

1998-99 BIENNIAL BUDGET

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1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Higher Education Services Office

PROGRAM

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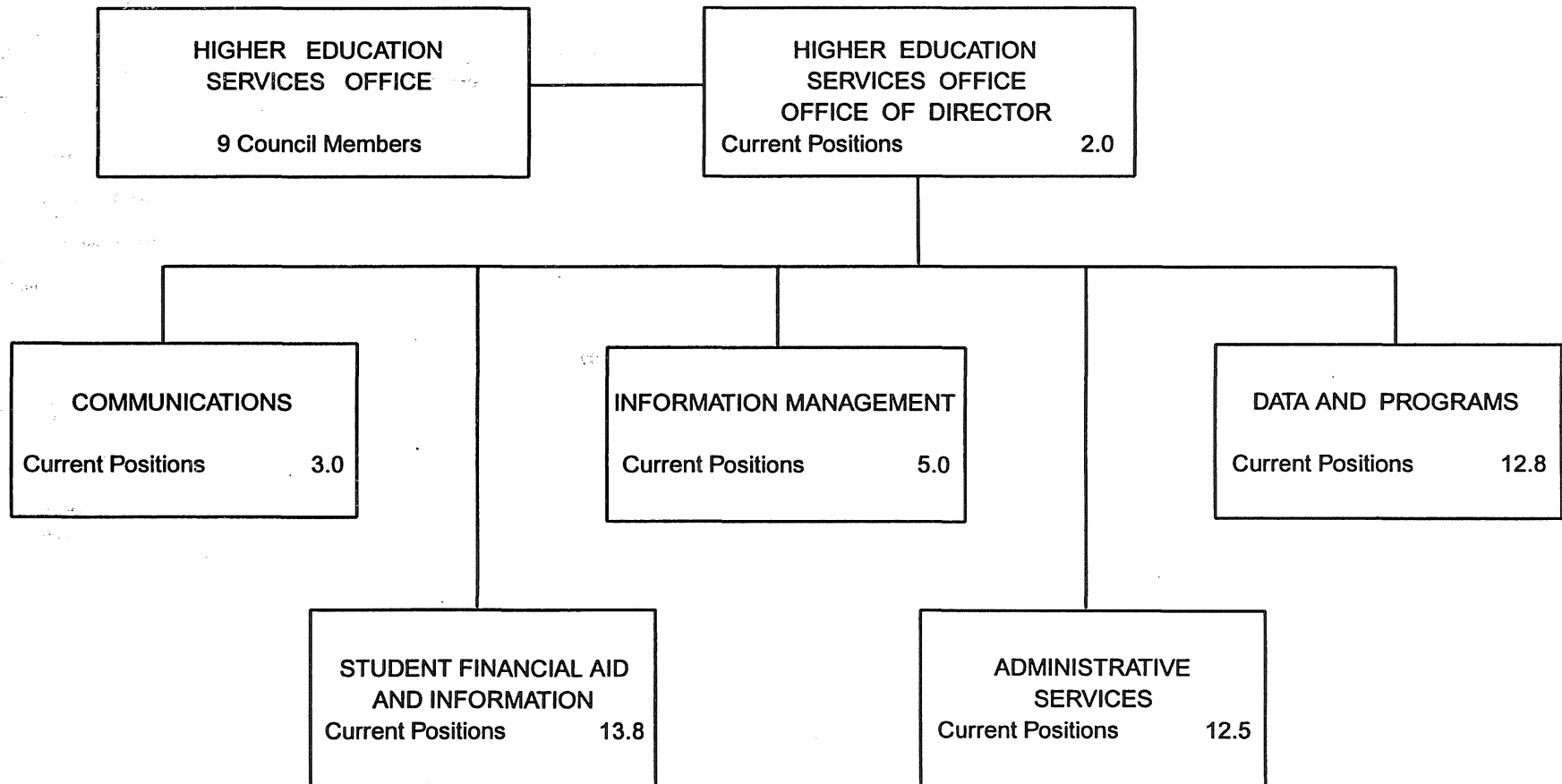
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Agency Management
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HIGHER EDUCATION SERVICES OFFICE

Organizational Chart 7/1/96



Total FTE Employees: 58.1

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Higher Education Services Office (HESO)

Fund: General - Direct Appropriations

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$120,343	\$120,343	\$240,686
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(150)	(150)	(300)
Transfers Between Agencies	373	373	746
1998-99 Compensation Inflation	37	75	112
DOC Space Rent/Lease Incr/Decreases	<u>8</u>	<u>10</u>	<u>18</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$120,611	\$120,651	\$241,262
<u>AGENCY REQUEST ITEMS</u>			
State Grant Program	4,700	33,300	38,000
Child Care Assistance	740	740	1,480
Summer Scholarships	60	60	120
Work Study	675	675	1,350
Interstate Tuition Reciprocity	600	900	1,500
Student/Parent Information	275	315	590
Learning Network of Minnesota	5,628	3,338	8,966
Library Planning Task Force	6,380	6,380	12,760
MINITEX	750	750	1,500
Instructional Technology	<u>55</u>	<u>55</u>	<u>110</u>
<u>AGENCY REQUEST (for 1998 and 1999)</u>	\$140,474	\$167,164	\$307,638
<u>GOVERNOR'S RECOMMENDATIONS</u>			
State Grant Program, Current Law Forecast	(14,800)	(14,900)	(29,700)
Increase LME, Tuition, Private Maxima	5,550	10,900	16,400
Fourth Quarter State Grant Awards	1,000	1,000	2,000
Minnesota Education Savings Allowance	300	3,000	3,300
Reduced Reciprocity Payment Obligations	(500)	(500)	(1,000)
Increase Work Study	500	500	1,000
MINITEX On-Line Journals	500	500	1,000
Minnesota Library Information Network	12,000	-0-	12,000
Learning Network of Minnesota	1,000	1,000	2,000
<u>GOVERNOR'S RECOMMENDATIONS (for 1998 and 1999)</u>	126,111	122,151	248,262

Brief Explanation of Agency Request:

The plan calls for increased funding to help ensure access to educational opportunities for Minnesota residents, particularly those of low and moderate economic backgrounds. The plan recommends an increased state investment to help ensure:

- access to financial resources to help families contain and pay for the increasing costs of post-secondary education. Increases are proposed in the State Grant, State Work Study, Non-AFDC Child Care Grant, and Summer Scholarships for Academic Enrichment Programs;
- access to information about academic and financial preparation, particularly for families of color, low incomes, or no previous post-secondary education; and
- access to technology as a conduit to instruction, knowledge, and information about post-secondary education. Funding is recommended to develop a statewide, automated library information system, to enhance the quality and capacity of the Learning Network of Minnesota, and to provide on-line access through MINITEX to science and technology journals.

Revenue Summary:

Dedicated receipts in federal accounts, the Loan Capital Fund, and special revenue fund are expected to remain level over the next biennium. General Fund non-dedicated receipts will continue to follow the historical pattern of higher receipts in the even-numbered fiscal year of the biennium. HESO is not recommending any fee changes for the Private Institution Registration and Private Trade School Licensure Programs at this time.

Affected Statutes:

- M.S. 136A.121, subd. 5 and 136A.125, subd. 4.

GOVERNOR'S RECOMMENDATION:

The Governor recommends appropriations of \$126,111,000 in F.Y. 1998 and \$122,151,000 in F.Y. 1999 for the Higher Education Services Office, including the statewide library and telecommunications programs for which HESO is fiscal agent.

The Governor's budget recommendations provide adjustments to the State Grant Program formula that recognize increases of 2.5% per year in public college and university tuition & fees, the allowance for books and living expenses, and the maximum awards for students attending private institutions. The Governor's budget also supports the implementation of a Minnesota Savings Allowance, which will remove the "savings penalty" from the financial aid formula, and full State Grant awards covering four quarters of attendance. Finally, the Governor's budget calls for the creation of Ed Vest Savings Accounts, exempt from state income tax, to encourage families to save for post-secondary education.

The Governor recommends biennial appropriations of \$15 million to support statewide library and technology programs, including \$12 million to implement the Minnesota Library Information Network (MnLINK), a single automated library information system and a statewide network, accessible through the internet and the worldwide web, that will link together library collections across the state.

1998-99 Biennial Budget

AGENCY: Higher Education Services Office (HESO)

AGENCY DESCRIPTION:

By statute, the Higher Education Services Office (HESO) is responsible for:

- state level administration of financial aid programs;
- approval, registration, licensing, and financial aid eligibility of private collegiate and career schools;
- administering the telecommunications council, the Learning Network of Minnesota, and the statewide library planning task force;
- negotiating and administering interstate tuition reciprocity agreements;
- publishing and distributing financial aid information and other materials to students and parents;
- collecting and maintaining student enrollment and financial aid data;
- administering the federal programs that affect students and institutions on a statewide basis; and,
- prescribing policies, procedures, and rules necessary to administer the programs under its supervision.

In fulfillment of its duties, HESO is dedicated to:

- strengthening student financial access to a wide array of post-secondary education;
- enhancing access to post-secondary education by preparing and distributing information on academic and financial preparation to students and parents;
- providing broad geographical access to library resources and instructional opportunities through technology;
- enhancing efficiency within higher education; and,
- providing information and data on post-secondary education to consumers and policy makers.

HESO operates as a neutral and unbiased entity, providing an independent, statewide perspective on services affecting the state's public post-secondary education systems, and a variety of private colleges, professional, and career schools. HESO's primary purpose is to serve the state and its students. It also provides services to the post-secondary systems and institutions.

AGENCY ISSUES:

Access is the central issue and theme interwoven throughout the various initiatives that the HESO plans to address during the 1998-99 biennium. Specifically, HESO plans to address the following access-related issues:

Student Financial Access to Post-secondary Education -- The Services Office recognizes that student access to post-secondary education remains, in many cases, dependent upon the availability of financial aid. As tuition, fees, and general living expenses rise, the availability of financial aid will remain essential -- particularly for low and moderate income families. Providing financial access to Minnesota higher education through State Grants, Work-Study, Child Care Grants, savings programs, and other initiatives will remain a dominant issue for the Services Office.

Access to Post-secondary Education Information -- Access to post-secondary education is facilitated effectively through academic and financial planning in the years prior to attendance. Parents and students need reliable information to guide their planning and to reinforce the fact that federal and state financial resources are available to help meet the cost of attending post-secondary institutions. Information about post-secondary education and financial aid programs available to Minnesotans is particularly important for those students and families who, historically, have not participated in post-secondary education. The Services Office remains committed to the dissemination of post-secondary education information to assist all Minnesotans in planning for education and training beyond high school.

Utilization of Technology to Provide Access to Information and Instruction -- Increasingly, technology will be a conduit to post-secondary information and instruction. Students, parents, counselors, K-12 and faculty, and others will turn in greater numbers to electronic sources of information concerning the availability of library resources, academic degree programs and other educational opportunities. Further, citizens will be able to access a broader spectrum of instruction delivered through telecommunications. Technological advances will expand significantly access to post-secondary education information resources and instruction.

AGENCY STRATEGIES:

To address the issues identified above, the Services Office budget is focused on the following outcomes:

- *Increase access to post-secondary education for all Minnesotans, and particularly for those from low and moderate income families.* The Services Office proposes that this be accomplished in part through measures affecting the State Grant Program. These include reducing the assigned student responsibility for meeting the cost of attending a Minnesota post-secondary institution and increasing the living and miscellaneous expense allowance to further assist students in meeting basic living needs. Further, the Office proposes that financial access to post-secondary education be expanded through increased funding for the Non-AFDC Child Care Grant Program, the State Work Study Program, and development and implementation of the Minnesota Education Savings Allowance Program.
- *Increase access to post-secondary education information among students and families of color, low income, and no previous post-secondary education.* The Services Office proposes dedicating resources to the support of early awareness activities and counseling for members of these populations as well as providing information on financial preparation and savings for all families.
- *Increase the technical capacity for electronic access to educational information and post-secondary instruction.* Proposed funding for MINITEX, the Minnesota Library Information Network, the Learning Network of Minnesota, and other technology-related initiatives are intended to increase the capacity of Minnesotans to gain access to library and instructional resources -- and information about such resources -- throughout the state.

1998-99 Biennial Budget

AGENCY: Higher Education Services Office (HESO)
(Continuation)

SUMMARY OF BUDGET REQUEST:

State Grant

The Higher Education Services Office is recommending an increase in State Grant funding for the 1998-99 biennium in order to more directly target grants to low and moderate income students while ensuring access and choice.

The Services Office proposes:

- funding of \$1.3 million in F.Y. 1998 and \$2.7 million in F.Y. 1999 is requested to offset tuition and fee increases in public institutions. (The State Grant budget request assumes tuition and fee increases of 2.5% per year in public institutions.)
- funding of \$2.8 million in F.Y. 1998 and \$5.4 million in F.Y. 1999 to cover inflationary increases of 2.5% per year in the Living and Miscellaneous Expense allowance.
- funding of \$1.3 million in F.Y. 1998 and \$2.6 million in F.Y. 1999 to cover an inflationary increase of 2.5% per year in the private tuition maximums.
- reducing the assigned student responsibility of the cost of attendance from 50% to 48% in F.Y. 1998 and 45% in F.Y. 1999; and to increase the miscellaneous expense allowance from the 16th percentile of reported student spending to the 18th percentile in F.Y. 1998 and the 20th percentile in F.Y. 1999. The cost of this change is \$13.4 million in F.Y. 1998 and \$34.1 million in F.Y. 1999.
- developing the Minnesota Education Savings Allowance Program, an incentive for families to save for post-secondary education by protecting net worth in the federal need analysis beyond the current protections. This component costs \$300,000 in F.Y. 1998 to develop the capacity to implement the allowance and \$3 million in F.Y. 1999 to begin implementation.
- funding by the state, rather than families, to cover the entire assigned taxpayer responsibility, for students receiving state grants in the 4th quarter, including the portion otherwise covered by federal Pell Grants during the other 3 quarters of the academic year. The cost of this component is \$1 million per year.

Of the Services Office's total State Grant request of \$68.9 million, \$13.6 million can be accommodated within the base appropriation, which includes \$1.2 million of federal State Student Incentive Grant funds. In addition, Congress has increased the federal Pell Grant from \$2,470 to \$2,700 for the 1997-98 school year. This will offset the request for additional state funds by \$8.6 million in F.Y. 1998 and \$8.7 million in F.Y. 1999. The net amount requested above the base appropriation to support the Service Office's State Grant initiative is \$38 million.

Non-AFDC Child Care

The Services Office recommends an increase in funding for the Non-AFDC Child Care Program of \$740,000 in each year of the biennium; and recommends that the maximum award per child per year be increased from \$1,700 to \$2,000.

Work Study

The Services Office recommends an increase in funding for State Work Study of \$675,000 in each year of the 1998-99 biennium to a total of \$8,894,000 annually.

MINITEX

The Services Office recommends an increase in funding for MINITEX of \$750,000 in F.Y. 1998 and \$750,000 in F.Y. 1999 to support on-line access to over 2,000 science and technology journals for all 4-year post-secondary institutions in Minnesota.

Student/Parent Information

The Services Office is recommending an increase in funding of \$275,000 for F.Y. 1998 and \$315,000 for F.Y. 1999 to a total of \$370,000 for F.Y. 1998 and \$410,000 for F.Y. 1999 to increase access to information about academic and financial preparation, especially for families of color, low income, and no previous post-secondary education.

Summer Scholarships for Academic Enrichment Program

The Services Office proposes an increase of \$60,000 in each year of the 1998-99 biennium to serve an additional 100 students per year.

Statewide Services to Support Instructional Technologies

The Services Office recommends funding of \$55,000 in each year of the biennium for one full-time staff position to enable the agency to extend and complement its responsibilities for instructional technologies and distance learning, in such areas as data collection and management, consumer protection, and consumer information.

Interstate Tuition Reciprocity

The Services Office recommends an increase of \$600,000 in F.Y. 1998 and \$900,000 in F.Y. 1999 to support interstate payments--primarily Minnesota's obligation to North Dakota.

Library Planning Task Force

The Services Office is proposing \$12.76 million for the 1998-99 biennium to support creation of a statewide on-line library information system, planning for which was authorized by the 1996 Legislature.

Learning Network of Minnesota

The Telecommunications Council is proposing, above the current base of \$3,423,000 for post-secondary participation in the Learning Network of Minnesota, an increase of \$5,628,000 in F.Y. 1998 and \$3,338,000 in F.Y. 1999.

The Governor recommends appropriations of \$126,111,000 in F.Y. 1998 and \$122,151,000 in F.Y. 1999 for the Higher Education Services Office, including the statewide library and telecommunications programs for which HESO is fiscal agent.

GOVERNOR'S RECOMMENDATION:

The Governor recommends biennial appropriations of \$218,673,000 for Student Financial Aid and Information Programs. The State Grant Program budget includes:

- Increases of 2.5% per year in the factors that comprise the student budget used to calculate State Grant awards, including the Living & Miscellaneous Expense Allowance, tuition and fees for students at public colleges and universities, and the tuition maximums for students at private institutions.

1998-99 Biennial Budget

AGENCY: Higher Education Services Office (HESO)
(Continuation)

- Development and implementation of the Minnesota Savings Allowance, an adjustment to the formula for awarding financial aid that will lower the perceived and real "savings penalty" that excludes some families who have saved for college from receiving financial aid.
- State grant coverage for 100% of the government share for federal Pell Grant-eligible students attending college 4 quarters a year.

To encourage Minnesota families to save for post-secondary education, the Governor recommends the creation of Ed Vest Savings Accounts. Both the contributions and investment earnings would be exempt from state income tax. (See Governor's budget recommendations for the Department of Revenue for further information.)

In light of revised forecasts of Minnesota's tuition reciprocity payment obligations, the Governor proposes that \$1 million over the biennium be reallocated from the Reciprocity Program to the State Work Study Program. This increase will provide State Work Study funds to approximately 275 additional students and allow the Work Study Program to recognize the increase in the federal minimum wage.

The Governor recommends biennial appropriations of \$15 million for the following statewide library and telecommunications programs for which HESO acts as fiscal agent:

- \$1 million for the MINITEX Program, to purchase statewide contracts providing access to on-line science and technology journals for students, faculty and staff of public and private post-secondary institutions.
- \$12 million to implement the Minnesota Library Information Network (MnLINK), a single automated library information system and statewide network, accessible through the internet and the worldwide web, that will link together library collections across the state.
- \$2 million to support grants for the Learning Network of Minnesota to integrate new technologies that combine data, voice and video into the Network's interactive television technology.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
STUDENT FINANCIAL AID & INFO	106,904	107,070	114,387	121,437	106,387	114,275	150,265	114,275
STATE STUDENT LOANS	26,937	38,262	38,262	38,262	38,262	38,262	38,262	38,262
DATA & PROGRAMS	1,553	2,081	1,537	1,592	1,537	1,551	1,606	1,551
LIBRARIES AND TECHNOLOGY	8,179	9,039	8,860	21,618	22,360	8,862	19,330	10,362
AGENCY/LOAN ADMINISTRATION	16,596	15,366	15,378	15,378	15,378	15,395	15,395	15,395
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	160,169	171,818	178,424	198,287	183,924	178,345	224,858	179,845
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	111,904	113,542	120,611	140,474	126,111	120,651	167,164	122,151
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	117	220	195	195	195	170	170	170
FEDERAL	2,094	2,017	1,579	1,579	1,579	1,485	1,485	1,485
AGENCY	3,424	3,328	3,328	3,328	3,328	3,328	3,328	3,328
HIGHER EDUCATION SERV OFFICE LOA	42,529	52,611	52,611	52,611	52,611	52,611	52,611	52,611
CARRY FORWARD:								
GENERAL	101	100	100	100	100	100	100	100
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	160,169	171,818	178,424	198,287	183,924	178,345	224,858	179,845
FTE BY EMPLOYMENT TYPE:								

REGULAR	56.1	49.1	49.1	50.1	49.1	49.1	50.1	49.1
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	56.1	49.1	49.1	50.1	49.1	49.1	50.1	49.1

**1998-99 Biennial Budget
Agency Level Revenue Summary**

Agency: Higher Education Services Office (HESO)

REVENUE SOURCES:

HESO generates dedicated revenue, non-dedicated revenue, and federal funds. Non-dedicated revenue consists primarily of refunds of state appropriated program funds received at the end of a biennium. Dedicated receipts include student loan repayments to the Loan Capital Fund, user fees collected from libraries participating in MINITEX and the on-line cataloging system, and fees collected for Private Institution Registration and Private Trade School Licensing.

At this time the office is not recommending any fee changes. Special fees will be monitored and changes recommended if necessary for the Private Institution Registration and the Private Trade School Licensing activity.

The office also receives approximately \$1.5 million per year in federal grants. Federal revenues are expected to remain level over the next biennium.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Request	Governor Recomm.	Forecast	Agency Request	Governor Recomm.
			=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

OTHER REVENUES:								
GENERAL	1,798	102	562	562	562	102	102	102
OTHER SOURCES:								
GENERAL	84	40	40	40	40	40	40	40
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS	1,882	142	602	602	602	142	142	142
DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
SPECIAL REVENUE	76	93	93	93	93	93	93	93
GRANTS:								
FEDERAL	2,115	2,017	1,455	1,455	1,455	1,455	1,455	1,455
OTHER REVENUES:								
SPECIAL REVENUE	56	123	96	96	96	71	71	71
FEDERAL	6	5	5	5	5	5	5	5
AGENCY	3,424	3,328	3,328	3,328	3,328	3,328	3,328	3,328
HIGHER EDUCATION SERV OFFICE LOA	43,510	52,611	52,611	52,611	52,611	52,611	52,611	52,611
OTHER SOURCES:								
FEDERAL	29	25	25	25	25	25	25	25
HIGHER EDUCATION SERV OFFICE LOA	233							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL DEDICATED RECEIPTS	49,449	58,202	57,613	57,613	57,613	57,588	57,588	57,588
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY TOTAL REVENUES	51,331	58,344	58,215	58,215	58,215	57,730	57,730	57,730

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: HIGHER ED SERVICES OFFICE

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	178,156	178,037	120,443	120,443	56,134	56,109	1,579	1,485
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<150>	<150>	<150>	<150>				
TRANSFERS BETWEEN AGENCIES	373	373	373	373				
1998-99 COMPENSATION INFLATIO	37	75	37	75				
DOC SPACE RENT/LEASE INCR/DEC	8	10	8	10				
SUBTOTAL BASE ADJ.	268	308	268	308				
BASE LEVEL	178,424	178,345	120,711	120,751	56,134	56,109	1,579	1,485

1998-99 Biennial Budget

PROGRAM: Student Financial Aid & Information
AGENCY: Higher Education Services Office (HESO)

PROGRAM DESCRIPTION:

Student financial aid programs exist to remove economic barriers to the pursuit of post-secondary education for Minnesota residents.

HESO believes that the funding recommendation for financial aid should be considered in the context of the state's overall funding policy for post-secondary education which includes funding to the public systems and tuition revenue related to instructional cost. The state's financial aid policy, Shared Responsibility, is intended to help ensure equal access for all Minnesota residents to attend the institution that can best meet their educational needs regardless of their economic status.

The primary foundation program is the State Grant Program. It is supplemented by the State Work Study Program and a number of other targeted campus-based programs.

PROGRAM STATUS:

Student financial aid programs have helped Minnesota residents attend post-secondary institutions by providing funds to students demonstrating financial need. Such assistance helps remove economic barriers that would prevent such individuals from pursuing post-secondary education at an institution that best meets their individual needs and career aspirations.

For the 1998-99 biennium, the objectives for student financial aid are:

- increase access to educational opportunities for Minnesota citizens by continuing to attempt to equalize financial accessibility, regardless of the student's ability to pay;
- ensure that students have access to child care assistance;
- ensure that higher education tuition (less student financial aid) as a percentage of available family income does not increase significantly, particularly for needy students; and
- increase access to information related to post-secondary educational opportunities and financing options, particularly for families of color, low income, and no previous post-secondary education.

PLANNED RESULTS:

To help ensure that all residents have an opportunity to pursue post-secondary education, regardless of economic factors, HESO is recommending an increased level of funding for the State Grant Program. This increase would be caused primarily by a reduction in the assigned student share of the cost of attendance under the state's Shared Responsibility policy, and increased funding for the Living and Miscellaneous Expense (LME) allowance -- bringing it from the 16th percentile of reported student spending to the 18th percentile in F.Y. 1998 and the 20th percentile in F.Y. 1999.

In an attempt to provide high quality and timely services to Minnesota residents participating in financial aid programs, the agency continues to apply the quality improvement principles and methodologies to the work of the agency and will continue to automate processing procedures to enhance program efficiency.

HESO will continue to encourage the use of the decentralized delivery of State Grant awards to students. Under this delivery method, the institution, rather than the agency, calculates individual student awards. Currently, 89 of the 132 institutions participating in the State Grant Program use the decentralized delivery system. The other financial aid programs use campus-based delivery systems to award program monies to students (institutions receive program allocations according to varying formulas, and then calculate individual student awards). These delivery systems ensure efficient and effective program operations while providing better service to students.

In addition to the State Grant Program, other financial aid programs include: Non-AFDC Child Care Grants, Public Safety Officer's Survivor Grant, Interstate Tuition Reciprocity, Work Study, Nursing Grants for Persons of Color, Summer Scholarships for Academic Enrichment, and the Youth Works Post Service Benefits.

BUDGET AND REVENUE SUMMARY:

Summary of the Agency Plan for this program is as follows:

State Grant:

Increases for Inflation include:

- *Living and Miscellaneous Expense (LME):* HESO proposes an inflationary increase of 2.5% for each year of the 1998-99 biennium. This would maintain the allowance at the 16th percentile of reported student spending, and would cost an additional \$2.8 million in F.Y. 1998 and \$5.4 million in F.Y. 1999.
- *Private Tuition Maximums:* An inflationary increase of 2.5% each year of the biennium for private tuition maximums is proposed by HESO. This would cost an additional \$1.3 million in F.Y. 1998 and \$2.6 million in F.Y. 1999.
- *Tuition and Fee Increase:* With an assumed tuition increase of 2.5% per year in public institutions, an additional \$1.3 million in F.Y. 1998 and \$2.7 million in F.Y. 1999 will be needed to help offset these price increases.

Other Increases:

- *State Grant Student Share:* The student share of the cost of attendance was set at 50% in 1983. As the cost of attendance has increased over the past decade, so has the student's actual share. HESO believes that given the increased cost of attendance, the student's share should be lowered to 48% in F.Y. 1998 and 45% in F.Y. 1999. The cost of these changes is \$8.7 million in F.Y. 1998 and \$22.3 million in F.Y. 1999.
- *Living and Miscellaneous Expense Allowance (LME):* In addition to the proposed inflationary adjustment to the LME, HESO proposes an increase in the living and miscellaneous expense allowance from \$4,200 (16th percentile of reported student spending, to \$4,500 in F.Y. 1998 (18th percentile) and to \$4,880 in F.Y. 1999 (the 20th percentile). These increases will cost \$4.7 million in F.Y. 1998 and \$11.8 million in F.Y. 1999.
- *Fourth Quarter Awards:* The state would assume responsibility for students receiving State Grants in the 4th quarter of an academic year, rather than requiring families to cover the portion covered by federal Pell Grants during the other 3 quarters of the academic year. This component would cost an additional \$1 million dollars each year of the biennium.

1998-99 Biennial Budget

PROGRAM: Student Financial Aid & Information

AGENCY: Higher Education Services Office (HESO)
(Continuation)

- *Education Saving Allowance:* To develop an incentive for families to save for post-secondary education by increasing the amount of net work protections in the federal need analysis, HESO is proposing an Education Saving Allowance. This would require an additional \$3.3 million for the 1998-99 biennium -- \$300,000 for development in F.Y. 1998 and \$3 million for implementation in F.Y. 1999.

Non-AFDC Child Care Grant

- HESO recommends that the award maximum of \$1,700 per eligible child be increased to \$2,000 per eligible child. This change will require an additional \$740,000 each year of the biennium.

Interstate Tuition Reciprocity

- HESO recommends an increase of \$600,000 in F.Y. 1998 and \$900,000 in F.Y. 1999 to support interstate payments -- primarily Minnesota's obligation to North Dakota.

State Work Study

- An increase in State Work Study funding of \$675,000 each year of the biennium is being proposed to accommodate the recent increase in the federal minimum wage and to add 500 additional students to the program.

Student/Parent Information

- An increase of \$225,000 in F.Y. 1998 and \$265,000 in F.Y. 1999 would support early intervention and early awareness to students of color, low income, or no previous post-secondary education; and an additional \$50,000 per year would support increased information to all families about saving and financial preparation.

Summer Scholarships for Academic Enrichment

- HESO proposes an increase of \$60,000 each year of the biennium in order to serve an additional 100 students per year. This program provides grants of up to \$1,000 to low income students in grades 7-12 who want to enrich their academic learning opportunities by attending summer programs offered by Minnesota post-secondary institutions.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
STATE GRANTS	94,685	94,569	100,646	106,146	92,646	100,646	134,746	100,646
INTERSTATE TUITION RECIPROCITY	3,460	3,122	4,500	5,100	4,000	4,500	5,400	4,000
STATE WORK STUDY	8,029	8,475	8,219	8,894	8,719	8,219	8,894	8,719
STUDENT & PARENT INFORMATION	264	335	320	595	320	295	610	295
STUDENT ASSISTANCE ADMIN	466	569	702	702	702	615	615	615
TOTAL EXPENDITURES BY ACTIVITY	106,904	107,070	114,387	121,437	106,387	114,275	150,265	114,275
AGENCY REQUEST ITEMS:		FUND						
CHILD CARE ASSISTANCE		GEN		740			740	
SUMMER SCHOLARSHIPS		GEN		60			60	
WORK STUDY		GEN		675			675	
STUDENT/PARENT INFORMATION		GEN		275			315	
INTERSTATE TUITION RECIPROCITY		GEN		600			900	
STATE GRANT PROGRAM		GEN		4,700			33,300	
TOTAL AGENCY REQUEST ITEMS				7,050			35,990	
GOV'S INITIATIVES:		FUND						
(B) STATE GRANT PROGRAM, CURRENT LAW		GEN			<14,800>			<14,900>
(B) INCREASE LME, TUITION, PRIVATE MAXIMUMS		GEN			5,500			10,900
(B) FOURTH QUARTER STATE GRANT AWARDS		GEN			1,000			1,000
(B) MINNESOTA EDUCATION SAVINGS ALLOWANCE		GEN			300			3,000
(B) REDUCED RECIPROCITY PAYMENT OBLIGATIONS		GEN			<500>			<500>
(B) WORK STUDY		GEN			500			500
TOTAL GOV'S INITIATIVES					<8,000>			
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	105,400	106,119	113,333	120,383	105,333	113,340	149,330	113,340
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	4	45	30	30	30	5	5	5
FEDERAL	1,399	806	924	924	924	830	830	830

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
CARRY FORWARD:								
GENERAL	101	100	100	100	100	100	100	100
TOTAL EXPENDITURES	106,904	107,070	114,387	121,437	106,387	114,275	150,265	114,275
FTE BY EMPLOYMENT TYPE:								
REGULAR	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
TOTAL FTE	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5

1998-99 Biennial Budget

BUDGET ACTIVITY: State Grant
PROGRAM: Student Financial Aid & Information
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

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

State Grant Program

The program provides financial assistance to Minnesota undergraduate post-secondary students who attend institutions approved by HESO, meet eligibility requirements set by the legislature, and demonstrate financial need.

To participate in the State Grant Program a student must be:

- enrolled for at least 3 credits per term in a program or course of study that applies to a degree, diploma, or certificate;
- a U.S. citizen or permanent resident of the United States;
- enrolled in an institution approved by HESO;
- at least 17 years of age or possess a high school degree or GED;
- maintaining satisfactory progress as defined in 136A.101, subd. 10 for the academic period covered by the award; and
- a Minnesota high school graduate, or a recipient of a Minnesota GED. In the case of dependent applicants, their parents must reside in Minnesota at the time of application. Independent students must reside in Minnesota for 12 months for purposes other than education prior to application.

The following students are not eligible to participate in the State Grant Program:

- graduate/professional students;
- students who have obtained a baccalaureate degree;
- students who have attended college for the equivalent of 4 full-time academic years;
- students who defaulted on a student loan;
- students who are more than 30 days in arrears for child support payments owed a public child enforcement agency, unless currently in compliance with a repayment plan for the past due amount; and
- students who owe HESO for a State Grant overpayment.

The State Grant award is based on a concept called Shared Responsibility, which assigns specific responsibilities for paying attendance costs to students, parents, and the government.

The price of attendance consists of tuition and fees plus an allowance established by the legislature for room and board, books, supplies and miscellaneous expenses. For students attending certain private institutions, a tuition maximum is placed on the actual tuition and fees used in the calculation. The price of attendance for a full-time State Grant is based on 15 credits per term, and the price of attendance used to calculate the grant is reduced if the student enrolls for fewer credits.

Under Shared Responsibility, students are required to contribute 50% of the price of attendance from savings, earnings, loans or assistance from institutional or private sources. This 50% of the price of

attendance is called the Student Share. The remaining 50% of the price of attendance is the responsibility of parents if the student is a dependent; parents are expected to meet this obligation to the extent they are financially able. If the student is independent, the remaining 50% portion is the responsibility of the student, to the extent he or she is financially able. Federal and state programs assist those parents and students who cannot contribute the full 50% of the remaining price of attendance. The State Grant program funds the portion of the 50% price of attendance not covered by the parent/ student contribution, when combined with Federal Pell Grant funds for which the student is eligible. The minimum State Grant award is \$300.

If the amount of grants to be awarded exceeds the appropriation, available funds are rationed by placing a surcharge on the parental contribution and increasing the Student Share.

Non-AFDC Child Care Grant Program

The program provides financial assistance to students who have children 12 and under (14 and under if the child has a disability), do not receive Aid to Families with Dependent Children (AFDC), and who need child care assistance in order to attend an eligible Minnesota post-secondary institution. Assistance may cover up to 40 hours per week for each eligible child. HESO allocates program funds to eligible schools, (which included all public post-secondary schools, private baccalaureate degree granting colleges and universities, and private non-profit vocational institutions granting associate degrees located in Minnesota.

The maximum annual award is \$1,700 per eligible child. The award calculation is based on family income, the number of eligible children, and the recipient's level of enrollment.

To be eligible to participate in the program, a recipient must:

- be a resident of Minnesota;
- have a child 12 years or younger, or 14 years of age or younger who is handicapped (as defined in M.S. 120.03) and be receiving care on a regular basis;
- not have earned a baccalaureate degree or have completed the equivalent of 4 academic years of post-secondary education;
- be pursuing a nonsectarian program or course of study that applies to an undergraduate degree, diploma, or certificate;
- be enrolled for at least 8 credits per term;
- be making satisfactory academic progress as defined in 136A.101, subd. 10;
- not be a recipient of AFDC;
- meet the program's income guidelines;
- not be receiving tuition reciprocity; and
- not be in default of any educational loan, or, if in default, have made satisfactory arrangements to repay the loan with the holder of the note.

Public Safety Officers' Survivor Grant, Nursing Grants for Persons of Color, Youth Works Post Service Benefits

These programs promote educational opportunities for specific groups of Minnesota residents by providing financial assistance for post-secondary education.

Nursing Grants for Persons of Color

The program provides financial assistance to students who are persons of color pursuing an educational program that leads to licensure as a registered nurse or advanced nursing education. Grants are \$2,000 to \$4,000 per year.

1998-99 Biennial Budget

BUDGET ACTIVITY: State Grant
PROGRAM: Student Financial Aid & Information
AGENCY: Higher Education Services Office (HESO)
(Continuation)

REVENUE:

This activity generates dedicated and non-dedicated revenue.

Public Safety Officers' Survivor Grant

Dependent children less than 23 years old and the surviving spouse of a public safety officer killed in the line of duty on or after 1-1-73, are eligible to receive financial assistance for post-secondary education from the Safety Officers' Survivor Grant Program. The applicant must be enrolled in an undergraduate or certificate program at a Minnesota post-secondary institution. The amount of the award at a public school is the actual tuition and fee charges. At a private school, the tuition and fees are capped if they exceed the highest tuition and fees charged by a public post-secondary institution.

Youthworks Post Service Benefits

The Youthworks Post Service Benefits provides grant benefits earned by students who perform community service through the Youthworks Program, M.S. 299A.41 - 299A.45. The program is being phased out.

Ladders in Nursing Careers Program (LINC)

HESO is the fiscal agent for the LINC. HESO forwards the \$25,000 grant to the Metropolitan Health Care Foundation which selects recipients and administers the program.

BUDGET ISSUES:

In order to strengthen financial access to a wide array of post-secondary education opportunities for low and moderate income families, the Higher Education Services Office is requesting an increase of \$38 million for the State Grant Program for F.Y. 1998 and 1999. The proposal builds on the state policy of working in partnership with the federal government to help students from low income families cover the price of attendance at the institution that can best meet their educational needs.

The central part of the proposed recommendation related to this activity is to reduce the assigned student responsibility of the cost of attendance for the State Grant Program from 50% to 48% in F.Y. 1998 and 45% in F.Y. 1999; and to increase the living and miscellaneous expense allowance from the 16th percentile of reported student spending to the 18th percentile in F.Y. 1998 and the 20th percentile in F.Y. 1999. The allowance would increase from \$4,200 in F.Y. 1997 to \$4,500 in F.Y. 1998 and \$4,880 in F.Y. 1999.

The recommendation also includes funding for inflationary items that make up the cost of attendance -- tuition and fees for public institutions, living and miscellaneous expenses, and private tuition maximums.

A new Minnesota Education Savings Allowance is proposed as an incentive for families to save for post-secondary education by increasing the amount of net worth protections in the federal need analysis.

In addition, full state support is requested for students receiving awards for 4 quarters. Now, students attending in the 4th quarter must finance the portion of attendance costs covered by the federal Pell Grant during the other 3 quarters.

As part of the savings allowance proposal, HESO will need to develop the capacity to alter the federal need analysis methodology. Funding is recommended in the first year of the biennium for this.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO
ACTIVITY: STATE GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	17	18	20	20	20	20	20	20
OPERATING EXPENSES	5	12	11	311	11	11	11	11
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	22	30	31	331	31	31	31	31
PAYMENTS TO INDIVIDUALS	94,547	94,414	100,490	105,690	92,490	100,490	134,590	100,490
LOCAL ASSISTANCE	116	125	125	125	125	125	125	125
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	94,685	94,569	100,646	106,146	92,646	100,646	134,746	100,646
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
CHILD CARE ASSISTANCE		GEN		740			740	
SUMMER SCHOLARSHIPS		GEN		60			60	
STATE GRANT PROGRAM		GEN		4,700			33,300	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				5,500			34,100	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) STATE GRANT PROGRAM, CURRENT LAW		GEN			<14,800>			<14,900>
(B) INCREASE LME, TUITION, PRIVATE MAXIMUMS		GEN			5,500			10,900
(B) FOURTH QUARTER STATE GRANT AWARDS		GEN			1,000			1,000
(B) MINNESOTA EDUCATION SAVINGS ALLOWANCE		GEN			300			3,000
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					<8,000>			
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	93,355	93,863	99,946	105,446	91,946	99,946	134,046	99,946
STATUTORY APPROPRIATIONS:								
FEDERAL	1,229	606	600	600	600	600	600	600

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO
ACTIVITY: STATE GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
CARRY FORWARD:								
GENERAL	101	100	100	100	100	100	100	100
TOTAL EXPENDITURES	94,685	94,569	100,646	106,146	92,646	100,646	134,746	100,646
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL	4	606	600	600	600	600	600	600
NONDEDICATED:								
GENERAL	1,674	60	510	510	510	60	60	60
TOTAL REVENUES COLLECTED	1,678	666	1,110	1,110	1,110	660	660	660
FTE BY EMPLOYMENT TYPE:								
REGULAR	.5	.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	.5	.5	.5	.5	.5	.5	.5	.5

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Grant Program

ITEM TITLE: State Grant Program

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$4,700	\$33,300	\$33,300	\$33,300
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 136A.121, Subd. 5

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with HESO's requests for additional appropriations above the base to lower the Assigned Student Responsibility or to provide above-inflation increases in the living and miscellaneous expense allowance. The increase in the maximum federal Pell Grant award allows the state to make the following adjustments in the State Grant Program within base-level appropriations with a reduction of \$8 million in F.Y. 1998:

- Increases of 2.5% per year in the factors that comprise the student budget used to calculate State Grant awards, including the Living & Miscellaneous Expense Allowance, tuition and fees for students at public colleges and universities, and the tuition maximums for students at private institutions.
- Development and implementation of the Minnesota Savings Allowance, an adjustment to the formula for awarding financial aid that will lower the real and perceived "savings penalty" that excludes some families who have saved for college from receiving financial aid.
- Provide state grant coverage for 100% of the government share for federal Pell Grant-eligible students attending college 4 quarters a year.

AGENCY RATIONALE FOR INITIATIVE:

The purpose of the initiative is to contain increasing costs of post-secondary education and strengthen financial access to a wide array of post-secondary educational opportunities for low and moderate income Minnesota residents. The initiative asks the state to continue its historical commitment to help residents pursue opportunities that can best meet their educational needs. It builds on the effectiveness of the Design for Shared Responsibility policy in targeting State Grant funds to low income families.

Concerns about Financing Post-Secondary Education

The initiative is particularly significant in the context of several concerns that affect financing of post-secondary education:

- The relative responsibility for paying the price of post-secondary education has been shifting from taxpayers to students and families, making it more difficult for low and moderate income students to finance their education.
- Parents believe increasingly that they will not be able to send their children to college due to financial obstacles, according to several studies and opinion polls.
- The gap is widening between families that can afford to send their children to college and those that cannot, according to national studies. The Financial Aid Task Force, established by the 1993 Minnesota Legislature, concluded in 1994 that while Minnesota ranks high in support for need-based student aid, national comparisons "mask the deteriorating situation as seen from the vantage point of those for whom Minnesota's State Grant Program was designed principally to benefit: the economically disadvantaged."
- Demographic shifts have increased the proportion of high school students who are poor and poorly prepared for college classes. Research suggests that cost and financial aid are the greatest barriers to college attendance and graduation among first generation college bound students and students from low income families. Minnesota Planning studies indicate that Minnesota's minority children are economically disadvantaged compared to white children--an alarming finding in view of the projected growth in future years of children from racial and ethnic minorities.
- Despite recent increases, funding for federal student aid programs has failed to keep pace with college costs. The actual maximum federal Pell grant is far below authorized levels.
- More and more undergraduate students and families are finding it necessary and/or convenient to borrow for post-secondary education. Although grants continue to provide a significant amount of assistance in paying for post-secondary education, Minnesota undergraduate students for the first time in F.Y. 1995 received more assistance in the form of loans than grants.

Plan to Strengthen Financial Access to Post-Secondary Education

The State Grant budget initiative includes a package of items to strengthen access to post-secondary education for low and moderate income students. These include reducing the assigned student responsibility, increasing the living and miscellaneous expense allowance, providing an incentive for saving, and covering the federal Pell Grant share for 4th quarter awards rather than increasing the family burden. The initiative also includes a 2.5% per year increase for inflation to cover increases in public sector tuition and fees, private tuition maximums, and the living and miscellaneous expense allowance.

The initiative builds on state policy of working in partnership with the federal government to help low and moderate income families cover the price of attendance at the institution that can best meet their educational needs. In its F.Y. 1997 budget, Congress approved the largest increase in several years in maximum federal Pell grants, from \$2,470 this year to \$2,700 in the 1997-98 school year. Because the state bases student awards on the combination of the State Grant and federal Pell Grant, Minnesota will likely have at least \$17 million available in the next biennium to strengthen financial access. Combined with an increased investment of \$38 million in State Grant funding in the 1998-99 biennium, Minnesota will be able to help ensure reasonable post-secondary opportunities for its residents. Following is a summary of the State Grant initiative components.

Increases for Inflation

The initiative includes inflationary funding of 2.5% per year for elements that make up the cost of attendance under the Design for Shared Responsibility. These are actual tuition and fees in public post-secondary institutions, private tuition maximums, and the living and miscellaneous expense allowance. Total cost of the inflationary adjustments is \$5.4 million in F.Y. 1998 and \$10.7 million in F.Y. 1999.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Grant Program

(Continuation)

State policy recognizes the link between public sector tuition and fee increases and financial aid for low income students. State policymakers have maintained this relationship by increasing State Grant funding to help offset anticipated tuition and fee increases. Thus, the 2.5% inflationary figure should be adjusted as more precise tuition estimates are determined in the appropriations process. The cost is \$1.3 million in F.Y. 1998 and \$2.7 million in F.Y. 1999.

The budget initiative would increase the private tuition maximum from \$7,665 in F.Y. 1997 to \$7,860 in F.Y. 1998 and \$8,055 in F.Y. 1999 in private 4-year institutions. During the past decade, posted tuition and fees in these institutions increased by 102% while the recognized tuition and fees in the State Grant Program went up 54%. The current tuition maximums have not changed in the past 7 years. For private 2-year institutions, the maximums would increase from \$5,990 in F.Y. 1997 to \$6,050 in F.Y. 1998 and \$6,200 in F.Y. 1999. The cost is \$1.3 million in F.Y. 1998 and \$2.6 million in F.Y. 1999.

The living and miscellaneous expense allowance, currently \$4,200, has been increased 4% since F.Y. 1993, while the Consumer Price Index increased 11%. Failure to increase the allowance in the next biennium would result in it falling below the 15th percentile of reported student spending in F.Y. 1999. Adjusting the current value for inflation, to \$4,305 in 1998 and \$4,413 in 1999, would maintain the allowance at the 16th percentile of reported student spending. The cost is \$2.8 million in F.Y. 1998 and \$5.4 million in F.Y. 1999.

Reduction of Assigned Student Responsibility

The initiative would reduce the assigned student responsibility from 50% of the recognized price of attendance to 48% in F.Y. 1998 and 45% in F.Y. 1999. The current student responsibility has been 50% since F.Y. 1984. From F.Y. 1986 to 1997, the assigned student responsibility increased by 56%, or \$1,160, for MnSCU students, 80%, or \$1,911, for University of Minnesota students, and 53%, or \$2,040, for students at private 4-year institutions. These increases have been driven by increases in tuition and fees; for example, tuition and fees during the period rose 125% at the University of Minnesota, 81% at MnSCU institutions, and 101% at private 4-year colleges. Under the current assignment of responsibility, students are required to work and borrow more than when the Design for Shared Responsibility policy was developed in the early 1980s. The cost for this item is \$8.7 million in F.Y. 1998 and \$22.3 million in F.Y. 1999.

Enhancement of Living and Miscellaneous Expense Allowance

The initiative would increase the living and miscellaneous expense allowance from \$4,200 in F.Y. 1997 (the 16th percentile of reported student expenses), to \$4,500 in F.Y. 1998 (the 18th percentile), and \$4,880 in F.Y. 1999 (the 20th percentile). This initiative is in addition to the inflationary adjustment for the living and miscellaneous expense allowance. Under the Shared Responsibility policy, the student grant award currently covers half the \$4,200 allowance, or \$2,100. Thus, a \$680 increase in the allowance from \$4,200 in F.Y. 1997 to \$4,880 in F.Y. 1999 would result in a State Grant award increase of \$340.

The current allowance represents the 16th percentile of reported student expenses based on national data for the 10-state Midwest region. This means that 84% of students report spending more than

the State Grant allowance. The current State Grant allowance has increased 4% since F.Y. 1993. The current allowance is not adequate to cover room and board costs at Minnesota 4-year colleges, much less other expenses. Room and board charges at Minnesota institutions have been increasing as fast or faster than the Consumer Price Index. The current allowance is at 67% of the poverty threshold for a single individual. The cost of enhancing the allowance is \$4.7 million in F.Y. 1998 and \$11.8 million in F.Y. 1999.

Development of Minnesota Education Savings Allowance

The initiative proposes to develop and implement the Minnesota Education Savings Allowance to protect net worth beyond the level of protection in the federal need analysis. The \$300,000 appropriation for F.Y. 1998 is to develop the capacity to implement the savings allowance; the appropriation of \$3 million for F.Y. 1999, added to the State Grant Program appropriation, is to begin implementation. The Services Office also recommends an increase of \$50,000 per year as part of the agency's student/parent initiative to more actively promote saving. (See separate student/parent information initiative.)

The federal need analysis, which Minnesota uses to determine the parental contribution for the State Grant Program, taxes a family's net worth at a maximum of 5.6%. A family with assets is expected to pay more than a family earning the same income with fewer or no assets. This "savings penalty" actually prevents some families from receiving grants; it may discourage savings among other families who would still qualify for grant aid and, in the long run, benefit if they saved.

The Minnesota Savings Allowance would allow families to protect \$16,000 of assets, roughly the amount of 4 years of tuition and fees at a public college or university. This would reduce the expected annual parental contribution and increase a family's eligibility for grant assistance by up to \$900 (\$16,000 x 5.6% tax rate = \$900). Although the initiative ties the incentive to the cost of attending a public 4-year institution, policymakers could establish a smaller or larger savings allowance.

This approach to encourage savings is simple, and has minimal implementation and administrative costs. Families could use any savings strategy or mechanism. They would not need to report any new information on the need analysis. This initiative does not preclude the enactment of other savings plans. In fact, the enactment of other savings plans likely would require the Services Office to have the capacity, as proposed in the F.Y. 1998 budget, to alter the treatment of net worth in the federal need analysis.

State Coverage of Fourth Quarter Awards

The initiative proposes to base fourth quarter State Grant awards on taxpayer responsibility rather than requiring the family to cover the federal Pell Grant share during the 4th quarter. The 1995 Legislature enacted the change to enable students to receive State Grants for 4 quarters per year, but contrary to the Design for Shared Responsibility, covered only state taxpayer support. As a result, families are asked to cover the federal Pell share in the fourth quarter. The budget initiative requests that the state honor the Shared Responsibility policy by coordinating State Grant and federal Pell Grant benefits. The cost of this item is \$1 million for each year of the biennium.

PROGRAM OUTCOMES:

The initiative will help contain cost increases and enhance access to post-secondary education for low and moderate income students. It will help prevent an erosion of opportunity that could occur as the costs of post-secondary education continue to outpace financial resources of low income families. The initiative targets increased funding to lower income students. For example, 2/3 of the budget increase in F.Y. 1999 would go to families with incomes under \$30,000.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Grant Program

(Continuation)

The initiative would build on the effectiveness of the Design for Shared Responsibility as a reasonable, fair policy in distributing expectations for financing post-secondary education across students, families, and taxpayers. Over the past decade, the Design for Shared Responsibility has made a difference in helping Minnesota families pay for education beyond high school. In particular, the large price increases have been moderated for State Grant recipients because the policy increases assigned student responsibilities only half as much as recognized prices. Further, the assigned family responsibilities for many lower income families decreased between F.Y.s 1986 and 1995. Assigned family effort (assigned family responsibility as a percentage of income) decreased for many lower income families because of policy changes embedded in the Federal Need Analysis and adopted for the State Grant Program. For families in the \$25,000 to \$30,000 income group, the assigned family efforts of typical dependent students attending the University of Minnesota decreased from 6.7% to 3.8% of adjusted gross income.

Research shows that at least half of students and/or families are not saving for future education; of those who are saving, most do not save nearly enough. Implementation of the savings allowance would provide an incentive for families to save for post-secondary education and help offset perceptions that it doesn't pay to save. Rather than being penalized, families would be rewarded for saving with an enhanced opportunity to receive State Grant assistance.

