor its ability to respond to a rapidly changing economy without consideration of the inflationary cost of human resources and support services. MnSCU is committing a 3% tuition increase and the reallocation of 2.5% of its budget to help cover inflation costs, reducing the net inflation request for state appropriation to \$97.9 million.

In order to maintain its current standing, the system and its institutions need this \$97.9 million in new inflation funding just to meet core financial obligations over the next two years. At this level campuses are limited in their capacity to adopt new technology, develop high quality curriculum and respond to emerging local and regional needs.

BUDGET CHANGE ITEM (49563)**Agency: STATE COLLEGES & UNIVERSITIES****OUTCOMES:****Item Title: TUITION PLAN**

A 3% tuition increase in each year of the biennium would help MnSCU maintain current levels of programs and services.

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
-State Operations	\$(8,387)	\$(17,025)	\$(17,025)	\$(17,025)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation**GOVERNOR'S RECOMMENDATION:**

The Governor recommends that MnSCU use \$6.6 million in FY 2002 and \$13.419 million in FY 2003 of the revenue identified in this initiative to finance one-third of a 3% per year inflationary adjustment for faculty and staff compensation. The Governor encourages MnSCU to fund priorities that exceed his recommendations out of the remaining tuition identified in this initiative.

RATIONALE:

The MnSCU budget assumes a tuition increase of 3% in each year. This assumption is for planning purposes only and represents a proportional share of inflationary expenditures. Please note that the MnSCU Board of Trustees approves each institution's tuition recommendations. An institution may choose to recommend a higher or lower rate of increase depending upon its regional circumstances. Also, the actual rate of increase for any individual student may be more or less than the average rate. Institutions that recommend higher tuition rates may retain the additional revenue generated to improve academic programs and services.

FINANCING:

A 3% annual tuition rate increase would generate \$8.4 million in revenue above the base forecast tuition in the first year and an additional \$8.6 million in the second year.

BUDGET CHANGE ITEM (60034)**Agency: STATE COLLEGES & UNIVERSITIES****Item Title: REALLOCATION**

based budget process, colleges and universities have identified areas that will be examined for reallocation as a means to cover increasing operating costs, especially those related to negotiated contract settlements and rising health care costs.

OUTCOMES:

This activity continues the MnSCU commitment to reallocating resources to fund critical functions.

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
-State Operations	\$(10,000)	\$(20,000)	\$(10,000)	\$(20,000)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity	_____ Supplemental Funding	<u> X </u> Reallocation		

GOVERNOR'S RECOMMENDATION:

An important principle of the Governor's budget process has been to strongly encourage agencies to reallocate within their existing budget to fund higher priorities. The Governor is encouraged that MnSCU has agreed with this principle. Although the Governor does not recommend specific initiatives to be funded by MnSCU's reallocations, he encourages MnSCU to fund priorities that exceed his recommendations out of these reallocations.

RATIONALE:

Internal budget reallocations over the past six years have enabled the Minnesota State Colleges and Universities to provide high quality education and training.

The 35 institutions have reallocated more than \$100 million to cover basic inflationary costs and provide critical resources for high-demand programs, student services and facility repairs. In the past several years, the MnSCU have suspended or closed nearly 400 programs with low enrollment and redesigned over 1,600 others to focus resources on high demand areas. In addition, the campuses have reallocated resources by laying-off employees, freezing open positions, freezing and cutting operating budgets, and consolidating administrative offices.

This budget request includes an expectation that the colleges and universities will reallocate another \$30 million over the biennium. As part of the campus-

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BUDGET ACTIVITY SUMMARY

Budget Activity: INSTRUCTION & NON INSTRUCTION
Program: MN STATE COLLEGES & UNIVER
Agency: STATE COLLEGES & UNIVERSITIES

PROGRAM PROFILE:

The Minnesota State College and University system is the largest provider of higher education in the state of Minnesota with more than 27,000 graduates each year. Teaching and learning are the core service strategies. MnSCU serves 216,000 students annually in for-credit programs, 100,000 students and 5,000 businesses through customized training and 100,000 students in non-credit continuing education courses. Institutions also provide applied research and public service to Minnesota communities.

An investment in Minnesota State Colleges and Universities is an investment in the state's economic infrastructure. A recent study by Anton and Associates (1998) found that every \$1 the state invests in a MnSCU institution generates a \$5.75 impact on Minnesota's economy.

STRATEGIES AND PERFORMANCE:

The system has undergone tremendous change. In FY 1995, the former community college, technical college and state university systems merged to become the Minnesota State Colleges and Universities. In the last biennium, the system has:

- Opened 582 new academic programs and closed or suspended 393 programs.
- Greatly improved the colleges and universities relationship with business and industry.
- Developed a uniform capital budget process and are completing a facility utilization, capacity and repair survey.
- Developed an allocation framework.
- Empowered college and university presidents with greater decision-making authority.
- Committed to working closely with the University of Minnesota on the educational needs of the state.

FINANCING INFORMATION:

REVENUE

The two primary sources of revenue received by MnSCU are state appropriation and tuition. These two sources comprise approximately 75% of all MnSCU revenue.

OTHER REVENUE

General - These funds represent operating revenue other than tuition and direct appropriations reported in the general fund, e.g. intergovernmental grants, donations, and resale income.

Special Revenue - MnSCU's special revenue funds include monies received from other state agencies such as Displaced Homemaker grants, Private Industry Council funding and indirect costs associated with the administration of federal grants. Also contained in this fund are the MnSCU conference accounts which represent receipts collected from conference participants for conference expenses.

Federal - Federal funds include the federal work study program and various federal grants administered by the campuses. This fund does not include federally funded campus-based financial aid program funds, which are maintained in local bank accounts at each institution.

Eligible Minnesota institutions also receive funds authorized by the Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990.

Another source of federal funds managed by MnSCU, are those received through the Job Training Partnership Act. Minnesota State Colleges and Universities campuses qualify for funds by offering educational services to students who are defined as economically disadvantaged. These funds are distributed by the Governor's Workforce Development Council which coordinates decisions with the state Department of Economic Security.

In addition, a grant from the federal government supports the Air Traffic Training Center at Minneapolis Community and Technical College.

Some of the other federal grants received directly by the institutions include the Department of Education's Head Start grants, the National Institute of Health's grants, Small Business Development grants and Upward Bound grants.

Agency - This serves as the payroll clearing account for staff paid by the non-treasury revenue bond and activity funds.

Gift - Gifts include revenues from private donations and estates, corporate and public foundations.

State University Supplemental and IRA Retirement - These funds include monies for supplemental retirement and individual retirement account plans.

Enterprise - These funds include miscellaneous resale activity.

BUDGET ACTIVITY SUMMARY (Continued)

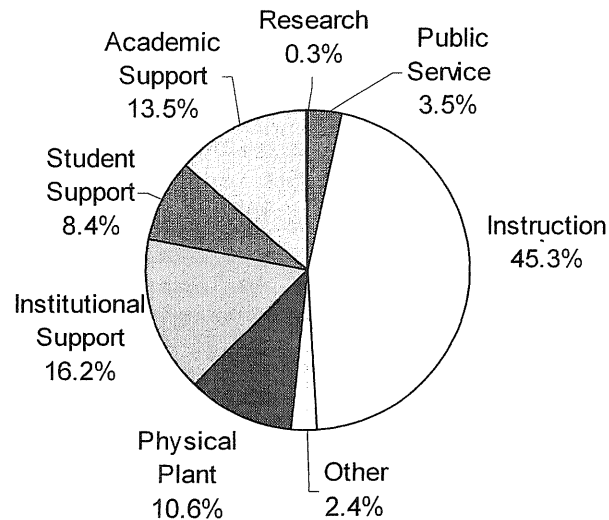
Budget Activity: INSTRUCTION & NON INSTRUCTION
Program: MN STATE COLLEGES & UNIVER
Agency: STATE COLLEGES & UNIVERSITIES

Endowment - These funds include revenues from endowments that are dedicated.

EXPENDITURES

Since Minnesota State Colleges and Universities institutions focus is teaching and learning, the primary activity is instruction and its support. Based on historical expenditure patterns (FY 99), the following chart (Figure 1) shows the distribution of general operating expenditures by the Integrated Post-secondary Education Data System (IPEDS) categories.

Figure 1 - (FY 1999)



PROGRAM PROFILE:

State appropriations for the State Council for Vocational Technical Education sunset on June 30, 1999.