LONG-TERM IMPACT:

An investment in need-based financial aid to enhance access to post-secondary education will benefit both Minnesota residents and the state. An educated citizenry translates into a productive workforce that contributes to the economic, social, and cultural well being of the state. Access to post-secondary education results in economic opportunity for all citizens. People with post-secondary experience earn higher wages and have lower unemployment than people with only a high school education. Recent estimates indicate that a 4-year degree will mean \$600,000 more in lifetime earnings for a child than if he or she attains only a high school diploma. This earnings gap has been growing for the past 15 years. Beyond the economic rewards, further education helps develop the civic, cultural, and social values that contribute to a high quality of life for Minnesota individuals and society.

Implementation of the initiative would result in increased saving for post-secondary education and diminished reliance on borrowing. This would be accomplished by increased awareness of the importance of saving supported by an actual incentive, or reward, for saving. Increased saving would help ensure financial access to post-secondary education for Minnesota students and families.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Grants

ITEM TITLE: Non-AFDC Child Care

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$740	\$740	\$740	\$740
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 136A.125 Subd. 4

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the Service Office's request. The Governor recommends base-level appropriations for this program. In addition, the Governor recommends a biennial increase of \$14 million for the Basic Sliding Fee Child Care program administered by the Department of Children, Families and Learning (DCFL). (See the Governor's budget recommendations for DCFL for more information.)

AGENCY RATIONALE FOR INITIATIVE:

Both students and financial aid administrators have testified that the Non-AFDC Child Care grant award maximum is too low to help the most needy students. In F.Y. 1995, the average family income of students receiving awards from this program was \$15,109. The average family size was 3. According to the Commission on the Economic Status of Women, the average cost for an infant in a child care center in Hennepin County is \$652 a month; the child care cost for an infant in a child care center in Le Sueur is \$470 a month. Given these costs, a student attending on a full-time basis for a 9-month academic year and who has an infant needing full-time child care, the student would spend \$5,868 or \$4,230 respectively in child care expenses. With a maximum award of \$1,700 per child, the student would pay \$4,168 or \$2,530 from resources other than the Non-AFDC Child Care program. This creates a barrier for students who must care for small children while attending a post secondary institution. Therefore, the maximum award should be increased to \$2,000 and additional funds added to the current program in order to maintain the current number of students served.

An increase in the award maximum would reduce the burden on students with children by reducing the amount of additional funds they would need to borrow in order to pay for child care costs. In the above example, the burden would be reduced from \$4,168 to \$3,868 and from \$2,530 to \$2,230 respectively.

PROGRAM OUTCOMES:

The amount of funds requested would allow the same number of students to be served by this program as were served in F.Y. 1996.

The program was designed to provide students who have children 12 and under, are not receiving Aid to Families with Dependent Children (AFDC), and who demonstrate financial need, grant assistance to help pay for child care.

The award is based upon the income of the applicant and spouse, the number in the applicant's family, the number of eligible children within the families who need child care, and the applicant's level of enrollment. Currently, the maximum award amount is \$1,700 per eligible child per academic year.

In F.Y. 1995, the maximum Non-AFDC Child Care award was \$1,500 per child, and 2,388 students received a total of \$2,932,666 for an average award per student of \$1,173. In F.Y. 1996, the maximum award per child was \$1,700, and 2,443 students were awarded a total of \$3,297,220 for an average award of \$1,291.

LONG-TERM IMPACT:

An increase in the child care maximum award from \$1,700 to \$2,000 will ease the burden for students who must already struggle to not only pursue their educational goals but balance family responsibilities as well.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Grants

opportunities for students who otherwise would not be able to attend these programs. The program has successfully served many low income students and students of color. Positive summer enrichment experiences provide added motivation for previously underserved students to explore future post-secondary opportunities.

ITEM TITLE: Summer Scholarships for Academic Enrichment Program

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$60	\$60	\$60	\$60
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the Service Office's request. The Governor recommends base-level appropriations for this program.

AGENCY RATIONALE FOR INITIATIVE:

The program has demonstrated a strong record of success in providing summer enrichment opportunities for low-income students in grades 7 through 12 who demonstrate academic achievements and otherwise would not be able to attend these programs. The program has successfully served many low income students, including students of color. Positive summer enrichment experiences provide added motivation for previously underserved students to pursue future post secondary opportunities. In the past 2 years, participation has increased, and in F.Y. 1996 all funds were awarded. The requested increase in funding would allow the program to serve an additional 100 students per year.

PROGRAM OUTCOMES:

The program will continue to provide grants to low-income students in grades 7 through 12 who want to enrich their learning beyond those academic experiences provided by secondary schools.

The increased funding for this program will help encourage those families to support their children's aspirations for higher education through challenging learning opportunities.

LONG-TERM IMPACT:

The economic strength of Minnesota will depend upon the economic vitality of all its citizens. The most efficient method of enhancing personal economic vitality is to increase educational experiences. This program demonstrates a strong record of success in providing summer enrichment

1998-99 Biennial Budget

BUDGET ACTIVITY: Interstate Tuition Reciprocity
PROGRAM: Student Financial Aid & Information
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

This activity reduces cost barriers and increases access and choice of public post-secondary educational opportunities for Minnesota residents, and encourages the maximum use of educational facilities. A Minnesota resident may enroll full or part time in an undergraduate or graduate program at a public institution in Wisconsin, North Dakota, South Dakota, the province of Manitoba, and one institution in Iowa (Iowa Lakes Community College) without paying non-resident tuition rates. Students from these same states, province, or district may enroll in Minnesota public institutions without paying non-resident tuition rates.

For the last three academic years (F.Ys. 1994, 1995, and 1996) participation in tuition reciprocity programs can be summarized as follows:

Under the Wisconsin/Minnesota tuition reciprocity program, an average of 10,747 Minnesota residents attended Wisconsin public institutions. For the same period, an average of 7,500 Wisconsin residents attended Minnesota public institutions under tuition reciprocity.

Under the North Dakota/Minnesota tuition reciprocity program, an average of 6,070 Minnesota residents attended North Dakota institutions. For the same period, an average of 4,370 North Dakota residents attended Minnesota institutions under tuition reciprocity.

Under the South Dakota/Minnesota tuition reciprocity program, an average of 1,776 Minnesota residents attended South Dakota public institutions. For the same period, an average of 1,643 South Dakota residents attended Minnesota public institutions under tuition reciprocity.

Under the Iowa/Minnesota limited tuition reciprocity program, an average of 66 Minnesota residents attended Iowa Lakes Community College. For the same period, an average of 61 Iowa residents attended Minnesota public institutions under tuition reciprocity.

Under the tuition reciprocity program between Minnesota and the Canadian province of Manitoba, an average of 5 Minnesota residents attended public institutions in Manitoba. For the same period, an average of 74 Manitoba students attended Minnesota public institutions under this agreement.

BUDGET ISSUES:

The reciprocity program continues to be a cost effective way to provide quality education to Minnesota residents at the lowest possible cost to the Minnesota taxpayer, while ensuring access and choice for Minnesota residents. Direct legislative appropriations per student to Minnesota institutions have increased over the past several years. However, over the same period, payments per net student by Minnesota to reciprocity states have decreased or remained the same. This has been accomplished through tuition reciprocity contract renegotiations. The current reciprocity agreement with Wisconsin will end with the 1997-98 academic year.

The Services Office has entered into preliminary discussions with Wisconsin on the terms of the new agreement. Prior to starting preliminary discussions, the Services Office held discussions with public higher education system legislative and executive branch staff to get their input on areas that should be addressed in the negotiation of a new agreement.

In response to a request by the University of Minnesota, the Services Office has already negotiated a change to the law school and pharmacy portions of the reciprocity agreement. As contract discussions continue, additional changes in the agreement may occur.

The formulas for determining the student tuition rates and the state compensation rates vary for each state and are summarized as follows:

Wisconsin

Student rates: Students pay tuition rates that are charged at comparable institutions in their home state.

Payment Calculation:
$$\begin{aligned} &\text{Number of student credits earned} \times \text{cost per credit}^* \\ &\quad - \text{Tuition paid by students} \\ &= \text{Net State Obligation} \end{aligned}$$

* Cost per credit = 64% of total instructional cost of Wisconsin institutions for the appropriate academic year.

North Dakota

Student rates: Students pay the higher of the resident tuition rate at the institution attended or the resident tuition rate at a comparable home state institution.

Payment Calculation:
$$\begin{aligned} &\text{Marginal Expenditure per FTE} \\ &\quad - \text{Resident Tuition Rate} \\ &= \text{Remaining Marginal Expenditure per FTE} \\ &\quad \times \text{Gap FTE (Difference in state flow of students)} \\ &= \text{Gross State Obligation} \\ &\quad - \text{Total Student Tuition Paid in Excess of Resident Tuition} \\ &= \text{Net State Obligation} \end{aligned}$$

South Dakota

Reciprocity student rates: Students pay the higher of the resident tuition and fee rate at the institution attended or the resident tuition and fee rate at a comparable home state institution.

Payment: none

Iowa

Reciprocity student rates: Students pay resident tuition of the institution they attend.

Payment: none

Manitoba

Reciprocity student rates: Students pay resident tuition of the institution they attend.

Payment: none

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO
ACTIVITY: INTERSTATE TUITION RECIPROCITY

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	3,460	3,122	4,500	5,100	4,000	4,500	5,400	4,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,460	3,122	4,500	5,100	4,000	4,500	5,400	4,000
=====								
AGENCY REQUEST ITEMS:								

INTERSTATE TUITION RECIPROCITY				600			900	
=====				=====			=====	
TOTAL AGENCY REQUEST ITEMS				600			900	
=====								
GOV'S INITIATIVES:								

(B) REDUCED RECIPROCITY PAYMENT OBLIGATIONS					<500>			<500>
=====					=====			=====
TOTAL GOV'S INITIATIVES					<500>			<500>
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	3,460	3,122	4,500	5,100	4,000	4,500	5,400	4,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,460	3,122	4,500	5,100	4,000	4,500	5,400	4,000
=====								
FTE BY EMPLOYMENT TYPE:								

=====								
TOTAL FTE								
=====								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Interstate Tuition Reciprocity
ACTIVITY: Interstate Tuition Reciprocity

ITEM TITLE: Interstate Tuition Reciprocity

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$600	\$900	\$900	\$900
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request, however, revised expenditure forecasts for the Reciprocity Program will allow HESO to cover the costs of the North Dakota agreement within the program's base appropriation. In light of revised spending projections, the Governor recommends that \$500,000 of the base appropriation for this program be reallocated in each year of the biennium to the State Work Study Program.

Subsequent to completing its budget submission, HESO received notice that Minnesota will not owe a reciprocity payment to Wisconsin in F.Y. 1997. Instead, Wisconsin will pay Minnesota \$505,000. Total reciprocity expenditures in F.Y. 1996, including a \$922,000 payment to Wisconsin for the 1994-95 academic year, were \$1 million below the amount of the appropriation. HESO is forecasting total appropriation cancellations for the Reciprocity Program of \$2.4 million at the close of the 1996-97 biennium.

Projected cash flows for the Reciprocity Program in the 1998-99 biennium are \$2 million below the base-level appropriation. These estimates assume projected costs of the North Dakota agreement and no reciprocity payment to Wisconsin. There is some uncertainty as to whether the experience of the 1995-96 academic year - where Wisconsin was the "debtor state" - will continue. The outcome of negotiations on a new reciprocity agreement with Wisconsin may potentially affect payments in F.Y. 1999. Therefore, the Governor recommends that only a portion of the projected unspent appropriations be reallocated.

AGENCY RATIONALE FOR INITIATIVE:

Minnesota and North Dakota tuition reciprocity students paid 125% of resident tuition at the institution attended in the early 1990s. Minnesota post-secondary education systems, and representatives from the legislative branch, the executive branch, and HESO saw this 25% tuition surcharge as a disincentive for students to consider attending reciprocity institutions.

Minnesota renegotiated its agreement with North Dakota in early 1995. The 25% student tuition surcharge was reduced to 15% in academic year 1995-96 and eliminated for academic year 1996-97. With lower reciprocity tuition rates, a smaller amount of each state's gross financial obligation is covered by student tuition payments. This results in an increase in both states' net financial obligation. Minnesota's net financial obligation increase is slightly larger than North Dakota's because more Minnesota residents study in North Dakota than North Dakota residents study in Minnesota. This initiative request is based on the renegotiated North Dakota agreement.

PROGRAM OUTCOMES:

In fall 1995, 6,159 Minnesota residents attended North Dakota public post-secondary education institutions under tuition reciprocity. In fall 1995, 4,190 North Dakota residents attended Minnesota public post-secondary education institutions.

The state of Minnesota will be able to meet its financial obligation related to the Minnesota/North Dakota tuition reciprocity agreement.

LONG-TERM IMPACT:

Tuition reciprocity between Minnesota and North Dakota provides residents with additional educational opportunities at reasonable rates, thus supporting access and choice for students as they pursue their educational and career goals.

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1998-99 Biennial Budget

BUDGET ACTIVITY: State Work Study
PROGRAM: Student Financial Aid & Information
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

The State Work Study activity was created to assist in meeting the financial needs of students enrolled in public and private institutions in Minnesota, by providing valuable work experiences both on and off campus.

During the 1995-96 academic year (F.Y. 1996), 9,621 students participated in the State Work Study program, with an average state contribution of \$854 per student.

BUDGET ISSUES:

The program parallels the Federal College Work Study program in that it is able to assist low to moderate income students who demonstrate financial need. Larger post-secondary institutions in Minnesota find this program to be a valuable resource because a significant number of their students come from moderate income families.

A strong Work Study Program is an important component of the state's overall financial aid effort. Both students and financial aid administrators have indicated support for increased funding, noting various benefits to students, such as expanded learning opportunities and additional work opportunities for students. Many financial aid administrators have indicated that additional work study money could be used.

Funding for the State Work Study program has remained level since 1993-94. The agency recommendation includes an increase of \$225,000 per fiscal year to fund federal mandatory wage increase without reducing the number of students participating in this activity; and also includes an increase of \$450,000 per fiscal year to increase the participation level in this program by 500 students.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO
ACTIVITY: STATE WORK STUDY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	8,029	8,475	8,219	8,894	8,719	8,219	8,894	8,719
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	8,029	8,475	8,219	8,894	8,719	8,219	8,894	8,719
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
WORK STUDY		GEN		675			675	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				675			675	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) WORK STUDY		GEN			500			500
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					500			500
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	8,029	8,475	8,219	8,894	8,719	8,219	8,894	8,719
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	8,029	8,475	8,219	8,894	8,719	8,219	8,894	8,719
=====								
REVENUE COLLECTED:								

NONDEDICATED:								
GENERAL	16	10	20	20	20	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	16	10	20	20	20	10	10	10
=====								
FTE BY EMPLOYMENT TYPE:								

TOTAL FTE								
=====								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Work Study

ITEM TITLE: State Work Study

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$675	\$675	\$675	\$675
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends additional appropriations of \$500,000 in each year of the biennium for the State Work Study Program. The Governor's recommendation will allow the Work Study Program to recognize the increase in the federal minimum wage and provide assistance to approximately 275 additional students. The Governor recommends that funding to support this initiative be reallocated from the Reciprocity Program, which projects spending below base appropriation levels.

AGENCY RATIONALE FOR INITIATIVE:

The State Work Study Program plays an important role, along with state, federal and institutional sources of financial aid, in assisting students with the costs of higher education. The state's policy on financial aid requires all students receiving State Grant awards to pay for 50% of their cost of attendance through savings, employment, or loans. Students with financial need who do not qualify for State Grants are also expected by their institutions to earn or borrow to pay part of their educational expenses.

The Higher Educational Services Office is proposing an increase in funding for the State Work Study Program of \$675,000 for each year of the biennium. Of the proposed increase, \$225,000 would be used each fiscal year to accommodate an increase in the minimum wage, and \$450,000 would be used each fiscal year to allow 500 more students to earn part of their college expenses through employment. Financial aid administrators have testified that demand for work study funding exceeds the availability of funds

The State Work Study Program assists students in earning part of their college expenses by work on campus, with nonprofit agencies, and as personal assistants to persons over the age of 65 or with disabilities. The campus financial aid office determines the total maximum work study earnings for each student based on financial need, but actual earnings depend on the wage rate and number of

hours that the student works. Wage rates, which cannot be less than the minimum wage, are set by the campus or governing board at the institution, depending on the position and policies regarding student employment. Together the state and the employer pay the student's wages. Employers must pay at least 25% of the student's wages, with the remainder being paid with State Work Study funds.

The current appropriation will be inadequate to support the same number of students in the next biennium. The annual appropriation of \$8,219,000 per fiscal year has remained level since F.Y. 1994. In addition to general inflation in prevailing wage rates, the State Work Study Program will be affected by increases in the federal minimum wage from \$4.25 per hour to \$5.15 an hour effective 9-1-97.

The agency's request includes \$225,000 to bring State Work Study wages up to \$5.15 an hour. Agency records indicate that 40% of the State Work Study participants in F.Y. 1995 were paid less per hour than the federal minimum wage. If work study appropriations are not increased, campuses that have paid below the new minimum wage will have no choice but to reduce the number of eligible students, or restrict their total work study earnings.

PROGRAM OUTCOMES:

Surveys of college students consistently show that more than half are employed while they are in school. On many campuses, off-campus work with private employers provides the largest source of employment. On-campus employment, however, has several unique benefits. For many students, on-campus employment is convenient, and working schedules and assignments are sensitive to academic priorities. On-campus employment has been shown to be associated with academic persistence because it strengthens the connection between the institution's academic program and other parts of student life. Both the state and federal Work Study Programs enable institutions to expand the number of jobs available on-campus and offer students opportunities for community service employment.

Funding the \$225,000 wage increase portion of the request would allow the State Work Study Program to continue to serve the same number of students given the increased federal minimum wage. The agency's request for an additional \$450,000 would allow the number of undergraduate and graduate students served to increase from approximately 9,900 to 10,400.

LONG-TERM IMPACT:

As the price of higher education increases, students will need increased assistance with a balanced program of grants, loans and employment.

For those students who are able to work, on-campus employment will help reduce the amount students need to borrow to meet their educational expenses.

1998-99 Biennial Budget

BUDGET ACTIVITY: Student and Parent Information
PROGRAM: Student Financial Aid & Information
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

One of the functions of HESO is to provide information to students and parents about planning and preparing for future educational opportunities. These efforts to provide information are based upon a belief that students and parents need objective, timely information in order to make sound decisions about future education and careers. Without good information, families may make ill-informed decisions or rule out post-secondary education. Agency initiatives have responded to state and national studies indicating that parents have high educational aspirations for their children, but lack information about financial and academic preparation. They lack knowledge about admission requirements, have misperceptions about the cost of different types of colleges, know little about financial aid, and are not saving. The problems appear to be most severe for families of color, low incomes, or those with no previous post-secondary education.

The Services Office has developed several strategies to communicate information to students and parents. A publication, *Future Choices/Dare to Prepare* is provided to all 8th grade students in Minnesota to encourage early, careful planning for future education. A major focus is placed on what classes to take in high school.

The annual *Counselor's Guide* provides information about admissions requirements at post-secondary institutions, instructional programs in Minnesota and reciprocity states, financial aid, and other information. One free copy is provided to each high school; additional copies are purchased by post-secondary institutions, libraries, and other organizations.

The *Get Ready* program encourages academic and financial preparation by parents for their children's future education. Topics include academic preparation, saving and investing, and financial aid. The centerpiece of the project is a 24-page booklet, *Get Ready*. The public information campaign emphasizes that higher education is and will continue to be available and achievable for all Minnesotans. Families need to get ready for their children financially and academically because an investment in future education pays off both economically and as good preparation for life.

Each year, more than 100,000 copies of *Get Ready* are distributed to Minnesota parents. About 80,000 are made available to parents of 5th grade students. As part of the program's outreach plan, copies are distributed to community centers and agencies, churches, federal TRIO programs, and other programs serving low income families and families of color. Copies are distributed at the State Fair and other events and in response to numerous calls and written requests to the agency. Each spring, about 90,000 summaries of *Get Ready* are inserted into 5 minority newspapers. Summaries in Spanish and Hmong also are available. A *Get Ready* video produced in 1996 highlights the benefits of post-secondary education for families of color, low incomes, and no previous post-secondary education.

Two new *Get Ready* components were introduced in 1996. The *Can Do* campaign is designed to encourage recipients of *Get Ready* information to take the *Can Do* pledge in which parents and students promise to take actions to prepare for future education. The first *Can Do* Camp was a half day seminar that provided parents with presentations on financial aid, academic preparation, college options, parenting, and motivation.

To complement and supplement its parent information efforts, the Services Office has received private contributions totaling \$43,500 for F.Y. 1997, plus over \$5,000 in in-kind support.

More than 140,000 copies of *Focus on Financial Aid* are distributed annually to students and parents through high schools, post-secondary institutions, and other locations. This booklet describes various types of financial aid and how to apply for assistance. A *Focus* pamphlet and video also are available. In addition, the agency sponsors a fall teleconference on financial aid for high school counselors, publishes materials on specific programs, distributes a financial aid newsletter to financial aid administrators, and conducts information sessions for financial aid personnel.

The Services Office has received federal grants for 1995-96 (federal F.Y. 1995) and 1996-97 (federal F.Y. 1996) under the National Early Intervention Scholarship and Partnership Program (NEISP). The goal is to provide one-on-one counseling and information to students and parents of color, low income, and first generation college bound backgrounds in their local communities. The Services Office is providing services to 4th and 5th grade students in several target areas in Minneapolis and St. Paul. This effort responds to the results of a study prepared by the Wilder Research Foundation in 1994, which highlighted compelling needs for early intervention and information by students and parents of color, low income, and those with no previous post-secondary experience in the family. The need for the project is supported by demographic information, highlighting high levels of poverty in Minnesota, particularly Minneapolis and St. Paul, and increased dropout rates, especially among students of color.

Related to the federal NEISP grants, the Services Office has received a 2-year, \$50,000 grant from the McKnight Foundation to be used for the early intervention program. A key focus will be to develop a career awareness curriculum for students served by the project. A \$15,000 grant from American Express will support development of a curriculum on finance and saving for education focused on families of low income, color, or no previous post-secondary education.

BUDGET ISSUES:

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

The Wilder Study concluded that families from communities of color, with low incomes, and no previous post-secondary education are in serious need of accurate information about future educational opportunities and careers. The study further indicated that these populations lack the tools necessary to interpret the information and that the information available through the Services Office and others would be most helpful through personal contact and interaction.

The federal intervention grants and some private foundation support are enabling the Services Office to work with 4th and 5th grade students and parents from the target populations to provide early awareness of educational preparation and career opportunities.

One budget issue is how to maintain and expand the early intervention model. The current effort is predicated on a partnership of federal, private, and state support and involvement by affected communities. However, the future funding of the federal grant is uncertain from year to year and private grants are difficult to predict. Also of interest is a desire to test the early intervention model in greater Minnesota.

A second budget issue is how to build on current information efforts to involve students and parents early on in financial planning before the senior year of high school. A 1994 survey prepared by Anderson, Niebuhr & Associates concluded that students in grades 7-12 and their parents are less

1998-99 Biennial Budget

BUDGET ACTIVITY: Student and Parent Information
PROGRAM: Student Financial Aid & Information
AGENCY: Higher Education Services Office (HESO)
(Continuation)

likely to have taken steps related to paying for higher education (saving money and obtaining information on financial aid) compared to other steps they have taken to prepare for higher education. Although both parents and students, on the whole, feel well informed about many aspects of preparing for higher education, both groups feel less informed about their eligibility requirements for financial aid.

A third, related issue is how to inform and encourage students and parents to save for higher education. Overall saving rates of Americans have been dropping -- from 9% of disposable personal income in 1981 to 5% in 1991. About half of Minnesota parents of secondary students (grades 8-12) surveyed in 1994 reported saving for college. However, national surveys indicate that the amount saved for college expenses is only a small percentage of the amount needed. A much smaller percentage of secondary students appear to be saving for college.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO
ACTIVITY: STUDENT & PARENT INFORMATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	25	48	50	60	50	51	61	51
OPERATING EXPENSES	239	287	270	535	270	244	549	244
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	264	335	320	595	320	295	610	295
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	264	335	320	595	320	295	610	295
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
STUDENT/PARENT INFORMATION		GEN		275			315	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				275			315	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	94	95	95	370	95	95	410	95
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE		40	25	25	25			
FEDERAL	170	200	200	200	200	200	200	200
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	264	335	320	595	320	295	610	295
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR		1.0	1.0	1.0	1.0	1.0	1.0	1.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE		1.0	1.0	1.0	1.0	1.0	1.0	1.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid & Information
ACTIVITY: Student and Parent Information

ITEM TITLE: Student/Parent Information/Early Awareness

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$275	\$315	\$315	\$315
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends base-level appropriations for this program.

AGENCY RATIONALE FOR INITIATIVE:

HESO is proposing increased funding for its student/ parent information function of \$275,000 in F.Y. 1998 and \$315,000 in F.Y. 1999. Of the F.Y. 1998 request, \$225,000 would support early awareness and counseling to students and parents of color, those with low incomes, or with no previous post-secondary education. The remaining \$50,000 would support increased information about saving and financial preparation for post-secondary education. Of the F.Y. 1999 request, \$265,000 would support early intervention and \$50,000 would support increased information about financial preparation. While the early awareness component focuses primarily on specific populations, the information on financial preparation is directed to families of all backgrounds.

For several years, the HESO has provided information to students and parents about planning and preparing for future educational opportunities. These efforts support the premise that families need objective, timely information in order to make sound decisions about future education and careers. Without good information, families may make ill-informed decisions or rule out post-secondary education altogether. Agency initiatives have responded to state and national studies indicating that parents have high educational aspirations for their children, but lack information about academic and financial preparation.

A study by the Wilder Research Foundation in 1994 highlighted the compelling need for early intervention and information for students of color, low incomes, or no previous post-secondary education. The study concluded that these populations are in serious need of accurate information and, when they do receive it, lack the tools necessary to interpret it. The Wilder study highlighted the

educational and economic disadvantages faced by these students, noting that they are the most likely to drop out of school, less likely to attend college or apply for financial aid, and most likely to be overlooked by school staff. Many parents are unable to identify information that would help them guide their children toward suitable educational decisions. Students and parents overestimate the cost of attending post-secondary education by 2 to 4 times the cost, and few demonstrate specific knowledge about financial aid. The Wilder study recommended that students and parents be provided information at an early stage (elementary school years) in order to broaden their options in thinking about post-high school education and careers; that opportunities be provided to explore and experience various educational and career areas first hand; and that publications be available in other languages.

In response to these findings, HESO, during the 1996-97 biennium, applied for and received 2 federal grants totaling \$400,000 under the National Early Intervention Scholarship and Partnership Program. Four community workers and a coordinator are providing one-on-one counseling and information to 4th, 5th, and 6th grade students and parents of color, low incomes, or no previous post-secondary education in several target areas in Minneapolis and St. Paul. Each worker serves about 50 families. A grant from The McKnight Foundation is supporting the development of an early career awareness component, and HESO is consulting with representatives of the state's workforce development efforts. A grant from American Express is supporting development of a curriculum on financial preparation for the target populations. Evidence suggests that over time, early awareness and one-on-one counseling and mentoring are effective in helping students and parents who otherwise might not pursue future educational opportunities.

The goal of the request is to involve the state as a partner with the federal government and private contributors to meet the documented needs. The request is not intended to substitute for federal funding. The request for F.Y. 1998 assumes 4 community workers and a coordinator, and the request for F.Y. 1999 assumes 5 community workers and a coordinator. HESO has received 2 years of federal funding, and could receive funding for 3 more years if Congress funds the program. The availability of a federal grant in 1997-98, would enable HESO to serve additional families and begin service in some Greater Minnesota communities.

The request to expand information on financial planning and saving is based on state and national studies. A study by Anderson, Niebuhr & Associates for HESO in 1994 documented the need for more information about financial planning and saving prior to the high school years. The study concluded that students in grades 7 to 12 and their parents are less likely to have taken steps related to paying for higher education compared to other steps taken to prepare for post-secondary education. Almost half the students and parents did not feel at all informed about financial aid eligibility requirements. The survey report recommended that HESO early on address parents' predominant concern about their ability to pay for the future education of their children. Additional efforts to promote early financial preparation and saving could be coordinated with the implementation of state or federal savings initiatives.

Research findings, taken together with demographic trends and projections, elevate the importance and urgency of developing and implementing strategies that directly help low income families of color prepare for opportunities beyond high school.

PROGRAM OUTCOMES:

Implementation of this initiative will have numerous benefits to students, families, and the community. Anticipated results will be improved performance and persistence by students in their education, fewer dropouts, and higher participation and success in higher education. Students will be able to identify career interests and set career goals that lead to self sufficiency. Students and families will begin to understand the relationship between financial preparation for education and the eco-

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid & Information
ACTIVITY: Student and Parent Information

ITEM TITLE: Student/Parent Information/Early Awareness
(Continuation)

nomic benefits of various jobs and education. With the power of knowledge, students and parents will be motivated to overcome barriers to education and careers. Increased family involvement in educational and career preparation will lead not only to self sufficiency, but to a better, more productive workforce, and higher quality of life in the community. Increased information about financing will result in better understanding of the costs of higher education, and increased financial preparation.

LONG-TERM IMPACT:

Individual families, communities, and the state will benefit economically and socially. As a result of information and counseling, families from disadvantaged backgrounds will have hope, rather than despair, about their futures.

1998-99 Biennial Budget

BUDGET ACTIVITY: Student Assistance Administration
PROGRAM: Student Financial Aid & Information
AGENCY: Higher Education Services Office (HESO)

REVENUE:

This activity generates dedicated revenue.

ACTIVITY DESCRIPTION:

This activity administers 8 state student financial assistance programs, 6 tuition reciprocity programs, and 1 federal student assistance program; coordinates financial aid activity throughout the state; and represents the state in federal student aid matters. The administration of programs under this activity is consolidated in the Division of Financial Aid. Included in the administration are dissemination of student assistance information, receipt and evaluation of applications, notification of results to applicants, preparation of payment requests to recipients, maintenance of records of all actions taken, and evaluation of program effectiveness. The programs also provide administrative assistance to post-secondary institution financial aid offices.

This activity administers the following programs:

Grants: State Grant Program
Federal State Student Incentive Grant Program
Summer Scholarship for Academic Enrichment
Veteran's Dependents Grant
Non-AFDC Child Care Grants
Nursing Grants for Persons of Color
Public Safety Officers' Survivors Program
Youthworks Post Service Benefits

Other: Interstate Tuition Reciprocity- Wisconsin, North Dakota, South Dakota, Iowa, and Manitoba, and Midwest Student Exchange Programs (MSEP).
State Work Study

The programs are administered to help ensure equality of post-secondary educational opportunities in terms of both access and choice for Minnesota residents by providing financial assistance to students from low and moderate income families.

During F.Y. 1996, approximately 160,000 program applications were received, reviewed, and acted upon, resulting in \$110 million in financial assistance being provided to approximately 100,000 students.

The direct clientele of this activity include Minnesota students and their families attending both public and private post-secondary educational institutions. Also included are 18,911 post-secondary reciprocity students attending public institutions in Wisconsin, North Dakota, South Dakota, parts of northern Iowa and the province of Manitoba, Canada. This budget activity administers the Midwest Higher Education Compact.

BUDGET ISSUES:

As the number of institutions using decentralized delivery of state grants has increased, the agency has been able to significantly reduce operating expenses. Currently, more than 95% of students receiving State Grants have their grant awards calculated on the campus they attend. This has allowed HESO, through reallocation of resources, to maintain service to students and families even though the financial aid division has been downsized due to budgetary constraints.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO
ACTIVITY: STUDENT ASSISTANCE ADMIN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	270	313	320	320	320	327	327	327
OPERATING EXPENSES	196	256	258	258	258	258	258	258
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	466	569	578	578	578	585	585	585
LOCAL ASSISTANCE			124	124	124	30	30	30
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	466	569	702	702	702	615	615	615
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	462	564	573	573	573	580	580	580
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	4	5	5	5	5	5	5	5
FEDERAL			124	124	124	30	30	30
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	466	569	702	702	702	615	615	615
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	22	5	5	5	5	5	5	5
FEDERAL	35	30	30	30	30	30	30	30
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	57	35	35	35	35	35	35	35
FTE BY EMPLOYMENT TYPE:								

REGULAR	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

1998-99 Biennial Budget

PROGRAM: State Student Loans
AGENCY: Higher Education Services Office (HESO)

PROGRAM DESCRIPTION:

This program includes the following loan programs: the Federal Stafford Student Loan, the Student Educational Loan Fund Program (SELF), and the Graduated Repayment Income Protection Program (GRIP).

HESO is not an active lender in the Federal Stafford Student Loan, formerly the Guaranteed Student Loan (GSL) Program. HESO was a major lender in that program from 1974 to 1988. Due to the dramatic rise in participation by Minnesota's commercial lending community, HESO decided to discontinue making these loans in 1988. Approximately \$560 million of GSLs were made by HESO during that period of time to students who enrolled in Minnesota's post-secondary institutions or to Minnesota residents enrolled in out-of-state post-secondary institutions. The portfolio has diminished in size through repayment, or through sales in the secondary market to the Student Loan Marketing Association (SLMA). The Services Office holds a GSL portfolio worth \$8 million. No legislative appropriation has been used to operate this program.

The SELF Program, started in 1985, provides long-term, low-interest loans to Minnesota residents and residents of other states who attend post-secondary education institutions in Minnesota. Primarily, the SELF Program serves students who need loan assistance but have limited access to need-based financial aid programs. Funding for SELF loans is obtained through the issuance of tax-exempt revenue bonds, from the repayment of outstanding loans, and from program revenues generated in excess of program expenses. There is no legislative appropriation for the SELF Program.

With the gap widening between the price of post-secondary education and the availability of state and federal government grants, increasing numbers of students borrow from student loan programs to pay their educational expenses. Furthermore, as the federal government restricted access to its only middle income financing tool, the GSL Program, it became apparent that Minnesota needed to develop its own financing tool. In 1985, the HESO began the SELF program to assist Minnesota residents who needed additional financial resources to ensure educational choice.

The GRIP Program helps graduates of Minnesota schools in dentistry, medicine, pharmacy, veterinary medicine, public health, and chiropractic medicine and Minnesota residents graduating from optometry and osteopathy programs repay their student loans with repayments based on their projected annual income. The intent was to provide relief from high loan payments during participants' first few years of practice and spread their payments out over a longer period. The 1995 Minnesota Legislature sunset the program, and no new participants have been accepted into the program since 7-1-95.

PROGRAM STATUS: Payments from the outstanding GSL portfolio are used to fund SELF loans. The portfolio is a mature one, with most of the loans in repayment. Currently, HESO does not lend in the GSL program, and there is no need for HESO to resume lending because 600 private lending institutions in Minnesota are providing GSLs to Minnesota students.

The need for the SELF Program continues. Although Minnesota has a strong commitment to funding the State Grant Program, student loan funds continue to be an essential component of post-secondary education funding for many students.

When the federal government started a non-subsidized Stafford Student Loan Program in the fall of 1992, SELF volume declined. However, many Minnesota residents still prefer the SELF loan's lower interest rate (3/4 of 1% above the 91 day Treasury Bill compared to the federal rate of 3.1% above the 91-Day Treasury Bill). The SELF loan also has no guarantee fee and no origination fee. Because of rising educational costs, some Minnesota residents may need loans from both programs.

During the 15 years HESO was a lender in the GLS program the agency made approximately \$560 million worth of loans, which helped provide access to higher education for over 240,000 students in Minnesota.

Since 1985, HESO has made over 110,000 SELF loans worth over \$284 million to students from all sectors of higher education. These figures suggest that SELF loans are contributing to the number of persons employed full-time over the age of 20. Because of SELF, Minnesota students, and those students who come to Minnesota to complete their post-secondary education, are better able to afford the institution of their choice.

The repayment history of SELF loans has been much stronger than under the federal program. The cumulative default rate on SELF loans originated from Phase I of operation (July, 1985-August, 1988) is about 7%. The cumulative default rate on SELF loans from Phase II of operation (September, 1988-present) is less than 3%. Furthermore, because of the program's co-signer requirement and other collection capabilities, HESO is able to get more than half of those in default to either pay the loan in full, or to return to a repayment plan. HESO staff were able to collect approximately \$1,800,000 from SELF defaulters in F.Y. 1996.

PLANNED RESULTS: For the upcoming biennium, the objective of HESO for the GLS program is to service the remaining portfolio so that it remains a viable asset from which repayments can be used to make SELF loans. The Services Office does not see a need to return as a lender under the federal loan program.

During the 1998-99 biennium, the SELF Program expects to serve 13,000 students enrolled at Minnesota post-secondary schools and Minnesota students attending post-secondary schools in other states annually. As the price of higher education continues to escalate, SELF will continue to be available to those Minnesota students who seek higher education, and are underserved by the federal and state grant and loan programs. Because the SELF Program does not require a legislative appropriation, the only program plan is to continue to monitor the annual lending amounts and available funds in the Loan Capital Fund to ensure that adequate funding remains available from which to make loans. HESO successfully completed a \$41.5 million tax-exempt bond issue in fall 1994. This should provide sufficient funds to make SELF and GRIP loans through 1997 or beyond.

HESO restructured the loan origination process using the Total Quality Management concepts of continuous improvement to achieve a more efficient operation, reduce processing time, and lower loan servicing costs. The new system was in full operation in the spring of 1993, resulting in a reduction in loan origination staff from 7.0 FTE to 4.0 FTE through attrition.

BUDGET AND REVENUE SUMMARY:

The agency's plan anticipates an increase in loan originations due to a reduction in the interest margin and increased marketing of the program's benefits.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STATE STUDENT LOANS

			FY 1998			FY 1999		
		Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
STAFFORD LOAN	150	150	150	150	150	150	150	150
STATE SUPPLEMENTAL LOANS	25,177	36,112	36,112	36,112	36,112	36,112	36,112	36,112
OTHER LOAN PROGRAMS	1,610	2,000	2,000	2,000	2,000	2,000	2,000	2,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	26,937	38,262	38,262	38,262	38,262	38,262	38,262	38,262
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
HIGHER EDUCATION SERV OFFICE LOA	26,937	38,262	38,262	38,262	38,262	38,262	38,262	38,262
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	26,937	38,262	38,262	38,262	38,262	38,262	38,262	38,262
FTE BY EMPLOYMENT TYPE:								

REGULAR	5.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	5.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3

1998-99 Biennial Budget

BUDGET ACTIVITY: Stafford Loan
PROGRAM: State Student Loan
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

The Higher Education Services Office (HESO) has not made any Stafford/Guaranteed Student Loans (GSL) since 1988 because private lenders have provided adequate access for eligible students to obtain a Stafford Loan. The Stafford/Guaranteed Student Loan Program helped assure access and choice of post-secondary education and provided financial assistance to those post-secondary students who were unable to secure loans from commercial lending sources. This program provided long-term, low-interest loans to Minnesota residents who were enrolled at least half-time in post-secondary institutions located in Minnesota, and Minnesota students attending out-of-state higher education institutions. The program served students in all sectors of higher education from the lowest priced public institutions to the most expensive private institutions.

BUDGET ISSUES:

Because the HESO is no longer acting as a lender in the Stafford/Guaranteed Student Loan program, and because state appropriations never were used as a program funding source, this activity has no impact on the agency budget. HESO currently has a GSL loan portfolio of approximately \$8 million outstanding.

REVENUE:

This activity generates dedicated revenue.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STATE STUDENT LOANS
ACTIVITY: STAFFORD LOAN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	150	150	150	150	150	150	150	150
SUBTOTAL STATE OPERATIONS	150	150	150	150	150	150	150	150
TOTAL EXPENDITURES	150	150	150	150	150	150	150	150
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
HIGHER EDUCATION SERV OFFICE LOA	150	150	150	150	150	150	150	150
TOTAL EXPENDITURES	150	150	150	150	150	150	150	150
REVENUE COLLECTED:								
DEDICATED:								
HIGHER EDUCATION SERV OFFICE LOA	151	150	150	150	150	150	150	150
TOTAL REVENUES COLLECTED	151	150	150	150	150	150	150	150
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

1998-99 Biennial Budget

BUDGET ACTIVITY: State Supplemental Loans
PROGRAM: State Student Loans
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

This activity is designed to augment existing need-based financial aid programs. The Student Educational Loan Fund (SELF) program helps Minnesota residents and residents of other states attend post-secondary institutions in Minnesota, and Minnesota residents attend post-secondary institutions in other states by providing long-term, low-interest loans. Because SELF is neither guaranteed nor subsidized by the federal government, borrowers must pay interest while they attend school, and all borrowers must provide a credit worthy co-signer before the loan can be approved.

In F.Y. 1996, students in Minnesota's state universities accounted for 24% of all monies loaned. Those who attended Minnesota's private colleges borrowed about 36% of the funds. Students at public community colleges, technical colleges and private vocational schools together used about 16% of the loan volume, while the University of Minnesota students used about 8%. The remaining 16% of the funds were used to provide loans to Minnesota residents attending out-of-state post-secondary institutions.

Due to program efficiencies, even though the SELF Program is not subsidized by the federal government, it is able to charge an interest rate that is 2.35% below the Federal Stafford Loan rate, not charge a guarantee or origination fee, and still maintain a AAA Moody's bond rating. The state of Minnesota is able to offer students a loan that in many cases is less expensive than the federally subsidized loan.

BUDGET ISSUES:

There are three major sources of funding for the SELF program: earnings from the SELF and Guaranteed Student Loans (GSL) programs, repayments of outstanding SELF and GSL loans, and the issuance of tax-exempt revenue bonds. It is anticipated that the 1994 Revenue Bond Issue of \$41.5 million, along with program repayments, will provide sufficient funds to make loans through F.Y. 1997. This program does not receive a state appropriation.

During the 1995-96 academic year (F.Y. 1996), 11,900 loans were made under the SELF Program. The average loan amount was \$2,900.

REVENUE:

This activity generates dedicated revenue.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STATE STUDENT LOANS
ACTIVITY: STATE SUPPLEMENTAL LOANS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	275	359	359	359	359	359	359	359
OPERATING EXPENSES	2,817	5,753	5,753	5,753	5,753	5,753	5,753	5,753
OTHER EXPENSES	22,085	30,000	30,000	30,000	30,000	30,000	30,000	30,000
SUBTOTAL STATE OPERATIONS	25,177	36,112	36,112	36,112	36,112	36,112	36,112	36,112
TOTAL EXPENDITURES	25,177	36,112	36,112	36,112	36,112	36,112	36,112	36,112
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
HIGHER EDUCATION SERV OFFICE LOA	25,177	36,112	36,112	36,112	36,112	36,112	36,112	36,112
TOTAL EXPENDITURES	25,177	36,112	36,112	36,112	36,112	36,112	36,112	36,112
REVENUE COLLECTED:								
DEDICATED:								
HIGHER EDUCATION SERV OFFICE LOA	718	3,579	50,501	50,501	50,501	50,501	50,501	50,501
TOTAL REVENUES COLLECTED	718	3,579	50,501	50,501	50,501	50,501	50,501	50,501
FTE BY EMPLOYMENT TYPE:								
REGULAR	5.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
TOTAL FTE	5.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3

1998-99 Biennial Budget

BUDGET ACTIVITY: Other Loan Programs
PROGRAM: State Student Loans
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

This activity includes the Graduated Repayment Income Protection (GRIP) Program and the Minnesota Medical and Osteopathy Loan Program (MMOLP), both of which are being phased out.

Program participants included graduates of Minnesota schools in dentistry, medicine, pharmacy, veterinary medicine, public health, and chiropractic medicine and Minnesota residents graduating from optometry and osteopathy programs. The GRIP Program enabled program participants to repay their student loans with a repayment loan based on their projected annual income. The intent of this program was to provide relief for participants from high loan payments during their first few years of practice by spreading their payments over a longer time frame. Loans were at a fixed interest rate of 8%, with a 10 to 20 year repayment term, and required a credit-worthy co-signer. The GRIP Loan was discontinued by the 1995 Legislature.

The Minnesota Medical and Osteopathy Loan Program (MMOLP) is also being phased-out. This 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.

BUDGET ISSUES:

As the GRIP Program is being phased-out, remaining program participants are in repayment status. Loan payments received by the Services Office are deposited into the Loan Capital Fund.

Under the Minnesota Medical and Osteopathy Loan Program, 8 physicians either are completing their service obligation or repaying their loans. Payments received from their loans are deposited into the General Fund as non-dedicated receipts.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STATE STUDENT LOANS
ACTIVITY: OTHER LOAN PROGRAMS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OTHER EXPENSES	1,610	2,000	2,000	2,000	2,000	2,000	2,000	2,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,610	2,000	2,000	2,000	2,000	2,000	2,000	2,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,610	2,000	2,000	2,000	2,000	2,000	2,000	2,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
HIGHER EDUCATION SERV OFFICE LOA	1,610	2,000	2,000	2,000	2,000	2,000	2,000	2,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,610	2,000	2,000	2,000	2,000	2,000	2,000	2,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
HIGHER EDUCATION SERV OFFICE LOA	1,682	1,960	1,960	1,960	1,960	1,960	1,960	1,960
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	1,682	1,960	1,960	1,960	1,960	1,960	1,960	1,960
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

TOTAL FTE								
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

PROGRAM: Data and Programs
AGENCY: Higher Education Services Office (HESO)

PROGRAM DESCRIPTION:

This program provides: 1) consumer protection and consumer information through the registration and licensing of private non-profit colleges and for profit career schools; 2) a central, state collection point for information and data on Minnesota post-secondary students, institutions and financial aid; and 3) administration of federal programs that affect post-secondary students and institutions statewide.

PROGRAM STATUS:

The Minnesota Legislature and the federal government have mandated a number of programs to provide consumer protection and accountability in the provision of post-secondary education programs; have funded activities to enhance the cost effectiveness in the provision of post-secondary education services, and have provided grants to stimulate the development of specific programs and services.

Mandated programs include:

- The Private Institution Registration Act (PIR), provides quality control and fosters consumer protection relative to approximately 80 private post-secondary institutions offering educational programs in the state.
- Licensing of Private For-Profit Schools, provides quality control and consumer protection relative to approximately 50 private, for profit post-secondary institutions.
- The federal Integrated Post-Secondary Education Data System (IPEDS) coordinates legislatively mandated data to the U.S. Department of Education and establishes the basis for a Minnesota post-secondary student record data base. The data base provides important information for post-secondary policy development and planning.
- Title II of the federal Education for Economic Security Act (Eisenhower Grants) coordinates the application, allocation, and administration of federal grants to improve post-secondary educational programs targeted at improving the quality of science and math instruction. Approximately \$595,000 in federal grants was administered in 1995-96.
- Grants to post-secondary education institutions under the National and Community Service Act of 1990 (Public Law 101-610, as amended).

In addition, this program maintains databases on enrollment, transfer, graduation and financial aid awards in all public and private institutions, and provides analytical reports to the governor, legislature, post-secondary institutions, and the public.

As a result of legislative considerations and expressed post-secondary system and institution needs, the student record data base expanded from a fall term-only to an all-term database. The data base is being further expanded to include important information for decision-making as well as system/institutional coordination. This expansion will provide information on student transfer, academic progress, and persistence. Degree-conferred and placement tracking databases are being developed to assess program effectiveness and program completion.

PLANNED RESULTS:

- Provide consumer protection and quality control relative to 130 private, for-profit and not-for-profit colleges, universities, and schools.
- Collect and provide information and data concerning higher education institutions, students, and financial aid for citizens and policymakers.
- Administer state and federal grant programs designed to improve post-secondary education programs and enhance student involvement in the community.

BUDGET AND REVENUE SUMMARY:

The agency is requesting \$55,000 for 1.0 FTE staff position to augment current staff assigned to provide consumer protection, data collection and information. Increases in technology to deliver post-secondary education result in a need for the agency to develop mechanisms to provide information on out-of-state providers; and to enhance the program inventory and student record data base with additional information on courses offered via distance education and students enrolled in such courses. The result of this modest investment will be additional information and data available to consumers and policymakers.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: DATA & PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
DATA & PROGRAM OPERATIONS	743	755	767	822	767	780	835	780
MISCELLANEOUS GRANT PROGRAMS	810	1,326	770	770	770	771	771	771
TOTAL EXPENDITURES BY ACTIVITY	1,553	2,081	1,537	1,592	1,537	1,551	1,606	1,551
AGENCY REQUEST ITEMS:		FUND						
INSTRUCTIONAL TECHNOLOGY		GEN		55			55	
TOTAL AGENCY REQUEST ITEMS				55			55	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	731	708	722	777	722	736	791	736
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	87	116	114	114	114	114	114	114
FEDERAL	695	1,211	655	655	655	655	655	655
HIGHER EDUCATION SERV OFFICE LOA	40	46	46	46	46	46	46	46
TOTAL EXPENDITURES	1,553	2,081	1,537	1,592	1,537	1,551	1,606	1,551
FTE BY EMPLOYMENT TYPE:								
REGULAR	13.7	10.7	10.7	11.7	10.7	10.7	11.7	10.7
TOTAL FTE	13.7	10.7	10.7	11.7	10.7	10.7	11.7	10.7

1998-99 Biennial Budget

BUDGET ACTIVITY: Data and Program Operations
PROGRAM: Data and Programs
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

This activity provides a central location for effective and cost efficient data collection for planning and coordination of activities, and the administration of mandated programs. Data and Program Operations contribute to the effectiveness and efficiency in meeting Minnesotans' post-secondary education needs through short-range and long-range planning, maintenance of comprehensive databases to assist in short-range and long-range planning, and administration of state and federally mandated programs. The desired results are coordinated and comprehensive state post-secondary education efforts that meet the changing needs of Minnesotans efficiently and effectively, and which are conducted within a framework of responsible policy based on adequate data, consultation, and planning. Agency customers served by these activities include students, parents, taxpayers, policymakers and higher education providers.

BUDGET ISSUES:

The budget for this activity was significantly reduced during the 1996-97 biennium to reflect modified statutory responsibilities of the HESO over those of the prior Higher Education Coordinating Board. A modest increase is being requested to improve consumer information and protection through increased data collection and reporting.

REVENUE:

This activity generates dedicated revenue from fees for private institution registration and private trade school licensure. No fee increases are anticipated at this time.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: DATA & PROGRAMS
ACTIVITY: DATA & PROGRAM OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	626	567	577	627	577	589	639	589
OPERATING EXPENSES	95	167	169	174	169	170	175	170
SUBTOTAL STATE OPERATIONS	721	734	746	801	746	759	814	759
LOCAL ASSISTANCE	22	21	21	21	21	21	21	21
TOTAL EXPENDITURES	743	755	767	822	767	780	835	780
AGENCY REQUEST ITEMS:		FUND						
INSTRUCTIONAL TECHNOLOGY		GEN		55			55	
TOTAL AGENCY REQUEST ITEMS				55			55	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	616	593	607	662	607	620	675	620
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	87	116	114	114	114	114	114	114
HIGHER EDUCATION SERV OFFICE LOA	40	46	46	46	46	46	46	46
TOTAL EXPENDITURES	743	755	767	822	767	780	835	780
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	76	114	114	114	114	114	114	114
FEDERAL	5	1						
TOTAL REVENUES COLLECTED	81	115	114	114	114	114	114	114

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: DATA & PROGRAMS
ACTIVITY: DATA & PROGRAM OPERATIONS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	12.7	10.2	10.2	11.2	10.2	10.2	11.2	10.2
TOTAL FTE	12.7	10.2	10.2	11.2	10.2	10.2	11.2	10.2

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Data & Programs
ACTIVITY: Data & Program Operations

ITEM TITLE: Statewide Services to Support Instructional Technologies

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$55	\$55	\$55	\$55
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor does not concur the agency's request. However, several of the outcomes proposed by HESO's initiative are supported by the Virtual University initiative contained in the Governor's budget recommendations for the Minnesota Office of Technology, MnSCU and the University of Minnesota.

The Virtual University will be "a university without walls," accessible through the Internet and worldwide web, where Minnesotans can create customized learning opportunities, and the state's public and private colleges and universities can market their courses to a global student market. The Virtual U will also provide easy access to comprehensive career planning and labor market information.

The Virtual U will complement and build upon the distance learning network and programs already in place. From the Virtual U's Home Page, students will be able to enroll at multiple institutions within Minnesota and throughout the world and receive education and training "asynchronously" --- whenever and wherever they like.

By empowering students to create their own customized program of learning, Virtual U will fundamentally change institutional behavior. Virtual U will also expand opportunities for Minnesota colleges and universities by linking them to national and global student markets.

An advisory council appointed by the Minnesota Office of Technology including representatives from HESO, the University of Minnesota, MnSCU, private colleges, and private businesses will guide the development of the Virtual University. The Virtual U will include the development of the following:

Shared Catalog: a statewide course catalog accessible through the web that will include course offerings from all participating public and private institutions;

One-Stop Registration System: a single entry point will permit students to enroll at several different institutions, register for desired courses and arrange for payment of tuition and fees;

Core Curriculum: establish core content leading to specific degrees and/or certificates;

Credit Bank: a process that will allow students to develop individualized learning portfolios that accommodate different institutional and curricular requirements.

Academic Advising and Student Support: systems for providing academic advising to and other support to virtual learners, including electronic mail, conferencing, and library access.

Minnesota Career and Education Planning System MnCEPS: a home page with hot links to web sites providing information on education and training program, workforce preparation, expected employment growth by occupation, and job opportunities.

AGENCY RATIONALE FOR INITIATIVE:

The rapidly expanding development and use of instructional technologies has the potential to greatly alter the delivery of post-secondary education. Consumers and policy makers need more information and data to make informed decisions concerning the use of instructional technology. In Minnesota, the expanding role of instructional technologies is reflected in the creation of the Learning Network of Minnesota, the planning for a statewide on-line library system, the implementation of the MnSCU Electronic Academy, and the work of the University of Minnesota Distance Education Council. The dramatic development of technologies also has the potential to result in an increasing number of higher education providers, including many originating from outside Minnesota.

The need for additional data and information affects the statewide services assigned to the HESO such as consumer protection and information, the collection and maintenance of data, and the mandate to initiate activities to coordinate state policy development regarding the use of information technology in post-secondary instruction and administration. However, current staff resources are not adequate to meet these new requirements. This initiative would provide the equivalent of one additional FTE staff.

These services fit within the current responsibilities of the office, but go beyond the resources currently available to perform them.

PROGRAM OUTCOMES:

Development of measures and commencement of data collection on students using distance and/or technology-enhanced learning. This would augment the collection of data currently occurring at the "course" level and enable the tracking of students based on the primary method of instructional delivery experienced.

Development of statewide standards for program quality in distance learning. The growth of distance learning opportunities suggests the need to re-examine and revise the statewide oversight process as it relates to alternate delivery of post-secondary education in order to protect and inform consumers.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Data & Programs
ACTIVITY: Data & Program Operations

ITEM TITLE: Statewide Services to Support Instructional Technologies
(Continuation)

Enhancement of the Program Inventory. These activities would complement a larger collaborative initiative, to create a comprehensive career planning/consumer information system:

- Expand the proposed inventory to include information on distance learning opportunities for Minnesota citizens, both those originating within and outside the state.
- Add information regarding short courses and programs, originating in both the public and private sector, that may not lead to degrees but substantially improve the skill set of learners.

LONG-TERM IMPACT:

Instructional technology and distance delivery of educational services have significant implications for access, quality, and efficiency. Consumers and policy makers would have information to make decisions about various instructional technologies and delivery systems.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Miscellaneous Grant Programs
PROGRAM: Data and Programs
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

This activity contains federal and state grants to institutions administered by HESO. State-supported grants include: Youth Service Learning Grants, and Grants to Recruit and Retain Persons of Color in Nursing Programs. Federally-funded grants include the Eisenhower Grants for Teacher Training and Retraining, and Community Service Grants.

The Youth Service Learning grants support the development of campus/community collaborations that address significant long-term community problems and enhance the academic and civic development of post-secondary students.

The grants to Recruit and Retain Persons of Color in Nursing Education are institutional grants for the recruitment and retention of students of color in nursing programs leading to licensure as a registered nurse or advanced nursing education. All grants must be matched with grantee sources or nonstate money.

The federal Dwight D. Eisenhower Professional Development Program provides assistance to state and local educational agencies and to institutions of higher education so that school districts and institutions can improve the teaching and learning of all students by helping to ensure that teachers (and where appropriate, other staff and administrators) have access to sustained and intensive high quality professional development aligned to challenging content and student performance standards. Higher education funds are made available to post-secondary institutions and nonprofit organizations of demonstrated effectiveness on a competitive basis for professional development activities in the core academic subjects.

The federal Corporation for National and Community Service under the Learn and Serve America Higher Education Program supports efforts to make service an integral part of the education and life experiences of college students. Through this grant program, the Corporation supports a diversity of service/learning initiatives that involve a wide array of students, communities and institutions of higher education.

BUDGET ISSUES:

This activity reflects a continuation of the base budget in the state-funded programs.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: DATA & PROGRAMS
ACTIVITY: MISCELLANEOUS GRANT PROGRAMS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	65	42	42	42	42	43	43	43
OPERATING EXPENSES	11	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	76	43	43	43	43	44	44	44
LOCAL ASSISTANCE	734	1,283	727	727	727	727	727	727
TOTAL EXPENDITURES	810	1,326	770	770	770	771	771	771
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	115	115	115	115	115	116	116	116
STATUTORY APPROPRIATIONS:								
FEDERAL	695	1,211	655	655	655	655	655	655
TOTAL EXPENDITURES	810	1,326	770	770	770	771	771	771
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE		40						
FEDERAL	879	1,410	655	655	655	655	655	655
TOTAL REVENUES COLLECTED	879	1,450	655	655	655	655	655	655
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.0	.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	1.0	.5	.5	.5	.5	.5	.5	.5

1998-99 Biennial Budget

PROGRAM: Libraries and Technology
AGENCY: Higher Education Services Office (HESO)

PROGRAM DESCRIPTION:

The Libraries and Technology Program provides support for the increased development, use and coordination of telecommunications and other instructional technologies in higher education and libraries.

PROGRAM STATUS:

This Program includes the following:

- *Learning Network of Minnesota:* Initiates activities to enhance and expand the use of telecommunications and other instructional technologies to expand the availability of courses and academic degrees throughout the state. (*M.S. 1993 First Special Session, Ch.2, Art.5.*)
 - Administers the Minnesota Education Telecommunications Council which is responsible for the management of the Learning Network of Minnesota.
 - Administers telecommunications grants to the higher education telecommunications regions for maintenance and upgrades to the Learning Network.
- *MINITEX:* Establish and facilitate a system of resource sharing of services among higher education libraries, state agency libraries, and other libraries that elect to contract for services. (*M.S. 1993, First Special Session, Ch.2, Art.1, Sec. 2, Subd.6.*)
 - The MINITEX Library Information Network: Coordinates cost-effective provision of library resources among the state's education and public libraries.
- *Library Planning*
 - Administers the Minnesota Library Planning Task Force which is responsible for coordination and planning for electronic library and information services and for the review of plans for proposed library projects.
 - Manages and coordinates with the Library Planning Task Force planning for development of a statewide online library information system.

PLANNED RESULTS:

HESO will review its activities for planning, coordination, and administration in order to propose changes to the legislature that will achieve greater efficiency and service. The goal is to provide more efficient and effective ways to deliver and use information technologies for the education and library systems of this state. The higher education services office will seek to:

- Increase the capacity of the Learning Network for greater access to educational programs, courses and degrees;
- Increase access to information resources in libraries and via electronic technologies;
- Decrease dependency on geographically bound education and information resources.

BUDGET AND REVENUE SUMMARY:

The Libraries and Technology summary of the agency plan is as follows:

- Additional funding of \$5,628,000 in F.Y. 1998 and \$3,338,000 in F. Y. 1999 for post-secondary participation in the Learning Network of Minnesota. This would respond to the expanding demand for capacity on the Learning Network by higher education institutions for their programs.
- The agency plan requests additional funding of \$750,000 in F.Y. 1998 and \$750,000 in F.Y. 1999 for the MINITEX Library program. This would expand access to on-line data bases in science and technology to four year academic libraries in Minnesota.
- The agency plan requests \$12.76 million for the 1998-99 biennium for the purchase and implementation of a statewide online library information system.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: LIBRARIES AND TECHNOLOGY

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
MINITEX LIBRARY	5,532	5,436	5,436	6,186	5,936	5,436	6,186	5,936
LIBRARY PLANNING TASK FORCE		150		6,380	12,000		6,380	
LEARNING NETWORK OF MINNESOTA	2,647	3,453	3,424	9,052	4,424	3,426	6,764	4,426
TOTAL EXPENDITURES BY ACTIVITY	8,179	9,039	8,860	21,618	22,360	8,862	19,330	10,362
AGENCY REQUEST ITEMS:		FUND						
LEARNING NETWORK		GEN		5,628			3,338	
MINNESOTA LIBRARY INFORMATION NETWORK		GEN		6,380			6,380	
MINITEX, ON-LINE SCIENCE & TECH JOURNALS		GEN		750			750	
TOTAL AGENCY REQUEST ITEMS				12,758			10,468	
GOV'S INITIATIVES:		FUND						
(B) MINITEX, ON-LINE SCIENCE & TECH JOURNALS		GEN			500			500
(B) MINNESOTA LIBRARY INFORMATION NETWORK		GEN			12,000			
(B) LEARNING NETWORK		GEN			1,000			1,000
TOTAL GOV'S INITIATIVES					13,500			1,500
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	4,755	5,711	5,532	18,290	19,032	5,534	16,002	7,034
STATUTORY APPROPRIATIONS:								
AGENCY	3,424	3,328	3,328	3,328	3,328	3,328	3,328	3,328
TOTAL EXPENDITURES	8,179	9,039	8,860	21,618	22,360	8,862	19,330	10,362
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
TOTAL FTE	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1

1998-99 Biennial Budget

BUDGET ACTIVITY: MINITEX Library Information Network
PROGRAM: Libraries and Technology
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

This activity maintains and facilitates a system of resource sharing of services among higher education libraries, state agency libraries, and other libraries that elect to contract for services. MINITEX services are designed to provide students, faculty, and other residents of Minnesota with maximum access to library resources around the state and region.

Since F.Y. 1988, MINITEX has fulfilled this objective through 3 major activities: 1) delivery of documents; 2) creation and maintenance of a union list of serial holdings of participating libraries; and 3) a common data base of participants' books and non-print holdings through participation in a national program of on-line shared cataloging. In F.Y. 1996, a 4th major activity was added: electronic information technologies to provide online access to bibliographic and full-text databases. In addition, MINITEX provides 3 secondary services on a reimbursement basis. These services are cooperative purchasing, periodical exchange, and a reference service.

Currently, 113 libraries serving Minnesota post-secondary institutions and state agencies participate in the MINITEX programs which are supported by state appropriations to the Services Office. Ninety-six additional libraries participate, including public libraries in Minnesota through the Office of Library Development and Services, and libraries in North and South Dakota under contracts that provide funding. Within Minnesota, 59% of MINITEX document delivery requests come from Greater Minnesota.

Over 60% of document delivery requests are filled from the University of Minnesota/Twin Cities library collections, the Minneapolis Public Library and Information Center, and the Minnesota Department of Health Library. These items are retrieved by MINITEX staff going to these key library facilities. The remaining requests are referred and filled from other MINITEX participating libraries that absorb the cost of retrieving the materials.

In F.Y. 1995, the MINITEX office responded to 320,874 document delivery requests, provided 5,608 periodical exchanges, responded to 2,108 reference questions, provided administrative support and training for 170 libraries using the Online Computer Library Center (OCLC) services, supported the delivery of 27,481 items between libraries using the State University PALS online catalog, and provided cost savings to libraries through a cooperative purchasing program. State appropriations supported 230,397 requests for documents and 111 libraries using OCLC services. The remaining requests were supported by contracts and fees.

Appropriations for F.Ys. 1996 and 1997 extended online access to bibliographic citations for 2,500 journals and periodicals in Expanded Academic Index, Business Index, Magazine Index, Company Profiles, and Nursing Index and to full text of articles in 1,100 journals and periodicals by purchasing both cooperative licensing agreements for participating libraries and equipment and software to provide storage capacity for these data bases in the University of Minnesota and State University System automated library systems. Access to these data bases was extended to 102 academic and state agency libraries, including the University of Minnesota libraries, all state universities, community colleges, technical colleges, many private colleges, and state agencies. Institutions have been required to provide some of the funds to purchase access for their libraries as well as to provide appropriate equipment in their libraries.

BUDGET ISSUES:

For the 1998-99 biennium, there is one issue regarding the direct state appropriations for MINITEX services to academic and state agency libraries.

- Extending electronic access to science and technology journals and periodicals. The F.Y. 1996 and 1997 appropriations have afforded access to only some of the available data bases including many general academic and social science journals. However, additional funding will be required to provide online access to a wide array of science and technology periodicals. Science and technology journals and periodicals are typically the most expensive types of journals. Consequently, many of these journals currently are held in print by a single library and widely used by other campuses via MINITEX. As publishers move to online periodicals, sharing of those resources beyond a specific campus is permitted only if a multi-campus or statewide contract is negotiated. MINITEX will require additional funding to negotiate access to over 2,000 online science and technology periodicals for all 4-year institutions and other interested academic and state government libraries in the state.

REVENUE:

This activity generates dedicated-special revenue.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: LIBRARIES AND TECHNOLOGY
ACTIVITY: MINITEX LIBRARY

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	5,532	5,436	5,436	6,186	5,936	5,436	6,186	5,936
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	5,532	5,436	5,436	6,186	5,936	5,436	6,186	5,936
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	5,532	5,436	5,436	6,186	5,936	5,436	6,186	5,936
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
MINITEX, ON-LINE SCIENCE & TECH JOURNALS		GEN		750			750	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				750			750	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) MINITEX, ON-LINE SCIENCE & TECH JOURNALS		GEN			500			500
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					500			500
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	2,108	2,108	2,108	2,858	2,608	2,108	2,858	2,608
STATUTORY APPROPRIATIONS:								
AGENCY	3,424	3,328	3,328	3,328	3,328	3,328	3,328	3,328
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	5,532	5,436	5,436	6,186	5,936	5,436	6,186	5,936
=====								
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Libraries & Technology
ACTIVITY: MINITEX

ITEM TITLE: MINITEX

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
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 X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$500,000 in each year of the biennium to support this initiative.

AGENCY RATIONALE FOR INITIATIVE:

The F.Y. 1996 and 1997 appropriations have afforded access to bibliographic citations for 2,500 journals and periodicals in Expanded Academic Index, Business Index, Magazine Index, Company Profiles, and Nursing Index and to full text of articles in 1,100 journals and periodicals. However, additional funding will be required to provide online access to a wide array of science and technology periodicals which are typically the most expensive types of journals. Many of these journals currently are held in print by a single library and widely used by other campuses via MINITEX. As publishers move to online periodicals, sharing of those resources beyond a specific campus is permitted only if a multi-campus or statewide contract is negotiated. MINITEX is preparing to negotiate such a contract. Current increases in journal subscription prices is resulting in a reduction in print subscriptions at the University of Minnesota and other institutions, thus reducing resources available for resource sharing. Movement to licensing these resources for online access usually results in restrictions on use by only one institution's faculty, students, and staff. The use of online resources would be available remotely from faculty offices, dorm rooms, laboratories, classrooms, or from a student's home or office.

PROGRAM OUTCOMES:

A statewide contract will provide access to over 2,000 online science and technology periodicals for students, faculty, and staff for all 4-year post-secondary institutions in the state. The initiative would leverage the existing funds spent on electronic resources and other interested academic and state government libraries and result in increasing online access to electronic journals in the sci-

ence, technical, and medical fields while at the same time controlling the rate of annual inflation for these journals by locking in a negotiated price for 3 years.

LONG-TERM IMPACT:

Students, faculty, and staff at all public and private 4-year institutions and other interested academic and state government libraries, will have increased access to up-to-date science and technology information at a cost that is less than if each institution were to purchase even some of the more than 2,000 journals.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Library Planning Task Force
PROGRAM: Libraries and Technology
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

A number of major academic libraries including the University of Minnesota, MnSCU/PALS and College of Libraries in Consortium (CLIC), and possibly some metro area libraries need to upgrade their current online systems (LUMINA, PALS, etc) within the next few years. If a common system is not adopted during this period, the libraries will be required either to significantly upgrade their current systems or purchase new systems to meet their immediate needs, which would then delay the move to a statewide system until the next generational change in these online library systems. It is feasible for these systems to adopt a common automated system that could provide the foundation for the proposed statewide system.

The 1996 Minnesota Legislature authorized the Higher Education Services Office (HESO) to coordinate the process for developing a statewide, online information system for libraries. The Library Planning Task Force (LPTF), is staffed by HESO was created by the 1994 Legislature to make recommendations about library and information services in the state. The Task Force was given the charge to plan and recommend a design and implementation process for the new system, including a proposed implementation time line, technical standard, a draft request for proposal, a governance structure, and a budget.

Legislation required that HESO coordinate with the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), the Minnesota Education Telecommunications Council, the Government Information Access Council, the MINITEX Advisory Committee, the advisory council of the Office of Library Development and Services in the Department of Children Families and Learning, and the Information Policy Office in the Department of Administration. Members of these bodies are currently represented on the LPTF.

According to the legislation, the statewide system resulting from the planning process will:

- be open to all University of Minnesota, Minnesota State Colleges and Universities, state government, public, school, and private college libraries;
- have a formal governing structure that includes the University of Minnesota, Minnesota State Colleges and Universities, and representatives from other libraries;
- provide the broadest possible sharing of information and cooperative collection management;
- provide the people of Minnesota with direct access to library catalogs, information and information resources;
- allow libraries to retain local options for determining when to start participating in the statewide system and for maintaining circulation policies and practices; and
- have a plan for evaluation of costs, access and outcome.

HESO will develop a final request for proposals subject to review and recommendation by the Library Planning Task Force, no later than 6-30-97.

BUDGET ISSUES:

For the 1998-99 biennium, there are several issues regarding a statewide online library information system:

As directed by current legislation, HESO and the Task Force must submit a plan, to the legislature, up to and including a draft Request for Proposal (RFP). Funding is needed to release the RFP in F.Y. 1998.

The plan must include proposed funding for both fiscal years of the 1998-99 biennium, but given the scope of the activities and the number of libraries that will be connected, full implementation of the statewide system will be phased in over more than one biennium. The installations and refinement of the system is likely to occur over a minimum of 3 to 5 years. However, once the new system is implemented and the start-up training and technical assistance is provided, the on-going costs of the system are expected to be supported by the participating libraries.

The following components of the system can be implemented during the 1998-99 biennium:

- creation of *System X*—an automated library information system for the University of Minnesota libraries, and MnSCU/PALS which includes libraries of all technical colleges, state universities and community colleges, state agencies, and some private colleges libraries including CLIC (Cooperating Libraries in Consortium). It is expected to include at least one public library or school system. This will include both software and hardware needed to implement the new system;
- creating links to the statewide system for other libraries using different system for their local operations. This includes software and hardware; and
- technical support for the planning and training at participating libraries to participate in either *System X* or connect to the automated statewide network.

REVENUE:

This activity generates dedicated-special revenue.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: LIBRARIES AND TECHNOLOGY
ACTIVITY: LIBRARY PLANNING TASK FORCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES		35		35	35		35	
OPERATING EXPENSES		115		6,345	11,965		6,345	
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS		150		6,380	12,000		6,380	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES		150		6,380	12,000		6,380	
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
MINNESOTA LIBRARY INFORMATION NETWORK		GEN		6,380			6,380	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY REQUEST ITEMS				6,380			6,380	
=====	=====	=====	=====	=====	=====	=====	=====	=====
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) MINNESOTA LIBRARY INFORMATION NETWORK		GEN			12,000			
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES					12,000			
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL		150		6,380	12,000		6,380	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES		150		6,380	12,000		6,380	
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

TOTAL FTE								
=====	=====	=====	=====	=====	=====	=====	=====	=====

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Libraries and Technology
ACTIVITY: Library Planning Task Force

ITEM TITLE: Minnesota Library Information Network (MnLINK)

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$6,380	\$6,380	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$12 million in F.Y. 1998 for implementation of the Minnesota Library Information Network (MnLINK). This appropriation is contingent upon: completion of a final request for proposal, with the review and approval of both the Information Policy Office and the Minnesota Office of Technology, and the establishment of a governing board to operate MnLINK and establish network policies and standards.

The Governor's recommendation for MnLINK supports the development of: 1) a single automated library information system, "System X," that will serve the libraries of the University of Minnesota, MnSCU and state government, as well as interested public, school and private college libraries; 2) a statewide network to create a virtual library, accessible through the internet and the worldwide web, that will link the shared automated library information system with compatible school, public and private library information systems around the state.

AGENCY RATIONALE FOR INITIATIVE:

The 1996 Minnesota Legislature authorized the Higher Education Services Office (HESO) to coordinate the process for developing a statewide, online information system for libraries. The Library Planning Task Force (LPTF), staffed by HESO, was created in 1994 by the legislature to make recommendations about library and information services in the state. The Task Force was given the charge to plan and recommend a design and implementation process for the new system, including a proposed implementation time line, technical standard, a draft request for proposal, a governance structure, and a budget. Such a system will provide library patrons with increased access to information.

A number of major academic libraries and possibly some metro area public libraries need to upgrade their current online systems (LUMINA, PALS, etc) within the next few years. If a common system is not adopted during this period, the libraries will be required either to significantly upgrade their current systems or purchase new systems to meet their immediate needs. Thus the move to a statewide system would be delayed until the next generational change in these online library systems. It is feasible for these systems to adopt a common automated system that could provide the foundation for the proposed statewide system.

PROGRAM OUTCOMES:

Given the scope of the activities and the number of libraries that will be connected, full implementation of the statewide system will be phased in over several biennia. The following components of the system can be implemented during the 1998-99 biennium:

- *Creation of System X, an automated library information system.* The University of Minnesota libraries, MnSCU/PALS (which includes libraries of all technical colleges, state universities and community colleges) state agencies, and some private colleges libraries including CLIC (Cooperating Libraries in Consortium) are possible participants in System X. It is expected to include at least one public library or school system. This will include both software and hardware needed to implement the new system. Estimated cost is \$8 million over the biennium.
- *Creating the links to the statewide system for other libraries using different systems for their local operations.* This includes software and hardware. Estimated cost is \$4 million over the biennium.
- *Technical support for the planning and training needed at participating libraries to participate in either System X or to connect to the automated statewide network.* Estimated cost is \$760,000.

The installation and refinement of the system is likely to occur over a minimum of 3 to 5 years. However, once the new system is implemented and the start-up training and technical assistance is provided, the on-going costs of the system are expected to be supported by the participating libraries.

LONG-TERM IMPACT:

Minnesota citizens will have greatly increased access to information. Minnesota libraries will be able to provide more efficient services to patrons and share resources more cost effectively.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Learning Network of Minnesota
PROGRAM: Libraries and Technology
AGENCY: Higher Education Services Offices (HESO)

REVENUE:

This activity does not generate revenue.

ACTIVITY DESCRIPTION:

This activity is administered by the Minnesota Education Telecommunications Council (METC) through the HESO. The 1993 Minnesota Legislature established the Telecommunications Council and grants to support regional telecommunications networks. This legislation was in response to a statewide planning group that agreed all campuses should be linked at the regional level to allow use of instructional telecommunications across campuses, and all regions should be linked in a statewide network. Enhanced access to telecommunications technology at all levels of education and government will occur as a result of 1995 legislation to develop a statewide school district and regional public library system telecommunications network.

Membership of the Telecommunications Council includes representatives of the K-12 system, library systems, higher education systems and government agencies.

The intent of this activity is to enhance and expand the use of telecommunications and other instructional technologies to expand the availability of courses and degrees throughout the state. The Department of Children, Families and Learning is responsible for administering grants to the K-12 Library telecommunications groups. HESO is responsible for grants to the Higher Education telecommunications regions. Grants to higher education institutions around the state are aimed at supporting the coordination and management of each region of networking, and supporting telecommunications linkages among campuses within and between regions.

Two different kinds of technology have been used to transmit video instruction--analog and digital. Pre-existing regional networks in northwest, southeast, and central Minnesota are analog-based, which allows full-motion video among multiple locations. The University of Minnesota network used digital technology, relying on computer compression technology. The trend in both higher education and in the K-12/Library network is a move toward digital technology and increased data connectivity.

Regions have been expanding existing linkages to new institutions, in some cases adding digital nodes to a pre-existing analog technology-based network. Linkages are connected through the Minnesota Department of Administration's MNET system in St. Paul. As funding allows, regions will provide greater capacity and flexibility for transmission among the regions around the state.

BUDGET ISSUES:

HESO's annual base appropriation for this activity is \$3,423,000, including \$373,000 from MnSCU for the operating costs of the Central Telecommunications Region. This appropriation supports METC administrative costs and the higher education network infrastructure, network administrative costs and regional planning and coordination.

It is anticipated that the base funding level will not be adequate by the second year of the biennium to maintain current operations of the post-secondary part of the network. Many sites have already reach capacity and are unable to respond to requests for more distance education classes.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: LIBRARIES AND TECHNOLOGY
ACTIVITY: LEARNING NETWORK OF MINNESOTA

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	53	60	61	61	61	63	63	63
OPERATING EXPENSES	20	40	40	40	40	40	40	40
SUBTOTAL STATE OPERATIONS	73	100	101	101	101	103	103	103
LOCAL ASSISTANCE	2,574	3,353	3,323	8,951	4,323	3,323	6,661	4,323
TOTAL EXPENDITURES	2,647	3,453	3,424	9,052	4,424	3,426	6,764	4,426
AGENCY REQUEST ITEMS:		FUND						
LEARNING NETWORK		GEN		5,628			3,338	
TOTAL AGENCY REQUEST ITEMS				5,628			3,338	
GOV'S INITIATIVES:		FUND						
(B) LEARNING NETWORK		GEN			1,000			1,000
TOTAL GOV'S INITIATIVES					1,000			1,000
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	2,647	3,453	3,424	9,052	4,424	3,426	6,764	4,426
TOTAL EXPENDITURES	2,647	3,453	3,424	9,052	4,424	3,426	6,764	4,426
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
TOTAL FTE	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Libraries and Technology
ACTIVITY: Learning Network of Minnesota

ITEM TITLE: Learning Network of Minnesota

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$5,628	\$3,338	\$3,338	\$3,338
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$1 million in each year of the biennium to the Minnesota Education Telecommunications Council (METC) for grants to develop models of integrative services. Before awarding grants, the METC shall prepare a plan with criteria for evaluating grant applications from regional post-secondary telecommunications networks. The plan shall be submitted to the Minnesota Office of Technology for review and approval.

AGENCY RATIONALE FOR INITIATIVE:

The Learning Network of Minnesota increases access to post-secondary programs and provides alternative delivery options to time-bound or place-bound students.

- The Minnesota Education Telecommunications Council (METC) recommends funds of \$2,000,000 for each year of the biennium for models of integrative services. Initial venture funds are needed to integrate new technologies that combine data, voice, and video into the current system which uses interactive television (ITV) technology.
- The METC recommends funds of \$3,052,000 for F.Y. 1998 and \$972,000 for F.Y. 1999 for quality and capacity enhancements to the network. Many sites have already reached capacity and are unable to respond to requests for more distance education classes. Examples of such enhancements could include efforts to respond to programming needs with additional bandwidth, to automate operations, to improve audio quality, and to assist with other quality initiatives.
- The METC recommends funds of \$576,000 for F.Y. 1998 and \$366,000 for F.Y. 1999 for inter-regional/inter-state connectivity, which would increase access to other statewide networks as

well as support pilot projects for out-of-state programming.

PROGRAM OUTCOMES:

The Learning Network of Minnesota links all campuses to allow use of instructional telecommunications across campuses in a statewide network. As a result of 1995 legislation, a statewide school district and regional public library system telecommunications network also will become part of the Learning Network.

LONG-TERM IMPACT:

The long-term impact of this initiative will be to increase access and choice for Minnesota's post-secondary students. This initiative enhances and expands the use of telecommunications and other instructional technologies to expand the availability of courses and degrees throughout the state.

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1998-99 Biennial Budget

PROGRAM: Agency Administration
AGENCY: Higher Education Services Office (HESO)

PROGRAM DESCRIPTION:

As part of the changes affecting the organization and operation of Minnesota post-secondary education, the 1995 Legislature abolished the Higher Education Coordinating Board and created 2 new entities to replace it -- the Higher Education Services Office and the Higher Education Services Council. Agency Administration provides leadership, direction, and supervision of the Services Office, works with 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.

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 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 utilization of technology to provide access to program information and instructional opportunities is key to the efforts of agency administration.

This program is an essential element in ensuring the agency's effectiveness in supporting access to post-secondary educational opportunities for students as expressed in the agency's administration of federal and state financial aid programs, its commitment to early intervention activities for future post-secondary students and their families, its collection of data to provide citizens and policymakers with the information they need to make informed decisions, and its commitment to the use of technology as a factor in ensuring access and choice for all students, regardless of economic background.

PROGRAM STATUS:

HESO has identified the following goals and priorities as being of key importance in fulfilling its responsibilities:

- strengthening student financial access to a wide array of post-secondary education--particularly for low and middle income families;
- enhancing access to post-secondary education by preparing and distributing information on academic and financial expectations to students and parents;
- providing broad geographic access to library resources and instructional opportunities through technology;
- enhancing efficiency within higher education; and
- providing information and data on post-secondary education to consumers and policymakers.

To pursue these goals and priorities in a pro-active way, the strategic budget initiatives of HESO reflect several key aspects of its commitment to and support of access and choice for all students and families:

- *Improving Access and Choice for Students of Color, Low Income, and Those with No Previous Post-secondary Educational Experience*
HESO continues to work with students and parents to provide them with information about planning and preparing for future educational opportunities. A study by the Wilder Research

Foundation in 1994 emphasized the need for early intervention and information for families of color, low income, or no previous post-secondary education. The Services Office will continue to build on work done during the 1996-97 biennium through its community outreach workers and other activities to support early awareness and counseling to students and parents of color, those with low incomes, or with no previous post-secondary education. The Services Office also sees the need to support increased information about saving and financial preparation for post-secondary education and will continue to explore other avenues to increase the likelihood of success and opportunity for students and their families through the pursuit of post-secondary educational opportunities.

■ *Student Financing*

Student financing was a priority of the Higher Education Coordinating Board and continues to be a priority issue for HESO. A number of the agency's budget initiatives address a variety of financial aid issues of key importance to Minnesota students and their families from low and moderate incomes. The suggested changes to factors in Minnesota's Shared Responsibility policy, the proposed creation of an incentive for saving, expansion of the Non-AFDC Child Care Grant and Work Study Programs, continued commitment to the Interstate Tuition Reciprocity Program, and the expansion of the Summer Scholarships for Academic Enrichment Program reflect the agency's commitment to the funding of financial assistance for students.

■ *Libraries, Technology, and Information Services*

HESO continues to provide staff support to the Library Planning Task Force in the development of a statewide, online information system for libraries. A variety of components of the system are included in the biennial budget initiative related to this activity. The Learning Network of Minnesota increases access to post-secondary programs and provides alternative delivery options to time-bound or place-bound students. The role of the Services Office includes presentation of budget recommendations of the Minnesota Education Telecommunications Council to make access a reality for all Minnesota students. In addition, the MINITEX Library Network is addressing the ever-changing delivery of library resources as the availability of such resources become increasingly limited to online access only (especially in the cases of science and technology journals). Last, the Services Office continues to focus on improvement of various services and processes relating to consumer protection and information, collection and maintenance of data, and need to coordinate the use of technology in post-secondary instruction and administration.

PLANNED RESULTS:

A commitment to and dedicated action on the strategies outlined by the Services Office will result in:

- providing Minnesotans with financial access to post-secondary education;
- containing costs associated with attending post-secondary institutions;
- inspiring persons of color, low income, or no previous post-secondary experience to plan for and participate in educational opportunities beyond high school; and
- enabling persons throughout the state to have access to post-secondary information, library resources, and instruction via technology.

BUDGET AND REVENUE SUMMARY:

The agency is requesting \$55,000 for one FTE staff position to expand support of statewide services to support instructional technologies. [See Program level narrative entitled *Data and Programs* and the Budget Initiative entitled *Statewide Services to Support Instructional Technologies*.]

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: AGENCY/LOAN ADMINISTRATION

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY MANAGEMENT	523	524	530	530	530	536	536	536
ADMINISTRATIVE SERVICES	16,073	14,842	14,848	14,848	14,848	14,859	14,859	14,859
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	16,596	15,366	15,378	15,378	15,378	15,395	15,395	15,395
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,018	1,004	1,024	1,024	1,024	1,041	1,041	1,041
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	26	59	51	51	51	51	51	51
HIGHER EDUCATION SERV OFFICE LOA	15,552	14,303	14,303	14,303	14,303	14,303	14,303	14,303
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	16,596	15,366	15,378	15,378	15,378	15,395	15,395	15,395
FTE BY EMPLOYMENT TYPE:								

REGULAR	28.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	28.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5

1998-99 Biennial Budget

BUDGET ACTIVITY: Agency Management
PROGRAM: Agency Administration
AGENCY: Higher Education Services Office (HESO)

ACTIVITY DESCRIPTION:

The Agency Management Activity provides leadership, direction, and supervision to 49.1 FTE staff, guides activities of the agency, which manages an overall budget of \$180 million, and serves the 9 members of the Higher Education Services Council by assuring its effective operation.

This comprehensive management responsibility includes developing and accomplishing the agency's work plan, identifying agency priorities, and communicating the results of agency and Council actions and policies.

The agency provides several significant statewide services to the citizens of Minnesota. These services include: administration of state financial aid programs; negotiation and administration of reciprocity agreements with neighboring states; preparation and distribution of information about academic and financial planning to students and parents; administration of federal programs that affect students and institutions on a statewide basis; collection and maintenance of student enrollment and financial aid data; approval and licensing of private collegiate and career schools; administration of Library Planning Task Force and management of MINITEX Library Information Network; administration of Minnesota Education Telecommunications Council and initiation of activities to coordinate state policy development regarding the use of information technology in post-secondary education; and development of policies, procedures, and rules necessary to administer the programs under its supervision.

The council's duties are to appoint the Director of the Services Office, provide advice and review regarding the performance of the Services Office, and communicate with and make recommendations to the Governor and Legislature.

The agency's primary constituencies are the Governor and the Legislature, who represent students and families of the state. Another important constituency is the post-secondary community which includes 2 public systems and 2 private sectors, and about 250,000 students. The agency also provides service to a variety of other stakeholders.

BUDGET ISSUES:

The 1995 Legislature abolished the Higher Education Coordinating Board and, in its place, created the Higher Education Services Office and Higher Education Services Council. Several functions and programs of the Coordinating Board were eliminated or transferred to other agencies, and the board's budget and staff were significantly reduced. Nevertheless, the new agency was mandated to perform several important statewide functions that will affect future access and quality of Minnesota post-secondary education. The challenge for the agency will be to implement these functions efficiently and effectively with limited resources and staff and to provide support for the council.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: AGENCY/LOAN ADMINISTRATION
ACTIVITY: AGENCY MANAGEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	342	290	295	295	295	300	300	300
OPERATING EXPENSES	133	186	187	187	187	188	188	188
SUBTOTAL STATE OPERATIONS	475	476	482	482	482	488	488	488
LOCAL ASSISTANCE	48	48	48	48	48	48	48	48
TOTAL EXPENDITURES	523	524	530	530	530	536	536	536
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	373	356	362	362	362	368	368	368
STATUTORY APPROPRIATIONS:								
HIGHER EDUCATION SERV OFFICE LOA	150	168	168	168	168	168	168	168
TOTAL EXPENDITURES	523	524	530	530	530	536	536	536
FTE BY EMPLOYMENT TYPE:								
REGULAR	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL FTE	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Administrative Services
PROGRAM: Agency Administration
AGENCY: Higher Education Services Office (HESO)

REVENUE:

This activity generates dedicated and non-dedicated revenue.

ACTIVITY DESCRIPTION:

This activity provides extensive staff support in the areas of information management, financial management, and office and human resource services to assist all agency managers in the implementation and administration of their programs. In addition, the administrative services division directly administers 4 loan repayment programs, from processing applications through disbursement and collection, and collects defaulted SELF loans and State Grant overpayments.

The administrative services division provides accounting, budgeting, financial analysis, financial reporting, auditing, human resources, affirmative action and Americans with Disabilities Act (ADA) compliance, and prepares agency administrative policies and procedures. Acquisition of all office supplies, services, equipment and furnishings, mail processing, travel management, copy services, contract management, and disbursement and receipt of all funds are administered by this activity.

Services provided by the Information Management unit include: analysis, design, programming, maintenance, operation, and staff training for application systems; analysis, design, and programming for statistical analysis; research database administration; interfacing with hardware, software, and service vendors; maintenance of and technical support for minicomputers, personal computers, and communications network; daily computer operations tasks such as printing of reports and backup; maintenance of, training on, and technical support for minicomputer, personal computer, and network office support systems.

BUDGET ISSUES:

- This activity is responsible for implementing the Statewide Systems Project (SSP) for the agency. It is anticipated that the SSP will provide the agency with a more efficient operation in the support area. These efficiencies should allow this activity to provide for a high level of support services without additional funds.
- This activity includes administration of the Minnesota Medical and Osteopathy, Optometry and Osteopathy, and Graduated Repayment Income Protection loan repayment programs as well as the federal Paul Douglas Teacher Scholarship Program which also has repayment provisions. The administration of these programs has occurred without administrative funding. These programs have matured, and no new recipients are being accepted in the programs, so recipient tracking and collection activities have become a major part of the administration process.
- Operations of this activity are largely associated with providing general support functions related to the funding, accounting, and collection of the agency's student loan programs. Since this is a self supporting operation, state funds are not needed, but as these operations grow, this becomes a larger component of this activity's funding source.
- In F.Y. 1995, this activity completed a tax exempt revenue bond issue, of which the proceeds along with program repayments at the current volume of new loans should provide sufficient funding for the SELF program through 1997.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: AGENCY/LOAN ADMINISTRATION
ACTIVITY: ADMINISTRATIVE SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	884	839	845	845	845	856	856	856
OPERATING EXPENSES	3,317	3,803	3,803	3,803	3,803	3,803	3,803	3,803
OTHER EXPENSES	11,872	10,200	10,200	10,200	10,200	10,200	10,200	10,200
SUBTOTAL STATE OPERATIONS	16,073	14,842	14,848	14,848	14,848	14,859	14,859	14,859
TOTAL EXPENDITURES	16,073	14,842	14,848	14,848	14,848	14,859	14,859	14,859
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	645	648	662	662	662	673	673	673
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	26	59	51	51	51	51	51	51
HIGHER EDUCATION SERV OFFICE LOA	15,402	14,135	14,135	14,135	14,135	14,135	14,135	14,135
TOTAL EXPENDITURES	16,073	14,842	14,848	14,848	14,848	14,859	14,859	14,859
FTE BY EMPLOYMENT TYPE:								
REGULAR	22.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
TOTAL FTE	22.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5

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1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Minnesota State Colleges and Universities (MnSCU)

PROGRAM

PAGE

MnSCU OPERATIONS

B-88

Instruction
Non-Instruction
Other Revenue

FISCAL AGENT

B-115

State Council on Vocational Education

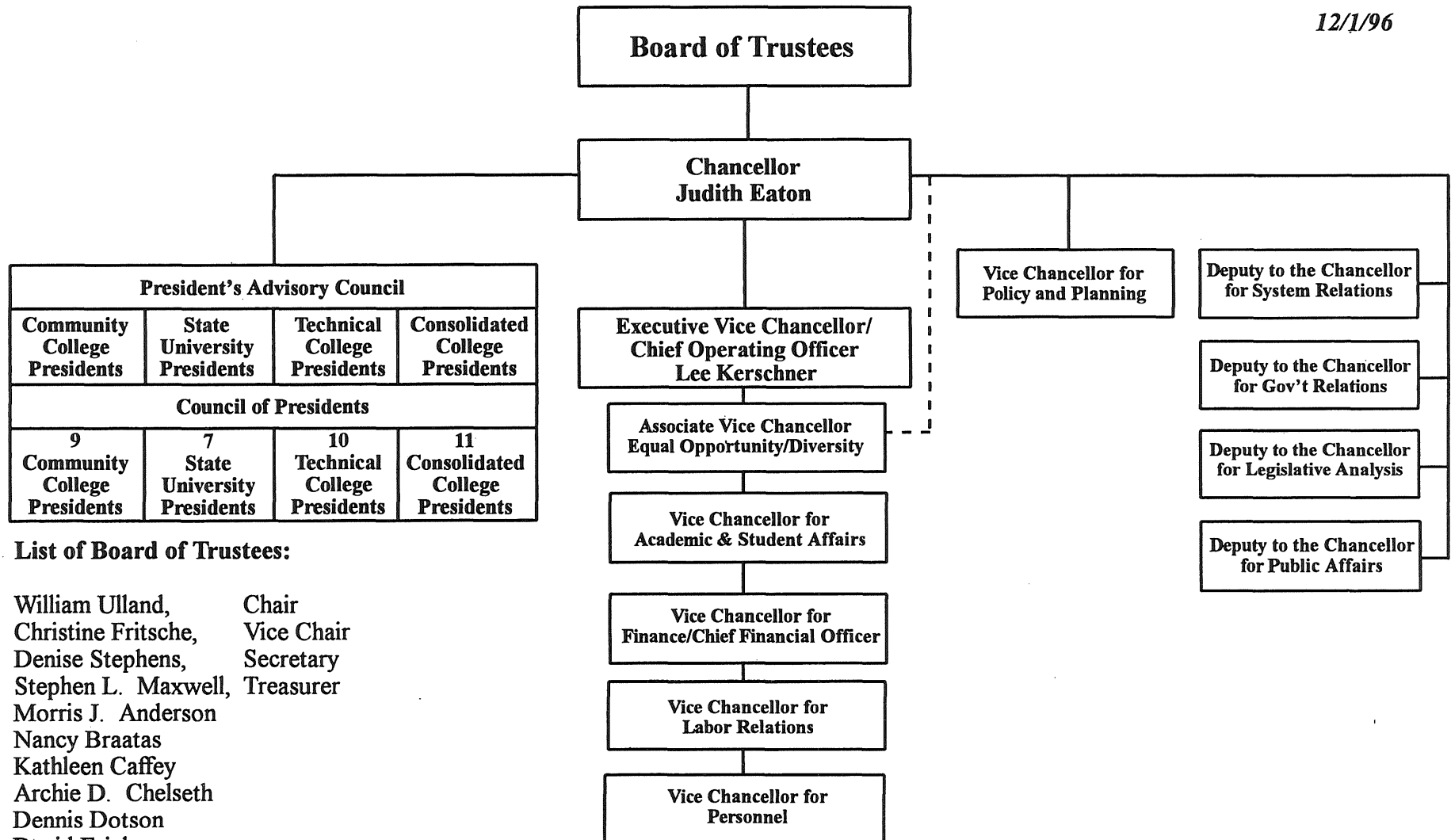
APPENDIX

B-118

Step Down Schedule
Instructional Base Calculations
Full Year Equivalent Enrollment

Minnesota State Colleges and Universities

12/1/96



1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Minnesota State Colleges and Universities (MnSCU) **Fund:** General State Appropriation

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$476,227	\$476,227	\$952,454
<u>BASE ADJUSTMENT</u>			
Administration Lease	63	78	141
POST Board	850	850	1,700
One-Time Appropriations	(21,447)	(21,447)	(42,894)
Enrollment Adjustment	(5,400)	0	(5,400)
Base Transfer - HESO Telecommunications	(373)	(373)	746
Debt Service - Pre 79/Local TC	(10)	(115)	(125)
<u>BASE LEVEL (for 1998 and 1999)</u>	\$449,910	\$455,220	\$905,130
<u>AGENCY INITIATIVES</u>			
Continuous Improvement Program	18,000	31,000	49,000
Electronic Academy	17,000	17,000	34,000
Management Information Systems Development	11,100	3,900	15,000
Student Opportunity Grants	-0-	14,000	14,000
System-wide Strategic Initiatives	<u>5,118</u>	<u>10,829</u>	<u>15,947</u>
Total Initiatives	51,218	76,729	127,947
<u>AGENCY REQUEST</u>	\$501,128	\$531,949	\$1,033,077
<u>GOVERNOR'S INITIATIVES</u>			
Continuous Improvement Program	12,000	19,000	31,000
Electronic Academy	10,000	14,500	24,500
Virtual University	250	250	500
Minnesota Career Education Planning System	250	250	500
Management Information Systems	6,200	600	6,800
Systemwide Strategic Initiatives	5,100	10,700	15,800
Facilities Repair & Replacement	2,000	2,000	4,000
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$485,710	\$502,520	\$988,230

Brief Explanation of Agency Plan:

The overall objective of the Minnesota State Colleges and Universities (MnSCU) budget request is to use current and new resources as a means for implementing system wide strategic goals and objectives. Critical initiatives are designed to support Board goals which focus on building institutional capacity which enhances student services and improves management.

The first component of the Budget Plan explains the change in the base F.Y. 1998-99 budget. This complies with Department of Finance (DOF) instructions and explains how spending will be curtailed by \$24,499,000 in F.Y. 1998 and \$19,084,000 in F.Y. 1999 from the F.Y. 1997 level. One-time appropriations, valued at \$21,447,000 account for most of the reduction in spending between F.Y. 1997 and the base for the next biennium. As this was money earmarked for one-time expenditures, such as equipment, computer system modification and training, semester conversion and certain legislatively mandated performance measures, the institutions do not have base spending levels that will be impacted by the drop in appropriation. In addition, enrollments are projected to fall in F.Y. 1998 in excess of 2% from the F.Y. 1995 legislative base for the formula. This \$5.4M drop in appropriation base is reinstated in F.Y. 1999 as enrollments are projected to increase. There are increases to the base budget that reflect monies earned on the dedicated receipts held in the general fund, adjustment to reflect an appropriation from the general fund to cover the prior transfer from the Peace Officers Standards and Training Board along with some other smaller adjustments.

The second, and most significant component of the budget plan, is the funding needed to successfully support the initiatives that have been developed by the Board of Trustees. During the months since its creation, MnSCU has explored ways to manage its resources more effectively and to expand and enhance educational opportunity. Organizational and administrative issues dominated the first year. A chancellor was selected, co-located colleges were merged, the system office was downsized, decision-making became more decentralized, mandates were reduced, systems and policies were established, and the new system was given life.

Now, MnSCU has shifted its attention to educational quality and access. The strategic planning process, led by the Board of Trustees, will establish specific educational goals for MnSCU as well as benchmarks against which to test our success. The plan will build a statewide electronic educational capacity, increase academic accountability, improve transferability, provide students with skills needed for a changing job market, and align educational programs with employer and state needs.

To achieve both MnSCU's administrative and educational objectives, additional investment is needed. MnSCU is requesting \$14M to enhance student access, \$49,947,000 to improve institutional performance and \$64M to manage MnSCU more effectively. Of these amounts, a total of \$35,147,000 is one-time funding, while \$92.8M is recurring.

Agency Budget Brief

Agency: Minnesota State Colleges and Universities (MnSCU)
(Continuation)

1998-99 Biennial Budget

Through MnSCU's statewide planning process, it will be possible over the next 2 years to establish measurable objectives and assess the degree to which they have been achieved. These objectives include:

1. Maintaining educational programs and quality and student access.
2. Expanding focus on academic accountability by measuring student learning gains.
3. Continuing development of the MnSCU Electronic Academy, to allow for complete academic programs to be delivered statewide via interactive television, multi-media instructional technology across the curriculum, staff development, and challenge grants for innovative technology applications.
4. Improving student transfer by focusing on a skills-based approach.
5. Enhancing of career programs to ensure they provide the job-related, technological, and transferable skills needed for a changing job market.
6. Reviewing of educational programs to ensure they meet student and employer needs, are optimally located, avoid unnecessary duplication, and are adjusted to meet changing needs.
7. Strengthening the partnership between MnSCU and the K-12 sector by establishing a systemwide effort to reach out to schools in Minnesota.
8. Developing institutional quality and efficiency indicators and fund on the basis of measurable performance.
9. Augmenting current management information systems infrastructure by developing for the 54 campuses an integrated student records system, a comprehensive fiscal management system, and upgraded equipment and networking to support this system.

The MnSCU budget request is based on the assumption that the state will provide a stable level of support by maintaining the 1997 base and supporting targeted significant initiatives. Almost 30% of the funding for the initiatives is one-time funding, wherein the system is requesting "seed money" to initiate the process. Continued support of these one-time funding initiatives beyond the 1997-99 biennium will be covered from savings and through internal reallocations.

The MnSCU Board and administration are committed to focusing the entire system on performance driven change. MnSCU is requesting \$49M for the creation of a Continuous Improvement Fund. The request would enable performance contracts with improvement plans in order for institutions to receive financial assistance. The Board of Trustees, in addition to the Continuous Improvement Fund, has endorsed allocation of a portion of the state funds on the basis of institutional and system wide performance, and will reallocate a total of \$16M matching funds, half for institutional performance funding and half for progress on system wide performance measures.

As part of its decentralization activities, the Board of Trustees has authorized colleges and universities the option to plan for a campus-based tuition increase ranging from 0-5% annually. Any college or university tuition increase will require the development of a specific campus plan for utilization of the

funds, a full college or university consultation process, and approval of the plan by the Chancellor and Board prior to implementation.

The budget initiatives also address the role of financial aid funding within the system. MnSCU seeks from the general fund an amount equal to approximately 20% of the net proceeds from the Minnesota Lottery for financial aid awards to students from families with the lowest incomes. It is estimated that the lottery will net \$70M in fiscal year 1999. This \$14M request is consistent with the original intent of the lottery, which was designed to support higher education, environmental protection and economic development. The proposed design would allow for effectively targeting funds to the lowest income students.

Affected Statutes:

Chapter 349A.10 Subd. 5

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$991,846,000 for the Minnesota State Colleges and Universities. This increase, \$83.1 million above base-level appropriations for the biennium, is to support new investments in technology and the implementation of institutional performance measures and MnSCU's systemwide strategic plan. The Governor further recommends that, through reallocation and cost controls, tuition and fee increases be held to no more 2.5% per year, the projected rate of inflation.

1998-99 Biennial Budget

AGENCY: Minnesota State Colleges and Universities (MnSCU)

AGENCY DESCRIPTION:

Minnesota State Colleges and Universities is a system composed of 37 higher education institutions, located in 46 communities, serving the learning needs of over 150,000 students. Four types of institutions--technical colleges, community colleges, state universities and the newest members, the comprehensive community and technical colleges, make up this system. The mission of Minnesota State Colleges and Universities as authorized under 1991 Minnesota law is "to provide programs of study that meet the needs of students for occupational, general, baccalaureate, and graduate education."