In the 2000 session, the Legislature designated MnSCU as the fiscal agent for the Cook County Higher Education project and appropriated \$80,000 to fund it. The following language appeared in session law:

- This appropriation is for the Cook County higher education project for delivery of educational services electronically due to the lack of access to higher education services in the area. The board shall submit a report in the biennial budget document on uses of the appropriation. The report includes hours delivered, other services provided, strategic direction of the project, expected future funding sources, and collaborations with other organizations.

Please refer to legislative reports for more information on the Cook County Higher Education project.

Activity: INSTRUCTION & NON INSTRUCTION
Program: MN STATE COLLEGES & UNIVER
Agency: STATE COLLEGES & UNIVERSITIES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
LOCAL ASSISTANCE	937,072	976,599	1,044,156	1,026,937	1,124,311	1,043,836	1,047,612	1,205,825	1,078,358
Total Expenditures	937,072	976,599	1,044,156	1,026,937	1,124,311	1,043,836	1,047,612	1,205,825	1,078,358
Change Items:	Fund								
(A) QUALITY AND COMPETITIVE INVESTMENT	GEN				65,561	16,134		92,177	17,953
(A) QUALITY AND COMPETITIVE INVESTMENT	SR					3,500			3,500
(A) INFLATION SUPPORT	GEN				50,200	19,999		103,061	40,665
(A) TUITION PLAN	GEN				(8,387)	(8,387)		(17,025)	(17,025)
(A) REALLOCATION	GEN				(10,000)	(14,347)		(20,000)	(14,347)
Total Change Items					97,374	16,899		158,213	30,746
Financing by Fund:									
Direct Appropriations:									
GENERAL	549,954	549,297	579,674	567,679	665,053	581,078	573,888	732,101	601,134
SPECIAL REVENUE	0	0	0	0	0	3,500	0	0	3,500
Statutory Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	200	0	0	0	0	0	0	0	0
GENERAL	320,798	363,164	378,132	389,065	389,065	389,065	403,531	403,531	403,531
SPECIAL REVENUE	3,446	4,156	4,600	4,450	4,450	4,450	4,450	4,450	4,450
FEDERAL	39,984	36,545	36,238	36,703	36,703	36,703	36,703	36,703	36,703
MISCELLANEOUS AGENCY	16,369	16,833	19,680	18,940	18,940	18,940	18,940	18,940	18,940
GIFT	5,352	5,766	21,595	6,709	6,709	6,709	6,709	6,709	6,709
SUB SUPPLEMENTAL & IRA RETIRE	891	751	1,566	754	754	754	754	754	754
MNSCU ENTERPRISE ACTIVITIES	78	86	2,670	2,637	2,637	2,637	2,637	2,637	2,637
ENDOWMENT	0	1	1	0	0	0	0	0	0
Total Financing	937,072	976,599	1,044,156	1,026,937	1,124,311	1,043,836	1,047,612	1,205,825	1,078,358

Activity: INSTRUCTION & NON INSTRUCTION
Program: MN STATE COLLEGES & UNIVER
Agency: STATE COLLEGES & UNIVERSITIES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Revenue Collected:									
Dedicated									
GENERAL	335,021	362,188	376,606	380,678	380,678	380,678	386,506	386,506	386,506
SPECIAL REVENUE	3,381	4,450	4,440	4,450	4,450	4,450	4,450	4,450	4,450
FEDERAL	40,134	36,699	35,620	36,699	36,699	36,699	36,699	36,699	36,699
MISCELLANEOUS AGENCY	15,514	18,940	18,940	18,940	18,940	18,940	18,940	18,940	18,940
CC SUPPLEMENTAL RETIREMENT	0	(1)	0	0	0	0	0	0	0
GIFT	5,626	6,709	19,567	6,709	6,709	6,709	6,709	6,709	6,709
SUB SUPPLEMENTAL & IRA RETIRE	738	754	800	754	754	754	754	754	754
MNSCU ENTERPRISE ACTIVITIES	88	109	2,552	2,552	2,552	2,552	2,552	2,552	2,552
ENDOWMENT	6	7	7	7	7	7	7	7	7
Total Revenues Collected	400,508	429,855	458,532	450,789	450,789	450,789	456,617	456,617	456,617

STATE COLLEGES & UNIVERSITIES - LEGISLATIVE REPORTS

2002-03 Biennial Budget

TITLE: Cook County Higher Education

LEGAL CITATION: None

PURPOSE/DESCRIPTION:

Cook County Higher Education (CCHE), located in Northeast Minnesota, is a community-based program which focuses on rural access to higher education resources with a special emphasis on distance education, academic and career counseling, and the development of partnerships to meet individuals needs.

Working with the colleges and universities of Minnesota, CCHE is able to tap into ITV and online courses, in addition to offering onsite courses. In 2000, CCHE was able to offer two onsite courses by contracting with Lake Superior College. CCHE had five students who participated in Anatomy and Physiology and Cell Biology courses. CCHE funding subsidized these courses offered as pre-requisites to the nursing program. CCHE was disappointed with the low enrollment but recognized that the course offerings were vital to the students who participated. Enrollment for the next course, General Psychology, is expected to be much higher.

CCHE also provides distance education information from accredited schools across the nation in addition to providing financial aid information and forms, scholarship information resources, and the technical assistance of computer and online resources.

Online and ITV educational opportunities are vital to Cook County residents. Present and potential students include:

High School students who want to take advantage of PSEO opportunities. CCHE expects online enrollments to grow as information about PSEO and Lake Superior College's Honors On-line Program is promoted.

Young Adults who have opted to remain and work in Cook County and would like to begin their higher education. Online and ITV courses offer a stimulating educational experience.

Adults in a career (incumbent workers) in which new information or a degree could create advancement or promotion in their fields.

Adults who have never completed their college degrees and would like to add credits to their transcripts.

Any resident who is interested in personal enrichment and lifelong learning.

CCHE is actively working with Cook County High School (CCHS) to promote online and ITV course offerings for high school students. CCHE recently printed a brochure to help students and adults understand the steps necessary for high school students to take advantage of college course offerings. Lake Superior Colleges online and ITV course offerings are an important educational component for CCHS students.

Lake Superior College has indicated their intention to provide regularly scheduled ITV courses to Cook County, Silver Bay, and Two Harbors. This decision is a vital component in the Cook County High School's decision to upgrade and maintain its ITV facility. ITV increases the course offerings available to high school students, in addition to making classroom setting college courses available to community residents.

FUNDING DETAIL

Funds requested	July 1 - Oct. 31	\$16,000.00
Expenditures	July 1 - Oct. 31	\$11,177.17

These expenditures do not reflect amounts owed for student support from the subsidized courses. This amount will be reflected during the next budget period. The breakdown of expenses is outlined on the financial statement prepared by George F. Maruska, Ltd, Certified Public Accountant, PO Box 550, Grand Marais, MN (218-387-1180).

STATE COLLEGES & UNIVERSITIES - LEGISLATIVE REPORTS

Budget Activity:**Program:****Agency: STATE COLLEGES & UNIVERSITIES****TITLE: Facilities Repair and Replacement****LEGAL CITATION: None****PURPOSE/DESCRIPTION:**

The Minnesota State Colleges and Universities spend a portion of their annual operating funds on facilities repair and replacement.

FUNDING DETAIL:

Expenditures for FY 1998 - FY 2001 are listed below:

FY 1998	\$11,160,404	actual
FY 1999*	\$11,339,299	actual
FY 2000**	\$15,366,869	actual
FY 2001	\$19,300,000	<i>estimated</i>

*includes \$1.5 M of one-time funds.

**increased of \$8 M in base funds

STATE COLLEGES & UNIVERSITIES - LEGISLATIVE REPORTS

2002-03 Biennial Budget

TITLE: Instructional Equipment Expenditures

LEGAL CITATION: None

PURPOSE/DESCRIPTION:

The 1989 legislature recognized that the quality and condition of equipment had been eroding throughout the higher education systems and attempted to provide some limited assistance. Again, in the 1991 session, the legislature set aside a portion of appropriations for instructional equipment. In 1993, the legislature directed that "in each year of the [1994-95] biennium, each post secondary system shall spend no less on instructional equipment than in [each year of] the previous biennium" (Laws 1993 First Special Session, Chapter 2, Article 1, Sec. 9, Subd. 1) This requirement was removed from the 1995 and 1997 budget bills but legislative staff have requested that the higher education systems continue to report on instructional equipment expenditures.

FUNDING DETAIL:

Because MnSCU's accounting system does not separately identify instructional equipment expenditures, the amount is estimated from total expenditures for equipment, multiplied by the percentage of MnSCU's total budget spent on student instruction.

The following table shows actual expenditures for equipment during the last three years and estimated expenditures for FY 2001, broken out between direct purchase and lease payments made for principal and interest.

TOTAL INSTRUCTIONAL EQUIPMENT EXPENDITURES:

	FY1998	FY1999	FY2000	FY2001(est)
General Equipment	\$24,603,983	\$30,464,185	\$30,266,778	\$30,938,700
Principal & Interest Payments on Equipment	\$3,996,259	\$3,497,101	\$4,448,661	\$4,547,421
TOTAL:	\$28,600,242	\$33,961,286	\$34,715,439	\$35,486,122

STATE COLLEGES AND UNIVERSITIES - LEGISLATIVE REPORTS

2002-03 Biennial Budget

Agency: Minnesota State Colleges and Universities (MnSCU)

TITLE: Library/Media Acquisitions

LEGAL CITATION: None

PURPOSE/DESCRIPTION:

In 1991 legislature recognized that library acquisitions had been eroding throughout the public higher education systems and intended to assure that expenditures would not fall. In 1993, the legislature again required that in each year of the [1994-95] biennium, each post-secondary system shall spend no less on libraries than in [each year of] the previous biennium (Laws 1993 First Special Session, Chapter 2, Article 1, Sec. 9, Subd. 1). In the 1995 and 1997 legislative sessions, this requirement was removed but legislative staff have requested that the higher education systems continue to report on library expenditures.

FUNDING DETAIL:

For purposes of this report, the legislative staff have requested an analysis of library acquisitions reported in the accounting system as books, magazines, publications, subscriptions, training aids and devices, and training films or tapes. The following table shows actual expenditures for library acquisitions during the last three years and estimates for FY2001.

FY 1998	\$4,682,204	actual
FY 1999	\$6,669,097	actual
FY 2000	\$7,310,643	actual
FY 2001	\$7,500,000	estimated

STATE COLLEGES AND UNIVERSITIES - LEGISLATIVE REPORTS

FY 1999 SYSTEM STEP DOWN (in thousands)

	PRIMARY PROGRAMS				SUPPORT PROGRAMS				Total
	Instruction & Dept Research	Separately Budgeted Research	Public Service	Other	Academic Support	Student Support	Institution Support	Physical Plant	
TOTAL - Direct Costs	389,319	2,200	28,693	20,742	116,533	72,148	139,637	90,833	860,105
Physical Plant	45,969	260	3,388	2,449	13,760	8,519	16,488	(90,833)	0
Sub-total	435,288	2,460	32,081	23,192	130,293	80,667	156,125	0	860,105
Institutional Support	96,536	546	7,115	5,143	28,896	17,890	(156,125)		0
Sub-total	531,823	3,006	39,196	28,335	159,188	98,556	0	0	860,105
Student Support	68,826	389	5,073	3,667	20,601	(98,556)			0
Sub-total	600,650	3,395	44,269	32,002	179,790	0	0	0	860,105
Academic Support	158,736	897	11,699	8,457	(179,790)				0
FULLY ALLOCATED COSTS	759,386	4,292	55,968	40,459	0	0	0	0	860,105

Minnesota State Colleges and Universities
FY1999 Fully Allocated Instructional Costs
(Dollars in Thousands)

Level of Instruction	EXPENDITURES			Full-Year Equivalent Enrollment
	Direct	Indirect	Total	
Undergraduate:				
Lower Division	\$291,896	\$284,935	\$576,831	87,257
Upper Division	73,506	54,823	128,329	15,690
Graduate	16,740	12,784	29,524	3,773
TOTAL	\$382,143	\$352,541	\$734,684	106,720

Level of Instruction	EXPENDITURES PER FYE STUDENT		
	Direct	Indirect	Total
Undergraduate:			
Lower Division	\$3,345	\$3,265	\$6,610
Upper Division	4,685	3,494	8,179
Graduate	4,437	3,388	7,825
TOTAL	\$3,581	\$3,303	\$6,884

STATE COLLEGES & UNIVERSITIES - LEGISLATIVE REPORTS

FULL YEAR EQUIVALENT (FYE) STUDENT ENROLLMENT BY

TUITION/RESIDENCY STATUS

	Actual <u>FY 1999</u>	Actual <u>FY 2000</u>	Estimated <u>FY 2001</u>	Estimated <u>FY 2002</u>	Estimated <u>FY 2003</u>
UNDERGRADUATE					
Regular	93,901	100,591	105,010	107,392	109,812
Non Resident/Non Reciprocity	4,618	4,826	3,930	4,045	4,138
Post Secondary Enrollment Option	4,431	4,680	4,606	4,733	4,817
Mid West Compact	<u>98</u>	<u>152</u>	<u>154</u>	<u>155</u>	<u>160</u>
TOTAL UNDERGRADUATE	<u>103,048</u>	<u>110,249</u>	<u>113,700</u>	<u>116,325</u>	<u>118,927</u>
GRADUATE					
Regular	3,777	3,947	3,953	4,066	4,130
Mid West Compact	<u>0</u>	<u>2</u>	<u>14</u>	<u>15</u>	<u>15</u>
TOTAL GRADUATE	<u>3,777</u>	<u>3,949</u>	<u>3,967</u>	<u>4,081</u>	<u>4,145</u>
SYSTEM TOTAL FYE	106,825	114,198	117,667	120,406	123,072
	=====	=====	=====	=====	=====

FY 2001

	Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Instruction + Noninstruction Total	Appropriation	Tuition, Rev.
FY 01 SPENDING AUTHORITY									
Base 1999 Session	713,533	505,571	207,962	66,723	66,723	0	780,256	572,294	207,962
2000 Session Special Appropriations	<u>10,522</u>	<u>7,050</u>	<u>3,472</u>	<u>330</u>	<u>330</u>	<u>0</u>	<u>10,852</u>	<u>7,380</u>	<u>3,472</u>
Sub-Total Laws of 1999 & 2000	724,055	512,621	211,434	67,053	67,053	0	791,108	579,674	211,434
Adjust Intent Tuition to Actual	65,670	0	65,670	0	0	0	65,670	0	65,670
Adjusted Other Revenue	0	0	0	101,009	0	101,009	101,009	0	101,009
FY 2000 Carryforward	<u>0</u>	<u>0</u>	<u>0</u>	<u>137,908</u>	<u>0</u>	<u>137,908</u>	<u>137,908</u>	<u>0</u>	<u>137,908</u>
RECONCILIATION & Base Adjustments	789,725	512,621	277,104	305,970	67,053	238,917	1,095,695	579,674	516,021
Adjust out Carryforward	0	0	0	(137,908)	0	(137,908)	(137,908)	0	(137,908)
One-Time Funding	(5,800)	(5,800)	0	0	0	0	(5,800)	(5,800)	0
FY 95 to FY 99 Base Estimated Enrollment Correction	(5,399)	(5,399)	0	0	0	0	(5,399)	(5,399)	0
Est. Correct Base FY 99 Actual to FY 01 Est. - 10/00	5,783	5,783	0	0	0	0	5,783	5,783	0
Adjust out Excess Tuition	(65,670)	0	(65,670)	0	0	0	(65,670)	0	(65,670)
TOTAL ADJUSTED BASE SPENDING	718,639	507,205	211,434	168,062	67,053	101,009	886,701	574,258	312,443

Minnesota State Colleges and Universities
FY 2001 Reconciliation to FY 2002 and FY 2003
\$'s in 000's

Split FY 1999 Pay Back -- 50% / 50%

FY 2002

M.S. 135A FORMULA ADJUSTMENTS

FULL YEAR EQUIVALENT ENROLLMENT	FYE FY 2001	FYE FY 2002
Regular		
Undergraduate	105,011	107,392
Graduate	<u>3,953</u>	<u>4,066</u>
Sub-Total Regular	108,964	111,458
Marginal/Weighted		
Post-Secondary Enrollment Options	4,606	4,733
Midwest Compact	<u>168</u>	<u>170</u>
Sub-Total Marginal	4,774	4,903
Weighted @ 50%	2,387	2,452
Total Formula Enrollment	111,351	113,910
Enrollment Base	110,216	110,216
FYE Change from Base		3,694
Per Cent Change from Base		3.35%
Formula Adjustment Factor		2.00%

	Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Total	Instruction + Noninstruction Appropriation	Tuition, Rev.
ADJUST SPENDING FOR INFLATION, FIXED & VARIABLE									
FY 2001 Adjusted Base Spending	718,639	507,205	211,434	168,062	67,053	101,009	886,701	574,258	312,443
Debt Service - Local TC Bonds	<u>0</u>	<u>0</u>	<u>0</u>	<u>(58)</u>	<u>(58)</u>	<u>0</u>	<u>(58)</u>	<u>(58)</u>	<u>0</u>
Subtotal, Base Spending	718,639	507,205	211,434	168,004	66,995	101,009	886,643	574,200	312,443
Fixed Base Spending, 35%	251,524	177,522	74,002	0	0	0	251,524	177,522	74,002
Variable Base Spending, 65%	467,116	329,683	137,432	0	0	0	467,116	329,683	137,432
ADJUST VARIABLE SPENDING FOR ENROLLMENT									
Base Adjust Enrollment - FY 01 Est. to FY 02 Est. - 10/00	<u>9,342</u>	<u>6,594</u>	<u>2,749</u>	<u>0</u>	<u>0</u>	<u>0</u>	9,341	6,593	2,749
Total Spending Base	727,982	513,799	214,183	168,004	66,995	101,009			
PERFORMANCE & FYE ADJUSTMENT									
1% Adjustment	0	0	0	0	0	0	0	0	0
1/2 of the One Time Est. Correct FY 95 Actual to FY 99 Actual	(13,499)	(13,499)	0	0	0	0	(13,499)	(13,499)	0
One Time Est. Correct FY 95 Act to FY 99 Actual - Base 00	(5,399)	(5,399)	0	0	0	0	(5,399)	(5,399)	0
One Time Est. Correct FY 99 Actual to FY 00 Actual	5,784	5,784	0	0	0	0	5,784	5,784	0
SUB TOTAL ADJUSTED FY 00 BASE SPENDING	714,868	500,685	214,183	168,004	66,995	101,009	882,872	567,680	315,192
Excess Tuition	<u>69,205</u>	<u>0</u>	<u>69,205</u>				<u>69,205</u>	<u>0</u>	<u>69,205</u>
TOTAL ADJUSTED FY 00 BASE SPENDING	784,072	500,685	283,388				952,076	567,680	384,396
FY 2003									

Minnesota State Colleges and Universities
FY 2001 Reconciliation to FY 2002 and FY 2003
\$'s in 000's

Split FY 1999 Pay Back -- 50% / 50%

FY 2003

M.S. 135A FORMULA ADJUSTMENTS

FULL YEAR EQUIVALENT ENROLLMENT	FYE FY 2001	FYE FY 2003
Regular		
Undergraduate	105,011	109,812
Graduate	<u>3,953</u>	<u>4,130</u>
Sub-Total Regular	108,964	113,942
Marginal/Weighted		
Post-Secondary Enrollment Options	4,606	4,817
Midwest Compact	<u>168</u>	<u>175</u>
Sub-Total Marginal	4,774	4,992
Weighted @ 50%	2,387	2,496
Total Formula Enrollment	111,351	116,438
Enrollment Base	110,216	110,216
FYE Change from Base		6,222
Per Cent Change from Base		5.65%
Formula Adjustment Factor		4.00%

	Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Instruction + Noninstruction Total	Appropriation	Tuition, Rev.
ADJUST SPENDING FOR INFLATION, FIXED & VARIABLE									
FY 1997 Adjusted Base Spending Less Debt Service	718,639	507,205	211,434	168,062	67,053	101,009	886,701	574,258	312,443
Debt Service - Local TC Bonds	<u>0</u>	<u>0</u>	<u>0</u>	<u>(59)</u>	<u>(59)</u>	<u>0</u>	<u>(59)</u>	<u>(59)</u>	<u>0</u>
Subtotal, Base Spending	718,639	507,205	211,434	168,003	66,994	101,009	886,642	574,199	312,443
Fixed Base Spending, 35%	251,524	177,522	74,002	0	0	0	251,524	177,522	74,002
Variable Base Spending, 65%	467,116	329,683	137,432	0	0	0	467,116	329,683	137,432
ADJUST VARIABLE SPENDING FOR ENROLLMENT									
Base Adjust Enrollment - FY 01 Est. to FY 03 Est. - 10/00	<u>18,685</u>	<u>13,187</u>	<u>5,497</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,685</u>	<u>13,187</u>	<u>5,497</u>
Total Spending Base	737,324	520,392	216,932	168,003	66,994	101,009	905,327	587,387	317,940
PERFORMANCE ADJUSTMENT									
1% Performance	0	0	0	0	0	0	0	0	0
1/2 of the One Time Est. Correct FY 95 Actual to FY 99 Actual	(13,499)	(13,499)	0	0	0	0	(13,499)	(13,499)	0
SUB TOTAL ADJUSTED FY 01 BASE SPENDING	723,825	506,893	216,932	168,003	66,994	101,009	891,828	573,888	317,940
Excess Tuition	<u>72,284</u>	<u>0</u>	<u>72,284</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>72,284</u>	<u>0</u>	<u>72,284</u>
TOTAL ADJUSTED FY 01 BASE SPENDING	796,109	506,893	289,216	168,003	66,994	101,009	964,112	573,888	390,225

FY 1999

	Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Total	Instruction + Noninstruction Appropriation	Tuition, Rev.
FY 99 SPENDING AUTHORITY									
Base 1997 Session	664,765	470,213	194,552	43,741	43,741	0	708,506	513,954	194,552
1998 Session Special Appropriations	<u>35,000</u>	<u>35,000</u>	<u>0</u>	<u>1,200</u>	<u>1,200</u>	<u>0</u>	<u>36,200</u>	<u>36,200</u>	<u>0</u>
Sub-Total Laws of 1997 & 1998	699,765	505,213	194,552	44,941	44,941	0	744,706	550,154	194,552
Adjust Intent Tuition to Actual	41,589	0	41,589	0	0	0	41,589	0	41,589
SST 1999 Salary Supplement Transfer	64	64	0	0	0	0	64	64	0
Uniform Pension Bill Reduction	(1,832)	(1,832)	0	(204)	(204)	0	(2,036)	(2,036)	0
Instruction to Non Instruction Adjustment	(10,132)	(10,132)	0	10,132	10,132	0	0	0	0
Adjusted Other Revenue	0	0	0	87,009	0	87,009	87,009	0	87,009
FY 1998 Carryforward	<u>0</u>	<u>0</u>	<u>0</u>	<u>126,801</u>	<u>0</u>	<u>126,801</u>	<u>126,801</u>	<u>0</u>	<u>126,801</u>
RECONCILIATION & Base Adjustments	729,454	493,313	236,141	268,679	54,869	213,810	998,133	548,182	449,951
Adjust out Carryforward	0	0	0	(126,801)	0	(126,801)	(126,801)	0	(126,801)
One-Time Funding	(26,883)	(26,883)	0	(3,393)	(3,393)	0	(30,275)	(30,275)	0
FY 1999 Estimated Enrollment Correction	(21,599)	(21,599)	0	0	0	0	(21,599)	(21,599)	0
SST 1999 Salary Supplement Transfer	(64)	(64)	0	0	0	0	(64)	(64)	0
Adjust out Excess Tuition	(41,589)	0	(41,589)	0	0	0	(41,589)	0	(41,589)
TOTAL ADJUSTED BASE SPENDING	639,319	444,767	194,552	138,486	51,477	87,009	777,805	496,244	281,561

Minnesota State Colleges and Universities
FY 1999 Reconciliation to FY 2000 and FY 2001
\$'s in 000's

REVISED - FY 99 and FY 00 Actual & FY 01 Estimated FYE for Correction Factor FY 02/03 Budget

FY 2000

M.S. 135A FORMULA ADJUSTMENTS

FULL YEAR EQUIVALENT ENROLLMENT	FYE FY 1999	FYE FY 2000	
Regular			
Undergraduate	93,901	100,591	
Graduate	<u>3,777</u>	<u>3,947</u>	
Sub-Total Regular	97,678	104,538	
Marginal/Weighted			
Post-Secondary Enrollment Options	4,431	4,680	
Midwest Compact	<u>98</u>	<u>154</u>	
Sub-Total Marginal	4,529	4,834	
Weighted @ 50%	2,265	2,417	
Total Formula Enrollment	99,943	106,955	
Enrollment Base	100,196	100,196	
FYE Change from Base		6,759	
Per Cent Change from Base		6.75%	
Formula Adjustment Factor		6.00%	

NOTE: 1999 Session Est. Base Cut (\$21,599)
Actual Base Cut (\$26,998)
Difference (\$5,399)

1999 Session Est. FYE Adj. + \$5,790
2000 Session Est. FYE Adj. + \$5,800
Actual Band Cost + \$17,374
Difference + \$5,784