As an expansion of that original statement, the Board of Trustees approved the following mission:

"Minnesota State Colleges and Universities provides accessible high quality, future-oriented education and community service through technical, pre-baccalaureate, baccalaureate, masters occupational, and continuing education programs.

Each state college and university has a distinct mission that is consistent with and supportive of the overall mission of Minnesota State Colleges and Universities.

Minnesota State Colleges and Universities provides high quality programs comprising:

- Technical education programs, delivered principally by technical colleges, which prepare students for skilled occupations that do not require a baccalaureate degree.
- Pre-baccalaureate programs, delivered principally by community colleges, which 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.
- Baccalaureate and graduate programs, delivered principally by state universities, which offer undergraduate and graduate instruction through the master's degree, including specialist certificates, in the liberal arts and sciences and professional education."

As part of MnSCU's statewide strategic planning effort the Board of Trustees has adopted a new vision statement.

"The Minnesota State Colleges and Universities, by focusing creativity and energy on meeting the educational needs of those it serves, will be widely recognized as the primary educational pathway for the people of Minnesota to achieve an enhanced quality of life and improved economic competitiveness."

By virtue of its size, MnSCU already is the primary pathway to higher education in Minnesota. But MnSCU's vision focuses more on quality, choice, access and affordability than size. As this vision is realized, Minnesota families and employers will increasingly think of MnSCU as the key educational resource for securing their economic future building an educational citizenry and creating a civil society. To do that will require organizational change inside MnSCU to anticipate and better respond to their needs.

In addition to the core academic programs, the colleges and universities provide support services for students; maintain physical facilities to support student learning; conduct applied research to increase knowledge; provide cultural events for students, staff, and community and evaluate the effectiveness of their programs and services. In conjunction with students, campus administration and faculty, system administrators advise the legislature and governor on matters related to higher education policy.

The rapid changes in technology, impacting the way academic programs are taught and where and how they are delivered, and the rising need to provide clear and concrete information on academic outcomes have placed significant new responsibilities on the campuses and the system office.

AGENCY ISSUES

Significant among the issues facing Minnesota State Colleges and Universities is how to organize the structure and funding to and within colleges and universities to support the dramatic changes facing higher education across the country. Primarily these changes result from the infusion of technology to deliver courses and programs and support student learning in dramatically different ways. At the same time, as we integrate technology into our systems, it is important to continue to support and enhance the traditional programming that remains the backbone of higher education and which students, parents, and business and industry spokespeople have come to expect. In spite of the emphasis on technology support, some things like the need for "high touch" within the "high tech" do not change.

In the original legislation, the Board was asked to facilitate "ease of transfer among schools and programs, integrated course credit, coordinated degree programs..." The short term response, with long term consequences, of the Board of Trustees was to consolidate 28 two-year campuses (including 22 institutions) into 11 comprehensive institutions, and develop other consortium arrangements which are furthering the goals of the original legislation. Although providing positive benefits, consolidations have generated issues which occupy considerable time and resources of the staffs of these new institutions. Managing two faculty contracts in which work rules differ, merging two different cultures, developing a single telephone system and a single system for recording management and student information are examples of the issues these new institutions are addressing.

The colleges and universities also are approaching the transfer and coordination goals through curricular reform. Although change will occur as the campuses continue their work on the semester system, new approaches beyond the already implemented Minnesota Transfer Curriculum will be developed to ensure students have the highest level of course and program coordination and integration possible. MnSCU intends to move in a strategic new direction by creating transfer opportunities based on what students know and can do. This new skill-based transfer option will complement the existing ability of students to transfer credits between institutions.

The deregulation bill passed by the 1996 legislature and the decentralization efforts of the system office have added to the workload of campuses. The smaller the campus, the greater has been the impact and the more difficult it has been to accommodate. The functions of the human resources and finance areas have increased the most dramatically. The system office, working with all the institutions, has undertaken strategic planning intended to maximize institutional flexibility, build financial and program accountability and focus management on systemwide goals and objectives.

Accountability as applied to educational institutions involves demonstration of student learning. Developing measures that reflect student learning and embody public credibility is a challenge facing higher education institutions across the country. MnSCU intends to be a leader in the work on outcomes measurement. Successful models in this area will result in the kind of information necessary to improve the quality of programs as well as providing a resource for people entering colleges and universities.

AGENCY STRATEGIES

The budget submitted by Minnesota State Colleges and Universities has been constructed to achieve the continued development of a quality, forward-looking, efficient higher education system that responds to the educational needs of the citizens of Minnesota. Over the next biennium, the following outcomes to be supported by the budget will be achieved:

1998-99 Biennial Budget

AGENCY: Minnesota State Colleges and Universities (MnSCU) (Continuation)

- support quality educational opportunities at the 37 MnSCU colleges and universities;
- provide student support systems which promote student success;
- enhance the effectiveness of academic programming through an assessment of learning outcomes;
- maintain existing access and enhance it by promoting and supporting the development of technologies that allow students to transcend time, place, and pace barriers;
- enhance transfer using a skill-based approach;
- preserve the investment the state has made in the physical plants by allocation of funds to support maintenance;
- develop decentralized financial management accountability which ensures the integrity of institutional and statewide information;
- ensure students have a safe, supportive environment in which to learn;
- pursue the implementation of the strategic plan initiatives to ensure that institutions enter the 21st century in the forefront of higher education; and
- operate within the constraints imposed by budget limitations.

SUMMARY OF BUDGET REQUEST:

- MnSCU seeks from the general fund an amount equal to approximately 20% of the Minnesota Lottery net proceeds for the Student Opportunity Grants used for students from families with the lowest income - \$14M for F.Y. 1999.
- MnSCU requests continued support for the Electronic Academy to further the development of programs delivered via interactive television, multi-media instructional technology, and automated student services - \$17M for each year of the next biennium.
- System-wide Strategic Initiatives: \$5,118,000 F.Y. 1998 - \$10,829,000 F.Y. 1999.
 - Funding for evaluating educational performance by measuring student learning at several points on the educational ladder - \$2,225,000 for F.Y. 1998 and \$2,525,000 for F.Y. 1999.
 - Enhance and strengthen the skill-based transfer and student mobility initiative - \$485,000 for F.Y. 1998 and \$2,065,000 for F.Y. 1999.
 - Develop an inventory of MnSCU career program skills and identify employer expectations in order to match skills with employer needs - \$850,000 for F.Y. 1998 and \$2,450,000 for F.Y. 1999.
 - Continue efforts of program alignment to ensure programs 1) meet student and employer demand, 2) are optimally located, 3) avoid unnecessary duplication, and 4) adjusted for changing state needs - \$253,000 for F.Y. 1998 and \$2,549,000 for F.Y. 1999.
 - Provide K-12 partnership opportunities to ensure that the technological and academic skills of the faculty are current - \$1,305,000 for F.Y. 1998 and \$1,240,000 for F.Y. 1999.
- Provide funding for institutions to develop and implement goals defined in performance plans that improve campus efficiency and quality which include sets of measurement and outcomes consistent with MnSCU's Strategic Plan - \$18M for F.Y. 1998 and \$31M for F.Y. 1999.
- A request for \$11.1M in F.Y. 1998 and \$3.9M in F.Y. 1999 is made to support MnSCU expenditures in data and accounting systems, development of integrated student record systems, and required payments to state agencies for the use of state data and accounting systems.

GOVERNOR'S RECOMMENDATION:

The creation of the Minnesota State Colleges and Universities moves Minnesota higher education in the right direction. Now in its second year of operation, MnSCU, under the leadership of its Chancellor Judith Eaton, has made substantial progress toward defining a vision and mission for the new system. The Governor's budget recommendations will support the Board of Trustees' and Chancellor's efforts to bring MnSCU into the new century as a more focussed system of public higher education, accountable to students and taxpayers, that delivers education and job training to meet the future needs of the state's economy.

Strengthen MnSCU's Performance

The Governor recommends \$31 million over the biennium for the Continuous Improvement Fund. The Governor intends that this appropriation, in combination with a 2.5% per year increase in tuition revenue, be used by the Board to leverage the commitment of each college and university to improving its efficiency and educational quality. To draw upon these funds, each institution must clearly articulate its mission and identify strategic goals with measureable outcomes that will let taxpayers and students gauge its performance in meeting institutional, systemwide and state goals.

Technology for the Future

The Governor recommends an appropriation of \$24.5 million over the biennium for the Electronic Academy to integrate technology and instruction throughout the MnSCU system. In addition to funding MnSCU's Electronic Academy, the Governor recommends \$1 million to underwrite MnSCU's participation in two multi-agency initiatives, the development of a Virtual University and the Minnesota Career and Education Planning System (MnCEPS). With coordination and oversight by the Minnesota Office of Technology, these two initiatives will create hubs on the Internet from which Minnesotans can access---from any place, at any time---the state's cornucopia of higher education resources and career planning and occupational information. Finally, MnSCU students and faculty will benefit from the Governor's recommendation of \$12 million to implement the Minnesota Library Information Network (MnLINK), which will give all Minnesotans access to library resources statewide.

Management Accountability

The Governor recommends an appropriation of \$6.8 million to support the operation of MnSCU management information systems and to develop a systemwide MnSCU student information system. Reliable management information systems are crucial to building an accountable and efficient MnSCU system in which individual colleges and universities are given more independence.

Advance Systemwide Strategic Goals

The Governor recommends an appropriation of \$15.8 million over the biennium to support the implementation of MnSCU's six strategic goals. The Governor intends that 25% of the F.Y. 1998 appropriation for this initiative be made available immediately to begin the groundwork; the balance of the appropriation will be released upon development of a detailed implementation plan for each of the six strategic goals.

Facilities Repair & Replacement

The Governor's budget recommendations to the legislature propose a statewide initiative to increase funding for repair and replacement of state facilities. As part of this multi-agency initiative, the Governor recommends an appropriation to MnSCU of \$4 million over the biennium in operating funds for facilities repair and replacement needs of the state colleges and universities. These funds are for non-routine maintenance and capital expenditures required to extend the useful life of state facilities and delay the need for more costly future repairs.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
MNSCU OPERATIONS	798,062	847,064	827,139	878,422	869,004	837,661	914,390	896,961
FISCAL AGENT-ST CNCL ON VOC ED	256	220	99	99	99	99	99	99
TOTAL EXPENDITURES BY PROGRAM	798,318	847,284	827,238	878,521	869,103	837,760	914,489	897,060
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	460,841	467,705	449,910	501,128	485,710	455,220	531,949	502,520
MINNESOTA RESOURCES				65	65			
OPEN APPROPRIATIONS:								
GENERAL			1,808	1,808	1,808	1,808	1,808	1,808
STATUTORY APPROPRIATIONS:								
GENERAL	249,786	280,356	311,269	311,269	317,269	316,481	316,481	328,481
SPECIAL REVENUE	3,868	4,148	3,831	3,831	3,831	3,831	3,831	3,831
FEDERAL	29,561	32,041	30,068	30,068	30,068	30,068	30,068	30,068
AGENCY	23,002	24,642	23,681	23,681	23,681	23,681	23,681	23,681
CC SUPPLEMENTAL RETIREMENT	87	29						
GIFT	6,488	8,468	6,665	6,665	6,665	6,665	6,665	6,665
ENDOWMENT	10	116	6	6	6	6	6	6
CARRY FORWARD:								
GENERAL	24,675	29,779						
TOTAL EXPENDITURES	798,318	847,284	827,238	878,521	869,103	837,760	914,489	897,060

1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Minnesota State Colleges and Universities (MnSCU)

REVENUE SOURCES:

MnSCU generates revenue from dedicated and non dedicated sources such as tuition and student fees as well as Federal funds.

The majority of the revenue is generated through tuition from credit-based and non-credit instruction. The budget is based on a zero percent tuition increase for credit-based instruction and any change in tuition would be the result of a change in volume. If enrollment stayed constant and tuition increased by 1%, this would generate approximately \$2.3M per year for MnSCU. However, at this time the budget does not anticipate an increase.

The non-credit instruction includes continuing education, customized training, and community/public activity. Revenue is generated by offering non-credit instruction to business and industry employers, other organizations, and the general public.

MnSCU generates approximately \$35M per year in revenue from student fees such as course, student life, health, parking, and application.

In addition, MnSCU generates approximately \$63M in revenue from sources such as the federal government, state agencies, local governmental agencies, and private organizations.

TUITION AND FEE STRUCTURE:

During this current year (Fiscal Year 1997), the Board of Trustees approved a 4% base level tuition rate increase and allowed campuses an option to set their tuition rates within a range of 0-2% above that base level.

The student fee structure varies within MnSCU with mandatory fees being set by the Board of Trustees and permissive fees being set at the campus level. Some student fees are uniform between all campuses while others vary.

RECENT CHANGES:

As part of its decentralization activities, the Board of Trustees authorized colleges and universities for planning purposes the option to establish a campus-based tuition increase ranging from 0-5% for F.Y. 1998. Any college or university tuition increase will require the development of a specific campus plan for utilization of the funds, a full college or university consultation process, and approval of the plan by the Board and Chancellor prior to implementation.

FORECAST BASIS:

The budget is based upon a zero percent tuition increase. Any change in tuition revenue will be the result of enrollment. MnSCU has calculated its tuition revenue based on enrollment projections and tuition rates at the Fiscal Year 1997 level.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Request	Governor Recomm.	Forecast	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
CAMBRIDGE DEPOSIT FUND	55							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS	55							
DEDICATED RECEIPTS:								

GRANTS:								
GENERAL	6,792	6,792	6,792	6,792	6,792	6,792	6,792	6,792
SPECIAL REVENUE	3,376	3,376	3,376	3,376	3,376	3,376	3,376	3,376
FEDERAL	30,132	30,058	29,963	29,963	29,963	29,963	29,963	29,963
AGENCY	82	82	82	82	82	82	82	82
GIFT	6,407	6,407	6,407	6,407	6,407	6,407	6,407	6,407
OTHER REVENUES:								
GENERAL	293,875	287,638	293,461	293,461	293,461	298,673	298,673	298,673
SPECIAL REVENUE	645	451	451	451	451	451	451	451
FEDERAL	587	78	78	78	78	78	78	78
AGENCY	211	211	211	211	211	211	211	211
GIFT	276	258	258	258	258	258	258	258
ENDOWMENT	6	6	6	6	6	6	6	6
OTHER SOURCES:								
GENERAL	11,016	11,016	11,016	11,016	11,016	11,016	11,016	11,016
SPECIAL REVENUE	4	4	4	4	4	4	4	4
FEDERAL	27	27	27	27	27	27	27	27
AGENCY	23,381	23,381	23,381	23,381	23,381	23,381	23,381	23,381
GIFT	<23>							
TAXES:								
AGENCY	7	7	7	7	7	7	7	7
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL DEDICATED RECEIPTS	376,801	369,792	375,520	375,520	375,520	380,732	380,732	380,732
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY TOTAL REVENUES	376,856	369,792	375,520	375,520	375,520	380,732	380,732	380,732

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: STATE COLLEGES & UNIVERSITIES

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	851,747	856,959	787,496	792,708	34,183	34,183	30,068	30,068
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<21,447>	<21,447>	<21,447>	<21,447>				
TRANSFERS BETWEEN AGENCIES	477	477	477	477				
ANNUALIZATION OF NEW PROGRAM	<10>	<115>	<10>	<115>				
DOC SPACE RENT/LEASE INCR/DEC	63	78	63	78				
OPEN APPROPRIATION FORECAST A	1,808	1,808	1,808	1,808				
CASELOAD, ENROLLMENT CHANGES	<5,400>		<5,400>					
SUBTOTAL BASE ADJ.	<24,509>	<19,199>	<24,509>	<19,199>				
BASE LEVEL	827,238	837,760	762,987	773,509	34,183	34,183	30,068	30,068

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1998-99 Biennial Budget

PROGRAM: Minnesota State Colleges and Universities (MnSCU) Operations
AGENCY: Minnesota State Colleges and Universities

PROGRAM DESCRIPTION:

The colleges and universities of the MnSCU system have operations that can be divided into three distinct components:

Instruction. The primary function of the colleges and universities involves the offering of educational programs to the citizens of Minnesota. These program offerings include certificates, diplomas, associate degrees, baccalaureate degrees, master's degrees, and advanced certificates.

Non-Instruction. The colleges and universities are involved in a number of different activities, including non-credit instruction, continuing education, customized training, community service, financial aid, research, intercollegiate athletics, and other related activities.

Other Revenue. Included among these activities are the federal workforce training grants, such as the Carl D. Perkins Act programs, and other revenues generated by grant, contract and fund-raising activities.

PROGRAM STATUS:

Minnesota State Colleges and Universities, the state's largest public higher education provider, was established on July 1, 1995. This merged system resulted from legislation, signed into law by the governor in 1991. At the time of the legislation, there were 62 college and university campuses, governed by three separate boards. Now, less than two years after merger and following consolidation of numerous two-year campuses, the system encompasses 37 institutions in 46 different communities educating 150,000 students, and employing nearly 19,000 people.

The overall activities of instruction, non-instruction, and other revenues continued to be central activities throughout the formation of the new system. The campus consolidations have resulted in offering a more comprehensive set of programs to students while decreasing program duplication. The combination of different campuses has provided opportunities to share approaches about continuing education, customized training, and other similar programs. This sharing of information has assisted every college and university in assessing its ability to serve the higher education needs of the state of Minnesota.

Even though considerable positive change has occurred, some issues because of their complexity will require additional time and resources to resolve: managing different bargaining units; bringing together faculty and staff from three different cultures; developing uniform management and student information systems; and realigning the physical locale of services to accommodate students while also effecting operational efficiencies. It is critical this work continue. Financial support for MnSCU is largely dependent upon state general revenues and student tuition.

PLANNED RESULTS:

The agency budget plan will facilitate the accomplishment of several performance objectives, including those identified in the 1996 Annual Performance report. MnSCU had five performance measures identified by the legislature for 1996-97 that were tied to a \$5M performance incentive fund

(\$1M per measure). These measures include increasing: (1) the percentage of the total institutional budget directed to instruction and academic resources; (2) credits issued through telecommunications; (3) retention of new entering freshmen at state universities; (4) percentage of students graduating within two and four years; and (5) placement and transfer rates. To date, data have been compiled for two of the measures -- percent of budget devoted to instruction and academic-related activities, instruction provided via telecommunications -- and MnSCU has met and exceeded both targets. Data is still being compiled on the other three measures.

The Board of Trustees has endorsed a set of system goals developed through a comprehensive strategic planning process. These 6 strategic goals are:

1. Align programs and services with the needs of communities and businesses;
2. Provide academic accountability to the people we serve by measuring student achievement;
3. Ease student mobility through skill-based transfer;
4. Ensure students get the general education and technical skills they need for a lifetime of careers -- not just a first job;
5. Ensure electronic education becomes a core element of MnSCU; and
6. Build a comprehensive partnership with the K-12 sector.

Additionally, the Board will redirect system funding to support campuses in identifying and meeting institutional objectives that are based upon each college or university's unique mission.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: MNSCU OPERATIONS

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
	FY 1996	Est. FY 1997						
INSTRUCTION	663,405	684,645	643,748	694,966	685,298	654,372	717,101	713,422
NON-INSTRUCTION	71,810	93,070	119,140	119,140	119,390	119,038	133,038	119,288
OTHER REVENUE	62,847	69,349	64,251	64,316	64,316	64,251	64,251	64,251
TOTAL EXPENDITURES BY ACTIVITY	798,062	847,064	827,139	878,422	869,004	837,661	914,390	896,961
AGENCY REQUEST ITEMS:			FUND					
LCMR NEW ALLOCATIONS			MNR			65		
IMPROVING PERF-ELECTRONIC ACADEMY			GEN			17,000		
IMPROV PERF-SYSWD STRATEGIC INITIATIVES			GEN			5,118		
MANAGE MNSCU EFFECTIVELY-CONT IMPR PROG			GEN			18,000		
MANAGE MNSCU EFFECTIVELY-MGMNT INFO SYS			GEN			11,100		
ENHANCING STUDENT ACCESS-STU OPPORT GRT			GEN			14,000		
TOTAL AGENCY REQUEST ITEMS			51,283			76,729		
GOV'S INITIATIVES:			FUND					
(B) CONTINUOUS IMPROVEMENT FUND			GEN			18,000		
(B) MANAGEMENT INFORMATION SYSTEMS			GEN			6,200		
(B) FACILITIES REPAIR & REPLACEMENT			GEN			2,000		
(B) ELECTRONIC ACADEMY			GEN			10,000		
(B) VIRTUAL UNIVERSITY			GEN			250		
(B) MN CAREER EDUCATION PLANNING SYSTEM			GEN			250		
(B) SYSTEMWIDE STRATEGIC INITIATIVES			GEN			5,100		
(B) LCMR 98-99: TOXICS FROM FIRE TRAINING			MNR			65		
TOTAL GOV'S INITIATIVES			41,865			59,300		
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	460,754	467,606	449,811	501,029	485,611	455,121	531,850	502,421
MINNESOTA RESOURCES				65	65			
OPEN APPROPRIATIONS:								
GENERAL			1,808	1,808	1,808	1,808	1,808	1,808

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: MNSCU OPERATIONS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
STATUTORY APPROPRIATIONS:								
GENERAL	249,786	280,356	311,269	311,269	317,269	316,481	316,481	328,481
SPECIAL REVENUE	3,868	4,148	3,831	3,831	3,831	3,831	3,831	3,831
FEDERAL	29,392	31,946	30,068	30,068	30,068	30,068	30,068	30,068
AGENCY	23,002	24,642	23,681	23,681	23,681	23,681	23,681	23,681
CC SUPPLEMENTAL RETIREMENT	87	29						
GIFT	6,488	8,468	6,665	6,665	6,665	6,665	6,665	6,665
ENDOWMENT	10	116	6	6	6	6	6	6
CARRY FORWARD:								
GENERAL	24,675	29,753						
TOTAL EXPENDITURES	798,062	847,064	827,139	878,422	869,004	837,661	914,390	896,961

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations

ITEM TITLE: Continuous Improvement Fund

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$18,000	\$31,000	\$27,000	\$27,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends appropriations of \$12 million in F.Y. 1998 and \$19 million in F.Y. 1999 to the MnSCU Board of Trustees to support the implementation of the board's Continuous Improvement Fund. The Governor intends that the availability of this funding to MnSCU institutions be contingent upon the Board of Trustees' approval of college and university performance plans. To receive funding in F.Y. 1998, an institution must demonstrate progress toward developing specific performance measures that relate to institutional and systemwide goals. To secure funding in F.Y. 1999, colleges and universities must be ready to implement institutional performance measures and benchmarks approved by the board.

AGENCY RATIONALE FOR INITIATIVE:

The MnSCU Strategic Plan is the blueprint for change across 37 institutions in 46 communities statewide. We expect the Governor, legislature and the people of Minnesota to hold us accountable for delivering on the themes of the Strategic Plan. The Continuous Improvement Fund, in concert with the systemwide strategic plan, will ensure substantial institutional progress in the next 2 years.

The Board of Trustees approved a set-aside within the current base appropriation of approximately \$4 million per year to assist and reward institutions for taking steps to improve their performance in relation to the statewide strategic goals. This request of \$49 million will provide both one-time funds (\$4 million per year) to match the board's commitment above, and recurring funds (\$14 million in F.Y. 1998 and \$27 million in F.Y. 1999) to help support performance-driven base operations.

The fund represents a method for ensuring that individual institutions are fully engaged in the identification, development and implementation of institution specific benchmarks and performance measures. Without a clear performance plan negotiated between the institution president and the Chancellor, an institution will not be eligible to access any of these funds. The plan needs to be com-

pleted not later than June 1997.

Upon completion of a total performance plan an institution will be eligible in July 1997 to access funds from the recurring base funding pool. In addition, for the first year the institutions will receive a portion of the non-recurring funds to develop baseline goal setting information, such as performance measures, quality and efficiency indicators and benchmarks for goal setting.

Each college and university will be asked to identify 3 to 5 measures for assessing institutional performance during F.Y. 1999. The selection of specific indicators will be based upon individual campus missions and goals, thereby providing an opportunity for mission differentiation between the various MnSCU institutions. These institutional performance measures and benchmarks will be fully developed and ready for implementation by no later than June 1998.

In the second year, institutions whose performance measures and benchmarks are approved will be eligible to access the recurring base pool. Only successful completion of performance measures will result in funding distribution from the non-recurring pool during F.Y. 1999.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations

ITEM TITLE: Management Information Systems Development

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$11,100	\$3,900	\$3,900	\$3,900
Revenues: (\$000s)	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$6.2 million in F.Y. 1998 and \$600 thousand in F.Y. 1999 to the Board of Trustees for this initiative. This appropriation includes one-time funds of \$5.6 million to create a common student information system that will be used by all state colleges and universities. The Governor intends that the student information system developed be compatible with the proposed Virtual University. This recommendation includes recurring appropriations of \$600 thousand per year for the support of ongoing systemwide network operating expenses.

The Governor does not concur with MnSCU's request for funding to pay for additional administrative staff. The Governor's budget recommends appropriations to the Department of Finance to cover statewide systems operations.

AGENCY RATIONALE FOR INITIATIVE

A biennial appropriation of \$15M is requested to support MnSCU expenditures in data and accounting systems, development of integrated student record systems, and required payments to state agencies for the use of state data and accounting systems.

To be efficient and respond to the needs of the colleges and universities, MnSCU needs to develop a student records system, create a Central Data Management System, and make necessary Statewide System Network Upgrades in the next two fiscal years. The one-time cost of the data systems will be approximately \$5.6M. Ongoing network costs are expected to increase by \$600,000 a year for a total of \$1.2M for the biennium.

The development costs of future systems are requested as one time appropriations for F.Y. 1998. If all of these funds are not expended in F.Y. 1998, the carry forward provision for MnSCU will apply.

The next part of the request is for the annual payment of \$1.6M to the Department of Finance for the

new state payroll system (SEMA4), and the state accounting system (MAPS). These funds are not available for instruction in the colleges and universities and add to the cost of administration at a time when the system is attempting to reduce the administrative costs at colleges and universities. Additionally, the payment made to the state payroll and accounting systems in F.Y. 1997 will be added to the request - \$1.6M.

The final part of the request is to cover the cost of additional administrative staff that are being hired to support the state human resource system SEMA4 - \$1.7M per year.

F.Y. 1998-99 GOVERNOR'S BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations

ITEM TITLE: Repair and Replacement

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$2,000	\$2,000	\$2,000	\$2,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$4 million for the biennium for repair and maintenance of state facilities at the Minnesota State Colleges and Universities. This is part of a multi-agency initiative to reduce statewide deferred maintenance needs and protect the public investment in these existing facilities. These funds are for non-routine maintenance required to extend the useful life of state facilities and delay the need for more costly future repairs.

AGENCY RATIONALE FOR INITIATIVE:

Minnesota taxpayers have made a substantial capital investment in college and university facilities throughout the state. However, the state and its colleges and universities have not budgeted sufficient operating funds to maintain these facilities. MnSCU has received substantial capital appropriations for Higher Education Asset Preservation and Renewal (HEAPR) over the past several biennia. However, bond interest and financing costs make this an expensive way to finance facilities repair and replacement. Bond financing should be reserved for major capital investments that substantially renew or replace a building, not simply maintain it in working condition.

The average age of facilities in the MnSCU system is 38 years among the 4-year institutions and 20 years among the 2-year campuses. Major infrastructure systems are aging and not adapted to meeting the demands of new technology. Using Department of Administration estimates of \$10 per gross square foot, MnSCU's "iceberg" of deferred maintenance needs could be as much as \$220 million.

Currently, MnSCU allocates roughly \$7.7 million of the systemwide annual operating budget for facilities repair. MnSCU received \$16 million capital appropriation for Higher Education Asset Preservation and Renewal in the 1996 bonding bill. After applying these investments, MnSCU's capital iceberg residual stands at \$196 million.

PROGRAM OUTCOMES:

While not sufficient to completely melt MnSCU's capital iceberg, this appropriation will increase MnSCU's annual operating budget for repairs and replacement by 25%. Colleges and universities will be able to better maintain and thus extend the life of their state bond-financed facilities.

LONG-TERM IMPACT:

By enabling colleges and universities to address a greater portion of their non-routine and emergency facilities repairs within their operating budgets, over the long-term, this initiative will lower the demand for bond-financed Higher Education Asset and Preservation (HEAPR) appropriations which are more costly to state taxpayers.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Instruction
PROGRAM: Minnesota State Colleges and Universities (MnSCU) Operations
AGENCY: Minnesota State Colleges and Universities

ACTIVITY DESCRIPTION:

Instruction, the core program in all MnSCU institutions, provides courses and programs to learners at a variety of levels using multiple delivery systems. Instructional programs prepare Minnesota citizens to participate in the life of their communities, to function effectively in their chosen occupational fields, and to be life-long independent learners.

MnSCU colleges and universities offer: technical programs designed to prepare students to go into the workplace; developmental education courses to prepare students to compete successfully in college level programs; general education fulfilling the first two years of a baccalaureate degree; occupational programs which transfer to upper division majors; baccalaureate programs in a variety of professional and arts and sciences fields; graduate/professional degrees; advanced certificates as part of technical, baccalaureate, and graduate programs; and continuing education and customized training to upgrade existing and teach new skills to people in the workforce.

MnSCU serves a variety of students, including junior and senior high school students who enter through the state's Post Secondary Enrollment Options (PSEO) program; recent high school graduates; adults entering higher education for the first time or returning after an absence with the goal of completing a degree program; adults taking courses for enrichment; and people in the workforce who need additional training to maintain their expertise. In actual fact, most people in Minnesota over the age of 15 could and/or will make use of the higher education opportunities provided by MnSCU institutions.

Although the bulk of instruction is delivered by a faculty member in a classroom setting, colleges and universities also grant credit for previous learning, offer courses using telecommunications options, support students in independent learning and internship settings, and provide computer assisted courses. Technology is invading both the traditional classroom setting as well as allowing new learning options which remove place, time, and pace barriers for students.

MnSCU received funding in the 1996-97 biennium to support the Electronic Academy initiative, which provided funds to the colleges and universities to develop and expand their technology capacities. Through an internal budget allocation process, individual colleges and universities have also redirected funds to support the integration of more technology into the classroom.

BUDGET ISSUES:

Delivering quality instructional programs is the central function of the MnSCU colleges and universities. Aggressive efforts to make it easier to transfer credits, to increase the use of telecommunications making more courses available to students regardless of location, and to review and redesign programs to ensure a strong academic base have enabled the institutions to provide more and better courses of quality instruction for students.

It is the aim of the Board of Trustees to offer the utmost encouragement and incentive to faculty and administrators to collaborate for the good of the students and to take all necessary steps to provide students with full mobility within the integrated system. The quality of instruction, creative uses of instructional technology, and the availability of class sections are directly related to the overall funding level provided to support MnSCU colleges and universities.

REVENUE:

The budget request is based upon on a systemwide zero tuition increase during the coming biennium. As part of its decentralization activities, the Board of Trustees authorized colleges and universities for planning purposes the option to establish a campus-based tuition increase ranging from 0-5%. Any college or university tuition increase will require the development of a specific campus plan for utilization of the funds, a full college or university consultation process, and approval of the plan by the Board and Chancellor prior to implementation.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: MNSCU OPERATIONS
ACTIVITY: INSTRUCTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	663,405	684,645	636,079	687,297	677,629	646,703	709,432	705,753
TRANSFERS			7,669	7,669	7,669	7,669	7,669	7,669
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	663,405	684,645	643,748	694,966	685,298	654,372	717,101	713,422
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
IMPROVING PERF-ELECTRONIC ACADEMY		GEN		17,000			17,000	
IMPROV PERF-SYSD STRATEGIC INITIATIVES		GEN		5,118			10,829	
MANAGE MNSCU EFFECTIVELY-CONT IMPR PROG		GEN		18,000			31,000	
MANAGE MNSCU EFFECTIVELY-MGMNT INFO SYS		GEN		11,100			3,900	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				51,218			62,729	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) CONTINUOUS IMPROVEMENT FUND		GEN			18,000			31,000
(B) MANAGEMENT INFORMATION SYSTEMS		GEN			6,200			600
(B) FACILITIES REPAIR & REPLACEMENT		GEN			2,000			2,000
(B) ELECTRONIC ACADEMY		GEN			10,000			14,500
(B) VIRTUAL UNIVERSITY		GEN			250			250
(B) SYSTEMWIDE STRATEGIC INITIATIVES		GEN			5,100			10,700
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					41,550			59,050
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	419,499	426,911	408,317	459,535	443,867	413,729	476,458	460,779
OPEN APPROPRIATIONS:								
GENERAL			1,627	1,627	1,627	1,627	1,627	1,627
STATUTORY APPROPRIATIONS:								
GENERAL	219,231	227,981	233,804	233,804	239,804	239,016	239,016	251,016

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: MNSCU OPERATIONS
ACTIVITY: INSTRUCTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
CARRY FORWARD:								
GENERAL	24,675	29,753						
TOTAL EXPENDITURES	663,405	684,645	643,748	694,966	685,298	654,372	717,101	713,422
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	234,218	227,981	233,804	233,804	233,804	239,016	239,016	239,016
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	55							
TOTAL REVENUES COLLECTED	234,273	227,981	233,804	233,804	233,804	239,016	239,016	239,016

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations
ACTIVITY: Instruction

ITEM TITLE: Electronic Academy

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$17,000	\$17,000	\$15,000	\$15,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends appropriations of \$10 million in F.Y. 1998 and \$14.5 million in F.Y. 1999 to the Board of Trustees to support this initiative. The Governor intends that MnSCU develop a plan for delivering all on-line academic programs and courses developed through the Electronic Academy initiative. The Minnesota Office of Technology shall review and approve MnSCU's plan to ensure coordination with the development of the Virtual University.

AGENCY RATIONALE FOR INITIATIVE:

The MnSCU Electronic Academy, launched with \$4.5M from the 1996 Legislature, envisions complete academic programs delivered statewide via interactive television, multi-media instructional technology across the curriculum, automated student services available on-line and through the Internet, expanded staff development opportunities, and challenge grants for innovative technology applications. This technology initiative is one of the six strategic goals developed as a part of the statewide strategic planning effort. Because of the size of this initiative, it has been listed separately within the biennial budget request, but is an integral part of the overall plan.

Technology is changing how students learn and faculty members teach by breaking down barriers and increasing access to information. It is providing educational opportunity to students who are time-bound, place-bound, work-bound or family-bound, unable to travel great distances or meet at regular times to continue their studies. Technology brings higher education programs to students at any time, in any place, and at any pace. Technology also enhances the presentation styles of faculty to fit the different learning needs of students, making higher education available to larger numbers of students. And finally, technology increases efficiency by allowing larger numbers of students to simultaneously enroll in courses using technology-based materials.

The legislature and the Governor have already built the Minnesota Learning Network, funded Minnesota Satellite, supported funding for several major educational technology initiatives, and provided seed capital for the MnSCU Electronic Academy. Individual colleges and universities have developed courses, home pages and services available electronically to their students. The Governor has also created a technology office to explore new administrative and educational initiatives.

For the 1998-99 biennial budget MnSCU proposes to build upon the Governor's technology initiatives by expanding the use of electronic technology both within the classroom and for delivering educational programs. The new Electronic Academy initiative will:

- Continue the grant program for MnSCU institutions, with emphasis on enhancing student success.
- Allow for the acquisition of materials, equipment, and technical personnel required to complete and enhance MnSCU's technology infrastructure.
- Enhance courseware and commercial curricula for integration into courses and programs in joint partnership arrangements with private vendors.
- Expand the number and type of public/private partnerships in strategic alliances with K-12, higher education, and business and industry.
- Develop degree programs and make appropriate credentialing available to students both within and outside of Minnesota using electronic telecommunications.
- Establish a network of instructional design experts and technicians familiar with instructional technology who will team with content experts (faculty) in the design and implementation of courses and programs.

MnSCU colleges and universities will utilize this \$34M request to enhance and augment the funds each institution has been devoting to technology upgrades. The MnSCU Electronic Academy will assure that Minnesotans have access to high quality programs that balance *high tech*--the best of electronic education--with *high touch*--the best of personalized service.

MnSCU's 53 campuses will become centers for technology-infused instruction, innovative courseware development, and delivery of electronic programs. The request includes five major components:

1. Technology in the Classroom

Multi-media instructional technology using voice, video, audio, and graphics has just begun to impact how we teach and learn. Although most multi-media instruction now uses CD Rom formats, the transmission of multi-media information over the Internet will increase rapidly over the next decade. MnSCU must provide multi-media services to all faculty and students, both to make the current learning process more effective and to prepare students for the use of these powerful information tools as they enter the 21st century workforce. MnSCU proposes to purchase and develop multi-media courseware which can be integrated into classrooms within campuses and across the system. Faculty also will be trained for the development and use of multi-media technology.

By the end of the biennium, all incoming students will have learning experiences using multi-media instruction both in the classroom and through college and university study facilities. All MnSCU institutions will have their faculty using multi-media in the classroom, with the amount of usage increasing each year.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations
ACTIVITY: Instruction

ITEM TITLE: Electronic Academy
(Continuation)

2. Telecommunications Learning

Multiple technologies are now used by MnSCU institutions to offer over 300 distance learning courses each quarter to more than 12,000 students within the state and to a few outside of Minnesota. The Electronic Academy funding will significantly increase planning and implementation of courses that complete major components of degree programs, such as majors and minors for two and four-year programs. These programs will be chosen based on demonstrated student and employer needs and most will be available to students in formats which recognize the flexible time and geography requirements of contemporary students. In addition, traditional students on campus will have access to these courses from another MnSCU campus without changing campus residency. Faculty will be trained in the development of instructional technology and support staff will be made available to facilitate development of the necessary courseware.

This component of the Electronic Academy will lead to the design and delivery of 10 complete academic programs, which will be available to both Minnesotans and out-of-state students, in a format that will allow some students to complete the coursework anytime, anywhere, and at varied paces:

- 5 - two-year degrees/diplomas/certificates
- 3 - baccalaureate degrees
- 2 - master's degrees

3. Electronic Services and Infrastructure

Each MnSCU institution will develop and implement a plan for providing technological services to its faculty, staff, and students. Computers, servers, processing units, and other tangential electronic equipment will be purchased or leased, depending upon what best fits the individual institution. Similarly, institutions will either purchase equipment provided for students in a laboratory situation or provide a laptop leasing program for all students.

Critical to the success of an instructional technology initiative is the quality of the infrastructure. MnSCU institutions require more internal cabling, servers, switches, installation support, system maintenance support, and docking stations for student classrooms. Dial-in capacity for both students and staff is essential. Through an improved campus infrastructure, faculty and students will have access to the selected courseware, as well as the student services envisioned as part of the accompanying management information systems initiative, electronic registration, admissions, financial aid, and advising services. This infrastructure augmentation will be the physical foundation for instructional technology in MnSCU and in higher education.

Following system guidelines, all campuses will develop plans to provide, within the next two years, complete computer access for all students and faculty. Faculty will have computer access from their offices and students will have full access from either the campus or their home.

4. New Ventures

In the rapidly changing technology environment, encouraging institutions, staff, and faculty to maintain currency and experiment with new technology and new applications is challenging. MnSCU will search aggressively for telecommunications and technology companies interested in partnerships to develop, test and market new equipment, software, and instructional products. Many new developments in both technology and applications originate in the private business sector and require partnerships with higher education for proofing of their products. Funding is sought to encourage institutions and faculty to experiment with new technology and new applications.

MnSCU institutions will identify private entrepreneurial partners and then request support for these new ventures. At least 10 significant projects will be supported with the requested funds over the course of the biennium.

5. Technology Grants

The current round of technology grants have generated immense interest among faculty interested in utilizing technology to improve their teaching and to enhance student learning. More than \$20M worth of student-centered, instructional-improvement grants were written and submitted by dedicated faculty in response to the \$4.5M "seed" funds provided last year. The outpouring of innovative and creative ideas far exceeded the financial ability to fund these creative projects.

The faculty recognize that the classroom of the future will be a profusion of visual and audio experiences. Satellite capacity, the Internet and modems will be used to expand dramatically the enthusiasm and potential for learning. Each student will have an individual computer station with Internet access and networked with other students and the faculty member. Instructional software will allow students to work at their own pace, to review previously taught material, to be monitored by a faculty member, and to store and retrieve information. Materials will be presented using multi-media technology with text, video, audio, and graphics presentations, fitting the needs of the different styles of students. Testing will be conducted and scored on-line, allowing for an analysis of the class's progress as well as the learning gains of each student. Virtual labs may replace physical labs. This plethora of instructional technology tools will be directed, monitored, and managed by the faculty of the future.

A continuance of funding for these creative technology grant opportunities is sought for future years. This constant infusion made available by innovative technology grants will help to keep Minnesota on the cutting-edge of educational uses for technology.

Program Outcomes

Through these 5 components of MnSCU's Electronic Academy initiative, students will have access to a broader range of programs and exposure to the best the world has to offer--in the classroom and through distance learning; faculty will have the opportunity to utilize national and international resources; Minnesotans will have expanded educational opportunity and improved quality of life; employers will have a workforce prepared for the information age as well as specialized courses for their employees; communities will enjoy enhanced and energized campuses; and Minnesota will reap the economic rewards.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations
ACTIVITY: Instruction

ITEM TITLE: Electronic Academy
(Continuation)

Below is a listing of the benefits that will accrue from implementation of the Electronic Academy initiative:

To students

- More courses and complete programs delivered electronically
- Greater access to outstanding professionals in diverse fields
- User-friendly registration, business, and advising services
- Greater availability of library resources
- Access to personal computers
- Experience on the global information super-highway

To faculty and staff

- World-wide access to information
- Specialized training and staff development
- Support for producing teaching materials
- Interaction with colleagues, locally, nationally, and internationally

To employers

- A workforce prepared for the information age
- Expanded customized training opportunities
- Access to specialized courses for employees
- Availability of teleconferencing capabilities

Long Term Impacts

Perhaps the most extensive changes which have taken place in recent years in both how we learn and how we work result from the dramatic advances in electronic technology. Continued development of the Electronic Academy, not only will result in enhanced academic quality, improved student access, and increased efficiencies, but also promises to result in long term economic benefits to the state. These benefits include: the economic development potential of the joint technology ventures; an enhanced ability to attract and "home grow" technology businesses; greater availability of state-of-the-art electronic technology; and increased higher education productivity.

Appropriation Request:

Dollars in Thousands			
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>TOTAL</u>
Instructional Technology	\$2,500	\$2,500	\$5,000
Telecommunications Learning	3,000	3,000	6,000
Electronic	8,500	8,500	17,000
Services/Infrastructure*			
New Ventures	1,000	1,000	2,000
Technology Grants	<u>2,000</u>	<u>2,000</u>	<u>4,000</u>
TOTAL	\$17,000	\$17,000	\$34,000

*Includes \$2M per year in one-time upgrades.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations
ACTIVITY: Instruction

ITEM TITLE: Systemwide Strategic Initiative

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$5,118	\$10,829	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$5.1 million in F.Y. 1998 and \$10.7 million in F.Y. 1999 to support the implementation of MnSCU 6 strategic goals. The Governor intends that 25% of the F.Y. 1998 appropriation for this initiative be made available immediately to begin the groundwork; the balance of the appropriation will be released upon development of a detailed implementation plan for each of the 6 strategic goals.

AGENCY RATIONALE FOR INITIATIVE:

The Board of Trustees of the Minnesota State Colleges and Universities has approved six tentative strategic planning goals for the new system. One goal involves expanded use of technology and is incorporated into the electronic academic initiative. The other five goals are: (1) academic accountability, (2) skills-based transfer, (3) career education, (4) program alignment, and (5) K-12 partnership. For the 1988-99 biennial budget, MnSCU requests one-time funding to assist the Board of Trustees with implementation of strategic activities in each area.

1. ACADEMIC ACCOUNTABILITY -- IMPROVING STUDENT LEARNING

MnSCU will evaluate its educational performance by measuring student learning at several points along the student's educational experience. MnSCU will ensure that students, employers, and taxpayers are fully informed of the academic effectiveness of each college and university.

This performance-based initiative will focus on improvement in basic skills, the attainment of general knowledge, and expanded learning within the discipline or program. Building on and extending earlier work on student readiness for college, this initiative will require that campuses develop and implement frameworks for measuring student learning outcomes at several points

on the educational ladder: entry, mid-point, and exit. The ultimate focus will be on weaving the assessment of basic skills, general education, and discipline/program achievement into a comprehensive assessment of student learning outcomes.

The initial stage of the project will utilize statewide task forces to establish system assessment goals, develop assessment parameters, and identify new and traditional assessment approaches that will produce clearly identifiable data. Subsequent stages will distribute funds to campuses to conduct specific pilot projects and to develop more comprehensive models for student learning assessment.

PROGRAM OUTCOMES

1. MnSCU institutions will provide comprehensive programs to assess and report on student academic learning at three points (entry, mid-point, and endpoint) and in three areas (basic skills, general education, and discipline/occupational program) accomplishing the following objectives:
 - **Assessment of Basic Skills:** Identification of the standards of and the means to measure student ability to write effectively, to read and synthesize complex materials, and to use quantitative skills and knowledge to solve real-world problems;
 - **General Education:** Development of criteria to evaluate the functioning of the general education curriculum along two assessment continua : 1) student learning in the liberal arts, and 2) successful student transfer of general education abilities and knowledge among Minnesota higher education institutions and programs;
 - **Discipline or Occupational Programs:** Assessment of student learning achievement in terms of the job-related, technological, and transferable skills and knowledge within the major or program concentration.
2. An integrated information system will support the collection, storing, analysis, and reporting of qualitative and quantitative results of the individual, programmatic, and system-wide assessment practices.
3. A framework for reporting results will ensure feedback to students to explain the standards for student achievement, to faculty and institutions to support curriculum and program review and revision, and to the system office to generate summary reports on student learning achievement.
4. The framework and strategies for each element of academic accountability will function effectively within the electronic academy.
5. Assessment programs will be consistent with the assessment requirements of the regional accrediting association.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations
ACTIVITY: Instruction

ITEM TITLE: Systemwide Strategic Initiative
 (Continuation)

Budget for Academic Accountability

	Dollars in Thousands		
	F.Y. 1998	F.Y. 1998	TOTAL
Stage 1: Incoming Student Assessment			
Computerize Assessment Process	\$300		300
K - 12/MnSCU Collaborative Pilots	20	20	40
Research/Report	20	20	40
Stage 2: Midpoint Assessment			
Task Forces	120	70	190
Campus Pilot Projects		630	630
MnSCU Assessment Conferences	30	50	80
Stage 3: Exit Assessment			
Task Forces	70	70	140
Campus Review/Implementation	<u>1,665</u>	<u>1,665</u>	<u>3,330</u>
TOTAL	\$2,225	\$2,525	\$4,750

2. SKILLS-BASED TRANSFER

MnSCU is committed to ensuring the portability of skills through transfer built on confirmation of skill development rather than wholly on acceptance of credit. This commitment is consistent with education reform at all levels, responsive to demands for greater efficiency in educational delivery, and complementary of existing efforts to ease the transfer of credits between MnSCU institutions. The goal of this initiative is to enhance student learning by articulating a continuum of skills from secondary through post-secondary education and to ease movement through a more seamless education system via more effective assessment and transfer mechanisms. As such, the initiative will be closely related to the MnSCU initiative to improve student learning gains and an integral part of MnSCU's commitment to work in partnership with PreK-12 education and the University of Minnesota.

There are two major tasks to be accomplished in preparation for skills-based transfer. The first is to rethink the Minnesota Transfer Curriculum to fit a skills-based approach, specifically considering how to translate the transfer curriculum themes into statements of skills appropriate for programmatic and workplace transferability and to exercise specific course equivalency using a skill-based approach. The second is to determine how to implement this skills-based approach within the broad disciplines that make up the construct of higher education. Thus, the process must begin by considering broadly the implications of a skills-based approach to

transfer and how it will necessarily alter current transfer strategies, and then move into the context of the disciplines. Attention must be focused in each phase of the project on both the mechanics of implementation and on the content of skills-based definitions of learning.

Phase 1 will begin with an assessment of the current state of transfer in Minnesota. This assessment must include a careful analysis of the strengths and weaknesses of credit-based transfer, since students need to continue to be able to transfer in this "traditional" way as well as in a new, skills-based way. The potential for skills-based transfer to support effective and efficient student transitions from high school to college, from one MnSCU institution to another, and/or from a MnSCU institution to another post-secondary institution must also be carefully analyzed. The work of Phase 1 will primarily be done by a statewide task force broadly representative of MnSCU institutions, PreK-12 educators, and other post-secondary institutions. The task force will set the agenda for competency-based transfer, including defining skills areas in ways that respond to recent developments within disciplines and the changing demands of the workplace. After its initial work is done, the task force will shape the charge for Phase 2.

Phase 2 will actively involve faculty in developing competencies as the articulation of transferable skills. Relatively small, regionally-based teams of faculty will be formed to provide a representative, yet lean and flexible, process. One member of each team will be designated as team leader, with responsibilities to convene and lead the team and present the work of the team to the task force and other appropriate audiences. The task force will continue to operate during phase 2, exploring appropriate mechanisms whereby "sending" institutions can guarantee transferability to "receiving" institutions and working to craft a comprehensive skills-based transfer strategy from the regional efforts. Several possible implementation strategies will need to be tested through pilot projects at several institutions. The task force will lead a process of selecting pilot sites and subsequently assessing the results of each pilot project.

PROGRAM OUTCOMES

1. An analysis and report on the strengths and weaknesses of credit-based transfer and of the potential for skills-based transfer across a comprehensive higher educational system will be prepared.
2. There will be an articulation of those skills which could be used in transfer to future educational opportunities and of skills transferable to the workplace.
3. One or more mechanisms will be developed to ensure that "sending" institutions can guarantee transferability to "receiving" institutions. Following implementation of several pilot projects, there will be an evaluation of the effectiveness of various approaches.
4. Another tangible outcome will be a major guide to skills-based transfer written and distributed so as to be useful to consumers (e.g., students and employers) as well as implementors (MnSCU faculty, staff, and administrators).

Ultimately, MnSCU institutions will measure the impact of this new discipline-based transfer approach on student success and employer satisfaction. Given the time involved in developing and testing skills-based transfer, systemwide changes will not be implemented in time to measure student impact beyond those occurring in the pilot projects. However, part of phase 2 activities will include articulation of specific, measurable outcomes desired from skills-based transfer implementation. Such outcomes must assess the extent to which student skills have improved, student transfer has been eased, and employer satisfaction with the skills of newly hired MnSCU graduates has improved.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations
ACTIVITY: Instruction

ITEM TITLE: Systemwide Strategic Initiative
 (Continuation)

Budget for Skills-Based Transfer

	Dollars in Thousands		
	F.Y. 1998	F.Y. 1999	TOTAL
MN Transfer Curriculum			
Task Force	\$50	\$25	\$75
Project Research	100	50	150
Report Preparation	25	10	35
Statewide Implementation	-0-	300	300
Evaluation	50	65	115
Discipline-based Transfer			
Working Groups (6)	100	200	300
Develop Competency Measures	60	240	300
Project Support/Research	50	75	125
Regional Seminars	50	150	200
Pilot Projects	-0-	950	950
TOTAL	\$485	\$2,065	\$2,550

3. CAREER EDUCATION

MnSCU will ensure that occupational programs are meeting the needs of Minnesota employers and providing learners with general education and technical skills to be successful as active citizens, economic contributors, and life-long learners. The initiative focuses on over 1,100 programs offered at MnSCU institutions which emphasize specific occupational and professional fields. A majority of the 150,000 students elect one of these programs.