Balance Due = \$385,000

	Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Instruction + Noninstruction Total	Appropriation	Tuition, Rev.
ADJUST SPENDING FOR INFLATION, FIXED & VARIABLE									
FY 1997 Adjusted Base Spending	639,319	444,767	194,552	138,486	51,477	87,009	777,805	496,244	281,561
Salary Supplement	136	136	0	0	0	0	136	136	0
Debt Service - Local TC Bonds	0	0	0	(6)	(6)	0	(6)	(6)	0
Statewide Administrative Systems	590	590	0	66	66	0	656	656	0
Subtotal, Base Spending	640,046	445,494	194,552	138,546	51,537	87,009	778,591	497,030	281,561
Fixed Base Spending, 35%	224,016	155,923	68,093	0	0	0	224,016	155,923	68,093
Variable Base Spending, 65%	416,030	289,571	126,459	0	0	0	416,030	289,571	126,459
ADJUST VARIABLE SPENDING FOR ENROLLMENT									
Adjustment for Enrollment - Bands	<u>24,962</u>	<u>17,374</u>	<u>7,588</u>	<u>0</u>	<u>0</u>	<u>0</u>	24,961	17,373	7,588
Total Spending Base	665,007	462,868	202,140	138,546	51,537	87,009			
PERFORMANCE & FYE ADJUSTMENT									
1% Adjustment	0	0	0	0	0	0	0	0	0
FY 1998 Estimated/Actual Enrollment Correction	(5,400)	(5,400)	0	0	0	0	(5,400)	(5,400)	0
SUB TOTAL ADJUSTED FY 00 BASE SPENDING	659,607	457,468	202,140	138,546	51,537	87,009	798,153	509,004	289,149
Excess Tuition	<u>41,321</u>	<u>0</u>	<u>41,321</u>				<u>41,321</u>	<u>0</u>	<u>41,321</u>
TOTAL ADJUSTED FY 00 BASE SPENDING	700,929	457,468	243,461				839,474	509,004	330,470

Minnesota State Colleges and Universities
FY 1999 Reconciliation to FY 2000 and FY 2001
\$'s in 000's

REVISED - FY 99 and FY 00 Actual & FY 01 Estimated FYE for Correction Factor FY 02/03 Budget

FY 2001

M.S. 135A FORMULA ADJUSTMENTS

FULL YEAR EQUIVALENT ENROLLMENT			FYE FY 1999	FYE FY 2001					
Regular									
Undergraduate			93,901	105,011					
Graduate			<u>3,777</u>	<u>3,953</u>	NOTE: 1999 Session Est. Base Cut (\$21,599)				
Sub-Total Regular			97,678	108,964	Actual Base Cut (\$26,998)				
					Difference (\$5,399)				
Marginal/Weighted									
Post-Secondary Enrollment Options			4,431	4,606	1999 Session Est. FYE Adj. + \$17,375				
Midwest Compact			<u>98</u>	<u>168</u>	2000 Session Est. FYE Adj. + \$5,800				
Sub-Total Marginal			4,529	4,774	Estimated FY 01 Band Cost + \$28,958				
					Difference + \$5,783				
Weighted @ 50%			2,265	2,387	Balance Due = \$386,000				
Total Formula Enrollment			99,943	111,351					
Enrollment Base			100,196	100,196					
FYE Change from Base				11,155					
Per Cent Change from Base				11.13%					
Formula Adjustment Factor				10.00%					
			Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Instruction + Noninstruction Total Appropriation Tuition, Rev.
ADJUST SPENDING FOR INFLATION, FIXED & VARIABLE									
FY 1997 Adjusted Base Spending Less Debt Service			639,319	444,767	194,552	138,486	51,477	87,009	777,805 496,244 281,561
Salary Supplement			152	152	0	0	0	0	152 152 0
Debt Service - Local TC Bonds			0	0	0	(13)	(13)	0	(13) (13) 0
Statewide Administrative Systems			<u>590</u>	<u>590</u>	<u>0</u>	<u>66</u>	<u>66</u>	<u>0</u>	<u>656</u> <u>656</u> <u>0</u>
Subtotal, Base Spending			640,062	445,510	194,552	138,539	51,530	87,009	778,600 497,039 281,561
Fixed Base Spending, 35%			224,022	155,928	68,093	0	0	0	224,022 155,928 68,093
Variable Base Spending, 65%			416,040	289,581	126,459	0	0	0	416,040 289,581 126,459
ADJUST VARIABLE SPENDING FOR ENROLLMENT									
Adjustment for Enrollment - Bands			<u>41,604</u>	<u>28,958</u>	<u>12,646</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,604</u> <u>28,958</u> <u>12,646</u>
Total Spending Base			681,665	474,468	207,198	138,539	51,530	87,009	820,204 525,997 294,207
PERFORMANCE ADJUSTMENT									
1% Adjustment			0	0	0	0	0	0	0 0 0
SUB TOTAL ADJUSTED FY 01 BASE SPENDING									
Excess Tuition			<u>41,863</u>	<u>0</u>	<u>41,863</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,863</u> <u>0</u> <u>41,863</u>
TOTAL ADJUSTED FY 01 BASE SPENDING			723,529	474,468	249,061	138,539	51,530	87,009	862,067 525,997 336,070

Minnesota State Colleges and Universities
FY 1997 Reconciliation to FY 1998 and FY 1999
\$'s in 000's

REVISED - FY 95 & FY 99 Actual FYE for Correction Factor FY 02/03 Budget

Adjusted FY 95 to FY 98 Actual Also

	Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Total	Instruction + Noninstruction Appropriation	Tuition, Rev.
FY 97 SPENDING AUTHORITY									
Base 1995 Session	626,542	429,330	197,212	41,867	41,597	270	668,409	470,927	197,482
1996 Session Special Appropriations	<u>5,250</u>	<u>5,250</u>	<u>0</u>	<u>50</u>	<u>50</u>	<u>0</u>	<u>5,300</u>	<u>5,300</u>	<u>0</u>
Sub-Total Laws of 1995 & 1996	631,792	434,580	197,212	41,917	41,647	270	673,709	476,227	197,482
Other Revenue - Post Board Receipts	0	0	0	270	0	270	270	0	270
Adjust Intent Tuition to Actual	30,769	0	30,769	0	0	0	30,769	0	30,769
Adjusted Other Revenue	0	0	0	74,599	0	74,599	74,599	0	74,599
Debt Service Transfer	(6,854)	(6,854)	0	(762)	(762)	0	(7,616)	(7,616)	0
FY 1996 Carryforward	<u>0</u>	<u>0</u>	<u>0</u>	<u>77,153</u>	<u>0</u>	<u>77,153</u>	<u>77,153</u>	<u>0</u>	<u>77,153</u>
RECONCILIATION & Base Adjustments	655,707	427,726	227,981	193,178	40,885	152,292	848,884	468,611	380,273
Debt Service - Pre 1979 / Local TC (FY 98 -10 / FY 99 -115)	0	0	0	(10)	-(10)	0	(10)	(10)	0
Adjust out Carryforward	0	0	0	(77,153)	0	(77,153)	(77,153)	0	(77,153)
Transfers Out Adjusted Into Base	6,854	6,854	0	762	762	0	7,616	7,616	0
One-Time Funding	(21,397)	(21,397)	0	(50)	(50)	0	(21,447)	(21,447)	0
HESO Transfer ITV - Central Lakes	(373)	(373)	0	0	0	0	(373)	(373)	0
Aministration Lease (FY 99 - 69/9= 78)	57	57	0	6	6	0	63	63	0
Invested Treasury Cash - Interest Income	1,627	1,627	0	181	181	0	1,808	1,808	0
Post Board Funding - General Fund - Laws 1993 - 1st Special	850	850	0	0	0	0	850	850	0
Adjust out Excess Tuition	(30,769)	0	(30,769)	0	0	0	(30,769)	0	(30,769)
TOTAL ADJUSTED BASE SPENDING	612,556	415,344	197,212	116,913	41,774	75,139	729,469	457,118	272,351

Minnesota State Colleges and Universities
FY 1997 Reconciliation to FY 1998 and FY 1999
\$'s in 000's

REVISED - FY 95 & FY 99 Actual FYE for Correction Factor FY 02/03 Budget

Adjusted FY 95 to FY 98 Actual Also

FY 1998

Dollars in 1,000s

\$ / FYE actual

M.S. 135A FORMULA ADJUSTMENTS

FULL YEAR EQUIVALENT ENROLLMENT

	FYE FY 1995	FYE FY 1998
Regular		
Undergraduate	106,374	101,362
Graduate	<u>3,622</u>	<u>3,903</u>
Sub-Total Regular	109,996	105,265
Marginal/Weighted		
Post-Secondary Enrollment Options	2,587	3,099
Midwest Compact	<u>79</u>	<u>113</u>
Sub-Total Marginal	2,666	3,212
Weighted @ 50%	1,333	1,606
Total Formula Enrollment	111,329	106,871
Enrollment Base	111,329	111,329
FYE Change from Base		(4,458)
Per Cent Change from Base		-4.00%
Formula Adjustment Factor		-4.00%