Within occupational programs, students learn job-related skills specific to the field, technological skills required to perform tasks and solve problems within a field and transferable skills which underpin success in many areas of life.

The initiative involves the following four components:

- **Inventory of Occupational Program Skills.** MnSCU occupational programs within 8-10 target career clusters (a grouping of related occupations) will be inventoried to identify the job related, technological, and transferable skills taught. For example, in a career cluster called Computer Information Science, MnSCU institutions provide coursework, certificates, diplomas and degrees through the master's level in the related areas of computer programming, systems analysis, microcomputer support, data processing, electrical technology and engineering/pre-engineering. The process used to identify relevant skills will need to be comprehensive yet ensure objectivity and consistency.

- **Identification of Employer Expectations.** A standardized process for identifying employer expectations for entering and incumbent employees will be determined. These expectations will focus on job related, technological, and transferable skills identified in the initial inventory phase.
- **Matching Program Skills with Employer Expectations.** Skill inventory results for the targeted career clusters will be compared to employer expectations and discrepancies identified. The results of the matching process and suggested implications/recommendations will be used to establish better communication between the employer community and MnSCU institutions, and drive program improvement at MnSCU colleges/universities.
- **College/University Plans to Address recommended Program Changes.** MnSCU institutions will develop a plan to "close the gap" between the current program curriculum and the expectations of employers for job related, technological, and transferable skills.

PROGRAM OUTCOMES

1. Career cluster skill inventories categorized into job related skills, technological skills and transferable skills are matched to employer expectations. These inventories are valuable for directing program improvement and modification; for structuring customized training and continuing education modules which will enable Minnesotans to improve their employability; and in the development of learner gain assessment.
2. Student readiness indicators will be provided which align with high school graduation standards and the profile of learning. The initiative will accelerate articulation between secondary and post-secondary institutions. This articulation supports learners pursuing technical training, as well as two-year and four-year degree programs. Improved articulation will, in particular, help learners in making the important connection with higher education programs while they are still in high school.
3. Transferability will increase within MnSCU programs and institutions including two-year to four-year. Skills identified will focus program and course curriculum, creating a vehicle for enhanced program articulation. As a result, potential for student transfer between and among MnSCU institutions will be increased.
4. A link to Minnesota's workforce and economic development needs will be established. More than 80% of MnSCU learners obtain coursework, certificates, diplomas or degrees in occupational or professional fields essential to Minnesota's large corporations, small businesses, and the public service sector. More than 90% of MnSCU's learners are from Minnesota, and an estimated 75% of them are likely to remain in the state after graduation.
5. The model resulting from this initiative will be extended to each career cluster represented by MnSCU programs and can also contribute to new program development.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations
ACTIVITY: Instruction

ITEM TITLE: Systemwide Strategic Initiative
 (Continuation)

Budget for Career Education

	Dollars in Thousands		
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>TOTAL</u>
Task Force/Research	\$150	\$150	\$300
Inventory MnSCU Program Skills	250	500	750
Employer Expectations Projects:			
Largest Employers	250	1,000	1,250
Fastest Growth	200	800	1,000
TOTAL	\$850	\$2,450	\$3,300

4. PROGRAM AND SERVICE ALIGNMENT

Aligning educational programs and services involves a market-driven process designed to ensure that programs and services (1) meet student and employer demand and quality expectations; (2) are optimally located; (3) avoid unnecessary duplication; and (4) are adjusted periodically to meet changing state needs. These objectives seek to direct program management decision-making so programs and services anticipate and respond to the instructional needs of Minnesota students and employers and make efficient use of resources.

In various forms, program and service alignment has always occurred. Boards, presidents, and faculty have made decisions to add, reduce, transfer, change, merge, close, suspend, retain, and improve programs and services. This initiative complements existing Board of Trustees' policies regarding state program review and local program improvement. The initiative's strategic importance is founded on the belief that existing state data (such as labor market supply and demand projections, graduate follow-up rates, program costs, student/faculty ratios, program inventories), combined with community need data, should be automated and available for use by colleges and universities. Campus staff would gain expanded knowledge to respond to market demands and local program performance indicators and to shape services accordingly.

Faculty are in the best position to assess program needs, identify student and employer demands, make program improvements and deliver quality service. Available market data, time, training, and automated analysis tools are needed by faculty to develop the information necessary to make program alignment recommendations and implement change. Faculty from similar programs across institutions can form powerful collaborative teams to do the program alignment work and recommend program changes that will enhance the state's ability to meet student and employer needs.

Program and service alignment is both an inter- and intra-institutional decision making process. As appropriate, decisions are made either by faculty/administrative teams or --based on recommendations made by these teams-- by institution presidents.

PROGRAM OUTCOMES

1. This strategic goal empowers institutions to be more entrepreneurial by building information systems to support faculty teams in program planning and review decisions.
2. A student and employer market needs information system will be designed and implemented.
3. The project will develop market-demand, program performance, and community-needs data analysis tools.
4. A systematic review procedure to complement unique program and service needs that is supported by inter-institutional electronic groupware will be another outcome.

Budget for Program Alignment

	Dollars in Thousands		
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>TOTAL</u>
Leadership & Coordination	\$3	\$7	\$10
Market Supply & Demand System	150	300	450
Faculty Team Development	30	1,722	1,752
Acquire Electronic GroupWare Capability	30	250	280
Conduct Research	40	270	310
TOTAL	\$253	\$2,549	\$2,802

5. K-12 PARTNERSHIP

MnSCU will design and implement a more comprehensive and integrated partnership with K-12 education. The proposed approach will strengthen relationships and improve the preparation of teachers to ensure that Minnesota students are ready to meet the challenges of the 21st century. This partnership will help to ensure employers that students graduating from secondary and post-secondary schools are ready to enter the workforce.

The recent high school graduation standards have identified areas where improvements will be necessary. In a partnership effort, MnSCU, which produces nearly 55 % of Minnesota's teachers, and the K-12 sector must meet these higher standards. Collaborative efforts with the Department of Children, Families, and Learning also must be implemented to ensure that future teachers are fully prepared to effectively address the new requirements associated with the Minnesota Graduation Standards.

As part of this initiative, curriculum will be reviewed and revised in all MnSCU Schools of Education to ensure that the graduates are fully prepared to serve the educational needs of Minnesota students. This initiative will be aided by an expansion of field-based training efforts to support the training of student teachers and the further learning of existing master teachers.

New teachers graduating from MnSCU universities must be equipped to handle growing numbers of urban students. The changing demographics of the state, and especially the metropolitan area, provides a significant impetus for new approaches to teaching students. To date, MnSCU Schools of Education have developed individual partnerships to address urban education, math requirements, integration of technology and learning, and a host of other key issues. This proposed initiative involves a coordinated statewide approach to addressing these increasingly important areas.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations
ACTIVITY: Instruction

ITEM TITLE: Systemwide Strategic Initiative
 (Continuation)

PROGRAM OUTCOMES

1. There will be an increase in outreach to K-12 to expand upon and improve the number of partnerships. This means going beyond the established lines of communication to a full integration of curriculum and resources to meet the educational needs of Minnesota students.
2. Future teachers will be prepared to work in urban classrooms where the largest growth in job openings is predicted. The objective of an urban education emphasis will be to offer an array of urban clinical experiences for student teachers and professional development opportunities for MnSCU faculty and rural administrators. Continuing education opportunities for existing teachers in urban settings will be another major outcome of this activity.
3. Student transition from high school to college will be improved. MnSCU will work with K-12 to ensure that there is a direct linkage between high school graduation standards and college entrance requirements.
4. There will be an infusion of technology into teacher education programs. Students entering the field of teaching will have opportunities to learn the latest techniques for effectively integrating technology into the classroom to improve student learning.
5. Subject area accountability efforts will be implemented throughout the teacher education curriculum. As a result, MnSCU students entering the teaching field will have fully demonstrated mastery of their chosen curricular area, as well as skills in teaching students.
6. A greater emphasis will be placed on student teacher field-based training experiences to ensure that graduating teachers have the necessary experiences to teach effectively in a number of settings. There also will be expanded field-based training opportunities for existing teachers desiring to improve their teaching skills.

Budget for K-12 Partnership

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>TOTAL</u>
Task Force	\$50	\$50	\$100
Grad Standards Curriculum	300	100	400
Equipment	300	500	800
Urban Centers	180	180	360
Field-based Expansion	300	300	600
Faculty Development	150	80	230
Statewide Conference	<u>25</u>	<u>30</u>	<u>55</u>
TOTAL	\$1,305	\$1,240	\$2,545

Long Term Impacts of Strategic Initiatives

The strategic initiatives included in the 1998-99 biennial budget have been selected for the long term impacts they will have on the MnSCU colleges and universities and the citizens of Minnesota. The benefits are not specific to a single initiative but rather result from the complementary and supplementary nature of all initiatives.

Information on student learning will be available and fed back to faculty and departments to improve the teaching/learning process and increase student success. Strong connections to employers in business, industry, and public service agencies will be forged so their needs and expectations can be clearly identified and factored into program development. Students will come out of MnSCU institutions with the technological and general education skills needed to function now and in the next century. The emphasis on electronic support of the teaching/learning process also will result in a faculty whose knowledge and skills prepare them to function effectively now and in the future.

Strengthening teacher education will have long-term benefits related to improved teaching and learning occurring at all education levels throughout the state. The MnSCU institutions will truly support the lifelong learning concept by developing a system which allows students to transfer based upon what they know, not just based on course completion, thus encouraging continued learning outside the academy. Extensive information on individual institutions and their programs will be available to prospective students, allowing more informed choices. Information will be available to keep courses and programs up-to-date and ensuring their presence is based upon need and interest. Collaboration with all levels of education will result in a more integrated system of learning, with each level building on the next. Taken together, this sampling of long term impacts will result in a more effective and efficient system of public education, nurturing the resources of the state and increasing the credibility and importance of higher education in meeting the civic and workplace needs of the citizens of Minnesota.

Appropriation Request: \$15,947,000 (one-time funds)

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>TOTAL</u>
Academic Accountability	\$2,225	\$2,525	\$4,750
Skills-Based Transfer	485	2,065	2,550
Career Education	850	2,450	3,300
Program and Service Alignment	253	2,549	2,802
K-12 Partnership	<u>1,305</u>	<u>1,240</u>	<u>2,545</u>
TOTAL	\$5,118	\$10,829	\$15,947

F.Y. 1998-99 GOVERNOR'S BUDGET INITIATIVE

AGENCY: Minnesota Office of Technology, University of Minnesota, MnSCU
PROGRAM: MnSCU Operations
ACTIVITY: Instruction

ITEM TITLE: Virtual University

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
State Operations				
- MnSCU	\$250	\$250	\$250	\$250
- U of M	\$250	\$250	\$250	\$250
- Mn Ofc of Tech	\$1,000	\$1,000	\$1,000	\$1,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends total appropriations of \$3 million over the F.Y. 1998-99 biennium for the development and implementation of the Virtual University (Virtual U) by the Minnesota Office of Technology, the University of Minnesota, and the Minnesota State Colleges and Universities.

RATIONALE:

This initiative will develop an Internet site through which Minnesotans can access the resources of all public and private higher education institutions in the state of Minnesota and beyond. The Virtual U will be a university without walls where Minnesotans can create customized learning opportunities and colleges and universities can market their courses to a global student market. The Virtual U will also provide easy access to comprehensive career planning and labor market information.

Alongside the development of the Virtual U Web site, this initiative proposes \$1 million in grants, \$500 thousand each to the University and MnSCU, to develop courses and degrees that can be delivered through the internet. The grants will be awarded on a competitive basis, with review and approval by the Minnesota Office of Technology, to public colleges and universities and will require a dollar-for-dollar match by the institution or from private sources.

A steering committee appointed by the Minnesota Office of Technology with representatives from the University of Minnesota, MnSCU, private colleges, and private businesses will guide the development of the Virtual U. The Office of Technology will coordinate and oversee all steering committee activities and recommend to the Governor a governance structure and financial plan for the on-going operation of the Virtual U.

PROGRAM OUTCOMES:

Virtual U will complement and build upon the distance learning network and programs already in place. From the Virtual U's Home Page, students will be able to enroll at multiple institutions within Minnesota and throughout the world and receive education and training "asynchronously" - whenever and where they like.

The Virtual U will include the development of the following:

- Shared Catalog: a statewide course catalog accessible through the web that will include course offerings from all participating public and private institutions;
- One-Stop Registration System: a single entry point will permit students to enroll at several different institutions, register for desired courses and arrange for payment of tuition and fees;
- Core Curriculum: establish core content leading to specific degrees and/or certificates;
- Credit Bank: a process that will allow students to develop individualized learning portfolios that accommodate different institutional and curricular requirements.
- Academic Advising and Student Support: systems for providing academic advising to and other support to virtual learners, including electronic mail, conferencing, and library access.
- Access to the Minnesota Career and Education Planning System MnCEPS, a home page with hot links to web sites providing information on education and training program, workforce preparation, expected employment growth by occupation, and job opportunities.

LONG-TERM IMPACT:

By empowering students to create their own customized program of learning, Virtual U will fundamentally change institutional behavior, driving colleges to become more student-centered. Virtual U will also expand opportunities for Minnesota colleges and universities by linking them to national and global student markets.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Non Instruction
PROGRAM: Minnesota State Colleges and Universities (MnSCU) Operations
AGENCY: Minnesota State Colleges and Universities

ACTIVITY DESCRIPTION:

The non instruction program generally includes activities related to institutional missions, but not directly related to credit-granting instruction. Brief descriptions of these activities appear below.

Non-credit Instruction

MnSCU provides 2 types of non-credit instruction:

Open enrollment continuing education courses which are offered to the public to support the following outcomes: enhance workforce skills; professional licensure; an informed citizenry; cultural enrichment; lifelong learning. This instruction is arranged both on campus and at extended community locations. Non-credit continuing education open to the public is primarily the focus of community and consolidated community/technical colleges which are currently allocated a portion of the state appropriation for this activity. Based upon local needs, state universities and technical colleges may provide this type of instruction also, but are not funded by direct allocation.

Customized training offered through contract to business and industry employers and other organizations to meet specific customer-defined needs. A major emphasis of technical and consolidated community/technical colleges, customized/contract training is also provided by some community colleges and state universities.

The Customized Training Network, which was originated by technical colleges in 1995, serves targeted customer groups. These customer groups, identified by partnerships of local economic development advisors, represent the primary sector businesses and industries vital to Minnesota's economy in regions across the state. During the current biennium, the Network's participating technical and consolidated community/technical colleges have used the state's annual appropriation of approximately \$9.2M for customized training to:

- establish consistent planning and performance reporting
- focus efforts on small and medium size firms
- meet or exceed customer expectations

Although community colleges and state universities are not currently allocated designated funding for their contract instructional activity, the Customized Training Network allocation will be reapportioned to support targeted activity by both community colleges and state universities.

Community/Public Service

A variety of services are provided to local communities and to the broader regions within which colleges and universities are located. These include:

- facility usage for special events, recreation, and meetings
- cultural programs, including the fine and applied arts, history, and literature
- telecommunications
- services to children and youth, e.g. enrichment programs
- services to seniors, e.g. Elderhostel
- assistance to local government, including school districts
- regional planning assistance

- federally funded Small Business Development Centers and Small Business Institutes
- participation on community boards and in service organizations
- dissemination of faculty research to enhance community development

These services are provided free or at cost to the public. They extend valuable college and university resources into the life of communities throughout the state. Generally, each institution budgets an internal allocation to provide these services.

Financial Aid

This activity provides matching funds for the grant, loan and work study awards that are made to students who need help in paying their educational costs. The expenditures are entirely for monies paid or loaned to students through the campus-based financial aid programs. Financial aid or loan programs under the fiscal control of other agencies or lending institutions are excluded, as are salaries paid to student employees of the colleges or universities.

The matching component of the financial aid function consists of the following:

Grant -	Supplemental Educational Opportunity Grant (SEOG) 25%
Work Opportunity	Federal Work Study Program 25%
	State Work Study Program 25%
	Perkins Student Loan 25%

This activity exists to provide qualified students with the opportunity to earn additional financial resources while attending a post-secondary program. Students are able to work in college-supervised work study jobs. If a student worker is employed in an off-campus position, the non-profit organization employer must contribute the appropriate matching revenue.

Separately Budgeted Research

The research undertaken by the Minnesota State Universities is intended to:

- Strengthen the instructional program by providing students and faculty with the opportunity to apply theoretical concepts to practical problems.
- Contribute to the economic vitality of the state and the regions in which each university is located by supporting business and industry through the transfer of technology and development of management services.

Many of the research projects link classroom instruction with the work of meeting the need of local industry. For example, the new Center for Imagineering at Bemidji State University houses academic departments and businesses in the same building, providing research, design, and development projects; on-site internships; and faculty-industry exchanges. Other examples include biotechnology at Mankato, St. Cloud's electrical engineering programs, and the composite materials program at Winona. Applied research projects in these and other programs have both instructional and non-instructional purposes. The majority of research conducted by the universities is funded by external grants from governmental agencies and by contractual collaborations with non-profit agencies and private enterprises. Projects offer students and faculty the ability to expand the range and application of education. Currently a small amount of appropriated funds are committed to research efforts, in particular faculty development funds included in collective bargaining agreements.

Because baccalaureate and master's degree level instruction is the primary mission of the state universities, research historically has not been emphasized. More recently, as the universities have assumed a greater role in the economic development of their regions, applied research and technical assistance have grown in importance. In addition, increased emphasis has been placed on providing undergraduates with opportunities to conduct research projects with faculty members, thus enriching the learning experience beyond the limits of classroom and traditional laboratory settings.

1998-99 Biennial Budget

BUDGET ACTIVITY: Non Instruction
PROGRAM: Minnesota State Colleges and Universities (MnSCU) Operations
AGENCY: Minnesota State Colleges and Universities
 (Continuation)

Intercollegiate Athletics

This category covers programs to provide men and women students opportunities to participate in athletic competition. Competitive sports are one part of wider efforts to enhance student life beyond the classroom in state universities and community colleges.

State Grants/Non-Allocation Income

State grants consist of payments received from other units of state government. The grants consist of payments from a cross-section of state departments including DNR, Human Services, Agriculture and others for services provided by the colleges and universities and represent about \$4.8M per year.

Non-allocation income primarily represents non instructional revenue received for the direct cost of child care, library fines, summer workshops, student life fees, resale income, graduation funds, conferences, etc. for a total of approximately \$14.5M per year.

Fire/EMS Center

The Fire and Emergency Medical Services Research and Education (FIRE/EMS) Center is the state's leading provider of fire protection and emergency medical services education and information.

The FIRE/EMS Center has one of the world's few publicly accessible libraries dedicated solely to fire and EMS related research. In addition to printed documents and videotapes, the Center participates in numerous electronic networks which access information worldwide. Each year it responds to more than two thousand inquiries and requests for information. Questions which can not be answered immediately are researched and responded to quickly, usually within three working days. Recurring questions and problems are addressed via monographs which are compilations of appropriate standards, laws, and nationally accepted good practice.

The FIRE/EMS Center also assists Technical College Fire and Emergency Medical Services programs throughout Minnesota providing leadership, consultation, "Train the Trainer" programs, national/state curriculum development, instructor conferences and research regarding various fire and EMS issues which continue to grow in size and scope each year. They provide administration for tuition reimbursement payments through MnSCU, hazardous materials grant payments through the Division of Emergency Management and provide access to various other state and federal grants which directly impact fire and EMS agencies. They further provide a liaison among the various FIRE/EMS organizations operating in Minnesota and at the national level.

Southwest Asia Veterans' Tuition Assistance

This program, initiated in F.Y. 1994, provides tuition assistance to veterans who resided in Minnesota at the time of induction and one year immediately preceding induction, served in the armed forces between 8/1/90 and 2/27/92, and received the Southwest Asia Service Medal. The program provides tuition assistance grants up to \$500 per year for veterans receiving GI Montgomery Bill benefits and up to \$1,000 per year for those who do not. The award extends for a maximum of one technical

college program, not to exceed 115 credits. In F.Y. 1996, 111 students received assistance through this program, taking more than 3,700 credits.

The law restricts eligibility to a "technical college" program. Language will be introduced during the 1997 session to change the eligibility to a "technical college, community college or consolidated (community and technical college)" program.

F.Y. 1998	\$150,000
F.Y. 1999	\$150,000

Fire Fighter Training Programs

This program, initiated in F.Y. '86, provides tuition subsidy for firefighter training programs at technical colleges. This subsidy supports up to 25% of tuition costs for firefighter training programs.

F.Y. 1998	\$318,000
F.Y. 1999	\$318,000

Technical College Pre-and Post-1979 Debt Service

State funds are needed to provide debt service payments to local school districts for technical college buildings financed with local district bonds issued before 1-1-79. These funds support the state share of bond payments. This obligation will phase out in 1999.

F.Y. 1998	100,463
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The second component of debt service is the result of a language change in the 1994 session that requires MnSCU to assume any remaining debt on Technical College buildings that transfer to MnSCU. There are two districts that have bond payments: Staples and Thief River Falls.

F.Y. 1998	103,556
F.Y. 1999	99,127
F.Y. 2000	94,627
F.Y. 2001	92,032
F.Y. 2002	33,750
F.Y. 2003	32,170
F.Y. 2004	30,570
F.Y. 2005	33,970
F.Y. 2006	31,945
F.Y. 2007	34,920
F.Y. 2008	32,460

BUDGET ISSUES:

- MnSCU seeks from the general fund an amount equal to approximately 20% of the Minnesota Lottery net proceeds for the Student Opportunity Grants used for students from families with the lowest income - \$14M for F.Y. 1999.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: MNSCU OPERATIONS
ACTIVITY: NON-INSTRUCTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	71,810	93,070	118,287	118,287	118,537	118,185	132,185	118,435
TRANSFERS			853	853	853	853	853	853
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	71,810	93,070	119,140	119,140	119,390	119,038	133,038	119,288
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
ENHANCING STUDENT ACCESS-STU OPPORT GRT		GEN					14,000	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS							14,000	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) MN CAREER EDUCATION PLANNING SYSTEM		GEN			250			250
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					250			250
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	41,255	40,695	41,494	41,494	41,744	41,392	55,392	41,642
OPEN APPROPRIATIONS:								
GENERAL			181	181	181	181	181	181
STATUTORY APPROPRIATIONS:								
GENERAL	30,555	52,375	77,465	77,465	77,465	77,465	77,465	77,465
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	71,810	93,070	119,140	119,140	119,390	119,038	133,038	119,288
=====								
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	77,465	77,465	77,465	77,465	77,465	77,465	77,465	77,465
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	77,465	77,465	77,465	77,465	77,465	77,465	77,465	77,465

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota State Colleges and Universities (MnSCU)
PROGRAM: MnSCU Operations
ACTIVITY: Non-Instruction

ITEM TITLE: Student Opportunity Grants

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$14.0	\$14.0	\$14.0
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No ____

If yes, statutes(s) affected: M.S. Chapter
349A.10 Subd. 5

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the Board's request. Instead, the Governor recommends appropriations to the Higher Education Services Office for Minnesota's need-based State Grant Program that will recognize tuition and fee increases of 2.5% per year, as well as a 2.5% per year increase in the expense allowance for books and living expenses. The Governor's budget also recommends funding to provide full fourth quarter State Grant awards to students eligible to receive a federal Pell Grant.

AGENCY RATIONALE FOR INITIATIVE:

MnSCU seeks from the general fund an amount equal to approximately 20% of the net proceeds from the Minnesota Lottery for financial aid awarded to students from families with the lowest incomes. It is estimated that the lottery will net \$70M in fiscal year 1999. This request is consistent with the original intent of the lottery, which was designed to support higher education, environmental protection and economic development.

Research studies have shown that awarding additional grant funds to low income students during the freshman and sophomore years has a significant positive effect on their retention and eventual graduation from college. Unfortunately, the current State Grant Program does not provide discretion to award additional monies to low income students. Therefore, MnSCU will seek legislative approval to use general fund monies that result from lottery fund proceeds for the establishment of a supplemental grant program for MnSCU low income students.

The proposed supplemental grant would be available to low income students who qualify for Pell or state grant funds and still have sufficient uncovered expenses that would otherwise have to be paid for by taking out a loan.

Loan debt has been rising dramatically for college students and threatens to restrict access to public higher education. This initiative would help to reverse this disturbing trend. The proposed grant program might be thought of as analogous to the federal Supplemental Educational Opportunity Grant (SEOG) Program, which targets those at the lowest income levels, and is effective in directing additional funds to the most needy students. In order to implement the program, specific eligibility requirements will be developed by a task force of financial aid administrators. However, maintenance of good academic performance will be one condition for continued eligibility.

PROGRAM OUTCOMES:

Supplemental grants of approximately \$500 each would be made available to MnSCU students with annual family incomes below \$20,000.

Students in the lowest income categories would have a significant reduction in their debt burden.

Recruitment of very low income students to higher education would be facilitated, and retention of these students would be enhanced.

LONG-TERM IMPACT:

The long-term potential benefits to the state from having larger numbers of low-income students and students of color enter and graduate from MnSCU institutions are significant. Public higher education has an obligation to serve the educational needs of all Minnesota citizens. This program will ensure that access to MnSCU colleges and universities is available to students from families with the lowest incomes.

F.Y. 1998-99 GOVERNOR'S BUDGET INITIATIVE

AGENCY: Department of Children, Families & Learning, University of Minnesota, MnSCU
PROGRAM: MnSCU Operations
ACTIVITY: Non-Instruction

ITEM TITLE: Minnesota Career and Education Planning System (MnCEPS)

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
-State Operations				
-DCFL	\$500	\$500	\$-0-	\$-0-
-U of M	\$250	\$250	\$-0-	\$-0-
-MnSCU	\$250	\$250	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$2 million over the biennium for development and implementation of the Minnesota Career and Education Planning System (MnCEPS) by the Department of Children, Families and Learning, the University of Minnesota and the Minnesota State Colleges and Universities. The funding will be split among the three partner agencies, with project oversight by the Minnesota Office of Technology.

RATIONALE:

MnCEPS will be an Internet-based system of linked home pages that will provide students, job-seekers, education planners and others with up-to-date and user-friendly career and education planning information. Education, training, workforce preparation and career development data currently maintained by a wide range of state agencies and post-secondary institutions will be accessible through a single entry point, available to any Minnesotans with access to the Internet.

Users will be able to access MnCEPS from a variety of sites (e.g. from an educational institution or a Workforce Center), initially entering the system's "central page" featuring hot links to the web sites of collaborating agencies. The "central page" will also contain wage and benefit information by occupation; information on the education and aptitude requirements of various occupations; expected employment growth by occupation, and current job openings in the state.

Planning for the MnCEPS system is already well underway, involving the three partner agencies, as well as the Department of Economic Security and the Higher Education Services Office. Primary responsibility for the project will rest with the Office of Lifework Development in the Department of Children, Families and Learning, in consultation with the Minnesota Office of Technology.

PROGRAM OUTCOMES:

MnCEPS will increase the efficiency and usefulness of existing training and education programs by ensuring that all Minnesotans have comprehensive information on the options available to them. State agencies and educational institutions will also be able to better tailor their own program and course offerings to fill gaps in services and respond to changes in the workplace.

LONG-TERM IMPACT:

Development of MnCEPS will be complete by the end of F.Y. 1999. In future years, maintenance and support costs will be borne by participating agencies.

1998-99 Biennial Budget

BUDGET ACTIVITY: Other Revenue
PROGRAM: Minnesota State Colleges and Universities (MnSCU) Operations
AGENCY: Minnesota State Colleges and Universities

ACTIVITY DESCRIPTION:

Federal

Federal funds for MnSCU include the federal work study program and various title grants administered on the campuses. This does not include federally funded campus based financial aid program funds that are maintained on each campus. Some of the other federally funded activities are described below.

Eligible MnSCU institutions receive funds authorized by the Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990. The purpose of the Perkins Act is to make the United States more competitive in the world economy by developing more fully the academic and occupational skills of all segments of the population. This purpose will principally be achieved through concentrating resources on improving educational programs leading to occupational training and retraining skill competencies needed to work in a technologically advanced society.

The amount of funds received through the Carl D. Perkins Act for F.Y. 1998 is expected to be approximately sixteen million dollars. Funds will be split between secondary and post-secondary education according to a formula approved by the State Board of Education and MnSCU. In F.Y. 1997 MnSCU share was approximately 66%.

Fund availability for F.Y. 1999 has not yet been determined at the Federal level. It is expected that block grants will be the funding vehicle for federal vocational education dollars beyond F.Y. 1998.

Another source of federal funds managed by MnSCU are those received through the Job Training Partnership Act (JTPA). This program provides job training opportunities in vocational programs throughout Minnesota. MnSCU campuses qualify for funds by offering educational services to students who are defined as economically disadvantaged. JTPA funds are distributed by the Governor's Workforce Development Council which coordinates decisions with the State Department of Economic Security.

In addition there is a grant from the federal government that goes to support the Air Traffic Training Center at Minneapolis Community and Technical College.

Some of the other federal grants received directly by the institutions include Department of Education's Head Start, the National Institute of Health's grants, Small Business Development and Upward Bound.

Special Revenue

The MnSCU special revenue funds includes monies received from other state agencies such as Displaced Homemaker grants, Private Industry Council funding, and indirect costs associated with administration of federal grants.

Also contained in this fund are the MnSCU conference accounts which represents receipts collected from conference participants used to pay the expenses of the conference.

Agency

This fund serves as the payroll clearing account for staff paid by the non treasury revenue bond and activity funds.

Private Grants

This fund is used for revenues from private estates, corporate and public foundations, based on grant requests submitted by a campus or the system office.

Endowment

This fund is used for revenues from endowments which are dedicated for a specific purpose.

LCMR

The Legislative Commission on Minnesota Resources' 1998-99 recommendations include \$65,000 from the Minnesota Future Resources Fund to MnSCU for the "Toxics from Fire Department Training" project.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: MNSCU OPERATIONS
ACTIVITY: OTHER REVENUE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	62,847	69,349	64,251	64,316	64,316	64,251	64,251	64,251
TOTAL EXPENDITURES	62,847	69,349	64,251	64,316	64,316	64,251	64,251	64,251
AGENCY REQUEST ITEMS:		FUND						
LCMR NEW ALLOCATIONS		MNR		65				
TOTAL AGENCY REQUEST ITEMS				65				
GOV'S INITIATIVES:		FUND						
(B) LCMR 98-99: TOXICS FROM FIRE TRAINING		MNR			65			
TOTAL GOV'S INITIATIVES					65			
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
MINNESOTA RESOURCES				65	65			
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	3,868	4,148	3,831	3,831	3,831	3,831	3,831	3,831
FEDERAL	29,392	31,946	30,068	30,068	30,068	30,068	30,068	30,068
AGENCY	23,002	24,642	23,681	23,681	23,681	23,681	23,681	23,681
CC SUPPLEMENTAL RETIREMENT	87	29						
GIFT	6,488	8,468	6,665	6,665	6,665	6,665	6,665	6,665
ENDOWMENT	10	116	6	6	6	6	6	6
TOTAL EXPENDITURES	62,847	69,349	64,251	64,316	64,316	64,251	64,251	64,251

REVENUE COLLECTED:

DEDICATED:

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: MNSCU OPERATIONS
ACTIVITY: OTHER REVENUE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
SPECIAL REVENUE	4,025	3,831	3,831	3,831	3,831	3,831	3,831	3,831
FEDERAL	30,577	30,068	30,068	30,068	30,068	30,068	30,068	30,068
AGENCY	23,681	23,681	23,681	23,681	23,681	23,681	23,681	23,681
GIFT	6,660	6,665	6,665	6,665	6,665	6,665	6,665	6,665
ENDOWMENT	6	6	6	6	6	6	6	6
TOTAL REVENUES COLLECTED	64,949	64,251	64,251	64,251	64,251	64,251	64,251	64,251

1998-99 Biennial Budget

BUDGET ACTIVITY: State Council on Vocational Technical Education
PROGRAM: Fiscal Agent
AGENCY: Minnesota State Colleges and Universities (MnSCU)

ACTIVITY DESCRIPTION:

The appropriation for the State Council on Vocational Technical Education (SCVE) is made directly to MnSCU which acts as a fiscal agent for these funds. MnSCU is responsible for all accounting activity surrounding these funds, from recording the budget in the state accounting system, paying the bills, and processing payroll for the Council. The Council is included in MnSCU's audit. MnSCU exercises fiscal oversight but does not manage the Council's activities.

The mission of the State Council on Vocational Technical Education is to advance the quality of secondary and postsecondary vocational technical education and workforce development through program evaluations, policy research, and dissemination of its recommendations for continuous improvement.

The Council was initially established in 1969 in response to the federal Vocational Education Amendments of 1968 so the state could receive federal vocational education dollars. The legislature established the Council as a state agency in 1985 and charged it to carry out the duties of state councils as prescribed by the Carl D. Perkins Vocational Education Act and "such other purposes as may be necessary to improve vocational technical education." At the same time, the legislature directed the State Board of Technical Colleges to serve as the Council's fiscal agent. Minnesota State Colleges and Universities (MnSCU) became the Council's fiscal agent 7-1-95, consistent with the merger of the three state postsecondary administrative units.

The Council has 13 members appointed by the Governor to 4-year terms. Persons representative of the private-sector interests of agriculture, business, industry, and labor constitute the majority of the membership. The Council also includes representation of secondary and postsecondary institutions, career guidance and counseling organizations, special education, and special populations. The Council elects its president from the private-sector representatives and appoints its executive director.

The Council advises the State Board of Education and Minnesota State Colleges and Universities on policies and programs to improve the quality and delivery of vocational education in Minnesota's high schools and technical colleges.

The Council conducts research and offers recommendations on a range of issues, including program improvement, notably the restructuring of secondary vocational education; curricular integration of vocational, general, and academic education; education-to-employment transitions; linkages between high school and postsecondary institutions; business-education partnerships; continuous curricular development and the effective operations of program advisory committees; access, equality, and cultural diversity; and services to traditionally underserved populations, including persons with disabilities.

PERFORMANCE:

During the most recent biennium, Council projects, reports and recommendations were made on the following issues:

- (a) trends in the distribution of state and federal funds for vocational education

in Minnesota,

- (b) vocational education services in correctional institutions,
- (c) needs secondary and postsecondary students have of their schools,
- (d) education and employment transitions,
- (e) adequacy, effectiveness, and coordination of the delivery systems funded under the Perkins Act and the Jobs and Training Partnership Act,
- (f) technology competence,
- (g) member handbook and leadership guide for Minnesota postsecondary program advisory committees (a working draft),
- (h) handbook for implementing the focus visit process in Minnesota postsecondary institutions.
- (i) future of vocational technical education and workforce development in Minnesota.

CHALLENGES:

The mission of the Council is directly related to promoting the following Minnesota goals:

- People thrown into temporary economic hardship will regain their independence.
- All families and households will have the economic means to maintain a reasonable standard of living.
- The economic means to a reasonable standard of living will be obtainable in all parts of the state.
- Minnesotans will have the skills for lifelong learning and good citizenship.
- Minnesotans will have the advanced education and training to make the state a leader in global education.

STRATEGIES:

The Council is a policy development and analysis body making its work somewhat difficult to correlate directly with traditionally quantifiable measures such as student enrollments or graduation rates. However, the work of the Council does impact directly education in Minnesota by providing timely and relevant policy analysis, consultation, and development. This is accomplished by tailoring activities and projects to the information and consulting needs of specific and identified customers such as the Minnesota State Colleges and Universities, the State Board of Education, Minnesota Planning, the Governor's Office, and the Minnesota Legislature, as well as representatives from the private economic interests of agriculture, business, industry, and labor. In order to measure the timeliness and effectiveness of these efforts, the Council will expand the use of interviews, evaluations, and other processes to determine customer satisfaction with its products and services.

New and emerging public policy priorities regarding education and economic competitiveness present the Council with a wide range of issues and concerns to which it will direct its attention as it carries

1998-99 Biennial Budget

BUDGET ACTIVITY: State Council on Vocational Technical Education
PROGRAM: Fiscal Agent
AGENCY: Minnesota State Colleges and Universities (MnSCU)
(Continuation)

out its state mandates and initiatives. Among these is the continuing need to create and foster programs that build strong business-education partnerships, produce and sustain a high skilled work force, and promote economic growth.

The Council will carry out key state mandates and initiatives in a timely fashion. The goals of the Council's reports are to address clearly issues that will identify areas to encourage the continuous improvement of job training, vocational technical education, and correctional education. The overall goal of the Council's work is to contribute the development and improvement of educational programs to meet the economic and lifelong learning needs of the people of Minnesota as members of a global economy.

The Council will continue the effective advisory committees project. This includes the development and distribution of guides for curriculum review and development as well as providing support for the implementation of the principles in these guides. It also includes the development and distribution of leadership guides for the creation and use of general and program advisory committees in the technical colleges and high schools. In addition, the Council will provide professional development opportunities for staff at technical colleges and high schools to learn how to apply these principles to their own programs.

The Council will continue to promote the implementation of technology competence learner goals, career planning and development programs, and models for education and employment transitions.

Other research projects will include studies of business and education partnerships, restructuring secondary vocational education, and integrating academic, general, and vocational curricula in the high schools, and use of multiple and various assessment models to measure the competencies of students in elementary and secondary schools. These continuing efforts represent several years of work, some of which have been directly reflected in legislative initiatives.

The work of the Council is labor intensive. The staff is 3.5 FTE including an executive director, senior planner, secretary, and student worker. Student interns augment the Council's research and evaluation activities. The Council staff and interns will strive to improve continuously the processes they use to make their work more efficient and effective.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: FISCAL AGENT-ST CNCL ON VOC ED
ACTIVITY: ST COUNCIL ON VOC EDUC

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	256	220	99	99	99	99	99	99
TOTAL EXPENDITURES	256	220	99	99	99	99	99	99
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	87	99	99	99	99	99	99	99
STATUTORY APPROPRIATIONS:								
FEDERAL	169	95						
CARRY FORWARD:								
GENERAL		26						
TOTAL EXPENDITURES	256	220	99	99	99	99	99	99

ALLOCATION OF SUPPORT EXPENDITURES TO PRIMARY PROGRAMS
1998-99 BIENNIAL BUDGET
(Dollars in Thousands)

MINNESOTA STATE COLLEGES AND UNIVERSITIES - F.Y. 1996

	[----- PRIMARY PROGRAMS -----]				[----- SUPPORT PROGRAMS -----]				
	Instruction & Dept. Research	Separately Budgeted Research	Public Service	Other	Academic Support	Student Support	Institution Support	Physical Plant	Total
TOTAL - Direct Costs	356,546	1,677	25,563	11,218	82,071	70,407	121,091	66,389	734,962
=====									
Support Cost Allocations									
Physical Plant	35,405	167	2,538	1,114	8,150	6,991	12,024	(66,389)	0
Sub-total	391,951	1,844	28,101	12,332	90,221	77,398	133,115	0	734,962
Institutional Support	86,691	408	6,215	2,728	19,955	17,119	(133,115)		0
Sub-total	478,642	2,251	34,317	15,059	110,175	94,517	0	0	734,962
Student Support	70,638	332	5,064	2,222	16,260	(94,517)			0
Sub-total	549,280	2,584	39,381	17,282	126,435	0	0	0	734,962
Academic Support	114,125	537	8,182	3,591	(126,435)				0
FULLY ALLOCATED COSTS	663,405	3,120	47,564	20,873	0	0	0	0	734,962
=====									

Minnesota State Colleges and Universities
FY 1997 Reconciliation to FY 1998 and FY 1999
\$'s in 000's

	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

FY 1998 Dollars in 1,000s \$ / FYE actual	Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Instruction + Noninstruction Total	Appropriation	Tuition, Rev.
M.S. 135A FORMULA ADJUSTMENTS									
FULL YEAR EQUIVALENT ENROLLMENT	FYE FY 1995	FYE FY 1998							
Regular									
Undergraduate	105,295	101,362							
Graduate	3,622	3,903							
Sub-Total Regular	108,917	105,265							
Marginal/Weighted									
Post-Secondary Enrollment Options	2,934	3,099							
Midwest Compact	76	113							
Sub-Total Marginal	3,010	3,212							
Weighted @ 50%	1,505	1,606							
Total Formula Enrollment	110,422	106,871							
Enrollment Base	110,422	110,422							
FYE Change from Base		(3,551)							
Per Cent Change from Base		-3.22%							
Formula Adjustment Factor		-2.00%							
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%	0	0	0	0	0	0	0	0	0
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	(7,963)	(5,399)	(2,564)	0	0	0	(7,964)	(5,400)	(2,564)
Total Spending Base	604,593	409,945	194,648	116,913	41,774	75,139			
PERFORMANCE ADJUSTMENT									
1% Adjustment	0	0	0	0	0	0	0	0	0
SUB TOTAL ADJUSTED FY 98 BASE SPENDING	604,593	409,945	194,648	116,913	41,774	75,139	721,506	451,719	269,788
Excess Tuition	38,153	0	38,153				38,153	0	38,153
TOTAL ADJUSTED FY 98 BASE SPENDING	642,746	409,945	232,802				759,660	451,719	307,941

Minnesota State Colleges and Universities
FY 1997 Reconciliation to FY 1998 and FY 1999
\$'s in 000's

FY 1999

Dollars in 1,000s

\$ / FYE actual

M.S. 135A FORMULA ADJUSTMENTS

FULL YEAR EQUIVALENT ENROLLMENT

	FYE FY 1995	FYE FY 1999
Regular		
Undergraduate	105,295	103,647
Graduate	3,622	3,941
Sub-Total Regular	108,917	107,588
Marginal/Weighted		
Post-Secondary Enrollment Options	2,934	3,131
Midwest Compact	76	115
Sub-Total Marginal	3,010	3,246
Weighted @ 50%	1,505	1,623
Total Formula Enrollment	110,422	109,211
Enrollment Base	110,422	110,422
FYE Change from Base		(1,211)
Per Cent Change from Base		-1.10%
Formula Adjustment Factor		0.00%

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	0	0	0	0	0	0	0	0	0
Total Spending Base	612,568	415,356	197,212	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	40,772	0	40,772				40,772	0	40,772
TOTAL ADJUSTED FY 99 BASE SPENDING	653,340	415,356	237,984				770,151	457,028	313,123

Total Instruction Appropriation Tuition Total Noninstruction Appropriation Est. Revenue Instruction + Noninstruction Total Appropriation Tuition, Rev.

1998-99 Biennial Budget

Agency: Minnesota State Colleges and Universities

**FULL YEAR EQUIVALENT (FYE) STUDENT ENROLLMENT BY
CATEGORY OF INSTRUCTION/APPROPRIATION**

	<u>Actual FY 1995</u>	<u>Actual FY 1996</u>	<u>Estimated FY 1997</u>	<u>Estimated FY 1998</u>	<u>Estimated FY 1999</u>
UNDERGRADUATE					
Regular	105,295	100,329	98,482	101,362	103,647
Non Resident/Non Reciprocity	3,629	4,207	3,690	3,660	3,744
Post Secondary Enrollment Option	2,934	3,119	3,041	3,099	3,131
Mid West Compact	<u>73</u>	<u>80</u>	<u>115</u>	<u>107</u>	<u>108</u>
TOTAL UNDERGRADUATE	<u>111,931</u>	<u>107,735</u>	<u>105,328</u>	<u>108,228</u>	<u>110,630</u>
GRADUATE					
Regular	3,622	3,719	3,854	3,903	3,941
Mid West Compact	<u>3</u>	<u>2</u>	<u>5</u>	<u>6</u>	<u>7</u>
TOTAL GRADUATE	<u>3,625</u>	<u>3,721</u>	<u>3,859</u>	<u>3,908</u>	<u>3,948</u>
SYSTEM TOTAL FYE	<u>115,556</u>	<u>111,456</u>	<u>109,187</u>	<u>112,136</u>	<u>114,578</u>
	=====	=====	=====	=====	=====

1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: University of Minnesota

PROGRAM

PAGE

PRIMARY PROGRAMS

B-142

ACTIVITY

Instruction

Non-Instruction

Special Appropriations, Agriculture

Special Appropriations, Health Sciences

Special Appropriations, Institute of Technology

Special Appropriations, System

OTHER ACTIVITIES

B-202

ACTIVITY

Legislative Commission on Minnesota Resources

Special Projects

MinnesotaCare

APPENDIX

B-209

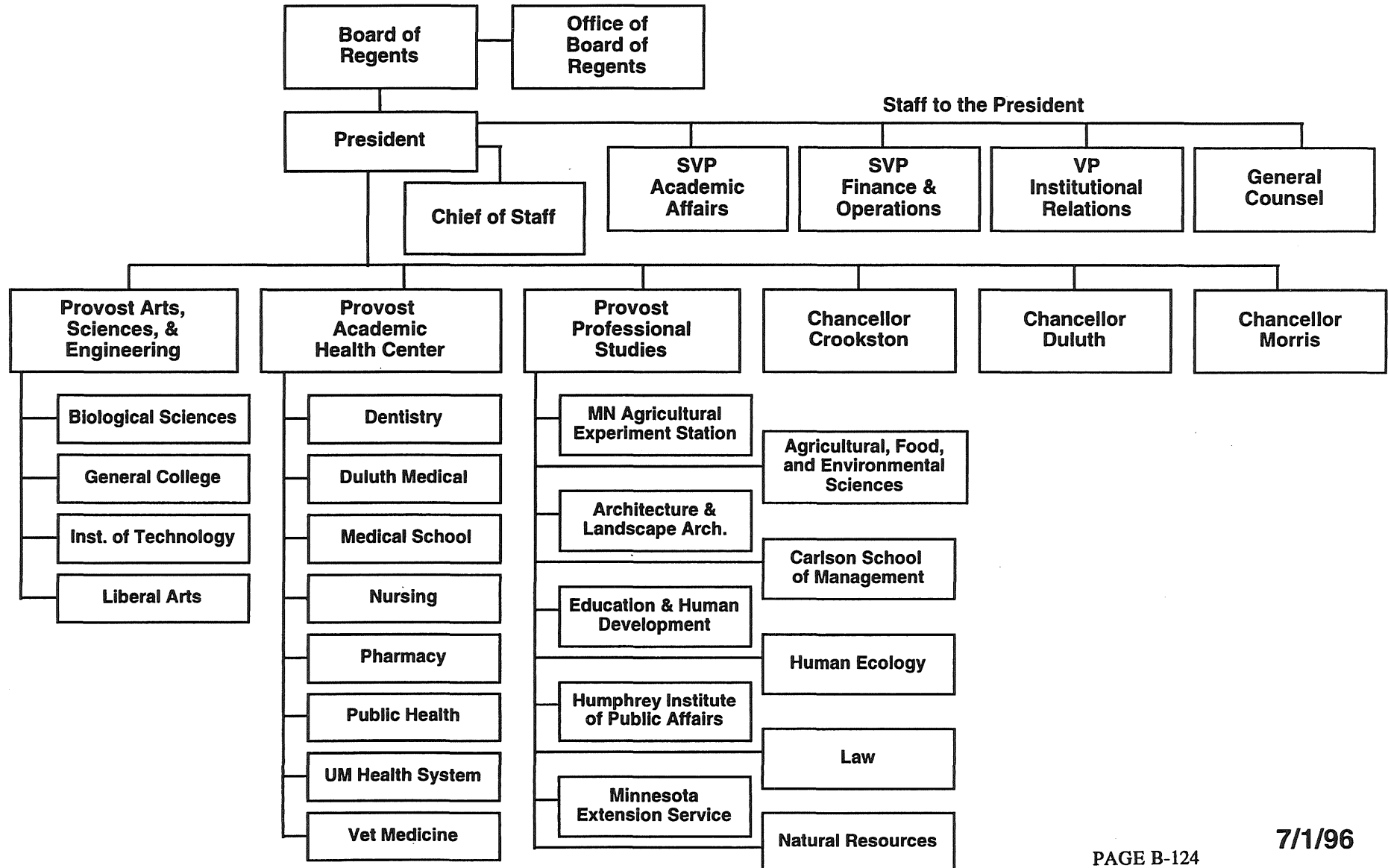
College Descriptions

Step Down Schedule

Instructional Base Calculations

Expenditures Per Student

University of Minnesota Organizational Structure



1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: University of Minnesota

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$494,124	\$494,124	\$988,248
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(36,532)	(36,532)	(73,064)
Enrollment Adjustment	<u>3,163</u>	<u>6,325</u>	<u>9,488</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$460,755	\$463,917	\$924,672
<u>AGENCY DECISION ITEMS</u>			
Compensation	39,917	75,376	115,293
Technology	37,500	37,500	75,000
Administrative Process Redesign	17,500	10,000	27,500
Programmatic Investments	20,000	23,000	43,000
University-Based Financial Aid	2,625	5,250	7,875
Facilities Operations & Maintenance	20,942	33,881	54,823
Price Level Increases	11,090	22,460	33,550
Offset to Declining Revenue Sources	10,000	13,000	23,000
University Shared Responsibility	(38,789)	(94,221)	(133,010)
Tuition Plan	<u>(5,325)</u>	<u>(10,783)</u>	<u>(16,108)</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$576,215	\$579,380	\$1,155,595
<u>GOVERNOR'S RECOMMENDATIONS:</u>			
Faculty Recruitment Pool	10,000	20,000	30,000
Faculty Retention/Merit Compensation Pool	5,000	5,000	10,000
State Investment in Excellence	29,900	27,800	57,700
University Merit Scholarships	1,300	5,200	6,500
Technology Transfer	1,000	1,000	2,000
Biomedical Engineering Endowment	3,000	-0-	3,000
Academic Health Center Restructuring	5,940	-0-	5,940
Virtual University	250	250	500
Minnesota Career Education Planning System	250	250	500
<u>GOVERNOR'S RECOMMENDATION</u>	\$517,395	\$523,417	\$1,040,812

Brief Explanation of Agency Plan:

In order to better inform elected officials and the public regarding the financial requirements facing the University, we have prepared a 4-year financial framework detailing the investment requirements of the University. The 4-year financial framework, when implemented, will deliver to the citizens of Minnesota a university that is a recognized leader in education reform; will provide the state a workforce with requisite competencies to effectively compete in the international economy of the 21st century; and enhance the University's and the state's roles as national and international leaders in economic innovation and growth.

Attachment 1 outlines the relationship between quality and accessibility. This matrix compares 28 public research universities on the quality of graduate programs, as rated by the National Research Council, and access to each university based upon the academic requirements to gain admittance to their undergraduate colleges as rated by the Princeton Review. A university's position on the matrix in the upper right corner would reflect relatively easy access but with high ratings of its graduate programs. In contrast, a university in the lower right corner, such as UCLA or UC Berkeley, would be very restrictive in terms of access and have very high quality graduate programs.

As indicated on Attachment 1, the University is well positioned relative to other major research institutions in terms of the quality of its graduate programs and accessibility. The University's plan is to improve our relative standing vis a vis the finest research institutions in the world.

The financial framework is fundamental to ensuring the continued excellence of the University of Minnesota as we move into the 21st century. The needs outlined in the 4-year financial framework total an average of \$244,572,443 per year. The University understands that it can not ask the state to bear the sole responsibility for meeting the investment goals outlined in our 4-year framework. To finance this 4-year framework, we have proposed a sharing of the solution among the state, students, and the University. Noteworthy is the objective to hold tuition revenue increases to the 2.5% per year projected rate of inflation coupled with a 50/50 sharing between the state of Minnesota and the University to finance the remaining needs.

The citizens of the state are major beneficiaries of the 4-year financial framework. For students, it means the opportunity to enter the University regardless of socio-economic background; to have major opportunities to participate directly in research, internships, and/or study abroad in preparation for work in a global economy; to engage in life-long learning with the University and to have life-long access to the University for further education, career training, and placement support; to be taught by one of the premier faculties in the nation and the world; to study in state-of-the-art classrooms; and to use new and innovative technology in support of instruction, participation in research, as well as student services. A major thrust of the plan is to continue to stimulate the state's economy through innovation and discovery in science and engineering, and to transfer that knowledge through outreach to improve the overall quality of life in the state. The University has also developed its plan to ensure that, through the adoption of critical measures to monitor our performance, the citizens of Minnesota and their elected public officials can evaluate

the University's progress toward attainment of the goals outlined in our 4-year framework.

Attachment 2 outlines the financial needs of the University in the context of all current non-sponsored fund operating revenues and expenditures of the University of Minnesota. The 4-year financial framework has been constructed from an all funds perspective. The investment and financial needs outlined in the 4-year financial framework have been prepared based upon an assessment of the urgency of the University's needs, a realistic timeframe for implementing new investment proposals, sufficient lead-time to accommodate phasing of the required reallocations, as well as consideration of the practical limitations on the timing of new revenue generating requirements contained as part of the University's shared responsibility.

Attachment 3 provides both the annual financial needs for each of the next 4 years, as well as a summary of the average annual financial needs over this 4-year timeframe. As outlined in Attachment 3, the University of Minnesota has identified financial needs totaling an average of \$244,572,443 per year over the next 4 years. The University is proposing to finance these investments and financial needs through a partnership involving: 1) tuition revenue held to the projected inflation rate of 2.5% per year, which will generate an average of \$13,649,245 per year in additional tuition revenue; 2) new state investment totaling an average of \$115,461,599 per year above budget target levels currently in law; and 3) University responsibility for increasing existing revenues, generating new sources of revenue, and continued reallocation of existing resources. The University's \$115,461,599 average annual responsibility is outlined in the budget initiative section of this document.

The investment and financial needs outlined in this document are organized within a framework of: 1) compensation; 2) technology; 3) administrative process redesign; 4) programmatic investments; 5) University-based financial aid; 6) facilities operations and maintenance, 7) price level increases; and 8) offset to declining revenue sources. The University asks the state to determine its level of partnership based upon the merits and direction of this biennial budget proposal.

Attachment 4 illuminates the relative share of major revenue sources supporting education and general expenditures at the University. State resources play a major role in financing these expenditures at the University. For F.Y. 1995, state resources represented nearly 39% of the revenues supporting education and general expenditures.

Noteworthy on Attachment 4 is the fact that beginning in F.Y. 1992, the combination of federal, private, and other revenues exceeded the percentage of funds obtained from the state of Minnesota. To its credit, the University has done its part to obtain other revenues to supplant the downward trend in state support. As the chart indicates, tuition as a percent of total revenues supporting education and general expenditures has risen modestly since 1990. The level of state support for this biennial proposal should be considered in light of the continuing downward trend in the percent of state revenues supporting education and general expenditures at the University of Minnesota.

The intent of the remaining portion of this budget brief is to provide a general overview of the consequences of the state choosing not to fund its share of the proposal. The general framework in which the University would find itself in the event of no additional state support beyond current

levels is articulated in this budget brief in order that the state, and its elected officials, are fully aware of the consequences of such a scenario.

If the University has no increased partnership with the state, University students and the internal University community would face the formidable task of finding a workable funding solution for the \$244,572,443 average annual investment and financial needs identified in the 4-year financial framework.

The most immediate negative consequence of no increased partnership with the state will be on students of the University:

They will not experience a University community built on a diversity of people, ideas and cultural resources;

They will not have fully available to them new curricula that link them to the world of work, the global economy, and the full knowledge resources of a research university;

They will witness the erosion of today's high quality faculty with a commensurate erosion of the quality of instruction and new teaching modalities;

They will see a lessening of the rich array of resources that support financial aid thereby undermining access and affordability;

They will not take classes in modern, well-equipped classrooms and teaching labs;

They will not graduate with a commitment from the University to provide life-long placement support and life-long educational opportunities that are not limited by distance;

They will have fewer career opportunities in Minnesota, made possible by University research, technology transfer, outreach and quality health care;

They may have—and use—their own personal computer, but with far less value-added access to the international resources of the "Super-Internet," new modes of instruction, and quality student service;

They will likely pay more tuition for a lower quality education.

Consequences for the economic and social vitality of the state include:

The University will have neither the facilities nor equipment requisite to be competitive for sponsored research, with a concomitant negative impact on the economic development of the state;

Fewer jobs will be generated in Minnesota, fewer patents will be developed, fewer breakthroughs will occur in medicine, science, and applied engineering.

Obviously, the financial needs and investments outlined in the 4-year financial framework would be significantly altered in the event the state provides no additional funds. The University would not only need to alter the proposed investment plan but also to rearrange the sources of revenue supporting the plan in order to accommodate the lost state support. At a minimum, the average annual investment plan would drop by approximately one-half. In effect, the realization of the 4-year investment proposal would be postponed by at least 4 years beyond F.Y. 2001. At the same time, additional cost pressures would further compound financial needs for those years beyond

fiscal year 2001, the last year of the 4-year financial framework.

The University remains committed to its share of the partnership proposal. However, the loss of state support for the proposed investment plan would place the University's contribution to the 4-year financial framework at considerable risk in terms of its ability to continue to generate current resources at a 2.5% annual growth rate, find new revenue streams, and reallocate existing expenditures from low priority to higher priority programs. As currently designed, the University's shared responsibility represents, on an average annual basis, roughly \$8.50 for every \$1.00 of tuition revenue increase.

At stake is the continuation of a major research university in Minnesota. At risk is Minnesota's ability to compete with the 10 other states that support major research universities and that have experienced to date similar patterns of growth as a major benefit of supporting a major public research university.

GOVERNOR'S RECOMMENDATION:

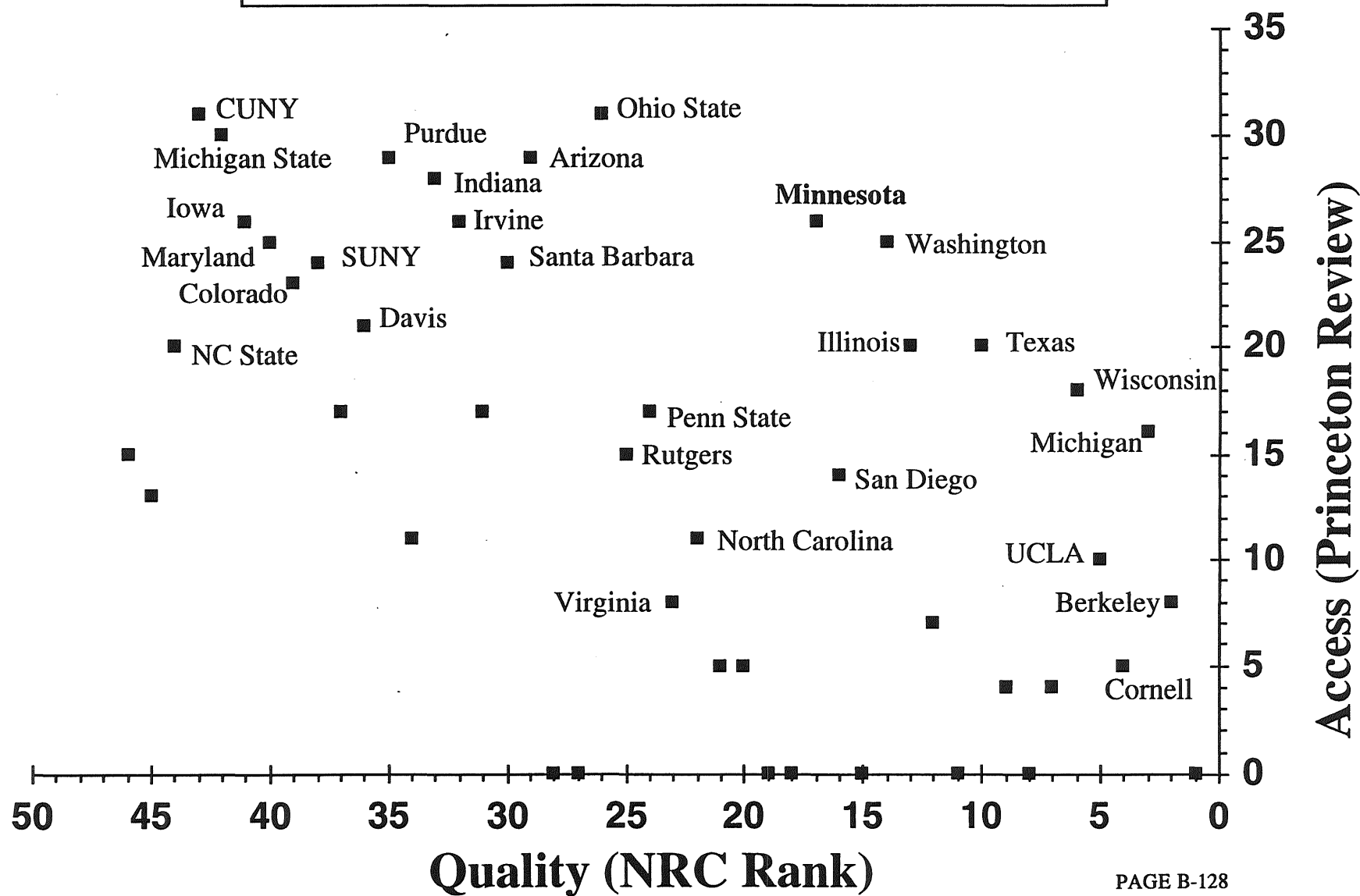
The Governor recommends a biennial increase of \$116 million in state appropriations to the University of Minnesota. This investment reflects the state's commitment to a partnership with the University and the private sector in building the University of Minnesota into one of the nation's top ten research universities.

The Governor's recommendations include:

- \$40 million over the biennium to recruit and retain highly talented and productive faculty.
- \$57.7 million for "Investments in Excellence," a pool of new state funds to support new investments in technology, facilities and programs. The Governor intends that the state's contribution be matched by the University through reallocations and through increases in existing and new sources of revenue.
- Transfer of \$16 million of University Special appropriations to the O&M budget, to give the University greater flexibility in budgeting its state resources.
- \$6.5 million over the biennium for merit scholarships to academically-gifted undergraduate and graduate students, to be matched dollar-for-dollar by new private contributions to the University Foundation.
- \$2 million for a University-Technology Transfer Initiative to expand and accelerate the transfer of technology developed by University health science researchers to private industry.
- \$3 million to match private contributions toward building a \$12 million operating endowment for the University's Biomedical Engineering Institute (BMEI).
- \$5.9 million to support restructuring of the University's Academic Health Center. The Governor recommends that funding authorized in F.Y. 1997 contingent upon changes to the tenure code be appropriated to the University without condition in F.Y. 1998.
- \$2 million to underwrite the University's participation in the Governor's inter-agency initiatives to develop a Virtual University and the Minnesota Career Education Planning System (MnCEPS).

- University of Minnesota students, faculty and staff will also benefit from the Governor's recommendation of \$12 million to implement the Minnesota Library Information Network (MnLINK), which will link together library and information resources across the state.

Access and Excellence



Four-Year Financial Framework

UNIVERSITY OF MINNESOTA ALL CURRENT NON-SPONSORED FUNDS (without hospital & clinics)

	Planning Budget 1997-98	Planning Budget 1998-99	Planning Budget 1999-00	Planning Budget 2000-01	Four Year Planning Budget 1997-01
Resources					
Total Net Current Resources	\$1,341,764,414	\$1,341,764,414	\$1,341,764,414	\$1,341,764,414	\$5,367,057,656
Expenditures					
1. Base Expenditures	\$1,341,764,414	\$1,341,764,414	\$1,341,764,414	\$1,341,764,414	\$5,367,057,654
2. Investment Needs					
Compensation	\$39,917,214	\$75,376,408	\$100,890,119	\$132,899,971	\$349,083,712
Technology / Equipment & General Infrastructure	\$37,500,000	\$37,500,000	\$37,500,000	\$37,500,000	\$150,000,000
Administrative Process Redesign	\$17,500,000	\$10,000,000	\$9,500,000	\$8,000,000	\$45,000,000
Programmatic Investments	\$20,000,000	\$23,000,000	\$28,500,000	\$28,500,000	\$100,000,000
University-Based Financial Aid	\$2,625,000	\$5,250,000	\$7,875,000	\$10,500,000	\$26,250,000
Facilities Operations & Maintenance	\$20,942,375	\$33,880,573	\$40,314,329	\$46,100,080	\$141,237,357
Price Level Increases	\$11,091,109	\$22,459,497	\$34,112,093	\$46,056,005	\$113,718,705
Offset to Declining Revenue Sources	\$10,000,000	\$13,000,000	\$15,000,000	\$15,000,000	\$53,000,000
Subtotal Investment Needs	\$159,575,698	\$220,466,478	\$273,691,541	\$324,556,056	\$978,289,773
Grand Total Expenditures	\$1,501,340,112	\$1,562,230,891	\$1,615,455,955	\$1,666,320,470	\$6,345,347,427
Shortfall (Resources - Expenditures)	(\$159,575,698)	(\$220,466,477)	(\$273,691,541)	(\$324,556,056)	(\$978,289,771)

Shared Responsibility Proposal

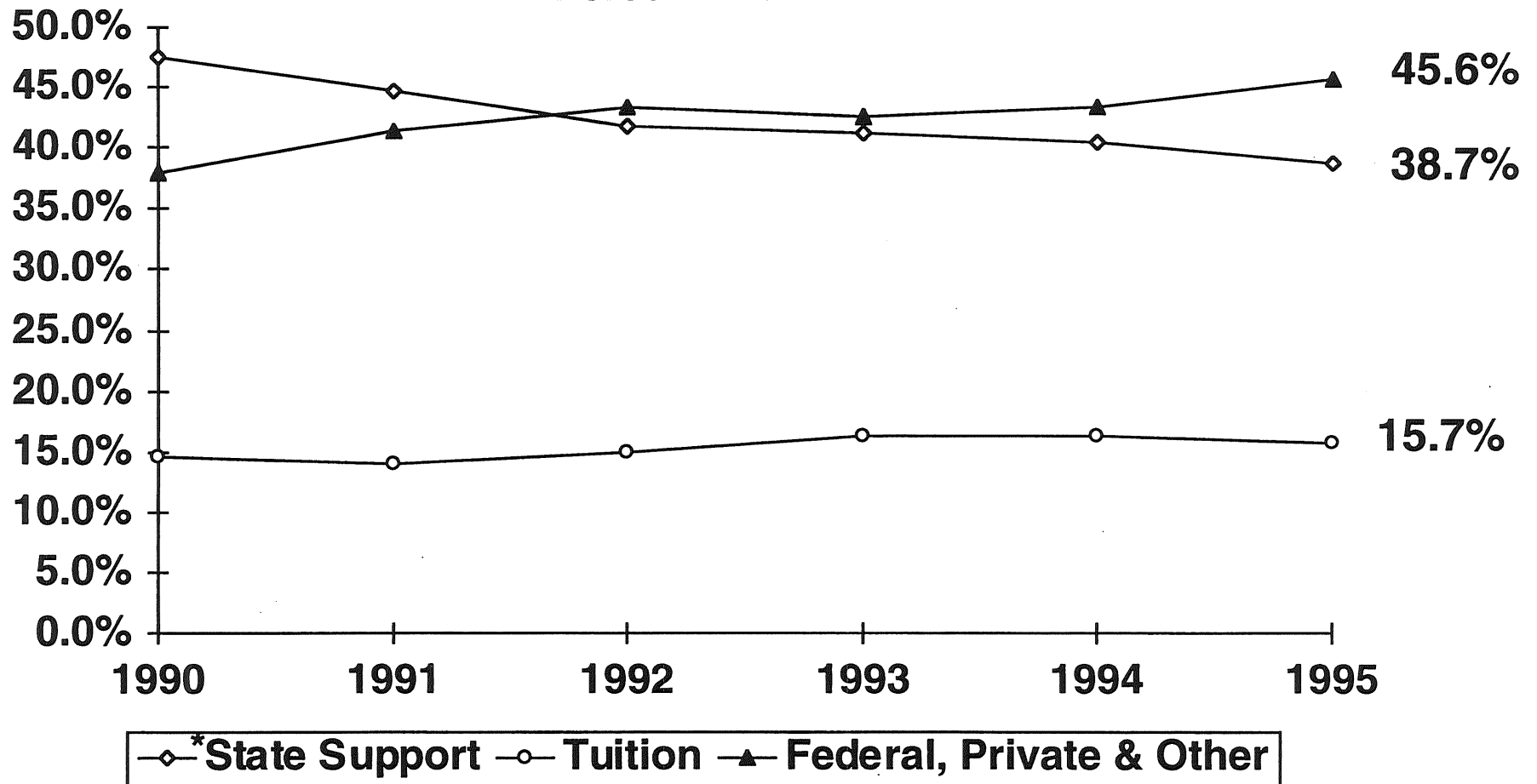
(\$s in millions / cumulative)

	FY98	FY99	FY00	FY01	4-Year Avg.
State Share	\$115.5	115.5	115.5	115.5	\$ 115.5
Tuition @ 2.5%	\$ 5.3	10.8	16.4	22.1	\$ 13.6
Existing Revenue Growth @ 2.5%	\$ 17.2	34.4	51.6	68.8	\$ 43.0
Reallocation/New Revenue	<u>\$ 21.6</u>	<u>59.8</u>	<u>90.2</u>	<u>118.2</u>	<u>\$ 72.5</u>
University Share	\$ 38.8	94.2	141.8	187.0	\$ 115.5

Percent of Funding Solution:

• State	72%	52%	42%	36%	47%
• Students	3%	5%	6%	7%	6%
• U of M	24%	43%	52%	58%	47%

**Revenue Sources Supporting
Education & General Expenditures
F.Y. 1990 - 1995
Percent Distribution**



Note: * Includes appropriations, grants and contracts

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1998-99 Biennial Budget

AGENCY: University of Minnesota (U of M)

AGENCY DESCRIPTION:

Mission

The University of Minnesota (U of M), founded in the belief that all people are enriched by understanding, is dedicated to the creation of knowledge and the advancement of learning and artistic activity; 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 is threefold.

Research and Discovery. Generate and preserve knowledge, understanding, and creativity by conducting high quality research, scholarship, and artistic activity that benefits 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 a graduate, professional, and undergraduate student body for active roles in a multiracial and multi cultural world.

Outreach and Public Service. Extend, apply, and exchange knowledge between the University and society by applying scholarly expertise to community problems, by assisting organizations and individuals to respond to their changing environments, and by making the knowledge and resources created and preserved here accessible to the citizens of the state, the nation, and the world.

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, subd. 1).

Organization

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

Crookston Campus. The Crookston campus provides career-oriented education at the baccalaureate level primarily in technical disciplines. Lifelong learning opportunities and outreach activities are an integral part of the Crookston mission.

Duluth Campus. The Duluth campus is a comprehensive regional university that provides extensive undergraduate, graduate, and professional educational programs. Focused research efforts, lifelong learning opportunities, and outreach activities are part of the Duluth mandate.

Morris Campus. The Morris campus provides an innovative and high quality residential undergraduate liberal arts education to a very selective student body, and lifelong learning and outreach activities.

University Center Rochester. The University of Minnesota, Winona State University, and Rochester Community College collaborate in offering a number of specialized graduate programs and select undergraduate programs through the University Center Rochester.

Statewide Outreach. In keeping with its land-grant mission, the collegiate and administrative units of the University engage in outreach activities that support the economic, social, and cultural development of the state.

Twin Cities Campus. The Twin Cities campus builds upon its comprehensive research endeavors to provide extensive professional, graduate, and undergraduate educational programs and lifelong learning opportunities and outreach activities.

The University of Minnesota, Twin Cities, is one of the nation's top 30 universities in any ranking of public and private universities (the Change magazine ranking, for example, which is widely cited). The University currently ranks in the middle of the nation's top 30 institutions. It once was ranked somewhere between 10 and 15. It is currently ranked somewhere between 15 and 20.

Only 17 states can boast a top-30 university, and only 11 support such a public university. Minnesota is among these states. In terms of population, it is the smallest state to support one of these institutions. All of the nation's major metropolitan areas are served by at least one major research university, and most are served by one of the nation's top research universities.

The peer group for the University of Minnesota, Twin Cities, is the Change Magazine group of the nation's top 30 research universities, as shown below.

Brown University
California Institute of Technology
Carnegie Mellon University
Cornell University
Duke University
Harvard University
Indiana University, Bloomington
Johns Hopkins University
Massachusetts Institute of Technology
New York University
Northwestern University
Princeton University
Purdue University
Rockefeller University
Stanford University
University of California, Berkeley
University of California, Los Angeles
University of California, San Diego
University of Chicago
University of Illinois, Urbana
University of Michigan, Ann Arbor
University of Minnesota
University of North Carolina, Chapel Hill
University of Pennsylvania
University of Texas, Austin
University of Virginia
University of Washington
University of Wisconsin, Madison
Yale University

1998-99 Biennial Budget

AGENCY: University of Minnesota (U of M)
(Continuation)

The University's contributions to the state over the last half of the 19th century and throughout the 20th century are well documented. The University's objective is to sustain and enhance this level of service to the state into the 21st century.

Partnership With The State

The University of Minnesota is committed to working in continuing partnership with the state, other higher education systems, and the private sector toward the priorities identified by the governor for the 1998-99 biennium in the broad areas of 1) education reform, 2) tomorrow's workforce, 3) economic vitality, and 4) government accountability.

Education Reform

Over the past 10 years the University of Minnesota has assumed a leadership role in responding to the forces that are reshaping higher education.

- It has worked to bring about greater efficiency in Minnesota's higher education system by reducing program duplication in such areas as business and education at the undergraduate level.
- It has worked to promote mission differentiation by closing all of its associate-level degree programs (except on the Crookston campus).
- It has established partnerships among educational institutions with Minnesota State Colleges & Universities (MnSCU), the University of Wisconsin-Madison, and such educational consortiums as the National Technological University, the Midwest Universities Consortium for International Activities, and the Midwestern Higher Education Commission, which is located at the University of Minnesota.
- It has worked to take maximum advantage of new information technologies that greatly expand access to information via the Internet. Gopher, which was developed at the University of Minnesota and used world-wide, was the first widely used Internet browser. The University is now involved in helping to build the next generation Internet through the NSF-funded vBNS connections program. The University will be one of the first 4 universities to use the new, more powerful backbone.
- At the undergraduate level, the President's Initiative for Excellence in Undergraduate Education has greatly improved the undergraduate experience for students on the Twin Cities campus, which now offers a 4-year graduation guarantee for students. As a result, freshman applications are up 45% over 4 years and the quality and diversity of the undergraduate class has markedly improved.
- The Twin Cities campus libraries have opened their collections and extended their services to all students and faculty at Metropolitan State University by means of an innovative and precedent-setting agreement.
- Many forces are shaping graduate and professional education. The restructuring of the Academic Health Center, for example, including the sale of the University Hospital, is motivated by the

need to ensure that the University will be able to educate the physicians and other health professionals that the state will need to remain a leader in quality health care. The University offers a rich array of professional studies programs that are unique in the state and central to the state's continued economic growth.

- The University has always been a leader in distance education. The UNITE instructional television program, which offers courses and programs in science and engineering via instructional television (ITV) to more than 30 corporate sites in Minnesota, originated in the early 1960s, when IBM opened its Rochester plant. New programs in other areas include nursing, education, and social work.

Mission differentiation, partnerships with other higher education institutions, and creative use of information technologies are the keys to on-going higher education reform. This is especially true in the Twin Cities metropolitan area, since no one institution will be able to meet the area's increasing educational needs.

Educated Citizenry and Tomorrow's Workforce

The University's most important contribution to the state is its many graduates-- more than 10,000 per year--who will make significant contributions to their communities and to the state's economy over the course of their careers. Its international student alumni provide Minnesota businesses and professionals with a bridgehead in over 100 countries overseas.

More than 225,000 of these graduates are current citizens of Minnesota and their contributions to the state are essential to the state's well-being. The Medical School, for example, provides more than 80% of Minnesota's physicians; the School of Dentistry educates more than 80% of the state's dentists; the College of Pharmacy trains more than 60% of the state's pharmacists; and the College of Veterinary Medicine provides more than 60% of the state's veterinarians.

At the doctoral level, 84% of the University's degrees are awarded in the physical and biological sciences, engineering, architecture and related areas, law, business, economics, management, and the health sciences and related areas, including psychology.

A comprehensive list of the University's graduates and their contributions to the state would obviously include more than those identified above. But even this short list demonstrates that the University of Minnesota educates and trains large numbers of the state's leaders and practitioners in areas that are crucial for the vitality and continued prosperity of the state.

Economic Vitality

Discoveries and new technologies stemming from University research are also important to society and to the state's economy. Some of these products have familiar names - "K rations," "Haralson apples," and the "black box" flight recorder. Many other discoveries are less familiar, but no less important to our lives and the state's economy. These include:

- elimination of wheat rust and other plant diseases,
- virtual elimination of dozens of poultry and livestock diseases,
- development of hybrid varieties of corn, wheat, flax, soybeans, bluegrass, potatoes, barley, oats, sunflowers, apples, and other plants and flowers,
- the first use of artificial blood in a human patient,
- the first use of an artificial pancreas for treating diabetic patients,
- the first successful implantation of an artificial heart valve,
- development of a mobile system for preservation of transplantable human organs,

1998-99 Biennial Budget

AGENCY: University of Minnesota (U of M)
(Continuation)

- invention of the DeWall Oxygenator (heart-lung machine),
- vaccine against Lyme disease,
- implantable blood pump, and
- vehicle detection through image processing for traffic surveillance and control.

Food and agriculture producers account for 22% of Minnesota's economic base when measured by \$12,000,000,000 in exports. University-developed varieties make up 80% of Minnesota's crop exports. Fifty years ago, 1 Minnesota farm worker generated enough food to feed 6 people; today, 1 Minnesota farm worker generates enough food to feed 100 people.

Soybean strains, with specific traits such as disease resistance have been developed by the University with familiar hometown names such as Dassel, Sibley, Kasota, and Glenwood, are grown today on nearly 5,000,000 acres and are worth \$1,000,000,000 to Minnesota farmers - the state's largest cash crop.

Reforestation projects by University faculty and students, work in forestry disease prevention, the development of new tree stock, and the development of new wood processing technologies have been critical to Minnesota's lumber and paper industries.

University research has played an especially important part in the creation of Minnesota's "Medical Alley," which is comprised of more than 400 medical companies. St. Jude Medical's most successful product, for example, is a heart valve commercialized by University researchers, which now accounts for \$250,000,000 in annual sales. Medtronic, the largest of the area's medical companies, was founded on the basis of University research. It has revenues of more than \$2,000,000,000 per year and currently employs 8,000 people, including 2,000 University graduates. Former Medtronic employees have started more than 40 new medical companies.

Institute of Technology alumni have founded more than 1,000 companies, employing more than 153,000 people, with worldwide annual sales of more than \$18,500,000,000; of these 1,000 companies, 623 are in Minnesota, and they employ more than 95,000 Minnesotans, with \$12,000,000,000 in sales, adding value to Minnesota's economy.

The Carlson School of Management has educated 25,000 students, nearly 20% of whom own or have founded their own companies. Recent information from more than 1,000 of those companies shows that they employ 220,000 people, add \$5,200,000,000 to the Minnesota economy, and add \$23,400,000,000 to the worldwide economy.

Taconite production technology, developed by the University and transferred to mining companies in Minnesota, led to the production of hundreds of millions of tons of taconite and the retention of thousands of jobs on Minnesota's Iron Range. Today, Minnesota taconite plants still generate 40,000,000 tons a year, provide 6,000 jobs, and spend more than \$900,000,000 in Minnesota each year.

The number of inventions disclosed by University researchers for possible commercial application reached an all-time high of 200 in 1994-95. The 47 patent applications in F.Y. 1994-95 was also a high mark. For the period 1990-1994 the University ranked 9th among U.S. universities in U.S. patents received, with 169.

The University has negotiated technology transfer license agreements with more than 260 companies. It has strong ties to industry in other ways as well. Through the Center for Interfacial Engineering, for example, 50 member companies have joined with the University to undertake research and training projects on the molecular interactions that occur when materials such as adhesives, coatings, and films meet. And through Minnesota Project Outreach, more than 400 small technology-based companies in Minnesota and 73 public sites have received on-line computer access to technical information and expertise from University experts.

Government Accountability

Government accountability requires both financial accountability and programmatic accountability.

The University is currently working to implement a new human resource system, a new grants management system, and enhancements to financial systems that will improve University accountability. With these systems, information necessary to manage the University wisely and efficiently will be much more readily available to those who need it at all employee levels.

In addition, the University has introduced new control systems for grants management and procurements, introduced utilization standards for classroom space, and established an integrated framework model of internal control.

The University is also implementing Responsibility Center Management (RCM) to replace its current budgeting system. Responsibility for operating decisions affecting revenue and expenditures will be placed to the greatest extent possible at the collegiate/support unit level. Many elements of RCM already exist at the University and have for some years.

The University will be monitoring its progress in achieving an enhanced level of service to the state through 14 "critical measures" developed to assess institutional, campus, and unit performance in realizing the goals of U2000.

The stated purposes are to:

- serve as a link between planning, performance, and resource allocation;
- guide institutional, collegiate, and support unit self improvement;
- provide a means for comparison with other similar institutions.
- publicly confirm the University's success in reaching its goals;

Existing recommendations and reports and external reporting requirements were reviewed to identify potential measurement areas, and meetings were held inside and outside the University to listen to suggestions and reactions to a proposed list of measures. This process resulted in the development of critical measures in the following areas.

- characteristics of entering students
- student experience
- investment per student
- graduation rate
- post-graduation experience
- scholarship, research, and artistic accomplishments
- sponsored funding
- interaction with society: partnerships, services, and impacts
- overall satisfaction of Minnesota citizens
- investment and voluntary support
- faculty and staff experience

1998-99 Biennial Budget

AGENCY: University of Minnesota (U of M)
(Continuation)

- facilities infrastructure
- under-represented groups/diversity
- information resources

AGENCY ISSUES:

President Hasselmo's 1995 State of the University Address, entitled "Challenge, Choice, Change," articulated a shared vision of the University's future as one of the premier land-grant, research universities of the nation and the world. The stated goals are presented below under the governor's four themes for the 1998-99 biennium.

Education Reform

The University will:

- listen and respond to society, providing broad access to programs and resources, and effectively meeting societal challenges;
- become more user-friendly and service-oriented, fostering an environment that is inclusive, supportive, and participatory;
- prepare undergraduates, graduate students, and professional students to think internationally and work in a global economy.

Educated Citizenry and Tomorrow's Workforce

The University will:

- provide a high-quality undergraduate experience that is consistently characterized by educational excellence, timely degree completion, and a supportive institutional climate;
- provide graduate and professional education programs that are among the very best available in the world;
- work aggressively to increase the presence and participation of historically under-represented groups including racial minorities, the disabled, and women.

Economic Vitality

The University will:

- ensure the availability of highly qualified faculty and staff by finding better ways to evaluate and reward talented people;
- generate long-term solutions for the challenges facing the state, nation, and world through world-class research, scholarship, and artistic activities.

Government Accountability

The University will:

- provide state-of-the-art facilities, technology, management systems, and other support infrastructures;
- maintain and build quality in an era of increasingly constrained resources by making its case for state support and expanding its support from other sources, taking special care that tuition and student financial aid are properly balanced.

AGENCY STRATEGIES:

The University's strategies for meeting its challenges and maintaining its position as 1 of the nation's top research universities are outlined below.

Education Reform

- The University's ongoing strategic planning process will continue in order to move each unit toward U2000 goals based on the unique capabilities and opportunities available at each unit.
- To more effectively and efficiently provide its research, post-secondary instruction, and outreach, the University will increase cooperative programs with other public and private higher education institutions, with community and state agencies, and with organizations throughout the Midwest, the nation, and the world.
- The University will continue to build partnerships with its neighborhoods, urban and rural communities, government, business and industries, and its alumni.
- Performance measurement and reward systems will be more flexible for faculty and staff, with new forms of recognition for faculty, staff, and students.
- The University reaffirms its commitment to diversity by emphasizing a culture that broadly supports diversity and ensuring that all planning decisions take into account under-represented groups.

Educated Citizenry and Tomorrow's Workforce

- The University will ensure the well-being of the arts and sciences and major academic areas--some of which will be cross-boundary in nature--that are essential to the flourishing of all great research universities, including this University.
- The University will serve as the state's sole public doctoral degree-granting institution, assuring both quality and access in this area.
- The Twin Cities campus libraries will continue to serve as the state's major research library. Through MINITEX Library Information Network, they lend almost 200,000 books and magazine articles each year to libraries in Minnesota for the benefit of their users.
- As the University works with the other state higher education systems to ensure access to higher education for all Minnesotans, the University will recruit an undergraduate student body that is better prepared for college, more academically competitive, and more diverse, and work toward a relatively steady enrollment state, with freshman enrollment increases of around 10% over the next 5 years.

1998-99 Biennial Budget

AGENCY: University of Minnesota (U of M)
(Continuation)

- The University will provide, through University College, access to high-quality educational opportunities for nontraditional students and lifelong learners.
- To continue toward the U2000 goals of access and competitiveness, both need-based and merit financial aid will be given significant budgetary priority.
- The University will serve as the state's premier educational and research link to the world, fostering international experience among Minnesota's future leaders and strong ties with researchers and leaders in the public and private sectors of scores of nations around the world.

Economic Vitality

- The University will improve the linkage between research and outreach programs through practitioner-oriented master's programs and continue the University's strong tradition of outreach activities, including responding aggressively to compelling state needs in economic, educational, environmental, health, social, and cultural areas.
- The University's goal of attracting, retaining, and supporting the most talented faculty will be considered in all administrative decisions, budgetary and otherwise.

Government Accountability

- The University will continue to flatten its organizational structure through decentralization and the empowerment of individuals at the local level.
- Institutional systems, policies, and procedures will be simplified through reengineering of its work processes and human resource policies and procedures and appropriate training.
- The University must be fiscally accountable, impose budget discipline including using critical measures and performance goals, and demonstrate its productivity and value to students and to the state, putting the customer first.
- In the future, the University will have a smaller but better supported and compensated faculty; and a better trained and supported, better compensated, and more flexible staff.
- The University will develop an exemplary support infrastructure that serves its internal and external constituents (for example, student access to computing, efficient grants management, effective classrooms).
- Emphasis will be placed on the renovation and modernization of existing facilities along with the decommissioning of selected buildings.

SUMMARY OF BUDGET REQUEST:

The Program Level narrative and the Budget Initiative pages discuss the University's biennial budget proposal to the State of Minnesota.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial increase of \$116 million in state appropriations to the University of Minnesota. This investment reflects the state's commitment to a partnership with the University and the private sector in building the University of Minnesota into one of the nation's top ten research universities.

The Governor's budget challenges the University to focus its mission and prioritize its programs. To reach the goal of becoming a top research institution, the University must increase its selectivity and concentrate its resources on strengthening the quality and ranking of academic and research programs in which it already excels, as well as on building the reputation and rank of those University programs with greatest potential to reach the top and contribute to the economic development of the state.

Specifically, the Governor recommends:

\$40 million over the biennium to recruit and retain a top-quality faculty. A University is only as strong as its faculty. It is the faculty's collective talent, dedication and loyalty that make the University of Minnesota an outstanding institution, and it is through strategic investments in retaining and recruiting highly talented and productive scholars that the University's national rank will rise. The Governor's budget provides \$30 million to aid the University in recruiting new faculty members and \$10 million to assist the University in retaining and rewarding current faculty members for their outstanding productivity and contributions to the University.

\$57.7 million for "Investments in Excellence," a pool of new state funds to support new investments in technology, facilities and programs presented in the University's budget request. The Governor intends that the state's contribution be matched by the University through strategic reallocations and through increases in existing and new sources of revenue. To give the University greater flexibility in budgeting its state resources, the Governor proposes that \$16 million of University Special appropriations be transferred into the O&M budget.

\$6.5 million over the biennium for merit scholarships, to be matched dollar-for-dollar by new contributions to the University Foundation. The academic excellence of the University is directly related to the scholarship of its students. This challenge grant, together with contributions from the private sector, will aid the University in recruiting academically-gifted undergraduate and graduate students.

\$2 million for a University-Technology Transfer Initiative to bring technology developed by University health science researchers to market. As Minnesota moves into the 21st century, the state's economic success will depend critically upon the development and transfer of new technologies. The Minnesota Technology Development Corporation, created through this initiative, will expand and accelerate the transfer of technology from the University to private industry.

\$3 million to match private contributions toward building an operating endowment for the University's Biomedical Engineering Institute (BMEI). The Governor intends that the state's appropriation be matched 3:1, by \$9 million from the private sector to build an endowment of \$12 million to support the BMEI and its mission to continue Minnesota's rich history of pioneering technological solutions to biomedical problems.

\$5.9 million to support restructuring of the University's Academic Health Center. The Governor recommends that funding authorized in F.Y. 1997 contingent upon changes to the tenure code be appropriated to the University without condition in F.Y. 1998. This appropriation will assist the Academic Health Center in adjusting to reductions in operating support from clinical practice income.

1998-99 Biennial Budget

AGENCY: University of Minnesota (U of M)
(Continuation)

\$2 million to underwrite the University's participation in the Governor's inter-agency initiatives to develop a Virtual University and the Minnesota Career Education Planning System (MnCEPS). With coordination and oversight by the Minnesota Office of Technology, these two initiatives will create hubs on the internet from which Minnesotans will access--from any place, at any time--the state's cornucopia of higher education resources and career planning and occupational information.

Finally, University of Minnesota students, faculty and staff will benefit from the Governor's recommendation of \$12 million to implement the Minnesota Library Information Network (MnLINK). MnLINK includes the development of a single automated library information system-- which will replace the University's aging library systems, including LUMINA--and a statewide network, both accessible through the internet and the worldwide web, linking together library and information resources across the state.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
PROGRAM RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
PRIMARY PROGRAMS	680,454	708,353	676,542	797,327	738,507	681,261	807,507	751,544
OTHER ACTIVITIES	9,087	8,028	4,084	7,824	7,765	5,088	5,207	5,088
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	689,541	716,381	680,626	805,151	746,272	686,349	812,714	756,632
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				1,050	1,050			
GENERAL	483,910	494,124	460,755	576,215	517,395	463,917	579,380	523,417
MINNESOTA RESOURCES	1,030			2,581	2,581			
HEALTH CARE ACCESS	2,567	2,582	2,357	2,416	2,357	2,357	2,476	2,357
SPECIAL REVENUE				50	50			
WORKERS COMPENSATION SPEC PMNT	200							
STATUTORY APPROPRIATIONS:								
GENERAL	196,544	214,229	215,787	221,112	221,112	217,344	228,127	228,127
AGENCY	5,290	5,446	1,727	1,727	1,727	2,731	2,731	2,731
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	689,541	716,381	680,626	805,151	746,272	686,349	812,714	756,632

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: UNIVERSITY OF MINNESOTA

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	713,995	716,556	709,911	711,468	4,084	5,088		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<36,532>	<36,532>	<36,532>	<36,532>				
CASELOAD, ENROLLMENT CHANGES	3,163	6,325	3,163	6,325				
SUBTOTAL BASE ADJ.	<33,369>	<30,207>	<33,369>	<30,207>				
BASE LEVEL	680,626	686,349	676,542	681,261	4,084	5,088		

AGENCY: Minnesota, University of
PROGRAM: Primary Programs

1998-99 Biennial Budget

RECONCILIATION OF F.Y. 1997 TO BASE LEVEL
HIGHER EDUCATION BILL (GENERAL FUND)

	F.Y. 1997 -----	F.Y. 1998 -----	F.Y. 1999 -----	1998-99 BIENNIUM -----
INSTRUCTION:				
APPROPRIATION -- O & M	291,427	265,771	265,771	531,542
COST STUDY ADJUSTMENT (EST.)	(25,656)			
INCOME	214,229	214,229	214,229	428,458
INTENT TUITION	130,269			
ADDITIONAL TUITION	83,960			
FORMULA ADJUSTMENTS				
APPROPRIATION		3,163	6,325	9,488
TUITION		1,558	3,115	4,673
NON RECURRING (1995 SESSION)		(26,582)	(26,582)	(53,164)
CURRENT SPENDING	480,000	458,139	462,858	920,997
NON-INSTRUCTION:				
APPROPRIATION -- O & M	104,994	130,650	130,650	261,300
COST STUDY ADJUSTMENT (EST.)	25,656			
CONVERSION		28,533	28,533	57,066
INCOME				
APPROPRIATION -- SPECIALS	97,703	97,703	97,703	195,406
FORMULA ADJUSTMENTS				
APPROPRIATION				
INCOME				
CONVERSION		(28,533)	(28,533)	(57,066)
NON RECURRING (1995 SESSION)		(950)	(950)	(1,900)
NON RECURRING (1996 SESSION)		(9,000)	(9,000)	(18,000)
CURRENT SPENDING	228,353	218,403	218,403	436,806
BASE LEVEL SPENDING	708,353	676,542	681,261	1,357,803
DIRECT APPROPRIATIONS SUMMARY:				
BASE LEVEL TOTALS	494,124	460,755	463,917	924,672

1998-99 Biennial Budget

PROGRAM: Primary Programs
AGENCY: University of Minnesota (U of M)

PROGRAM DESCRIPTION:

The 3 primary programs of the University of Minnesota are encompassed in its tripartite mission: 1) research and discovery; 2) teaching and learning; and 3) outreach and public service. Each of the 3 components of the University's mission is important to the state and its citizens as carried out by the University's campuses and colleges. The Primary Programs Appendix provides a description of each University campus and of the collegiate units of the Twin Cities campus.

Research and Discovery

The University of Minnesota plays a critical role in the state's economy and is a major stimulus of economic activity and of long-term economic development. Major components of the state's economy are the result of research conducted at the University over the past 50 years. The University of Minnesota is a national leader among research universities. As a public, land-grant university, the University of Minnesota is charged to not only pursue knowledge through research, but also to help apply knowledge for the common good through excellence in teaching and outreach.

Faculty involvement in research activities benefits all educational programs and contributes to the strength of the University. Undergraduate students have the opportunity to experience firsthand the discovery of new knowledge and to learn important concepts from faculty who helped develop these ideas. Professional students learn from faculty who challenge assumptions of the profession. Graduate students learn how to develop new knowledge and become effective teachers. The nature of the faculty at a research university yields educational programs characterized by questioning and discovery. All of the University's faculty members contribute to its research and discovery activities. Many of these activities are supported by sponsored program funds, the level of which is an important measure of faculty productivity.

The University of Minnesota is one of the leading recipients of federal research, training, and public service support. In F.Y. 1994-95, total expenditures at the University for sponsored activities were \$293,500,000, 50% more than the University's tuition and fee revenue of \$199,699,000 and 3% more than the faculty salary base of \$284,315,000. This level of expenditures represents an 8.9% increase over expenditures in 1993-94. Research expenditures accounted for 81% of the total. Training and public service programs accounted for the remaining 19%. Expenditures for research and other sponsored expenditures have been increasing at approximately 9% per year for the past 10 years. For F.Y. 1995-1996, total expenditures at the University for sponsored activities are currently estimated at \$304,000,000, an increase of roughly 3.5% from the prior year. This figure is a preliminary estimate which is subject to minor change based upon final fiscal year end data. This is a powerful testimony to the strength and quality of the University's faculty and the importance of a solid infrastructure.

Federal funding provides 75% of the University's sponsored support, followed by 8.7% from business and industry, 8.6% from private foundations, and 8.2% from the state of Minnesota (not including state special funding of some research activity). Industrial sponsorship for research has grown from \$5,100,000 in F.Y. 1982-83 (4.4% of total research expenditures) to \$24,500,000 in 1994-95 (10% of total research expenditures).

In F.Y. 1994-95, University faculty submitted 4,302 proposals requesting \$778,000,000. 72% of these proposals were for new programs. The University cannot yet determine the success rate for F.Y.

1994-95 proposals, since award or rejection decisions may take more than a year. As of 12-31-95, however, 51% of F.Y. 1994-95 proposals had been awarded for 71% of the amounts requested. Over the past 10 years, proposal submissions have increased from 2,763 in F.Y. 1985-86 to 4,302 in F.Y. 1994-95.

The University of Minnesota was ranked 16th among all U.S. universities in federal research and development expenditures in F.Y. 1993-94.

While the University's faculty have been quite successful in obtaining sponsored research funding, the commitments to balance the federal budget may mean that there will be major cuts in federal appropriations for sponsored activities. It is likely that the environment for federal research funding is going to become even more competitive. The University's investments must be carefully chosen to sustain its competitive position. These investments must include levels of compensation that are competitive with the nation's top universities, well trained and highly motivated support staff, quality graduate students, well-equipped and well maintained laboratories, and access to the latest information technologies.

Teaching and Learning

In F.Y. 1994-95 the University of Minnesota awarded 10,718 degrees to individuals who accomplished their educational objectives. The number of degrees awarded by the University each year is always among the most of any of the nation's higher education institutions. 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 U2000 objectives. This requires appropriate levels of merit-based and need-based financial aid. Just as importantly it requires the resources necessary to ensure that the quality programs available to today's students will be available to tomorrow's students as well.

The University of Minnesota offers programs in a rich array of disciplines. This is especially true on the Twin Cities campus, which is both the state's land-grant university and its major research university. In Minnesota these missions are combined in one institution, rather than in two, as in Michigan, where Michigan and Michigan State share these missions, or Iowa, where Iowa and Iowa State share these missions, or Indiana, where Indiana and Purdue share these missions. The University of Minnesota, Twin Cities and the University of Wisconsin, Madison are among the very few institutions in the country that have both major medical schools and other health science colleges (e.g. dentistry, pharmacy, etc.) and major agricultural programs, including an extension service, and all of the other programs that are commonly found in major universities.

The core of the University's teaching and learning activities are its degree programs and curriculum that serve about 70,000 individual students each year in day and evening programs. The University of Minnesota currently offers 649 degree programs in more than 300 program areas at 6 degree levels on its 4 campuses. (For comparison purposes, MnSCU offers 3,424 degree programs on its campuses).

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PROGRAM: Primary Programs
AGENCY: University of Minnesota (U of M)
 (Continuation)

The distribution of programs by campus and student level is shown in the table below.

Current University of Minnesota Degree Programs

	<u>UMTC</u>	<u>UMD</u>	<u>UMM</u>	<u>UMC</u>	<u>Total</u>
Associate	0	0	0	16	16
Bachelor's	155	72	28	13	268
Master's	203	17	0	0	220
Doctorate	116	0	0	0	116
1st Prof.	5	1	0	0	6
Other	<u>23</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23</u>
Total	502	90	28	29	649

Each year the University offers approximately 23,000 sections of 10,500 courses during its regular terms and many more in its evening programs and during summer session. There are more than 20,000 courses in the University's course inventory. These courses are offered by 195 academic departments on the 4 campuses. While most instruction is offered in degree program areas, the University also offers some instruction in areas where it does not award degrees (e.g., certain foreign language areas).

In September 1995, the Board of Regents approved the change to a semester-based academic calendar, with a first fall semester in 1999. The change to a semester-based academic calendar requires that all of the University's 649 degree programs and all of its more than 20,000 courses be changed to their semester-based equivalents, with the number of courses reduced by one-third. Over the next 3 years, as this change is implemented, the University's degree programs and curriculum will be subject to unprecedented review, and many will be significantly changed. Many of the University's instructional policies and practices will also be changed and simplified.

The semester conversion is 1 of the largest efforts ever undertaken by the University, because of the size and diversity of its degree programs and the size of its curriculum. An essential part of this effort is the implementation of new student information systems. The semester conversion effort itself is being done in a paperless, electronic way.

Outreach and Public Service

The objective of the University's outreach and public service programs is to make the knowledge and information generated by the University's faculty available to the state and its citizens in ways that go beyond the formalized instruction of its teaching and learning activities. Outreach and public service activities take place throughout the University.

Through Minnesota Project Outreach, for example, hundreds of small technology-based companies in Minnesota receive on-line computer access to technical information and expertise from University experts each year.

Since 1994, the Twin Cities campus libraries have maintained a 1-800 phone line so that people in every part of the state can search the libraries' on-line catalog using their own personal computers and modems. This toll-free access to the libraries' 5,000,000 volumes makes the collections all the more

accessible statewide.

The new University College (formerly Continuing Education and Extension) is another important locus of outreach activities. Its mission is the development and delivery of credit and noncredit courses, programs, and services that represent and support the academic resources of the University and that respond to the continuing higher education needs of the people of Minnesota. University College's vision is based on the critical importance of lifelong learning in a changing world and on the fulfillment of the University's land-grant commitment to provide access to both credit and noncredit courses and programs on the Twin Cities, Morris, and Duluth campuses, and at the Rochester Center, and throughout the state and region using educational technologies. Courses and instruction are offered on the campuses and delivered more broadly through satellite, cable, film and video, radio and television, and interactive computer-based networks. In addition, University College offers conferences, short courses, workshops and seminars, study through correspondence, lectures, and performances.

The core of the University's outreach activities is the Minnesota Extension Service (MES). Since 1909, the Minnesota Extension Service has helped state residents move toward goals of a better state and more prosperous, productive, and healthy citizens. MES is integral to the University's overall outreach program. MES 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; 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 more than 30,000 volunteers working with other agencies and organizations--schools, human services, religious organizations, local governments--to ensure that individual and community needs are identified, prioritized, and met. MES'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." MES reaches more than 1,000,000 Minnesotans each year with educational programs and information, and in turn these individuals provide feedback to the University about their needs.

The Minnesota Extension Service is recognized by the state's citizens as a hardworking partner in their pursuit of economic stability, enriched family and community life, and a healthy environment. MES 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 MES for insights garnered from daily contact with its many publics.

PROGRAM STATUS:

The status of the University's primary programs of research and discovery, teaching and learning, and outreach and public service is best understood in the context of the U2000 strategic plan. This plan guides the development for the multiple roles of the University into the 21st century. The success of this plan requires broad support--a redefining and strengthening of the long-standing, fundamental partnership between the University community, the state, and its citizens. This partnership must be seen as an investment in the future--an investment that will ensure the intellectual and economic vitality of the University and of its contributions to the state as we enter the 21st century.

The U2000 plan identifies 6 strategic areas that provide the framework for guiding the University in the 21st century. Four of these areas--research, professional and graduate education, undergraduate education, and outreach and access--are the essence of the land-grant research mission of the University. The excellence and effectiveness in one of these areas depends on the qualities of the others. The 2 other strategic areas--user-friendliness and diversity--place into the forefront the

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PROGRAM: Primary Programs
AGENCY: University of Minnesota (U of M)
(Continuation)

essential need for the institution to significantly improve its customer orientation and address the importance of making its resources accessible, in an effective manner, to under-represented populations.

Goals in each of these 6 strategic areas of U2000 have been adopted, and critical measures have been established to determine our progress toward the achievement of these goals (see Agency Description). These measures guide the resource allocation and reallocation process.

The F.Y. 1998-99 biennial budget proposal represents a major step in the implementation of strategies arising from the U2000 strategic planning process. The plan that underlies this proposal accelerates the reshaping of the University over the next 4 years to increase its benefits to the citizens of the state and the nation. The objective of the University's biennial request proposal is to maximize the special role of the University of Minnesota as the land-grant, research university of the state.