Note:

1997 Session Cut \$5,399
1999 Session Cut \$5,400

Total Reduction = \$10,799

COMPLETE

ADJUST SPENDING FOR INFLATION, FIXED & VARIABLE

FY 1997 Adjusted Base Spending	612,556	415,344	197,212	116,913	41,774	75,139	729,469	457,118	272,351
Inflation @ 0%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal, Base Spending	612,556	415,344	197,212	116,913	41,774	75,139	729,469	457,118	272,351
Fixed Base Spending, 35%	214,395	145,370	69,024	0	0	0	214,395	145,370	69,024
Variable Base Spending, 65%	398,161	269,974	128,188	0	0	0	398,161	269,974	128,188

ADJUST VARIABLE SPENDING FOR ENROLLMENT

Adjustment for Enrollment - Bands	<u>(15,926)</u>	<u>(10,799)</u>	<u>(5,128)</u>	<u>0</u>	<u>0</u>	<u>0</u>	(15,927)	(10,800)	(5,128)
Total Spending Base	596,630	404,545	192,084	116,913	41,774	75,139			

PERFORMANCE ADJUSTMENT

1% Adjustment	0	0	0	0	0	0	0	0	0
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SUB TOTAL ADJUSTED FY 98 BASE SPENDING

Excess Tuition	<u>40,717</u>	<u>0</u>	<u>40,717</u>				<u>40,717</u>	<u>0</u>	<u>40,717</u>
TOTAL ADJUSTED FY 98 BASE SPENDING	637,347	404,545	232,802				754,260	446,319	307,941

Minnesota State Colleges and Universities
FY 1997 Reconciliation to FY 1998 and FY 1999
\$'s in 000's

REVISED - FY 95 & FY 99 Actual FYE for Correction Factor FY 02/03 Budget

Adjusted FY 95 to FY 98 Actual Also

FY 1999

Dollars in 1,000s

\$ / FYE actual.

M.S. 135A FORMULA ADJUSTMENTS

FULL YEAR EQUIVALENT ENROLLMENT

	Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Instruction + Noninstruction Total	Appropriation	Tuition, Rev.
FYE									
FY 1995									
FYE									
FY 1999									
Regular									
Undergraduate	106,374	93,901							
Graduate	3,622	3,777							
Sub-Total Regular	109,996	97,678							
Marginal/Weighted									
Post-Secondary Enrollment Options	2,587	4,431							
Midwest Compact	79	98							
Sub-Total Marginal	2,666	4,529							
Weighted @ 50%	1,333	2,265							
Total Formula Enrollment	111,329	99,943							
Enrollment Base	111,329	111,329							
FYE Change from Base		(11,387)							
Per Cent Change from Base		-10.23%							
Formula Adjustment Factor		-10.00%							

Note:

1997 Session No Cut
1999 Session No Cut

Total Reduction = \$26,998

One Time Clean Up 2001 Session = (\$26,998)

ADJUST SPENDING FOR INFLATION, FIXED & VARIABLE

FY 1997 Adjusted Base Spending Less Debt Service	612,568	415,356	197,212	116,811	41,672	75,139	729,379	457,028	272,351
Inflation @ 0%	0	0	0	0	0	0	0	0	0
Subtotal, Base Spending	612,568	415,356	197,212	116,811	41,672	75,139	729,379	457,028	272,351
Fixed Base Spending, 35%	214,399	145,375	69,024	0	0	0	214,399	145,375	69,024
Variable Base Spending, 65%	398,169	269,981	128,188	0	0	0	398,169	269,981	128,188

ADJUST VARIABLE SPENDING FOR ENROLLMENT

Adjustment for Enrollment - Bands	(39,817)	(26,998)	(12,819)	0	0	0	(39,817)	(26,998)	(12,819)
Total Spending Base	572,751	388,358	184,393	116,811	41,672	75,139			

PERFORMANCE ADJUSTMENT

1% Adjustment	0	0	0	0	0	0	0	0	0
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SUB TOTAL ADJUSTED FY 99 BASE SPENDING

Excess Tuition	53,590	0	53,590				53,590	0	53,590
TOTAL ADJUSTED FY 99 BASE SPENDING	626,341	388,358	237,984				743,153	430,030	313,123

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MAYO FOUNDATION- EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mayo aspires to provide the highest quality, compassionate patient care at a reasonable cost through a physician-led team of diverse people working together in clinical practice, education and research in a unified multi-campus system.

Mayo Foundation is a nonprofit, charitable corporation best described as a private trust for public purposes. Mayo pledges to conduct its interdependent programs of medical care, research and education in keeping with the highest standards of ethics and quality. Fundamental to this pledge is the absolute need to combine the science and art of medicine and technology with personalized care. Excellence in all endeavors with respect for the individual-both patient and employee-is the primary goal.

KEY SERVICE STRATEGIES:

The state provides grants for the Mayo Medical School, the Mayo Family Practice Residency Program, and the St. Cloud Hospital Family Medicine Residency Program.

Mayo Medical School is an undergraduate medical school preparing students to enter graduate training and residency programs. The Mayo Family Medicine Residency Program trains family physicians who provide comprehensive medical care to patients of all ages. Resident physicians serve patient populations in Kasson, Rochester, and St. Cloud. The state provides grants to offset tuition for medical school students who are from Minnesota and to partially fund the stipends of the Family Medicine residents.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends an increase of \$47,000 in FY 2002 and \$ \$113,000 in FY 2003. This increase will fund each of the agency's requests for inflationary adjustments for the same number of students funded in FY 2001.

Agency: MAYO MEDICAL SCHOOL

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Program:</u>									
MAYO MEDICAL SCHOOL	430	568	591	605	666	635	605	699	667
MAYO FAMILY	749	906	1,032	1,032	1,159	1,049	1,032	1,290	1,083
Total Expenditures	1,179	1,474	1,623	1,637	1,825	1,684	1,637	1,989	1,750
<u>Financing by Fund:</u>									
<u>Direct Appropriations:</u>									
GENERAL	1,179	1,474	1,623	1,637	1,825	1,684	1,637	1,989	1,750
Total Financing	1,179	1,474	1,623	1,637	1,825	1,684	1,637	1,989	1,750

PROGRAM SUMMARY

Program: MAYO MEDICAL SCHOOL
Agency: MAYO MEDICAL SCHOOL

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$30,000 in FY 2002 and \$62,000 in FY 2003. This increase will fund each of the agency's requests for inflationary adjustments for the same number of students as were funded in FY 2001.

PROGRAM PROFILE:

Mayo Medical School (MMS) was founded in 1972. The small class size, 42 students per class, facilitates a personalized course of instruction characterized by extensive clinical interaction and the integration of basic and clinical sciences throughout all segments of the curriculum. The mission of MMS is:

- To enroll outstanding students and to offer them a curriculum designed to foster their individual strengths and talents and to take full advantage of the unique integrated research, education, and practice resources of Mayo Foundation.
- To provide an intellectually stimulating environment where the small class size and large faculty of practicing physicians, scientific investigators, and educators unite to promote the scientific and humanitarian practice of medicine.
- To produce knowledgeable and compassionate physicians and scientists who have the skills and desire for lifelong learning.

A balance is sought to produce physicians interested in medical subspecialties as well as the primary care disciplines of general internal medicine, family medicine, pediatrics, and obstetrics/gynecology. (Of those graduating in 2000, 39% chose a residency program in one of those four areas.) As part of their education, each MMS student lives with a family practice physician who is in private practice in a rural Minnesota community to experience first-hand the challenges and rewards of primary care medicine.

STRATEGIES AND PERFORMANCE:

Mayo Medical School has graduated 983 physicians since 1976 and of those, 386 (39%) currently practice in Minnesota. Of the 617 graduates who were originally from Minnesota (and received capitation grants), 2892 (76%) have stayed to practice in Minnesota

FINANCING INFORMATION:

Since 1972, the legislature has provided grants to Minnesota residents. (Capitation provided by the state is used to offset tuition paid by Minnesota medical school students. In other words, all state monies are directly given to Minnesota students to reduce their tuition payment.) Tuition for 2000-2001 is \$19,700. The FY 2001 state appropriation supports grants of \$14,405 for up to 42 students.

Program: MAYO MEDICAL SCHOOL
Agency: MAYO MEDICAL SCHOOL

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
MAYO MEDICAL SCHOOL	430	568	591	605	666	635	605	699	667
Total Expenditures	430	568	591	605	666	635	605	699	667
Change Items:	Fund								
(P) CAPITATION GRANTS FOR MINN MED STUDENTS	GEN				61	30		94	62
Total Change Items					61	30		94	62
Financing by Fund:									
Direct Appropriations:									
GENERAL	430	568	591	605	666	635	605	699	667
Total Financing	430	568	591	605	666	635	605	699	667

BUDGET CHANGE ITEM (51013)

Program: MAYO MEDICAL SCHOOL

Agency: MAYO MEDICAL SCHOOL

Item Title: CAPITATION GRANTS FOR MINN MED STUDENTS

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$61	\$94	\$94	\$94
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No _____				
If yes, statute(s) affected:				
_____ New Activity <input checked="" type="checkbox"/> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$30,000 in FY 2002 and \$62,000 in FY 2003. This increase will fund each of the agency's requests for inflationary adjustments for the same number of students funded in FY 2001.

RATIONALE:

Mayo requests an increase of \$61,000 in FY 2002 and \$94,000 in FY 2003 to continue to support Minnesota medical students with capitation grants and to provide grants for an additional two students. Capitation provides grants equal to 50% of estimated annual tuition charges.

The cost to educate a Mayo medical student continues to rise with an estimated increase of 5% FY 2002 and FY 2003. Mayo Foundation passes 100% of Minnesota grant capitation through to students in the form of a 50% tuition reduction. This strategy has kept debt for Minnesotans low. While debt average for all private medical schools was \$115,925 for graduates in May 2000, for graduates of Mayo Medical School, on average debt was only \$56,593.

FINANCING:

Mayo requests that the capitation grant be increased from \$14,405 in FY 2001 to \$15,125 in FY 2002 and to \$15,881 in FY 2003. Mayo also requests grants for two additional Minnesota medical students, for a total of 44 grants. All grants are directly passed on to Minnesota students as a tuition reduction. Thus, the total request of FY 2002 is \$665,508 and for FY 2003 is \$698,786.

OUTCOMES:

Capitation grants keep Mayo competitive with other medical schools and help keep Minnesotans here for their medical education. A low tuition philosophy meets the following goals of Mayo Medical School:

- Mayo Medical School is able to recruit the "best and brightest" having the lowest private school tuition available.
- Students graduating with lower debt have more freedom to choose careers which historically are paid a lower salary, such as family medicine.
- Medical students are encouraged to keep their debt load as low as possible.

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PROGRAM SUMMARY

Program: MAYO FAMILY
Agency: MAYO MEDICAL SCHOOL

PROGRAM PROFILE:

The Mayo Graduate School of Medicine established its three-year graduate medical residency program in the specialty of family medicine in 1978. The mission of the Mayo Foundation Family Medicine Residency has been to train family physicians who will provide high quality, personal and comprehensive care for persons of all ages. The training program prepares the prospective family physician for primary care medicine in all settings, with special emphasis on rural or smaller communities. The capitation program has supported residents' salaries since 1978-79.

The Mayo Family Medicine Clinic is located in Kasson, Minnesota, a rural community in Dodge County of approximately 3,500 people. Mayo's Family Medicine Clinic is a vital element in the resident's training. Residents spend a major portion of their training providing ambulatory primary care in this environment which stresses prevention and continuity of care. The clinic delivers primary care services to rural area with a drawing population of close to 18,000.

STRATEGIES AND PERFORMANCE:

The residency has been extremely successful in recruiting excellent medical school graduates.

- All positions in the training program have been filled for the past 20 years.
- 49% of physicians who have graduated from the program are currently practicing in Minnesota (25% in Olmsted and Dodge counties and 24% in other areas of Minnesota, primarily in rural areas).
- From 1993 to 1996, 27% of the family medicine residents have gone to practice in medically under-served areas.
- Mayo Family Medicine residents have scored well above the national average on the American Board of Family Medicine In-Training Examination.

The department's goal is to have 60% of its graduating residents remaining in Medicine in Minnesota and of those, 35% practicing in rural Minnesota.

The Mayo Family Medicine Residency Program is currently establishing a Rural Training Track (RTT) in Fairmont, MN, in which one resident will be placed starting in 2000. The resident will spend the first year in Kasson and Rochester and the last two years in Fairmont. The RTT will provide special preparation in areas such as advanced obstetrics neonatal life support, trauma care, and

behavioral and community medicine. In addition, the resident will gain extended exposure to rural medicine and life in a rural community.

Mayo Foundation has been committed to supporting the training of physicians who can assist in serving rural and under-served practice areas. The Foundation has an affiliated family medicine program at St. Francis Hospital in La Crosse, WI, and also sponsors programs in St. Cloud, MN, and Des Moines, IA. Mayo Foundation has given financial and educational support for these programs.

FINANCING INFORMATION:

The FY 2001 appropriation supports grants of \$22,315 for up to 27 residents. One "rural track" resident is supported with a grant of \$44,630. State grants pay 39% of resident stipends.

BUDGET ISSUES:

The Family Medicine Department strives to maintain a strong residency training program that will attract excellent candidates and graduate a significant number of residents who will remain in Minnesota to practice medicine. The increases in cost for providing an excellent training program have been, and remain challenging. The primary cost drivers have included the following areas:

- Residency Review Committee requirements for increased faculty time per resident. (Changes now require one full-time faculty for every six residents. This is separate from the patient care teaching time faculty provides for residents.)
- Increases in secretarial FTE for Residency Review Committee record-keeping requirements for resident clinical experiences.
- Increases in resident travel costs related to expansion of rural training sites for orthopedic and cardiovascular services.
- Increases in technology costs for electronic medical record equipment and training.
- Increases in costs for an objective to increase resident participation in scholarly activities (research and education), including publications, presentations, travel related to scholarly presentations.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$17,000 in FY 2002 and \$51,000 in FY 2003. This increase will fund each of the agency's requests for inflationary adjustments for the same number of students as were funded in FY 2001.

Program: MAYO FAMILY
 Agency: MAYO MEDICAL SCHOOL

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
MAYO FAMILY	749	906	1,032	1,032	1,159	1,049	1,032	1,290	1,083
Total Expenditures	749	906	1,032	1,032	1,159	1,049	1,032	1,290	1,083
Change Items:	Fund								
(P) CAPITATION GRANTS FOR ST CLOUD FMRP	GEN				16	16		33	33
(P) MAYO FAMILY RESIDENCY PROGRAM	GEN				111	1		225	18
Total Change Items					127	17		258	51
Financing by Fund:									
Direct Appropriations:									
GENERAL	749	906	1,032	1,032	1,159	1,049	1,032	1,290	1,083
Total Financing	749	906	1,032	1,032	1,159	1,049	1,032	1,290	1,083

BUDGET CHANGE ITEM (51015)

Program: MAYO FAMILY
Agency: MAYO MEDICAL SCHOOL

Item Title: CAPITATION GRANTS FOR MINNESOTA FAMILY MEDICINE RESIDENTS

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$111	\$225	\$225	\$225
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statute(s) affected:				
_____ New Activity <u>X</u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$1,000 in FY 2002 and \$18,000 in FY 2003. This increase will fund each of the agency's requests for inflationary adjustments for the same number of students funded in FY 2001.

RATIONALE:

This request addresses three components of the capitation grant program with Mayo's Department of Family Medicine. The first request is to maintain the amount of capitation provided for each resident, per year, at the current level of 50% support of the stipend. The 2001 capitation provides \$22,315 per resident, or 50% of the \$44,630 stipend. The next component of the request seeks support to continue capitation funding at 100% for the Rural Training Track, and support an increase of one additional resident to the program. This means two residents in this three-year program each year. The first two residents will begin 7-1-01. Two new residents will be started each year, for this three-year training program. This results in a total of six residents in the Rural Training Track by 7-1-03. The final component of the request is for new capitation funding (50%) for the one-year Geriatric Fellowship Training program. This program will admit an applicant 7-1-01. State support is needed because Mayo is facing continued cost increases for both resident stipends and program requirements/needs, at the same time major reductions (30% from 1997) in direct and indirect medical education reimbursement from the Federal

Government is occurring. Mayo is only seeking grant funding from the state for resident stipends. Mayo will continue to be responsible for all other program costs.

The three major cost drivers that relate to this request are noted below, along with other significant cost increases for training Family Medicine residents.