This University's plan is focused on the need to strengthen core activities by investing in the areas of compensation, facilities operations and maintenance, merit and need-based financial aid, and technology. The plan also provides for new programmatic initiatives that will continue to strengthen the University's undergraduate programs on all campuses and its research and scholarly activities.

PLANNED RESULTS:

What will the University be like 4 years from now, if this plan is implemented?

Education Reform

- The University's students and faculty will have the tools necessary to take maximum advantage of information technologies. These tools will come in 3 types: personal computers, communications infrastructure, and systems and information resources.
- Access for students to admissions information, registration information, financial aid information, and a broad range of other student services, from anywhere, at anytime, will be possible through the implementation of new student information systems. Many of the services that students now receive in staff-intensive ways will be provided instead by intelligent systems that enable students to help themselves. Staff meanwhile will be freed to concentrate their efforts on helping students in ways that better utilize their training and talents.
- The University will continue its leadership in information technologies by helping to build the next generation Internet through the NSF-funded vBNS connections program. The University will be 1 of the first 4 universities to use this new, more powerful backbone.
- The University will expand its partnership programs with MnSCU to other sites throughout the state in such areas as mathematics, nursing, teacher education, study abroad, and information technology.
- The University will expand its collaboration with other CIC universities (Big 10 plus Chicago) in the Learning Technologies Initiative in foreign languages, mathematics, and geographic

information systems.

- The CIC Virtual Electronic Library Project will enable all of the CIC Universities to leverage their investments in library resources so that the collections of each institution will be equally accessible to all consortium members. The University of Minnesota has taken the lead in realizing this vision.
- The University of Minnesota, Twin Cities, and the University of Wisconsin, Madison, will expand their collaborations in manufacturing engineering, political science, entomology, foreign languages, and in the cooperative development of library resources and services.
- The dairy herd operations at Crookston and Waseca will be closed. The dairy herd studied by Minnesota researchers will be located in Marshfield, Wisconsin, where it will be shared by researchers from the University of Wisconsin, just another example of ever-increasing cooperation between 2 of the nation's top 30 research universities.
- The University will continue working with the Minnesota Software Association and corporations such as IBM to design new "just-in-time," on demand, modular learning programs.
- To meet the needs of rural Minnesota, the University's Academic Health Center will create a "virtual rural health school" for the interdisciplinary training of medical, nursing, pharmacy, physician assistant, and other health professions students who intend to practice in rural communities.
- The University will develop more practitioner-oriented master's degree programs on the Twin Cities and Duluth campuses.
- The University will redesign its curriculum and teaching methodologies to support lifelong education for all its alumni and interested citizens through distance education and the World Wide Web.
- The University will be on a semester-based academic calendar.

Educated Citizenry and Tomorrow's Workforce

- The University of Minnesota will continue to award more than 10,000 degrees per year to individuals who as doctors, musicians, engineers, teachers, archaeologists, farmers, scientists, architects, artists, historians, lawyers, managers, economists, veterinarians, creative writers, psychologists, journalists, accountants, social workers, pharmacists, and professionals and practitioners in many other areas will play leading roles in maintaining the state's economic and cultural vitality.
- The University will remain affordable and accessible to all students who are admitted to its programs. All qualified undergraduate, graduate, and professional students will be able to attend the University, regardless of their financial circumstances.
- At the undergraduate level, the University will increase the number of high-ability students. 80% of incoming freshmen will be from the top quartile of their high school class.
- At all student levels, the University will increase the diversity of the student body. 16% of entering freshmen will be students of color.
- The University's liberal education requirements for all undergraduate students will include a technical competency requirement, ensuring that all graduates will have the core skills and

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PROGRAM: Primary Programs
AGENCY: University of Minnesota (U of M)
(Continuation)

knowledge necessary to apply commonly available computer and information technologies to the challenges they will face after graduation.

- The University will take full advantage of the shift to semesters to encourage the further infusion of international and global perspectives across the curriculum so that students may become more actively engaged in confronting increasingly important international and global issues both inside and outside of the traditional classroom.
- Every full-time student will have a personal computer appropriate to their particular program of study by the year 1999, to coincide with the conversion to a semester-based academic calendar and the University's new semester-based curriculum.
- All of the University's graduates will be literate in the use of information technologies in their discipline.
- Establishment of new technology literacy requirements by the University will have ripple effects throughout K-12. New Postsecondary Enrollment Option (PSEO) opportunities will be provided to qualified K-12 students via technology. For example, current efforts in the UMTYMP Program and Geometry Center to develop a World Wide Web based calculus course will be expanded to more sites state-wide.
- The unique educational opportunities available to undergraduate students in a major research university will be enhanced. There will be increased opportunities for student internships, participation in faculty research programs through the Undergraduate Research Opportunities Program, and study abroad.
- For undergraduate students, the University will enhance its career counseling and job placement services and expand student activities within and outside the classroom that develop leadership and cooperative skills.
- For graduate and professional students, the University will increase mentoring that spans the educational and employment settings and expand internships and other similar programs that give students job experiences and employment connections both here and abroad.
- 50% of the University's undergraduate students will graduate in 5 years or less.

Economic Vitality

- Sponsored support from federal and private sources for University research, training, and public service will continue to increase by 5% annually.
- Invention disclosures and patents resulting from faculty research will continue to increase by 5% per year, some resulting in the creation of new Minnesota companies.
- The University will maintain a rank no lower than 15th in federal funding for research and development.

- The knowledge and expertise of the University's faculty will be much more broadly available to the public through the extensive use of information technologies and programs such as Access Minnesota and Minnesota Project Outreach.
- The University will invest in projects that focus on the optimal use of Minnesota's soil and water resources for agriculture, forestry, food, recreation, and tourism sectors. Specific concerns include livestock production and air and water quality, the compatibility of tourism and recreation needs to production and environmental needs, and the development of new management tools and biological controls that improve productivity and are environmentally friendly.
- The University will be a leader in genetics research and biomedical engineering to improve the health of Minnesotans and contribute to the state's economic vitality through technology transfer to Minnesota companies.
- The University will have a more competitively compensated faculty, with average salaries at the mean of the appropriate market.
- The University's competitive position vis a vis the nation's top 15 universities in the recruitment and retention of faculty who will lead the University in the 21st century will be strengthened and stabilized.
- The University will further projects that optimize the ability of Minnesota businesses to expand their penetration of international markets.

Government Accountability

- The University will operate more efficiently, with a smaller, more productive faculty and staff, both within the central support functions and at the collegiate/departamental levels.
- The University's support staff will be reduced by 4,500 employees (25%) through the sale of the University Hospital and a general reduction of 5% throughout the rest of the University. Because of better training and extensive use of new technologies, however, the University's staff will provide a higher level of support and service to students and faculty.
- A new human resource system, new grants management systems, and enhancements to financial systems will improve University accountability. More importantly, information necessary to manage the University wisely and efficiently will be much more readily available to those who need it at all employee levels.
- Responsibility Center Management (RCM) will replace the University's current budgeting system. Responsibility for operating decisions affecting revenue and expenditures will be placed to the greatest extent possible at the collegiate/support unit level.
- All of the University's classrooms will be renovated to support the faculty's innovative use of new educational technologies.
- All of the University's buildings will be maintained to a higher, uniform "class B" office standard.
- The University will implement its preventive maintenance standards for its building systems to comply with regulatory mandates, maximize these systems' useful lives, and provide the best cost/benefit result for maintenance activities.

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PROGRAM: Primary Programs
AGENCY: University of Minnesota (U of M)
(Continuation)

- The size of the University's physical plant will be reduced by at least 500,000 square feet, as 5 to 7 buildings are taken off-line and razed.
- The University will be positioned financially to offset reductions in funding from nonstate sources in order to protect priority programs (e.g., medical education).

BUDGET AND REVENUE SUMMARY:

The achievement of the goals described above depends on the implementation of a set of actions over the long-term. This biennial budget proposal describes the resource allocation process that underpins our strategies for implementation.

The University's plan is not a set of simple actions to be undertaken. Rather, it depends on a long-term reshaping of the institution based on investments, reallocations, restructuring, and improvement. The 3 major areas targeted for action in this reshaping effort are the academic core, the supporting infrastructure, and the physical infrastructure.

In the academic core, the central strategy is to focus, reshape, right size, and reallocate resources within and across units. Our goal is to invest in the development of a better supported and more effective faculty. For example, at present, the University's faculty salaries are not competitive. A world-class university is first and foremost known for the quality and reputation of its faculty. Moreover, it is essential that the University respond to instructional, research, and outreach needs through reallocation from lower to higher priority need and opportunity areas.

For too long, the technical and support infrastructure that underpins the academic enterprise at the University has not received the attention it requires and deserves. As a result, many students, faculty, staff, and citizens have been neither appropriately supported nor served by this infrastructure. This biennial budget proposal will direct resources toward information and technology systems, re-engineering of student and staff services, and the maintenance of the University libraries.

Finally, the physical infrastructure of the University must receive significantly increased attention. This biennial budget proposal is a first, but modest step in that direction. It represents a strategic investment and reallocation to improve the environment for faculty and staff, and provides for appropriately enhanced and safe facilities for students and community members who utilize the campuses.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
INSTRUCTION O&M	445,000	480,000	458,139	544,538	496,369	462,858	552,488	512,290
NON-INSTRUCTION O&M	146,976	130,650	159,183	193,569	189,672	159,183	195,799	195,728
AGRICULTURE SPECIAL	47,597	47,797	47,297	47,297	32,440	47,297	47,297	32,440
HEALTH SCIENCES SPECIAL	17,758	26,358	3,742	3,742	12,213	3,742	3,742	3,273
TECHNOLOGY SPECIAL	3,067	3,067	1,552	1,552	1,430	1,552	1,552	1,430
SYSTEM SPECIAL	20,056	20,481	6,629	6,629	6,383	6,629	6,629	6,383
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	680,454	708,353	676,542	797,327	738,507	681,261	807,507	751,544
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY REQUEST ITEMS:		FUND						
=====		=====						
COMPENSATION		GEN		39,917			75,376	
TECHNOLOGY, EQUIPMENT & INFRASTRUCTURE		GEN		37,500			37,500	
ADMINISTRATIVE PROCESS REDESIGN		GEN		17,500			10,000	
PROGRAMMATIC INVESTMENTS		GEN		20,000			23,000	
UNIVERSITY BASED FINANCIAL AID		GEN		2,625			5,250	
FACILITIES MAINTENANCE & OPERATIONS		GEN		20,942			33,881	
PRICE LEVEL INCREASES		GEN		11,090			22,460	
OFFSET TO DECLINING REVENUE		GEN		10,000			13,000	
NEW REVENUE AND REALLOCATIONS		GEN		<21,590>			<59,824>	
OTHER REVENUE INCREASES		GEN		<17,199>			<34,397>	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				120,785			126,246	
=====								
GOV'S INITIATIVES:		FUND						
=====		=====						
(P) FACULTY RECRUITMENT & RETENTION POOL		GEN			15,000			25,000
(P) INVESTMENTS FOR EXCELLENCE		GEN			35,225			38,583
(P) UNIVERSITY MERIT SCHOLARSHIPS		GEN			1,300			5,200
(P) VIRTUAL UNIVERSITY		GEN			250			250
(P) MN CAREER EDUCATION PLANNING SYSTEM		GEN			250			250
(P) TECHNOLOGY TRANSFER		GEN			1,000			1,000
(P) BIOMEDICAL ENGINEERING INSTITUTE		GEN			3,000			
(P) ACADEMIC HEALTH CENTER		GEN			5,940			
=====		=====		=====	=====		=====	
TOTAL GOV'S INITIATIVES					61,965			70,283

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	483,910	494,124	460,755	576,215	517,395	463,917	579,380	523,417
STATUTORY APPROPRIATIONS:								
GENERAL	196,544	214,229	215,787	221,112	221,112	217,344	228,127	228,127
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	680,454	708,353	676,542	797,327	738,507	681,261	807,507	751,544

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota (U of M)
PROGRAM: Primary Programs

ITEM TITLE: Compensation

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$39,917	\$75,376	\$100,890	\$132,900
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the University's request for new state appropriations to fund the costs of salary inflation. The Governor intends that the University manage inflation costs through attrition and reallocation. In support of the overall objective of the University's request, however, the Governor recommends appropriations of \$40 million over the biennium for the recruitment and retention of a highly talented and productive faculty.

This recommendation includes appropriations of \$10 million in F.Y. 1998 and \$20 million in F.Y. 1999 to be used by the University to attract star new faculty and researchers in areas of strategic priority to the University and the state. The Governor also recommends \$5 million in new appropriations in each year of the biennium to support the University's efforts to reward and retain current faculty, in recognition of their contributions to the excellence of the University.

AGENCY RATIONALE FOR REQUEST:

The University of Minnesota must have a high-quality work force. Its rates of compensation must be competitive. Achieving the University's U2000 goals and attaining the governor's objectives in the areas of education reform, tomorrow's workforce, and economic vitality will require a highly motivated and extraordinarily capable faculty and academic staff. This initiative addresses the goals in the critical measures of Faculty/Staff Experience and Scholarship, Research, and Artistic Accomplishments.

Faculty salaries are not competitive. Rather, they have been cast in the bottom quartile of comparable research universities. A world-class university is first and foremost known for the quality and reputation of its faculty. This is a chronic condition that the University and the state must address if their goals and objectives are to be realized. Without a faculty of the highest caliber, the University and state will not be able to successfully offer competitive programs of teaching, research, and

outreach that are truly world-class.

University policy regarding individual pay for nonunionized faculty and staff is based upon the individual's performance and contribution. The explicitly stated value that reward should relate to performance has been the foundation of the University's salary distribution and will remain so in the future. In the current environment of competition and public accountability, the University must continue to support a pay-for-performance philosophy. In addition, the University's compensation strategy over the next 4 years must address 2 priority objectives.

First, the University's highest priority is to raise the average compensation for all employee groups to at least the mean of the appropriate local or national market.

Second, the University needs to increase the flexibility in its salary system by allowing the expanded use of temporary adjustments to the base salary of individuals. This requires the creation of a pool of temporary incentive funds that would be awarded to individuals or groups on a temporary, nonrecurring basis in recognition of extraordinary merit or as a reward for temporarily assuming significant additional responsibilities. The use of such group and individual incentives will also signal and reward institutional priorities and facilitate needed structural changes. Examples of the use of funds include rewards for major scholarly achievements, major distinctions (e.g., election to the Academy of Sciences), or such group projects as the redesign of a department's curriculum in order to take advantage of new information technologies.

The table below outlines 2 components of the compensation budget initiative. The first component represents 2.5% per year inflationary increase in salaries and the second component represents the amount necessary to meet the University's specific compensation strategy over the next 4 years for faculty and academic staff.

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
2.5 % Inflation Pool	\$23,040	\$45,870	\$68,412	\$91,544
Compensation Strategy Pool	16,877	29,506	32,478	42,356
Total	\$39,917	\$75,376	\$100,890	\$132,900

The average salary for most employee groups is currently at or above the mean of the appropriate market. The 2 significant exceptions are faculty on the Morris and Twin Cities campuses whose salaries fall below this standard by approximately 10% and 8%, respectively. Salary increases for faculty on the Duluth Campus are set by a bargaining contract; peer institution comparison is but one potential variable in reaching a settlement. Salaries for faculty at the University of Minnesota, Crookston are competitive, although the University is reevaluating this situation, given Crookston's new mission as a 4-year institution.

The University's faculty and academic staff are drawn from a national and international academic labor market. In assessing and monitoring its competitive position, the University uses established peer groups for each campus. The peer group for Crookston is being reevaluated. Subject to approval, the University of Minnesota, Duluth peer group will include Cleveland State University, Idaho State University, Northern Arizona University, Florida Atlantic University, Portland State University, Old Dominion University, Oakland University, Wichita State University, Wright State University-Main Campus, Marquette University, Villanova University, University of Nevada-Reno, University of Wisconsin-Milwaukee, University of Maine-Orono, University of Colorado-Denver, University of Massachusetts-Dartmouth, University of North Carolina-Charlotte, University of New Hampshire, University of Nevada-Las Vegas, University of New Orleans, University of Central Florida, and the University of Tulsa. The peer group for the University of Minnesota, Morris is a

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota (U of M)
PROGRAM: Primary Programs

ITEM TITLE: Compensation
 (Continuation)

group of 15 public and private colleges including North Carolina-Ashville, Evergreen State, Carleton, St. John's, and St. Olaf.

The peer group for the University of Minnesota, Twin Cities is the Change Magazine group of the nation's top 30 research universities, as shown below.

Brown University
 California Institute of Technology
 Carnegie Mellon University
 Columbia University
 Cornell University
 Duke University
 Harvard University
 Indiana University, Bloomington
 Johns Hopkins University
 Massachusetts Institute of Technology
 New York University
 Northwestern University
 Princeton University
 Purdue University
 Rockefeller University
 Stanford University
 University of California, Berkeley
 University of California, Los Angeles
 University of California, San Diego
 University of Chicago
 University of Illinois, Urbana
 University of Michigan, Ann Arbor
 University of Minnesota
 University of North Carolina, Chapel Hill
 University of Pennsylvania
 University of Texas, Austin
 University of Virginia
 University of Washington
 University of Wisconsin, Madison
 Yale University

Twin Cities faculty salaries currently rank 27th of 30 at the full professor level, 26th of 30 at the associate professor level, and 24th of 30 at the assistant professor level--all falling in the bottom quartile of the comparison cohort.

Average salaries for Twin Cities faculty and the mean salaries of the nation's top 30 universities are shown in the table below.

	<u>Top 30 Universities Faculty Salaries (9 months)</u>		
	<u>Full</u>	<u>Associate</u>	<u>Assistant</u>
Top 30 Mean	\$88,200	\$58,500	\$49,200
Top 30 High	\$109,000	\$75,000	\$59,000
Top 30 Low	\$70,200	\$49,300	\$41,800
U of M, Twin Cities Average	\$73,000	\$51,000	\$45,500
- below mean	\$15,200	\$7,000	\$3,700
- rank	27th	26th	24th

The most talented academic professionals move to institutions with the best employment and compensation policies and infrastructure support. The best young faculty the University seeks to recruit generally have more than 1 offer from which to choose. Further, faculty search out institutions offering these opportunities, or they may be recruited away by competing institutions. In either case, the result is an increase in the quality of institutions with competitive compensation policies and an equal reduction in the quality of those institutions with noncompetitive compensation policies. The situation is no different than for any business that relies on the talents and energies of a professional staff and that competes against similar businesses for the best employees.

The University's faculty is much more fluid and changing than is generally recognized. 28 % of the University faculty in 1990 have left the University. 22% of the University's current faculty have been hired over just the past 6 years. Over the past 6 years more than 300 faculty members--more than 10% of the University's total faculty--have resigned to accept positions elsewhere, some outside of academe in both the public and private sectors, but most at other academic institutions. Each year the University faces more than 50 retention situations involving its best faculty who are being recruited by other institutions. It is usually successful in retaining about half of these faculty members. Each year the University hires about 150 new faculty members, competing against the nation's premier institutions. All of these are situations requiring a competitive salary position. Nothing is more important to ensuring the University's continuing quality and its ability to meet the high expectations of the state and its citizens.

PROGRAM OUTCOMES:

The average salary for all employee groups will be at least at the mean of the appropriate local or national market. Most importantly, the University will have a more competitively compensated faculty. By increasing the faculty's average salary from the bottom quartile of its comparison cohort to the mean during the biennium, faculty on the Twin Cities campus will be competitively positioned among the nation's top 30 universities.

LONG-TERM IMPACT:

The University's competitive position vis a vis the nation's top universities in the recruitment and retention of the faculty who will lead the University in the 21st century will be strengthened and stabilized.

Support of this initiative represents a commitment to the long-term future of the University. Only with a faculty made up of the world's best and brightest scholars will the University and the state be able to field top quality programs for undergraduate, graduate, and professional students and world-class research. The University's high national standing in successfully competing for sponsored research funds; in patentable research ideas; and in developing commercial applications for its inventions is inexorably linked to the creative scholarship embodied in a world-class faculty.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota (U of M)
PROGRAM: Primary Programs

ITEM TITLE: Technology/Equipment & General Infrastructure

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$37,500	\$37,500	\$37,500	\$37,500
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

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The Governor's budget recommends \$57.7 million in new state funds, \$29.9 million in F.Y. 1998 and \$27.8 million in F.Y. 1999, to support "Investments in Excellence." This pool of state funds is appropriated for new investments in technology, facilities and programs, including the investments in communications infrastructure and technology outlined in this University initiative. The Governor intends that the state's "Investments in Excellence" be matched by the University through reallocations and through increases in existing and new sources of revenue.

The Governor requests that the University prepare a plan for offering on-line distance learning to be submitted for review and approval by the Minnesota Office of Technology to ensure coordination with the development of the Virtual University.

AGENCY RATIONALE FOR REQUEST:

The University proposes to invest \$150,000,000 over 4 years in technology initiatives to enable the achievement of the U2000 objectives and 3 of the governor's objectives: education reform; tomorrow's workforce; economic vitality; and accountability. The intended outcomes are for the University to take a continuing leadership position in the deployment and use of technology, and to help position the state as the recognized leader in education reform; provide the state with a workforce with requisite competencies to effectively compete in the international information-based economy of the 21st century; and maintain and enhance the University's and the state's role in technological innovation and economic growth.

This initiative addresses the goals in the critical measures of Information Resources, Facilities Infrastructure, Student Experience, Faculty/Staff Experience, Post-Graduation Experience, Interaction with Society, and Characteristics of Entering Students.

The proposed initiatives provide the infrastructure, equipment, tools, and support to enable the achievement of the Academic Program Initiatives and to support the required widespread access to

the new administrative systems proposed in the Process Redesign Initiatives and to achieve maximum return on investment in those systems. The emphasis will be on equipping students, training faculty, and developing facilities and systems to support the instructional process.

A world-class university is evidenced by a world-class faculty, and recognized for innovation and performance in its teaching, research, and outreach programs. In the 21st century, a world-class university will also be evidenced by the pervasive use of technology.

The output of the University's teaching, our graduates, are the workforce of tomorrow, and history has shown that our graduates make significant contributions to Minnesota's economic vitality. Therefore, the University will equip our graduates with the tools and skills they need to continue meeting tomorrow's challenges and to contribute to the state's economic vitality in the new information-based global economy as only graduates of a major university can. Our graduates will be characterized by their technical competency and communication skills.

One of the advantages the University will provide to its graduates is maximum access to and increased benefits from technology. Minnesota employers will also immediately benefit from such an effort, as a wide range of businesses have loudly and clearly stated their need for technically competent graduates across all disciplines and fields.

To implement this program, the University will use a 2-part strategy.

Access 2000. Students and faculty will have the tools and support necessary to receive maximum benefits from technology.

1. Personal computers, provided in a form that emphasizes maximum use and convenience. Every full-time student will have a personal computer appropriate to their particular program of study by the year 1999, to coincide with the conversion to the semester system. The University will expand upon the enormously successful University of Minnesota, Crookston (UMC) experiment throughout the University in a way that is consistent with the complexity and differing requirements of the various campuses and their programs. For students, this will be accomplished through individual purchases, creative cost-effective leasing, and corporate partnerships. No student will be denied access for lack of financial resources; the University will develop strategies for dealing with the part-time student. In addition, in colleges such as the Institute of Technology, students will also need access to high-end engineering workstations.
2. Communications infrastructure (connectivity), in the form of improved networks and network access, that enables students and faculty to interact and be productive whether they are across campus, across town, across the state, or around the world. It will include expanded technical and user support services that would ensure that devices and connectivity systems work efficiently and are user-friendly to all clients, and training for all faculty, staff and students. Connectivity will also ensure that the ever-growing number of nontraditional students unable to spend time on campus will enjoy improved access to University courses, information resources, advising, and support. Connectivity would also be a crucial tool in ensuring that all University graduates can enjoy lifelong learning (so critical in today's fast-paced and ever-changing economy) by easily tapping into University programs and services long after they graduate, no matter where in the state or nation they may be. One aspect that is particularly important to the health professions is maintaining communications with students when they train (gain practical experience) at sites off campus--especially with the Rural Health Initiative--and with practitioners statewide for their on-going licensing and certification educational needs, and for making the expertise of University health science faculty available throughout the state in the form of telemedicine. Finally, connectivity is also an essential enabler for effective partnering with other educational systems in the state and with the private sector.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota (U of M)
PROGRAM: Primary Programs

ITEM TITLE: Technology/Equipment & General Infrastructure
(Continuation)

3. Systems and information resources, in the form of high-capacity computer servers and software, and expanded electronic databases and on-line information resources. This will support wide-spread implementation of on-line, World Wide Web-based course syllabi, course content, and supplemental materials, and development and delivery of more self-paced on-line courses. This will also support enhanced access to library databases and acquisition of additional electronic journals and periodicals.
4. Faculty Development and Support. An essential element of this initiative will include focused faculty development and training, and increased support for development and use of technology in the classroom. During the 1998-99 biennium, the University will prepare the faculty and infrastructure services to support this significant undertaking.

Technology Across the Curriculum. The University will also initiate actions that would ensure maximum use of technology and maximum skill/knowledge development in 2 significant thrusts.

1. The University will integrate technical competency requirements into its required liberal education core programs, across all disciplines, and throughout all graduate and professional programs, ensuring that all graduates leave the institution with the core skills and knowledge necessary to quickly apply commonly available computer technologies to the challenges they will face after graduation. These requirements will be developed in close consultation with state employers. An "Information Technology Summit" meeting has already been held with the Minnesota Software Association to begin work on this, in collaboration with MnSCU leadership.
2. The University will emphasize technology assisted education, to fully integrate technology into instructional design and delivery across the curriculum, ensuring that faculty give students the opportunity to fully benefit from the tools and skills provided in the context of this program. Classrooms are being updated to provide technology-enabled modern learning environments. Course content and delivery will be modified to use technology to create more effective learning strategies.

Education for a lifetime will be an additional goal of the University's technology initiatives, based on 2 thrusts: providing students the information age tools and skill sets to enable lifelong learning after leaving the University; and new programs aimed at the ongoing, lifelong learning needs of the workplace. Students will learn how to use Internet-based tools to access on-line learning and information resources as part of their on-campus experience, thus preparing them for ongoing, continuous learning opportunities after they leave. The University will develop more modular, "just-in-time" (quick response, on-demand) learning opportunities accessible using distance and asynchronous learning technologies. In addition, specific programs will be developed that focus on University alumni and workplace continuing education needs.

Partnership efforts will extend the reach of these efforts and leverage resources.

MnSCU. Existing Partnership Degree programs will be enhanced and expanded to other sites throughout the state using technology. Additional new partnerships are being explored with MnSCU in the areas of mathematics, nursing, teacher education, agriculture, and information technology--in a "virtual university" context for enhanced statewide educational opportunities.

K-12. In addition to establishing new technology literacy requirements, the University will also work with K-12 and MnSCU to define technical literacy preparations standards for students entering the University from K-12. Correspondingly, programs aimed at teacher in-service and post-graduate opportunities will be expanded, to include technical skill updating. New PSEO opportunities will be provided to qualified K-12 students via technology. For example, current efforts in the University of Minnesota Talented Youth Mathematics Program (UMTYMP) and Geometry Center to develop a World Wide Web-based calculus course will be expanded to more sites statewide.

Private sector partnerships. The University is working with the Minnesota Software Association and corporations such as IBM Rochester to define new degree programs and "just-in-time" (on-demand) modular learning programs.

PROGRAM OUTCOMES:

Support of this initiative will provide the infrastructure, tools, and support required to create the technology-intensive environment to propel the University and the state into a leadership position in the global information age economy.

As our use of computers and information systems expands to include access to 'everyone' and 'everything,' from 'anyplace' at 'anytime,' we are taxing the network to the limit. This initiative addresses this problem and provides the following outcomes.

Capacity. Increase capacity to respond to projected demand. As is, the network cannot support the increasing number of users and the expanding variety of media and applications.

Configuration. Link to all appropriate facilities. As is, the network does not yet reach all buildings, residence halls, classrooms, offices, and desktops and can't always provide needed links to external satellite or cable-based networks for distance education.

Latest Technology. New technologies are now available that permit the integration of voice, data, and video on a single digital backbone carrier. In fact, this technology is now required to connect and use the NSF-funded vBNS backbone that connects the national supercomputer centers. Some components of the current electronic equipment inventory and cable plant are approaching or have already reached the end of their functional and economic life cycles.

Specific programs to be undertaken and outcomes include the following:

- extensive faculty training and development in use of multimedia and the Internet
- course development for distance and "asynchronous" learning
- use of instructional technology (e.g. on-line, Web-based course syllabi, class notes), throughout the curriculum
- access to student systems, human resources, and grants management
- expand partnership degree programs to other MnSCU campuses beyond the pilot sites

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota (U of M)

PROGRAM: Primary Programs

ITEM TITLE: Technology/Equipment & General Infrastructure
(Continuation)

- expand UMTYMP programs for talented students and calculus/geometry pre-service and in-service access (Geometry Center)
- enhance community access to information and to the University through continuation and enhancement of the Access Minnesota project
- expand offerings in Rochester through technology-based delivery; pilot "virtual university" offerings in Rochester but also other sites
- strengthen and expand collaborations with University of Wisconsin: manufacturing engineering, political science, entomology, foreign languages, cooperative development of library resources and services
- expand our collaboration with other CIC (Big 10 plus Chicago) universities in the CIC Learning Technologies Initiative: languages, mathematics, geographic information systems (GIS), "asynchronous learning"
- support high performance computing and information access needs for research and instruction across the disciplines through the NSF-funded vBNS connections program; participate in Internet II/2000 project to build the next generation Internet a public-private partnership effort
- enhance mechanisms for interacting with health professions students and practitioners at health care sites throughout the state for the purposes of guiding and monitoring the student's practical training and to provide access to campus resources such as the Biomedical Library wherever they may be located
- in cooperation with health care institutions throughout the state, expand the University's Telemedicine Project to make the University faculty's medical expertise more widely available
- enhance the offerings and capabilities of the University Libraries and the Biomedical Library to make their resources easily accessible to students and practitioners, regardless of location, and to move the libraries quickly toward the goal of a fully digital library, accessible anywhere, anytime.

LONG-TERM IMPACT:

Access 2000's premise is that a viable, future-oriented network with associated tools and support is necessary to ensure that students can continue to improve and diversify the ways that they learn and that faculty can continue to improve and diversify the ways that education is delivered. It provides a comprehensive integrated telecommunications network design for the future which will enable state of the art classrooms and support future multimedia applications such as desktop video and interactive course content. Electronics, fiber optics, and cabling investments will be prioritized in line with educational program priorities and phased in over a 4 year period. By placing personal, portable computers in the hands of students on a full-time basis, new educational models will be enabled,

and current barriers to more effective access and learning will be removed. These proposed initiatives in their entirety will transform the University and ensure that the University will be positioned for continuing leadership and innovation in teaching and learning, research and discovery, and outreach and service on local, state, national and global levels.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota (U of M)
PROGRAM: Primary Programs

ITEM TITLE: Administrative Process Redesign

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$17,500	\$10,000	\$9,500	\$8,000
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor's budget recommends \$57.7 million in new state funds, \$29.9 million in F.Y. 1998 and \$27.8 million in F.Y. 1999, to support "Investments in Excellence." This pool of state funds is appropriated for new investments in technology, facilities and programs, including the investments in management information systems outlined in this University initiative. The Governor intends that the state's "Investments in Excellence" be matched by the University through reallocations and through increases in existing and new sources of revenue.

AGENCY RATIONALE FOR REQUEST:

This initiative addresses the goals in the critical measures of Student Experience, Sponsored Funding, Information Resources, Interaction with Society, and Faculty/Staff Experience.

Student 2000 Project

Student 2000 will allow prospective students to explore the University, compare us with other higher educational institutions, and apply for admission, financial aid, and housing on the web. It will allow new and enrolled students to use the web to register for classes, research majors and careers, access special learning opportunities including study abroad, find ways to get involved in student life on campus, and conduct a lot of their University business.

The Student 2000 Project is a 5-year effort to replace existing student record systems with new systems that can handle the change to semesters and the year 2000, and provide more effective, student-centered support services to students, staff, and faculty.

Student administrative support processes include direct support to students--admissions and financial aid application processing, student accounts receivable, registration, recruitment, class schedule maintenance, transcripts, and advising support--and key institutional reports such as official registration statistics, course inventories, and required federal reporting.

Semester Conversion

Semester conversion involves changing the University from a quarter-based to a semester-based academic calendar, with the first semester in fall 1999. This is the largest undertaking of its kind in University history, requiring the conversion of all 650 degree programs, the revision of most of the 20,000 courses, and the completion of numerous other tasks, coordinating both academic and non-academic processes with the academic following a rigorous schedule. The entire University curriculum and many academic policies and procedures will be subject to careful review. Departments and programs will use this process for important curricular revisions. The entire conversion is being processed in a paperless, electronic format so that anyone can view the new semester-based degree program descriptions and the new semester-based courses as they are created via a Web browser. This includes University students interested in seeing what new courses will be offered in their programs. This information will also be available to MnSCU faculty working with the University on transfer issues.

Responsibility Center Management

Responsibility Center Management (RCM) at the University of Minnesota is an approach to management where responsibility for operating decisions affecting revenue and expenditures is placed, to the greatest extent possible, at the collegiate/support unit level. This contrasts with the typical approach to higher education budgeting, which is to pool most income centrally and to approach expenditure budgeting without regard to which units generated the income.

RCM identifies the revenues (tuition and indirect cost recovery) associated with each collegiate or support unit and returns those revenues to that unit while charging each unit, as nearly as possible, with the expenses (like facilities) associated with its activities. Thus, collegiate and support units increasingly share both the responsibility for expending funds and for raising revenues. Under RCM, a collegiate or support units' actions have a measurable effect on its budgets and do not disappear into a central pool of funds. Instead of a perception that centrally budgeted support is "free," each expenditure decision is made in light of alternative uses of the resources.

The deepening resource crisis in higher education is not a cyclical phenomenon but a dramatic change in the nature and degree of societal support for colleges and universities. The traditional approach to declining resources calls for budget cutting and agonizing reappraisals of institutional missions. While operating efficiency is critical, the University believes that it can not solely cut its way out of its current financial problems, but rather must grow its way out through an aggressive management of growth and growth processes. This requires proper incentives that facilitate growth for members of the University community. Responsibility Center Management provides such incentives. Some of the major outcomes of an RCM approach to resource allocation include: 1) innovation and investment in new programs will be stimulated throughout the institution; 2) revenues and costs will be linked; and 3) revenue responsibilities, budget choices, and consequences will be clearly defined so that individuals are held accountable for their decisions.

Financial Management System Strategy

As part of the University's administrative process redesign efforts, the president initiated a Financial Management Systems Strategy project. The purpose of the project was to establish a short- and long-term strategy for the use, upgrade, or replacement of the financial management system. This project was completed July, 1996.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota (U of M)
PROGRAM: Primary Programs

ITEM TITLE: Administrative Process Redesign
(Continuation)

The short-term recommendation of the strategy project is to establish 2 concurrent projects to meet immediate needs that demand resolution by December 1998. The first project will modify the University's current financial management system, CUFS, to accommodate the century change. The second short-term project will be to improve the on-line security of CUFS. The objective of the short-term projects is to keep changes to a minimum for the users of the financial system. These projects will start in September, 1996.

Upon completion of the short-term solution projects, the long-term recommendation is to establish a project to completely evaluate and revise business practices, identify institutional financial management needs, and select and implement software to best meet those needs.

Enhancing Grants Management

The University of Minnesota is 1 of the nation's top 10 research universities with respect to research and development expenditures, with over \$300,000,000 annually. In July 1995, a Grants Management Committee was appointed to direct efforts to improve the management of grants and contracts sponsored by external organizations. This committee established objectives to: 1) enhance the research climate; 2) assure the highest of ethical standards; and 3) improve the infrastructure to be more supportive of research.

To meet these objectives, the following 5 goals were set.

Clarify and Define Research Roles and Responsibilities. A draft document delineates roles, outlines tasks, and assigns responsibilities for those involved in and overseeing research.

Revise Grants Management Policies and Procedures. The Board of Regents approved a new Code of Conduct Policy in July. Guidelines have also been prepared for aspects of financial management and the conduct of research.

Enhance and Provide Training Programs and Communication Tools. Training is being developed and delivered to all those who are involved with grants--researchers and administrators. The University now uses Internet sites for policies and procedures and information from the Office of Research and Technology Transfer Administration.

Develop an Electronic Proposal and Award System. The Grants Electronic Management System (GEMS) will simplify processes for submitting grant proposals and streamline the effort to set up administrative systems when a grant has been awarded. Currently, a prototype electronic format of "Application for External Research, Training or Public Service Support" is being tested that would enable the form to be automatically routed for required internal approvals.

Improve Utility of Existing Financial System for Managing Grants and Contracts. Multiple projects have been undertaken to improve the timeliness and completeness of entering financial information into the University financial systems. A system for submitting financial documents on the Internet and routing them for approval is being tested. Principal investigators can now monitor the financial status of their grants using new financial reports designed specifically for the principal investigator and presented on the Internet.

The Grants Management Project, while specifically addressing management of grants at the University, is also improving the overall financial systems for the University of Minnesota.

Human Resources Management System

The Human Resources Management System (HRMS) is the University's commitment to change the management of employee information from a job application. By rethinking and revising employee life-cycle policies and processes and by investing in new technology, HRMS aims to create an environment that is user-friendly, flexible, responsive, and cost-effective.

Information about University employees is stored in numerous systems that do not interface or "talk" to each other. The new system will share information resulting in major savings of time and funds.

The University will have integrated systems for human resources, payroll, employee benefits, staff demographics, seniority tracking, and applicant systems.

PROGRAM OUTCOMES:

- Integrated systems that provide more data while broadening accessibility of this information to faculty, staff, students, and the University community
- Simplified policy and procedures resulting in cost-savings
- Implementation of best practices for financial, human resources and student support units
- A reduced number of support staff with a broader set of skills
- A user-friendly support service environment
- An improved incentive structure so that individuals and units understand the consequences of various policy options
- Increased accountability to external organization

LONG-TERM IMPACT:

The University will develop a support infrastructure that can handle the demands of the information age including technologically supported educational programs, distance education, technology transfer, and institutional outreach.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Programmatic Investments

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$20,000	\$23,000	\$28,500	\$28,500
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor's budget recommends \$57.7 million in new state funds, \$29.9 million in F.Y. 1998 and \$27.8 million in F.Y. 1999, to support "Investments in Excellence." This pool of state funds is appropriated for new investments in technology, facilities and programs, including the investments outlined in this University initiative. The Governor intends that the state's "Investments in Excellence" be matched by the University through reallocations and through increases in existing and new sources of revenue.

AGENCY RATIONALE FOR REQUEST:

The University proposes to invest \$100,000,000 over 4 years in academic programs to fulfill mutually compatible goals and objectives of U2000 and the governor's objectives of: education reform, tomorrow's workforce, and economic vitality. The intended outcomes are to make the state the recognized leader in education reform; provide the state with a workforce with requisite competencies to effectively compete in the international economy of the 21st century; and enhance the University's and state's role as national and international leaders in economic innovation and growth.

This initiative addresses the goals in the critical measures of Student Experience, Post-graduation Experience, Information Resources, Interaction with Society, Investment per Student, Faculty/Staff Experience, Scholarship, Research, and Artistic Accomplishments, and Sponsored Funding.

Education Reform and Technological Leadership Toward a Virtual Campus

New or redesigned academic programs and teaching paradigms that take full advantage of the University's technologically sophisticated learning environment (e.g., technology across the curriculum that is supported elsewhere in this proposal) and communication systems constitute a major thrust of this initiative. Major initiatives include:

Rural Health School. To meet the critical needs of rural Minnesota, the Academic Health Center will establish a "virtual school" for the interdisciplinary training of medical, nursing, pharmacy, physician assistant, and other health professions students intent on practicing in rural communities. University faculty will team with community-based clinical faculty to provide clinical teaching on-site and through interactive television in rural communities. The school will also research improved delivery of health care services in rural settings and help rural communities in preparing for likely changes in their health care systems as a result of increased penetration of managed care.

Comprehensive Redesign of Health Care Professional Education to Meet Changing Work Force Needs. Fundamental changes in health care delivery and major scientific and technological advancements require an immediate and comprehensive redesign of the health sciences curricula for matriculated students and for retraining current health care practitioners. To deliver quality care in an environment of limited resources, health care professionals need new knowledge and skills, including those in evidence- and population-based care and emerging health care systems. All practitioners need to be better trained in epidemiology; biostatistics; medical economics; biomedical ethics; preventive care, including patient education and health screening; information and medical technology; design of population-based care programs based on assessment of population risks and needs; measurement and improvement of health and quality of care; development, use, and assessment of practice standards; outcomes research; and working in multidisciplinary teams for efficient care and use of resources.

Tomorrow's Workforce: Educating Minnesota's Leaders for Work and Life

Undergraduate Education. The President's Initiative for Excellence in Undergraduate Education has had a dramatic impact on recruitment, student achievement and satisfaction, and overall quality of academic programs on all 4 campuses. Building upon this foundation, the University proposes to further intensify the student's academic experience, placing great emphasis on quality in writing and communication, major utilization of technology, expanding knowledge of the world and overseas experiences, increasing participation in the processes of discovery through teamwork, internships, participation in research, living-learning opportunities through residential college programs, and similar applied experiential learning. Major elements of this proposal include efforts to more closely link the curricular and co-curricular aspects of the undergraduate experience on the Twin Cities campus through the development of a 1st-year seminar, a leadership development curriculum, and a campus-wide wellness initiative. Strengthening of the junior year programs at Morris and Duluth are also components within this initiative.

Education for a Lifetime. The University will redesign its curriculum and teaching methodologies to support lifelong education for all of its alumni and interested citizens through distance education and the World Wide Web. Recognizing that graduates increasingly will require continual education to sustain careers in today's industries, the University will provide the requisite education at a place, pace, and in a format that is tailored to an individual's professional and personal needs. While at the University, students will receive training in the use of technologies that support lifelong education.

Graduate Education. While strengthening the focus and quality of graduate programs, develop 50 more practitioner-oriented and special master's programs at the Twin Cities and Duluth campuses including fields such as manufacturing engineering, software engineering, and telecommunications.

Improving the Lives of Minnesota Children and Families through Research and Outreach. This project addresses problems of children and families through research plus ongoing outreach efforts. It involves core academic units from across the University and systematically engages external groups concerned about the healthy development of children and families. The project focuses on approaches for working with schools and families that: are designed to improve school

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Programmatic Investments
(Continuation)

readiness and early achievement of young children; assess impact of innovative educational models and approaches currently being planned or implemented in Minnesota; bring families more prominently into the successful development and socialization of their children, increase their understanding of and effective use of information technology, and prepare students for moving from school to work settings. Dissemination of the research findings and their implications for practice will be provided through the networks of MES and appropriate centers in addition to both electronic (world wide web) and traditional paper channels (newsletters, press releases, etc.).

K-12. The University plans to expand its Institute of Technology (IT) Summer Computer Camp for girls in elementary school, to offer summer instruction in foreign languages on the Twin Cities campus for high schoolers, and establish a Science and Engineering College for talented high school students.

Economic Vitality

The economic vitality of the state of Minnesota is directly related to the quality and success of University research. The state has been consistently rewarded for its investment in the University's research in the form of real economic growth and major improvements to the quality of life.

Strengthening Technical Research and Research-based Outreach Programs. The University's remarkably successful technical research and research-based outreach programs have been a major vehicle for identifying problems confronting the state and finding answers through research. These programs link University programs to citizen, community, business, and government needs and create a modern day "people's university". These statewide programs, provided through mechanisms such as the IT Industrial Assistance Program and the Minnesota Extension Service, have had significant impact throughout the state. However, many issues that we as a society must address require the knowledge base and perspectives of many disciplines. Yet, because of the rising dependence of outreach programs on short-term grants and contracts, identifying and bringing multidisciplinary teams has become increasingly difficult. This program of activities would provide funds that give more stability to interdisciplinary outreach programs in a variety of areas such as public policy, health concerns, community leadership and development, the environment, technology transfer, and productivity of small business enterprises. In addition, this program would enhance our capacity to bring largely untapped sources of knowledge to address problems and then better assess the impact of program effectiveness. The program would build upon the current mechanisms within University units for delivering programs and would expand citizen involvement in defining needs for research-based educational outreach programs.

Minnesota in the World. As Minnesota depends more and more on the world economy, it needs a workforce and skilled research infrastructure that can help the state deal creatively and proactively with opportunities outside of North America. Building on our strength in the social sciences and professional schools, and on existing networks of international contacts, we will build key faculty competency in areas of emerging economic and political importance, especially East Asia. This will include a Center for the Study of Democratization and Economic Development, and an expanded program of international exchange for both faculty and students.

Environmental Planning and Design. Lifestyles that Minnesota citizens currently enjoy are undergoing serious changes as a result of too little attention being given to how the "built environment" is impacting our landscape, daily routines, and overall quality of life. This proposal focuses on addressing urban, suburban, and rural issues that are frequently seen as related to each other, but are seldom considered from an overarching planning and design perspective. For example, a recent report indicated that during the last 25 years the Twin Cities has become the "third most sprawled metropolitan area in the nation." This leads to major questions on planning for land use, transportation, sewers, schools, housing, business centers, and recreational areas. In addition, many of our rural communities have housing shortages and face significant costs per household for waste handling. In sum, it is time to develop policies and practices that help assure that our quality of life is maintained. In this proposal, faculty and students from many disciplines would partner with communities and appropriate government bodies to develop critical policy questions, to conduct the necessary interdisciplinary research that addresses those questions, and to develop educational programs that would better inform citizens and critical policy decisions. Although University faculty already are addressing many environmental issues, the need for and benefits from a broad-based, collaborative research and outreach partnership initiative go well beyond current efforts.

Improving Economic Competitiveness. We propose creating an "Economic Development Center" within the Twin Cities campus. The center would draw upon faculty and student expertise from numerous areas to address a variety of economic development issues. Participants would vary depending upon the needs of each individual project. The center would provide a single focal point for external individuals or groups to use to identify faculty expertise in seeking analytical information on economic development ideas and concepts and for collaboration. Many projects would be expected to provide additional matching funds. Discussions in 1995 with individuals from the Minneapolis Chamber of Commerce and the Department of Trade and Economic Development were very supportive of this concept. The majority of projects would be conducted in cooperation with external groups, communities, businesses, or agencies. Frequently such groups need information, data and/or analyses that are either not available to them or that they cannot appropriately evaluate. The strength of the center would derive from its research and analytical outputs. This research would produce specific answers for a given project, and, together with other studies, would enhance educational programs and better inform public policy makers. The programs and focus of this center would be closely coordinated with the Department of Trade and Economic Development to complement its activities.

Sustaining Minnesota's Renewable Natural Resource Based Industries. This program focuses on practices and policies that optimize the use of Minnesota's soil and water resources for agriculture, forestry, food, recreation, and tourism sectors. In this environmentally aware era, multiple needs and perspectives on the use and sustainability of these resources are increasingly common and frequently contentious. Most of these issues and the policies related to them would benefit from research and education programs that involve systematic approaches. As such, many of the needs cannot be adequately addressed by short-term studies. This program would integrate in a systematic manner the environmental and use concerns that involve physical, biological, and social issues. Examples of specific concerns include: the impact of the increasing size of livestock units on the community, waste management, air and water quality; the interface of tourism and recreational needs with production and environmental concerns that relate to issues such as profitability, wetlands, soil compaction and water quality; the development of new management tools, pest and disease resistant plants, and the biological control of weeds and detrimental organisms, all with a goal of improving productivity in an environmentally friendly manner. Research of this type has traditionally produced a very high return (40-70%) on the investment and much of this research would be expected to do the same. These high rates of return have also ensured the rapid transfer of this information to early adopters and then much of the sector.

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AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Programmatic Investments
(Continuation)

Critical Advancements in Clinical Research and Education for High Health Risk Populations. The Academic Health Center will invest in centers of excellence to develop new models of care and treatment for the elderly, the fastest growing segment of the population and the heaviest user of health care services. University faculty will work with providers and public agencies to develop, test, and teach new ways to meet the rapidly growing demand for both acute and long-term care among older persons. The Academic Health Center also will invest in new programs for the study and treatment of illnesses that affect large numbers of Minnesotans, including cancer, diabetes, epilepsy, pain, strokes, and other cerebrovascular diseases, and childhood diseases that result in developmental disabilities.

Advanced Technology for New Approaches to Understanding, Diagnosing, Treating, and Preventing Disease. Advances in genetics research promise to revolutionize health care in the 21st century. The University is in a unique position to capitalize on its recent advancements in genetic research, clinical diagnostics, and surgery to improve the health of Minnesotans and contribute to the state's economic vitality through technology transfer to Minnesota companies. The Academic Health Center will invest in biomedical engineering programs to develop microdevices for performing minimally invasive surgery, administering drugs, and conducting rapid, low-cost genetic testing for inherited and acquired diseases such as heart attacks, strokes, and cancer. The center will also invest in programs to develop new materials for implantable medical devices and instrumentations such as bioartificial arteries, membranes, corneas, skin, and liver. It will conduct advanced genetics research into animal diseases, food production, and human health. It will also establish drug design programs focused on anticancer and chemo-preventive agents, antimicrobial and anti-viral agents, agents affecting the central nervous system, and drugs that attack diseased cells while sparing patients' healthy tissues and organs, thus reducing both the mobility and mortality caused by life-threatening diseases. The Academic Health Center will invest in population-based strategies to maintain health and prevent disease and disability.

PROGRAM OUTCOMES:

Support of this initiative will directly impact the University's ability to attain the goals of U2000 and the governor's objectives.

Education Reform and Technological Leadership Toward a Virtual Campus

This initiative allows the University to provide broader and easier access to traditional degree programs for talented and motivated part-time students; establish new collaborative experimental programs that connect advanced education to emerging patterns of employment and that connect the University's research and graduate programs to the teaching resources of other post secondary institutions; promote and develop methodologies and delivery technologies to ensure that outreach is accessible to a diversity of people and challenges in society; retain and enhance a position of national leadership in providing access to new and current degree programs of the highest quality for part-time, degree-seeking students, building upon the collaboration of University College with our colleges and schools.

Tomorrow's Workforce: Educating Minnesota's Leaders for Work and Life

Through investments in undergraduate education, we will recruit a diverse population of students who are academically prepared and motivated to enrich and profit from the richness of the college experience. On the Twin Cities campus, we will recruit a freshman class that moves us toward our goal of 80% of whom have graduated in the top 25% of their high school graduating class; recruit a class that can move us toward our goals of graduating in 5 years at least half of all freshman entering in 1996 and improve the graduation rate of minority students by 50% with the long-term goal of graduation rate equivalent to that of the University student population as a whole; increase the number of students participating in undergraduate research programs; enhance collegiate honors programs; and improve career counseling and job placement services to assist students in making the transition from education to employment. In short, our objective is to intensify the student's academic experience to improve overall student achievement.

The programmatic initiatives move substantial new resources toward the education of undergraduates helping us to achieve our goals of investment per student, which is measured as the percent difference in instructional direct departmental expenditure per student at the University of Minnesota compared to the average of other comparable institutions. The University has fallen markedly behind its peer institutions. The initiatives should help us reach our goal of improving overall student satisfaction with the University's programs.