- Increase in resident stipends to cover salary inflation, cost of living and increases at competing programs.
- Increases in costs for initiation of a new Rural Training Track (RTT) currently being established in Fairmont, Minnesota. This program has been delayed in its projected start date of FY 2000 to 7-1-01. The initiation planning and negotiations have been complex and taken longer than anticipated. The continued expression of concern and need for family physicians in rural areas has been the stimulus to increase the program from one to two residents per year. The program is intended to add increased emphasis and commitment from Mayo to train residents for rural practice. The site has been selected because it offers an additional opportunity for residents in an area that is surrounded by rural, under-served communities that are designated Health Professional shortage areas.
- Increase in costs for initiation of a new Geriatric Residency Fellowship Program. Analysis of projected Minnesota population growth of individuals over age 60, excluding the Twin Cities metro area, reflects a 4.91% growth from 2000-2005 and 8.0% growth from 2005-2010. We believe we have a responsibility to prepare for this change in demographics and to increase our focus on serving older adults that will live in rural areas throughout Minnesota.
- New Residency Review Committee requirements for an increase in faculty time per resident. (Must have one full-time faculty, or 1,400 hours per year, for every six residents, in addition to faculty supervision of patient care time.)
- Increase of a half-time secretarial position to support Residency Review Committee record-keeping requirements for resident clinical experiences, curricula revisions and expansions, expansion of rural training experiences, and resident schedule management.
- Increase in faculty salary and benefits, coupled with the required increase in faculty time devoted to residency training.
- Increase in resident travel costs related to expansion of rural training sites. All residents are now required to complete orthopedic rotations in a rural site and one third of the residents complete an elective cardiovascular rotation in rural sites.
- Increases in technology costs for electronic medical record equipment and training. (The Mayo Medical Center has embarked upon a conversion of the paper medical record to a computer-based record. All residents have had

BUDGET CHANGE ITEM (51015) (Continued)

Program: MAYO FAMILY
Agency: MAYO MEDICAL SCHOOL

**Item Title: CAPITATION GRANTS FOR MINNESOTA FAMILY
MEDICINE RESIDENTS**

required education for application of technology in medical practice and new computers and related equipment/supplies needed to be obtained.)

- Increases in costs for expansion of resident scholarly activities. (Maintaining a strong, competitive residency program has necessitated an increased resident focus and participation in scholarly activities, such as research, publications and presentations.)

FINANCING:

The Mayo Family Medicine Residency Program requests an increase in its base budget of \$111,000 in FY 2002 and \$225,000 in FY 2003. The state has provided a base budget of \$625,000 for 26 residents in FY 2001. The \$111,000 increase for FY 2002 includes a stipend of \$22,327 (50% of the \$44,654 average stipend) for 24 residents, \$178,616 (100% of four resident positions for the new Rural Training Program, and \$22,327 (50% of \$44,654) for one Geriatric Fellowship position. The \$225,858 increase for FY 2003 includes a stipend of \$22,996 (50% of the \$45,993 average stipend) for 24 residents, \$275,958 (100% of six resident positions) for the new Rural Training Program, and \$22,996 (50% of the \$45,993) average stipends in FY 2002 and 2003 are based on a 3% increase over two years. The total funding request for FY 2002 is \$736,791 and for FY 2003, \$850,858.

OUTCOMES:

- Provide relief for increase cost pressure with resident stipends.
- Provide support for a new Rural Training track initiative in a rural under-served area of Minnesota.
- Provide partial support for a new Geriatric Fellowship Training program.
- Remain competitive with a strong residency training program for high quality applicants.
- Increase numbers of physicians who will remain in Minnesota to practice, with special emphasis and increases in rural, under-served or small communities.

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BUDGET CHANGE ITEM (52038)

Program: MAYO FAMILY
Agency: MAYO MEDICAL SCHOOL

Item Title: CAPITATION GRANTS FOR ST. CLOUD FMRP

- Remain competitive with a strong residency training program for high quality applicants.
- Maintain commitment to prepare physicians who will remain in Minnesota to practice in rural and under-served areas.

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund				
-State Operations	\$16	\$33	\$33	\$33
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity <u> X </u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the request, recommending an increase of \$16,000 in FY 2002 and \$33,000 in FY 2003.

RATIONALE:

The St. Cloud Hospital/Mayo Family Medicine Residency Program will incur additional costs for increases in resident stipends, of approximately 4%. The resident stipends are projected to average \$42,911 in FY 2000 and \$44,627 in FY 2001. The increase will maintain the current percentage level (76%) of resident stipends. No additional residents are requested.

FINANCING:

The St. Cloud Hospital/Mayo Family Medicine Residency Program requests an increase from FY 2001 of \$407,000 to FY 2002 to \$423,280 and FY 2003 for \$440,211.

OUTCOMES:

- Provide support for residency program cost increases.

HIGHER ED FACILITIES AUTHORITY - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Higher Education Facilities Authority (hereafter called the Authority) was created to assist Minnesota nonprofit, nonsectarian institutions of higher education in the construction, financing and refinancing of facilities at a lower interest rate than might otherwise be available to them. Beginning in FY 1988, the legislature also asked that the Authority finance limited types of projects at certain public higher education institutions. The Authority has access to capital improvement funds only through borrowing. The facilities built with the assistance of the Authority are financed from tax-exempt revenue bonds sold by the authority. In turn, the authority enters into agreements whereby an institution pays an amount needed to retire the incurred debt. Since the Authority is an agency of the state, the interest paid by the authority to the bondholders is tax-exempt. The use of the financing arrangements, made possible by the existence of the authority, is entirely voluntary. Currently, the Authority has \$650 million of bonding authority.

KEY SERVICE STRATEGIES:

The Authority's policies, procedures, regulations and approval of bonding projects are made by a board composed of 10 members, eight of which are appointed by the Governor. The remaining two ex-officio members represent of the Higher Education Services Office and the Minnesota Private College Council.

The Authority provides the following services to the institutions for which it finances projects:

- planning assistance in early stages of projects;
- investigating project eligibility for financing;
- managing the debt issuance process, including coordination with the institution, the Authority's bond counsel and financial consultants in the development of legal and financial documents necessary for a bond issue; and
- keeping records of each financing, and hiring a public accounting firm to conduct an annual audit of the authority's books and records.

PERFORMANCE SUMMARY:

This activity receives no state appropriation. The Authority has been self-supporting since its inception in 1971, and intends to continue in that manner. The dollars shown on the activity fiscal summary reflect only salaries and benefits for the 3 staff position of the Authority. The Authority pays its salaries and benefits through the state payroll system. It is this portion (i.e., the payroll portion) of the Authority's budget which appears in this submission.

It is increasingly important that the academic institutions have access to affordable financing for capital improvements. For Minnesota to stay in the forefront of academic excellence, it is vital that institutions seek to meet the changing needs of students with facilities that offer the technological advances that are currently available.

ISSUES AFFECTING AGENCY'S OPERATIONS:

It is evident that colleges and universities in Minnesota in need financing programs, such as the Authority's program, for financing building projects and purchasing new equipment.

- **Technological Advances:** Advanced technology is dramatically changing the way information is disseminated, stored and retrieved. Electronic methods and devices have become an essential tool for teaching in most academic disciplines. Telecommunication systems are rapidly transforming campus instructional and administrative systems. The acquisition of new and more advanced systems is a continually escalating cost for most institutions.
- **Obsolete Building Replacement:** Since most of the state's private colleges and universities were founded at least 100 years ago, some of the campus buildings can be 40-50 years old. Any major renovation of these old building requires the entire building to be brought up to the standards of local building codes. Replacement rather than renovation is often the best solution when the building contains asbestos, obsolete or worn out electrical and plumbing systems.
- **Student Housing Upgrades:** Student housing for the state's residential colleges and universities has been changing to meet the demands of current students. Apartment-style units are in higher demand than the traditional dormitory-style housing. Institutions are planning for and constructing more of the non-traditional type of housing.

Agency: HIGHER ED FACILITIES AUTHORITY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	187	189	224	231	231	231	238	238	238
Total Expenditures	187	189	224	231	231	231	238	238	238
Financing by Fund:									
Statutory Appropriations:									
MISCELLANEOUS AGENCY	187	189	224	231	231	231	238	238	238
Total Financing	187	189	224	231	231	231	238	238	238
Revenue Collected:									
Dedicated									
MISCELLANEOUS AGENCY	187	189	224	231	231	231	238	238	238
Total Revenues Collected	187	189	224	231	231	231	238	238	238
FTE by Employment Type:									
FULL TIME	2.2	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Full-Time Equivalent	2.2	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0