Through investments in graduate and professional education, we will ensure that top-ranked graduate programs sustain and enhance their national standings; enhance teaching pedagogy programs for graduate and professional students who aspire to careers in teaching; increase interdisciplinary opportunities for students creating and maintaining, where appropriate, broader affiliation with interdisciplinary research centers and laboratories; develop and promote interdisciplinary degree programs and minors; increase the number and quality of practitioner-oriented or applied professional programs and students served by these programs, especially at the masters level, in response to state and national needs; and stimulate special post-graduate programs within industries and public agencies to enhance the vitality of professional work force through lifelong learning opportunities.

In K-12, these initiatives will help improve school readiness of preschool populations, especially among children from disadvantaged backgrounds; improve success in teaching early elementary students basic skills, especially reading; develop an enhanced infrastructure capable of bringing research to bear on the most prominent practical problems in education; and help establish policies that draw from the research and practice and that benefit Minnesota's children and families.

Economic Vitality

The University has long been a national and international leader in research and outreach, and serves as 1 of the primary economic engines of the state in terms of moving research from theory and laboratories to applied policy and industry. The University is under-investing in its research in comparison to its major competitors, public and private. If this under-investment continues, the University is likely to lose its competitive position. It will become increasingly difficult to recruit the quality of faculty needed to keep the University at the forefront of American universities in this area.

The programmatic investments outlined in the section that addresses the governor's goal of economic vitality will assist the University to continue to increase its sponsored funding from all sources for research, training, and outreach by 5% annually and maintain its national ranking in total amount of sponsored funding from the federal government for research and development.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Programmatic Investments
(Continuation)

The initiatives will ensure that these investments will maintain and improve the national rankings of highly ranked core and central disciplines; improve our quality nationally relative to our competitors in all research and postbaccalaureate activities; strengthen our interdisciplinary activities and reach broadly into new arenas and avenues of information, nationally and internationally; establish applied research and education programs, including creating and expanding the number of nationally recognized centers for applied research; and remain competitive for grants that are critical to program quality and economic development.

These investments will increase the number of health care professionals choosing rural locations for practice sites.

To be able to take advantage of many of the new research initiatives, the University needs to develop new interdisciplinary research and graduate training programs. Many of the important scientific breakthroughs have come from interdisciplinary approaches. While it is essential that investments be made to support highly ranked core/central disciplinary units, the University must also make strategic investments in those interdisciplinary centers and activities that currently attract significant external funding but need essential institutional support. In addition, to ensure the University is positioned to take advantage of new interdisciplinary research and graduate training funding opportunities, extra resources are needed to catalyze new collaborations and activities that will ensure faculty are best positioned to take advantage of these new funding opportunities.

The initiatives will address external needs for University expertise in support of economic development; provide research-based information that would improve the probability of success in economic development or competitiveness; and enhance the opportunities for students to become involved in real-world experiences here and abroad that enhance their education and future job prospects.

LONG-TERM IMPACT:

The items included in this initiative represent an investment in the future of the University of Minnesota. Each item is designed to enhance or improve the quality of some aspect of the University - those aspects which are most important to the University's mission. Because the items in this proposal are recurring, support of this initiative represents a commitment to the future--a future that will see increasingly focused and better quality programming in research, graduate, professional, and undergraduate education; a future that will see better prepared and job-competitive alumni who will be in positions to enhance the economy of the state of Minnesota and deepen its penetration of international markets; a future that will see an expansion of University expertise to those areas of the state that could benefit from such a resource; a future where the University remains among the nationally competitive research institutions in the attraction of external funds; a future that will see a more friendly and accessible Twin Cities campus; and a future that will see world-class faculty and students who reflect the diversity of our society. As the University embraces the goals of U2000, the state of Minnesota must be an active contributing partner if these goals are to be achieved.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ITEM TITLE: University-Based Financial Aid

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$2,625	\$5,250	\$7,875	\$10,500
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the University's request for increased state appropriations to fund need-based institutional student aid. The Governor's budget recommendations for the need-based State Grant Program for undergraduates, administered by the Higher Education Services Office, will recognize the tuition increases projected in the University's budget plan, as well as provide an inflationary adjustment to the allowance for books and living expenses.

In support of the University's objective to increase merit-based student scholarships, the Governor recommends appropriations of \$1.3 million in F.Y. 1998 and \$5.2 million in F.Y. 1999 to be matched dollar-for-dollar by new private contributions to the University Foundation. This state challenge grant, together with contributions from the private sector, will help the University increase its selectivity and thereby its national ranking through the recruitment of academically-gifted undergraduate and graduate students.

AGENCY RATIONALE FOR REQUEST:

The University provides financial assistance to its students in partnership with the federal government, the state government, and various 3rd parties, all of which play important roles. Our students' families also play a critical role, for which there is no substitute. The University of Minnesota does not have its own financial aid program, operating in isolation from other programs. The University is instead a partner with many other parties.

This initiative addresses the goals in the critical measures of Characteristics of Entering Students, Under-represented Groups/Diversity, Student Experience, and Graduate Rate.

Students at different levels pay for their education in significantly different ways. Undergraduate students rely on their families or their own resources for nearly two thirds of their educational costs. Undergraduate students with need rely on federal and state grant and loan programs. Graduate students rely on University employment and associated tuition waivers and employee tuition benefits. Graduate students with need rely heavily on loans. Professional students rely heavily on loans. A major difference between professional students (i.e. medicine, dentistry) and graduate

students is that nearly all professional students are full-time, which greatly limits their employment opportunities and forces a much greater reliance on loans.

The key words in any discussion of University tuition and financial aid policy are access, choice, and quality. How can the University maintain access to its educational programs and intellectual resources, including choice among them, while also preserving their quality? These objectives are not mutually exclusive. They can all be obtained, if the University is willing to adopt tuition and financial aid policies that recognize current financial circumstances.

Some aspects of the University's quality have been eroded in recent years. In addition, the gap between the cost of attendance for undergraduate students and the financial aid they receive has increased at rates above inflation. Over the last 2 years, the University has moved aggressively to counter these trends by approving tuition increases above the level of inflation, to offset declining real state support, and to preserve quality, but also dedicating some of the additional tuition revenue to need-based financial aid. If tuition and the cost of attendance must be increased above the level of inflation to maintain quality, then grant assistance for economically disadvantaged students must also increase to maintain access, and it should be provided from University resources, if the assistance from federal and state programs is not keeping pace.

The University has allocated \$4,200,000 over the course of the current biennium in tuition equalization grant funds, which are being awarded to undergraduate students on the basis of financial need, \$1,400,000 in F.Y. 1996 and \$2,800,000 in F.Y. 1997. The \$2,800,000 in grant funds in F.Y. 1997 is a relatively small percentage of the University's overall budget, but it represents an increase of nearly 15% in need-based grant funds for undergraduate students. In addition, the University has increased its merit-based scholarship support for the recruitment of students at all levels.

The University's objective is to increase need-based and merit-based financial aid by \$10,000,000 per year. Some of this funding will be used for need-based grant purposes for undergraduate students, to insure that the University remains accessible. Some will be used for merit-based purposes for undergraduate, graduate, and professional students. Especially critical are multiple-year awards for the recruitment of undergraduate, graduate, and professional students. The University's private fund-raising efforts have these objectives as their highest priority.

PROGRAM OUTCOMES:

The University will meet its ambitious goals for the recruitment, retention, and graduation of students at all levels.

- The University will remain affordable and accessible to all students who are admitted to its programs. No qualified student should be unable to attend the University of Minnesota because of her or his economic circumstances.
- At the undergraduate level, the University will increase the number of high ability students, especially to achieve the U2000 goal of assuring that 80% of the undergraduate students have graduated from the top quartile of their high school class.
- At all student levels, the University will increase the diversity of the student body.
- At the graduate and professional level, the University will continue to attract the top graduate students in all fields.

The University's financial aid policy and financial aid programs must support these objectives. This requires appropriate levels of scholarship support and grant assistance.

LONG-TERM IMPACT:

The University of Minnesota's financial aid programs will be able to provide financial assistance and financial rewards to students at all levels who might not otherwise be recruited, retained, and graduated.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ITEM TITLE: Facilities Operations & Maintenance

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$20,942	\$33,881	\$40,314	\$46,100
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor's budget recommends \$57.7 million in new state funds, \$29.9 million in F.Y. 1998 and \$27.8 million in F.Y. 1999, to support "Investments in Excellence." This pool of state funds is appropriated for new investments in technology, facilities and programs, including the facilities investments in preventive maintenance, custodial standards, and space management outlined in this University initiative. The Governor intends that the state's "Investments in Excellence" be matched by the University through reallocations and through increases in existing and new sources of revenue.

AGENCY RATIONALE FOR REQUEST:

While faculty, students, and staff are the heart and soul of the University, buildings and grounds of the University are its body. In order for the University to be able to recruit and retain outstanding faculty and students, for the faculty to be able to perform their research and teaching missions, and for students to learn efficiently and effectively, University facilities must be maintained and renewed. The capital value of University facilities is over \$3,000,000,000.

The University has 7 components to its Facilities Initiative, which seeks to maximize University utilization and care of its buildings in order to support University programs and extend the useful life of these facilities. The 7 components and amounts requested are summarized below, followed by a specific rationale, description of program outcomes, and long-term impact.

Dollars in Thousands

	F.Y. 1998	F.Y. 1999
Space Management Initiative:	\$2,800	\$4,000
Custodial Standards:	3,150	3,600
Preventive Maintenance Standards:	4,400	6,650
New Building Operations:	1,800	4,700
University 1/3rd Debt Service:	2,800	3,500
Steam Plant Debt:	4,000	7,400
Utilities:	2,000	4,000
Total	\$20,950	\$33,850

Space Management Initiative

In its effort to improve the utilization of quality buildings and decommission the poorest quality buildings, the University needs to finance the reconfiguration of space to improve utilization and finance the moving costs of programs from poor to higher quality buildings. Only after such moves can the University decommission and save operating costs from its poor quality buildings. In relocating programs, a number of issues need to be considered such as library utilization, support service needs, classroom and research use, and collaborative efforts with other programs. Therefore, such relocation efforts often result in a domino effect of subsequent moves to best align like programs in space that can provide the needed functional support.

The completion of the Basic Sciences building and the Carlson School of Management offers both direct and "domino" opportunities to relocate existing priority programs into the vacated space and begin decommissioning functionally obsolete facilities. In this biennium the University intends to decommission Nicholson Hall; Jones Hall; and as much of the Jackson, Owre, Millard, Lyons (JOML) complex as possible.

Custodial Standards

In 1992, the University commissioned a study of custodial tasks necessary to achieve minimum standards for safety and asset preservation. The tasks and the related equipment, defined on daily, weekly, and monthly schedules, are based on these minimum standards and are the basis of the Biennial Request.

Preventive Maintenance Standards

In the spring of 1994, the University completed an extensive effort to develop Preventive Maintenance standards for its building systems to comply with regulatory mandates, maximize systems' useful lives, and provide the best cost/benefit result for maintenance activities. The University's 4-year financial plan will provide resources to meet the preventive and scheduled maintenance standards.

Non-recurring funding from the state for facilities in the F.Y. 1996-97 biennium session was targeted toward environmentally mandated maintenance efforts, equipment to improve work efficiency, emergency equipment repairs, and other one-time expenses. Because the need for preventive maintenance is ongoing, the University reallocated \$2,600,000 to meet its highest priority fire and safety needs, specifically fume hoods, fire alarms, and sprinkler systems.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Facilities Operations & Maintenance
(Continuation)

New Building Operations

The University faces the financial obligation for the operation of 6 new and renewed buildings. Funds will cover the cost of utilities, custodial, and maintenance services in accordance with the standards described above. The 6 buildings and associated costs (estimates based on projected completion dates) are as follows:

<u>Building</u>	<u>Dollars in Thousands</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Library Access Center	\$0	\$2,100
Crookston Environmental Research Center	25	50
Architecture (renewal)	0	550
Carlson School of Management	1,150	1,375
Dance Center (new/renewal)	150	150
Magnetic Resonance Research	475	475
Total	\$1,800	\$4,700

The addition of new buildings and renovation of existing facilities results in incremental cost increases for the increased space inventory and functionally appropriate space that add costs (e.g., air conditioning). If the buildings are to be used for their intended purposes, resulting in improved instruction and research, then the costs associated with operating those buildings in accordance with facilities standards and program requirements at the appropriate level are unavoidable. By creating new and renewed highly functional space and requiring high utilization of this space, the University creates opportunities to decommission nonfunctional and underutilized space. The cost savings from such decommissioning are included in the planned strategic reallocation.

University 1/3rd Debt Service Share of State Capital Projects

In the 1996 session, the state required the University to pay 1/3rd of the debt service costs for \$61,200,000 of the approved capital projects (these include the Minnesota Library Access Center, the Crookston Environmental Science Center, Architecture, the Academic Health Center Centers of Excellence, the Willmar Poultry Testing Lab, and planning for the Duluth Library and the Morris Science Facility). The University then is responsible for the debt service on \$20,200,000. Because of the estimated cash flows of these projects, the cost grows from \$2,800,000 in F.Y. 1998 to \$3,500,000 in F.Y. 1999.

The debt for these projects, like all the needs identified in the biennial request, are part of the total needs of the University. The University will be providing tuition revenue and reallocating among its programs in order to fund its share of this and other requests.

Steam Plant Debt

The University will sell University general obligation bonds to fund the \$110,000,000 renovation to 2 of the existing 3 steam plants beginning no later than 1-1-97. The Southeast Plant will be completely converted to a state-of-the-art facility. The plant at the St. Paul campus will be upgraded and the Minneapolis main plant will be decommissioned.

In 1988, a study of the University's utilities showed that the antiquated steam system, which provides heat for the Minneapolis and St. Paul campuses, would require extensive renovation or replacement within 10 years. In April, 1992, the University Board of Regents approved a 25-year operations and maintenance contract with Foster Wheeler. The University has participated in the Environmental Impact Statement process, which concluded with the Environmental Quality Board's (EQB) final report in August, 1995, and their report to the 1996 Legislature.

The University has taken actions to mitigate the environmental and land use concerns by adding to the project screens and enclosures around plant storage areas, an underground coal conveyor to reduce traffic, and additional gas burners to increase gas-firing capability. In the Fall of 1996, the EQB issued its permit to the University for construction and use of the renovated steam plants which includes fuel mix requirements.

The renovation of the University's steam system, which was unable to fully heat all University facilities during the last winter, is unavoidable, as is the debt associated with the project.

Utilities Inflation

The University of Minnesota faces the financial need for projected inflation on utility costs which include electricity, fuel, non-heating gas, steam heat, water and sewer, telecommunications, and waste management. The estimated cost by fiscal year reflects the impact from inflation for utilities offset by efforts to reduce consumption. The actual requested rate of inflation for utilities ranges from 0% for the purchased electric utility (due to the impact of pending deregulation) to 3% for fuel and distribution costs to 6% for the (Minneapolis) water rates. The impact of conservation is apparent in the level consumption estimates in the face of escalating program functionality (air conditioning, technology) in the space.

PROGRAM OUTCOMES:

Space Management Initiative

The University anticipates that by relocating programs from poor quality space into better quality space in locations that best support their activities (such as access to proper library collections and classroom needs), space utilization will improve, poor quality buildings will be decommissioned, and deferred renewal will decrease.

Custodial Standards

Current services fall short of this standard and create poor impressions upon prospective students, faculty, alumni, and the citizens of Minnesota. Improved standards will improve the atmosphere of the campuses.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Facilities Operations & Maintenance
(Continuation)

Preventive Maintenance Standards

Properly funding preventive maintenance and repair efforts will reduce program interruptions due to system failures, spending on emergency repairs, and life-cycle costs for building systems (e.g., heating, cooling, elevators, fume hoods, etc.).

University failure to properly fund preventive maintenance and repair has resulted in an increased emergency repair budget and program operations being interrupted.

New Building Operations

Support for this initiative will mean that the instructional and research programs using the facilities will be able to continue as planned. Funding for new buildings is 1 component in the University's effort to create and improve utilization in functionally appropriate space for research and education.

Relationship to Goals: The outcomes of this effort are to decommission poor quality space (which reduces operational costs and reduces the University's renewal backlog) and to address critical measures such as improving the student experience, the recruitment and retention of faculty and staff, and the University's customer service.

University 1/3rd Debt Service Share of State Capital Projects

With the approved bonding from the 1996 session, the University will consolidate its archives collections, provide a repository for important but seldom used collections for all Minnesota libraries, reclaim needed study space within existing libraries, improve agriculture educational and research in Crookston, plan for improved science education in Morris and library services in Duluth, provide more functional space for teaching and learning architecture, and expand research in magnetic imaging and medical therapeutics of cells and molecules. These facilities provide the environment for achieving all these outcomes.

Steam Plant Debt

The costs associated with the initiative are unavoidable. To function as a teaching, learning and research environment that is a safe place to work, study, and visit, the University must have heat. During the last winter, the current steam system was unable several times to fully provide heat to all University buildings. The renovation now under way will provide dependable service to University programs in a more efficient manner and with the lowest possible fuel costs available within the approved fuel-mix due to the fuel-flexible renovation. All efficiencies in providing steam will be part of the University's planned strategic reallocations.

Utilities Inflation

Funding increased utility cost will insure that customers of University facilities will receive satisfactory service (lights, heat, etc.) and prevent additional reallocations from programs in order to pay for the unavoidable costs of utilities.

LONG-TERM IMPACT:

The University of Minnesota continues to feel the effects of changing trends in higher education. Among the most significant are the: 1) competition for enrollment dollars; 2) emerging technologies shifting instructional technique; 3) decreasing operating budgets; 4) increasing research focus; and 5) aging population driving a more mature student body.

These trends directly express themselves in the demand for functionally appropriate, technologically proficient, and cost effective facilities. The facilities functions continue to languish due to the lack of funding for regulatory mandates and industry standards. Funding for these standards is imbedded in the requests for: custodial standards, preventive maintenance standards, new building operations, University 1/3rd debt service share of state capital projects, steam plant debt, and utilities. The funding to improve the functionality of space, which is critical to meeting the needs of faculty and students, is reflected in the Space Management Initiative.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Price Level Increases

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$11,090	\$22,460	\$34,110	\$46,060
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

While recognizing the impact of inflation on the University's cost of business, the Governor does not concur with the University's request for new state appropriations to cover this initiative. It is the Governor's expectation that the University cover general inflation through reallocations and through increases in existing and new sources of revenue.

AGENCY RATIONALE FOR REQUEST:

In accordance with inflationary estimates provided by the Minnesota Department of Finance, the University has projected the impact of a 2.5% per year inflation rate on all non-wage related expenditures. Note, however, that projected cost increases related to utility expenditures have been excluded from this initiative. Utility cost increases are included in a separate budget initiative.

The University will experience inflationary cost increases on services, supplies and materials, and books and periodicals. Between 1991 and 1995 the higher education price index has risen at an average annual rate of 2.4%. Inflationary pressures continue to significantly impact the purchase of books and periodicals. Between 1991 and 1995 inflation on books and periodicals has increased at an average annual rate of 6.5%. The inflation in the cost of research-level library materials has caused the University's Twin Cities campus libraries to cancel more than 1,700 periodical subscriptions in the 1995-96 school year. Libraries are no spending upwards of 70% of their acquisitions budgets simply to maintain current subscriptions.

PROGRAM OUTCOMES:

The costs associated with the initiative are unavoidable. The University did not seek support to fund general inflation on nonsalary items during the 1996-97 biennial budget request process. However, the University can no longer effectively absorb the impact of inflation on nonsalary and non-utility

related expenditures.

Funding increased inflationary costs will ensure that the current levels of service provided by the University will not erode further. Funding for inflation is directly related to the critical measures on faculty and staff recruitment/retention, student experience, and customer service, in that recognition of the costs associated with inflationary price increases will ensure that the University is able to maintain current expenditure levels. Lack of inflationary increases in the area of services, supplies and materials, equipment, books, and periodicals have significantly eroded collegiate and support unit budgets to the point where the combination of personnel compensation together with utility costs account for approximately 63% of total annual current fund expenditures.

LONG-TERM IMPACT:

The costs associated with this initiative will continue into the future. Funding inflation on current supply and materials budgets will ensure that the quality of the student educational experience will be sustained and that faculty, staff and students will not experience shortages in basic supplies and materials due to uncontrollable inflationary pressures.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Offset to Declining Revenue Sources

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$10,000	\$13,000	\$15,000	\$15,000
- Grants	\$0-	\$0-	\$0-	\$0-
Revenues: (\$000s)				
General Fund	\$0-	\$0-	\$0-	\$0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the University's request that state taxpayers provide new appropriations to replace non-state revenue losses. While acknowledging the budget challenge these revenue reductions present, it is the Governor's expectation that the University respond through reallocations and restructuring. The Governor's recommendation to re-appropriate \$5.9 million in one-time funds for restructuring at the Academic Health Center will help the AHC in this period of transition as it adjusts to reduced operating revenue from clinical practice income.

AGENCY RATIONALE FOR REQUEST:

This budget initiative addresses financial requirements to offset declining revenue sources, that have traditionally supported education, research, and outreach activities.

Intense financial pressures continue in Minnesota's highly cost competitive managed health care market. These financial pressures are having a direct impact on University education and research in the Health Sciences. The current cost driven market no longer allows the University to depend upon revenues generated by the clinical practice of medicine in the University Hospital or the faculty owned and managed practice groups which have substantially underwritten the cost of medical education and research.

Proactively recognizing these trends, the University's sale of its hospital facilities eliminates the financial risks of operating a hospital in this highly competitive market. Selling the hospital reduces the University's operating risks while retaining its ability to direct its core education and research mission - which has for decades produced significant, real employment growth for the state and its citizens. Partnering with Fairview also supports education and research by providing a steady volume of patients that had been declining and that is essential for healthcare education and research. The sale of the hospital does not, however, provide a solution to the continued decline in

hospital operating revenue available to support this education and research mission.

Additionally, the marketplace for outpatient clinical services is similarly pressured. Like the hospital, the faculty owned and managed clinical practice groups have provided both patient care opportunities and substantial revenue to support medical education and research. Like other academic health centers around the country which have made a practice of shifting cost from research and education to clinical operations, the University practice groups are all facing declining patient volume in the cost competitive managed health care market. The faculty from these practice groups and the University are responding by consolidating eighteen separate clinical operations into a single medical practice plan to reduce administrative costs. Hopefully, this action will reduce costs enough to maintain needed levels of patient volume for education and research, but will not be able to prevent declining support for this education and research from patient revenues. The University is requesting state assistance to reverse the market driven loss of funds that the University has, for decades, relied upon to leverage the state's investment in our academic and research mission. This state investment will protect many creative and innovative clinical programs such as CUHCC (Community University Health Care Center) and our other clinical practices serving all Minnesota citizens, including many of the state's medically indigent and underserved.

New federal accounting regulations have modified indirect cost reimbursements, which will accelerate the shift of costs previously supported by the federal government to universities. On 7-31-96, the University issued a new policy on charging direct and indirect costs on sponsored projects. This policy was developed in order to comply with existing federal regulations regarding federal sponsored research. The effect of these new regulations will be to restrict the ability of universities to direct charge federal research projects for costs, which historically were allowable on federal research projects. Typical indirect costs include salaries of clerical and administrative personnel, office supplies, building repair and maintenance, and recurring telephone charges. The new policy is more restrictive in allowing indirect-type costs to be charged as direct costs. As such, costs that were historically borne by federal sponsored projects will no longer be allowed.

Another area of concern involves the financing partnership supporting extension programs. Currently, extension services are funded through a combination of federal, state, and county funds.

PROGRAM OUTCOMES:

The University must ensure that the potential costs described in this initiative are covered. The University faces the very real likelihood of real revenue reductions or significant slowdowns in the flow of funds which have traditionally shared in the cost of education and research. The consequence to the state is that the University will need to curtail important instructional activities in order to accommodate the reduction in funds.

LONG-TERM IMPACT:

The costs associated with this initiative are likely to grow in the future. Intense financial pressures continue in Minnesota's highly cost competitive managed health care market. It is unclear how long these pressures will persist. In addition, it is difficult to predict the future trend in federal revenues. The likelihood of additional revenue pressures brought about by changes in federal rules, regulations, or budget levels is impossible to predict with a high degree of accuracy.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ITEM TITLE: University Shared Responsibility

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(21,590)	\$(59,824)	\$(90,256)	\$(118,188)
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$17,199	\$34,397	\$51,596	\$68,795
Statutory Change? Yes ___ No <u>X</u>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the University balance its 1998-1999 biennial budget within the Governor's recommended state appropriation of \$1,040,812---\$116 million or more than 12% above the base---and limit tuition revenue increases to 2.5% per year. To accomplish this, the University must further prioritize proposed initiatives and existing expenditures, pursue more substantial reallocation and restructuring, raise more revenue from non-state sources, particularly private business and industry, and more gradually implement the new investments outlined in the University Plan.

AGENCY RATIONALE FOR REQUEST:

The University has prepared a 4-year "all funds" financial framework. The goal of preparing a 4-year financial framework has been to: 1) link academic and financial planning with a longer term outlook; 2) focus on all available revenue sources to meet financial needs; and 3) develop long-term programmatic and financial plans of the University as it moves into the 21st century. It is important that the governor and the legislature understand that the University has not, as has been the customary practice, approached the development of its biennial budget from the perspective of what it wants from the state during the next 2 years. Instead, the University has outlined its financial needs over the next 4 years based upon all available operating resources against its overall financial needs. As a result of this approach, the University has determined the financial gap between current resource levels and the amount of funds necessary to meet its financial plans for advancing the goals of U2000. As mentioned in the budget brief, the financial gap totals an average of \$244,572,443 per year over the next 4 years.

In order to meet an average annual financial need totaling \$244,572,443, the University is proposing to hold tuition income to an annual increase of 2.5% over the next 4 years. This proposal will generate an average of \$13,649,245 per year toward meeting the needs identified in our 4-year financial framework. The University is proposing to share with the state of Minnesota on a 50/50

basis the remaining \$230,923,198 per year of financial requirements. This budget initiative outlines the strategies proposed by the University to meet its share of the partnership.

In order to meet its share of the partnership, the University will employ 2 broad strategies. First, the University will ensure that the current revenue base grows at least at the projected 2.5% rate of inflation. Second, the University will reallocate from low priority programs or activities to higher priority programs or activities and to embark upon new revenue-generating activities. The table below outlines the relative share that each of the 2 broad strategies will contribute to the attainment of the University's 4-year financial goals.

University Shared Responsibility

	Dollars in Thousands			
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Growth in Current Revenue				
YEAR 1	\$17,198	\$17,198	\$17,198	\$17,198
YEAR 2		17,199		17,199
YEAR 3			17,199	17,199
YEAR 4				17,199
Subtotal	<u>17,198</u>	<u>34,397</u>	<u>51,596</u>	<u>68,794</u>
Reallocations/New Revenue				
YEAR 1	21,590	21,590	21,590	21,590
YEAR 2		38,234	38,234	38,234
YEAR 3			30,432	30,432
YEAR 4				27,931
Subtotal	<u>21,590</u>	<u>59,824</u>	<u>90,256</u>	<u>118,188</u>
Grand Total	<u>\$38,788</u>	<u>\$94,221</u>	<u>\$141,852</u>	<u>\$186,982</u>

The University's 4-year financial framework calls for a strategic reallocation/new revenue goal that will average approximately \$30,000,000 per year. This level of reallocation/new revenue objective is roughly equivalent to 5.0% of the recurring expenditures contained within the operations and maintenance and state specials funds. The operations and maintenance and state specials funds entails the combination of state appropriations and tuition income.

The University is proposing a reallocation/new revenue component of its partnership in order to increase the excellence, quality, and cost effectiveness of the institution's output.

This initiative addresses the goals in the critical measures of Facilities Infrastructure, Characteristics of Entering Students, Under-represented Groups/Diversity, Student Experience, and Graduation Rate.

PROGRAM OUTCOMES:

As outlined above, the University of Minnesota's 1998-99 biennial budget proposal calls for a reallocation/new revenue strategy totaling \$21,590,515 in F.Y. 1998 and \$38,234,074 in F.Y. 1999. This reallocation/new revenue objective will be complemented by at least a 2.5% growth in existing revenues, which will generate an average of approximately \$17,199,000 per year in revenues above current levels.

The University is proposing this strategy, in conjunction with new state support, in order to: 1) create a smaller and better support faculty; 2) sharpen the institutional profile; 3) focus on opportunities to gain new revenue; and 4) redirect current resources to better serve the state.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: University Shared Responsibility
(Continuation)

The University's reallocation/revenue plans are classified within a broad framework of financial tactics. Our tactics and a brief description of the University's objectives surrounding each tactic are listed below.

■ **Adjusting the size of the tenured faculty and staff by department, college, and support unit to match academic priorities**

The University will operate more efficiently, with a smaller, more productive faculty and staff. The University's faculty will be reduced by 10% over 1990 levels. The University's support staff will be reduced by 4,500 employees (25%) through the sale of the University Hospital and a general reduction of 5% throughout the rest of the University. Because of better training and extensive use of new technologies, however, the University's staff will provide a higher level of support and service to students and faculty.

■ **Process simplification and technology strategies**

As part of the 4-year financial framework, the University proposes to invest approximately \$45,000,000 in additional funds in administrative process redesign. As outlined in the technology/systems budget initiative the University will replace its existing student systems, human resource system, and financial systems. The first priority will be to replace student systems and the human resource system. The replacement of these systems implies a reduction of administrative support staff and related costs. The University is committed to downsizing its bureaucratic structure through redesign of its administrative processes.

■ **Improvements in facility utilization**

The University will recognize several million dollars of savings as a result of implementing its recently completed classroom improvement and utilization study, which calls for the establishment of a performance-oriented approach to program and service delivery and the introduction of measures of productivity and customer service standards. Other major benefits include more effective teaching, introduction of new technologies into the classroom environment, and increased access by responding better to the scheduling needs of a diverse population of students who study both on campus and by means of distance education.

Included here are establishing and enforcing utilization standards and policies, optimizing the quantity, quality, and distribution of classroom facilities, and the redesign of the management system. Following the recommendations of the study, the University of Minnesota, Twin Cities, will: 1) automate its former manual system of classroom scheduling; 2) restructure the management and oversight of classrooms and related services; 3) match classroom inventory to programmatic instructional demand to ensure effective utilization in each precinct of campus; 4) develop a systematic, multi-year renewal plan to modernize a markedly reduced inventory of

classrooms; and 5) establish and enforce standards to measure the success of new classroom design and construction, classroom renovation, and utilization rates.

■ **Outsourcing current services**

The Board of Regents has directed the University to outline recurring budget adjustments through the outsourcing of existing services. As such, the University organized an advisory group on service delivery alternatives and charged this group with developing: 1) a set of principles that would guide units as they consider whether or not to outsource; 2) create a set of streamlined procedures for making outsourcing decisions and for addressing the impact on affected employees; and 3) make recommendations on how to best implement the principles and procedures across the University. The recommendations of the Advisory Group on Service Delivery Alternatives have been reviewed and approved by the Board of Regents. The University has outsourced several operations over the last 3 years, most notably the steam plant and the laundry. The University, as part of its requirement to reallocate existing resources to fund part of the 4-year financial framework, will be developing additional outsourcing proposals that provide us with opportunities for significant cost savings.

■ **Decommission buildings**

The state of Minnesota recognized the need for the University of Minnesota to maximize the utilization of space and to decommission functionally obsolete and deteriorated buildings by requiring the University in the 1996 Bonding Bill to provide a list of buildings to be decommissioned. The University is committed to decommissioning buildings. The decommissioning of buildings will benefit the University in 2 important ways. First, the decommissioning will reduce utility and maintenance operating costs. These savings will accrue to the operating budget and provide the opportunity to redirect these funds to higher priority needs. Secondly, the decommissioning, when coupled with demolition of the building, provides the University with a direct benefit in terms of our deferred facility renewal needs. Buildings that are scheduled for decommissioning also represent a significant financial obligation in our overall backlog of building renewal. The University has a significant deferred facility renewal problem that can not be solved solely by the infusion of additional capital funds. The decommissioning and demolition of facilities is a key component in meeting our annual operating budget needs and our historical underfunding of facility renewal.

■ **Enrollment management**

Enrollment management places greater controls on the composition of the class, the size of the student class, and the distribution of the student body by college, field, and type of degree (level of education). The objectives are to enhance graduation and retention rates; adjust enrollments to institutional capacity (faculty and staff and facilities) thereby helping to improve the quality of education we provide; attain affirmative action and diversity objectives; control costs; respond to market demand and elasticity of markets, especially at the professional school level; leverage financial aid and assess the effectiveness of various discounting practices; and realize and exceed expected tuition revenue.

■ **Hospital sale revenue**

As a result of the sale of the University of Minnesota Hospital to Fairview Health System it is projected that the University will net approximately \$70,000,000 in unrestricted funds.

One priority for these funds is restoration of central reserves. The Board of Regents of the University has historically maintained financial reserves. These reserves are referred to as

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: University Shared Responsibility
(Continuation)

“central reserves.” Central reserves refers to moneys that are unrestricted as to purpose or use and that are available for immediate expenditure. Central reserves are budgeted through an annual reserves spending plan which is prepared and submitted to the Board of Regents for approval along with the annual budget plan. Pursuant to Board of Regents policy, central reserves may only be allocated for: 1) projects that are a fixed term in nature (usually 3 years or less); 2) programs which require funding for a short period and have a permanent source of funding clearly identified at the outset; and 3) financial emergencies including funds to protect ongoing programs from sudden severe revenue shortfalls and contingency funds to cover unanticipated expenses.

In determining the appropriate size of reserve funds, consideration is given to, among other things, the outlook of the federal budget, the volatility of University revenues and expenditures, the size and composition of University debt and the outlook for potential legal liabilities.

For the fiscal year ending 6-30-97, the University anticipates that central reserves will total approximately \$15,000,000. The 6-30-97 year end balance is dependent upon the sale of excess real-estate in order to generate roughly \$4,000,000 of income for central reserves.

The proceeds from the sale of the Hospital represent one-time resources that must be carefully allocated to ensure that no recurring commitments are obligated into the future. As such, these funds will be allocated toward financial needs including the restoration of central reserves and other investment needs contained in our 4-year financial framework.

LONG-TERM IMPACT:

The development of a 4-year financial framework has as a central strategy the need to continue to focus, reshape, right size, and reallocate resources within and across units. Within the 1998-1999 biennial budget proposal based on shared responsibility, the intent is for all parties: students, the state, and the University, to contribute to the financing of the financial investment needs identified in the 4-year financial framework. The first 2 years of the framework includes \$380,042,175 of identified financial investments and needs. When comparing the percent share of the \$380,042,175 each of the funding sources covers, the state share covers approximately 60% of the need during the first 2 years of the 4-year financial framework and the University and students cover approximately 40%. In the second 2 years of the 4-year financial framework the University's share of the financial needs grows to 55% while the state share declines to approximately 39%. The 4-year financial framework is based upon a phase in of reallocations and new revenues based upon an orderly transformation of the University. By the end of the 4-year timeframe, the state share will be approximately 47%, the University share 47%, and the students share will be approximately 6%.

The reallocations and revenue tactics outlined above will continue to be guided by considerations of program excellence and demonstrated need. In order to enhance our competitive margin, it is essential that outstanding components of the University remain excellent.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Office of Technology (MOT), University of Minnesota (U of M),
Minnesota State Colleges and Universities (MnSCU)
PROGRAM: Primary Programs
ITEM TITLE: Virtual University

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations				
MOT	\$1,000	\$1,000	\$1,000	\$1,000
U of M	\$250	\$250	\$250	\$250
MnSCU	\$250	\$250	\$250	\$250
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends total appropriations of \$3 million over the 1998-1999 biennium for the development and implementation of the Virtual University (Virtual U) by the Minnesota Office of Technology, the University of Minnesota, and the Minnesota State Colleges and Universities. This recommendation includes \$500,000 for the U of M to develop courses and programs that can be delivered on-line through the Virtual University. The Governor requests the University develop a plan for on-line distance learning for review and approval by the Minnesota Office of Technology.

RATIONALE:

This initiative will develop an Internet site through which Minnesotans can access the resources of all public and private higher education institutions in the state of Minnesota and beyond. The Virtual U will be a university without walls where Minnesotans can create customized learning opportunities and colleges and universities can market their courses to a global student market. The Virtual U will also provide easy access to comprehensive career planning and labor market information.

Alongside the development of the Virtual U Web site, this initiative proposes \$1 million in grants, \$500 thousand each to the University and MnSCU, to develop courses and degrees that can be delivered through the Internet. The grants will be awarded on a competitive basis, with review and approval by the Minnesota Office of Technology, to public colleges and universities and will require a dollar-for-dollar match by the institution or from private sources.

A steering committee appointed by the Minnesota Office of Technology with representatives from the University of Minnesota, MnSCU, private colleges, and private businesses will guide the development

of the Virtual U. The Office of Technology will coordinate and oversee all steering committee activities and recommend to the Governor a governance structure and financial plan for the on-going operation of the Virtual U.

PROGRAM OUTCOMES:

Virtual U will complement and build upon the distance learning network and programs already in place. From the Virtual U's Home Page, students will be able to enroll at multiple institutions within Minnesota and throughout the world and receive education and training "asynchronously" --- whenever and wherever they like.

The Virtual U will include the development of the following:

Shared Catalog: a statewide course catalog accessible through the web that will include course offerings from all participating public and private institutions;

One-Stop Registration System: a single entry point will permit students to enroll at several different institutions, register for desired courses and arrange for payment of tuition and fees;

Core Curriculum: establish core content leading to specific degrees and/or certificates;

Credit Bank: a process that will allow students to develop individualized learning portfolios that accommodate different institutional and curricular requirements.

Academic Advising and Student Support: systems for providing academic advising to and other support to virtual learners, including electronic mail, conferencing, and library access.

Access to the Minnesota Career and Education Planning System MnCEPS, a home page with hot links to web sites providing information on education and training program, workforce preparation, expected employment growth by occupation, and job opportunities.

LONG TERM IMPACT:

By empowering students to create their own customized program of learning, Virtual U will fundamentally change institutional behavior, driving colleges to become more student-centered. Virtual U will also expand opportunities for Minnesota colleges and universities by linking them to national and global student markets

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ACTIVITY: O&M; State Special Appropriations/System, Health Sciences, Agriculture, Technology

ITEM TITLE: Transfer of University State Special Appropriations to O&M

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(16,694)	\$(16,694)	\$(16,694)	\$(16,694)
- State Operations	\$16,694	\$16,694	\$16,694	\$16,694
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$16,694,000 in funds line-itemed in the University's annual base appropriation as State Specials be transferred to the University's O&M budget.

RATIONALE:

Portions of the University State Special appropriations fund compensation costs for tenured and tenured-track faculty positions. As these positions become vacant, the University is not able to reallocate the state funds supporting them to other areas of more strategic priority because the state appropriations are line-itemed for special purposes. Folding these funds into the O&M state appropriation will give the University more flexibility in budgeting its state resources.

OUTCOMES:

Once these funds are transferred out of the University Specials, the positions which they support will no longer be considered apart from the rest of the University's O&M budget. This will allow the University to maximize managerial flexibility within the context of its academic mission of teaching and research.

LONG-TERM IMPACT:

The University will better target its state resources to areas of strategic priority to the University and the state.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Department of Children, Families and Learning (CFL), University of Minnesota (U of M), Minnesota State Colleges and Universities (MnSCU)

PROGRAM: Primary Programs

ITEM TITLE: Minnesota Career and Education Planning System (MnCEPS)

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations				
CFL	\$500	\$500	\$-0-	\$-0-
U of M	\$250	\$250	\$-0-	\$-0-
MnSCU	\$250	\$250	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$2 million to develop and implement the Minnesota Career and Education Planning System (MnCEPS) by the Department of Children, Families and Learning, the University of Minnesota and the Minnesota State Colleges and Universities. The funding will be split among the three partner agencies, with project oversight by the Minnesota Office of Technology. The biennial appropriation to the U of M is \$500,000.

RATIONALE:

MnCEPS will be an Internet-based system of linked home pages that will provide students, job-seekers, education planners and others with up-to-date and user-friendly career and education planning information. Education, training, workforce preparation and career development data currently maintained by a wide range of state agencies and post-secondary institutions will be accessible through a single entry point, available to any Minnesotans with access to the Internet.

Users will be able to access MnCEPS from a variety of sites (e.g. from an educational institution or a Workforce Center), initially entering the system's "central page" featuring hot links to the web sites of collaborating agencies. The "central page" will also contain wage and benefit information by occupation; information on the education and aptitude requirements of various occupations; expected employment growth by occupation, and current job openings in the state.

Planning for the MnCEPS system is already well underway, involving the three partner agencies, as well as the Department of Economic Security and the Higher Education Services Office. Primary responsibility for the project will rest with the Office of Lifework Development in the Department of

Children, Families and Learning, in consultation with the Minnesota Office of Technology.

PROGRAM OUTCOMES:

MnCEPS will increase the efficiency and usefulness of existing training and education programs by ensuring that all Minnesotans have comprehensive information on the options available to them. State agencies and educational institutions will also be able to better tailor their own program and course offerings to fill gaps in services and respond to changes in the workplace.

LONG-TERM IMPACT:

Development of MnCEPS will be complete by the end of F.Y. 1999. In future years, maintenance and support costs will be borne by participating agencies.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota, University of
PROGRAM: Primary Programs

ITEM TITLE: Tuition Plan

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the University's plan to limit tuition revenue increases to 2.5% per year, the projected rate of inflation.

AGENCY RATIONALE FOR REQUEST:

The University has prepared a 4-year "all funds" financial framework. The goal of preparing a 4-year financial framework has been to: 1) link academic and financial planning with a longer term outlook; 2) focus on all available revenue sources to meet financial needs; and 3) develop long-term programmatic and financial plans for the University as it moves into the 21st century. It is important that the governor and the Legislature understand that the University has not, as has been the customary practice, approached the development of its biennial budget from the perspective of what it wants from the state during the next 2 years. Instead, the University has outlined its financial needs over the next 4 years based upon all available operating resources against its overall financial needs. As a result of this approach, the University has determined the financial gap between current resource levels and the amount of funds necessary to meet its financial plans. As mentioned in the budget brief, the financial gap totals and average of \$244,572,443 per year over the next 4 years. A solution to the financial gap has been proposed involving tuition, state appropriations and the University of Minnesota. The budget initiative that follows represents the tuition component of the overall financial plan.

This initiative addresses the goals in the critical measures of Characteristics of Entering Students, Under-represented Groups/Diversity, and Student Experience.

In this biennial budget proposal, the University of Minnesota has established a 2.5% (the inflation rate quoted in the governor's biennial budget instructions) annual tuition revenue increase as a portion of the financing plan for the identified needs within the University's 4-year financial frame-

work. It is the intent, with this inflation rate tuition increase, to curb the current rapid acceleration in tuition and recognize the need to continue the positive relationship shared by the University and the people of Minnesota. This 2.5% annual increase generates \$16,108,000 for the 1998-99 biennium, \$5,325,000 in F.Y. 1998 and \$10,783,000 in F.Y. 1999. An additional annual increase of 2.5% in the 2000-2001 biennium will generate \$16,377,000 in F.Y. 2000 and \$22,112,000 in F.Y. 2001 for a biennial total of \$38,489,000.

PROGRAM OUTCOMES:

The University's goal is to limit future tuition increases to the rate of inflation. In order to attain this goal, the state must participate fully in this biennial budget proposal of shared responsibility.

The past several years have seen significant tuition increases placed upon the University student body: 4.2% in the 1994-95 school year, 7.5% in the 1995-96 school year, and 7.5% in the 1996-97 school year. These increases, well above inflation, were in part due to the state's inability to provide the financial support requested by the University to support critical investment needs. The students have borne a significant share of the financing of these investment needs. It is the intent, with this inflation rate tuition increase, to curb this rapid acceleration in tuition.

LONG-TERM IMPACT:

Significant concern exists regarding the potential for decreased access to the University by those students unable to financially accommodate significantly higher tuition costs. The long-term impact of this inflation rate tuition goal is that all qualified students will be able to attend the University regardless of socio-economic status.

1998-99 Biennial Budget

BUDGET ACTIVITY: Instruction O&M
PROGRAM: Primary Programs
AGENCY: Minnesota, University of

ACTIVITY DESCRIPTION:

Minnesota law provides that "the University of Minnesota shall offer undergraduate, graduate, and professional instruction through the doctoral degree." The University's objective for its instructional program is to further strengthen the quality of its undergraduate instruction, while maintaining its unique role within the public higher education system in most areas of graduate and professional education and in all areas of Ph.D. level education. The instruction provided by the University of Minnesota is distinguished from other Minnesota providers by the fact that it is provided by a faculty engaged simultaneously in the most current research and the application of knowledge in the service of the state. The University serves about 70,000 credit seeking students--undergraduate, graduate, and professional--each year. These students are at the center of the University's activities, in many cases participating in the research and service mission as well as instruction. Instruction is grounded in the research, scholarly, artistic, and service work of the faculty and is given social purpose by the University's land-grant mission. The University has a special obligation to provide access to unique graduate and undergraduate programs and regional responsibilities for access to some educational offerings.

Collegiate unit descriptions are included as an appendix to the program level narrative. Please reference that section for more detailed information about particular collegiate units.

BUDGET ISSUES:

The Agency Budget Brief discusses the University response at the base level and the Program level narrative and budget initiative pages discuss the University's Agency Plan proposal. Each response indicates the high priority placed on the instructional activity.

AGENCY: Minnesota, University of

1998-99 Biennial Budget

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	F.Y. 1995 Actual	F.Y. 1996 Estimate	F.Y. 1997 Estimate	F.Y. 1998 Target	F.Y. 1999 Target
Twin Cities					
Agriculture					
Lower Division	336	337	348	356	357
Upper Division	451	484	497	509	511
Graduate	398	323	317	317	320
Total	1,185	1,144	1,162	1,182	1,188
Architecture & Landscape Architecture					
Lower Division	68	94	95	95	96
Upper Division	187	115	90	69	70
Graduate	126	152	179	206	208
Total	381	361	364	370	374
Biological Sciences					
Lower Division	526	486	495	506	511
Upper Division	489	502	514	524	530
Graduate	237	269	269	268	271
Total	1,252	1,257	1,278	1,298	1,312
Dentistry					
Lower Division	22	22	24	24	24
Upper Division	32	70	75	75	76
Prof. & Grad. Prof.	572	552	554	555	561
Total	626	644	653	654	661
Education					
Lower Division	465	397	399	407	411
Upper Division	900	729	736	778	787
Graduate	1,947	1,758	1,807	1,854	1,874
Total	3,312	2,884	2,942	3,039	3,072
General College					
Lower Division	684	645	646	648	655
Upper Division	6	12	12	12	12
Graduate	9	3	3	3	3
Total	699	660	661	663	670
Human Ecology					
Lower Division	181	193	197	201	208
Upper Division	456	435	446	457	467
Graduate	255	274	284	284	287
Total	892	902	927	942	962

AGENCY: Minnesota, University of

1998-99 Biennial Budget

FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION

	F.Y. 1995 Actual	F.Y. 1996 Estimate	F.Y. 1997 Estimate	F.Y. 1998 Target	F.Y. 1999 Target
Twin Cities					
Public Affairs					
Upper Division	21	14	17	17	22
Graduate	172	182	192	192	199
Total	193	196	209	209	221
Law					
Upper Division	1	0	0	0	0
Prof. & Grad. Prof.	800	777	777	777	786
Total	801	777	777	777	786
Liberal Arts					
Lower Division	5,322	5,269	5,327	5,375	5,435
Upper Division	5,450	5,958	6,022	6,076	6,143
Graduate	1,703	1,685	1,696	1,698	1,717
Total	12,475	12,912	13,045	13,149	13,295
Management					
Lower Division	220	223	244	266	278
Upper Division	735	640	641	664	671
Graduate	1,220	1,237	1,238	1,253	1,272
Total	2,175	2,100	2,123	2,183	2,221
Medicine					
Lower Division	20	22	23	23	23
Upper Division	255	217	218	219	222
Prof. & Grad. Prof.	3,787	3,606	3,600	3,590	3,580
Total	4,062	3,845	3,841	3,832	3,825
Natural Resources					
Lower Division	36	45	46	52	53
Upper Division	184	193	199	209	216
Graduate	73	63	63	64	65
Total	293	301	308	325	334
Nursing					
Lower Division	5	4	4	4	4
Upper Division	186	201	202	202	204
Graduate	177	144	144	144	156
Total	368	349	350	350	364

AGENCY: Minnesota, University of

1998-99 Biennial Budget

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	F.Y. 1995 Actual	F.Y. 1996 Estimate	F.Y. 1997 Estimate	F.Y. 1998 Target	F.Y. 1999 Target
Twin Cities					
Pharmacy					
Lower Division	1	2	2	2	2
Upper Division	0	0	0	0	0
Prof. & Grad. Prof.	375	412	406	404	408
Total	376	414	408	406	410
Public Health					
Lower Division	0	0	0	0	0
Upper Division	93	68	69	71	72
Prof. & Grad. Prof.	539	535	536	536	542
Total	632	603	605	607	614
Technology					
Lower Division	2,442	2,418	2,447	2,482	2,504
Upper Division	2,772	2,870	2,887	2,943	2,971
Graduate	1,413	1,445	1,510	1,577	1,594
Total	6,627	6,733	6,844	7,002	7,069
Veterinary Medicine					
Lower Division	3	1	1	1	1
Upper Division	24	22	22	23	23
Prof. & Grad. Prof.	518	477	480	481	486
Total	545	500	503	505	510
Twin Cities Unattached					
Lower Division	10	6	6	6	6
Upper Division	17	21	21	21	21
Graduate	0	0	0	0	0
Total	27	27	27	27	27
Duluth					
Business and Economics					
Lower Division	278	274	282	285	288
Upper Division	372	365	375	379	383
Graduate	18	24	25	25	25
Total	668	663	682	689	696
Education & Human Service Professions					
Lower Division	357	361	365	369	373
Upper Division	608	549	554	560	566
Graduate	142	156	157	159	161
Total	1,107	1,066	1,076	1,088	1,100

AGENCY: Minnesota, University of

1998-99 Biennial Budget

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	F.Y. 1995 Actual	F.Y. 1996 Estimate	F.Y. 1997 Estimate	F.Y. 1998 Target	F.Y. 1999 Target
Duluth					
Fine Arts					
Lower Division	451	472	478	484	489
Upper Division	153	159	161	163	165
Graduate	7	12	12	12	12
Total	611	643	651	659	666
Liberal Arts					
Lower Division	1,244	1,257	1,270	1,284	1,298
Upper Division	799	851	865	869	879
Graduate	28	24	24	24	24
Total	2,071	2,132	2,159	2,177	2,201
Medicine					
Lower Division	0	0	0	0	0
Upper Division	188	6	6	6	6
Prof. & Grad. Prof.	24	197	197	197	199
Total	212	203	203	203	205
Science and Engineering					
Lower Division	1,115	1,149	1,162	1,175	1,188
Upper Division	723	753	766	771	779
Graduate	132	146	147	149	151
Total	1,970	2,048	2,075	2,095	2,118
Duluth Unattached					
Lower Division	28	26	25	25	25
Upper Division	11	17	17	17	17
Total	39	43	42	42	42
Morris					
Lower Division	1,197	1,239	1,248	1,258	1,272
Upper Division	664	702	707	712	720
Total	1,861	1,941	1,955	1,970	1,992
Crookston					
Lower Division	849	784	817	800	796
Upper Division	194	219	220	250	285
Total	1,043	1,003	1,037	1,050	1,081

AGENCY: Minnesota, University of

1998-99 Biennial Budget

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	F.Y. 1995 Actual	F.Y. 1996 Estimate	F.Y. 1997 Estimate	F.Y. 1998 Target	F.Y. 1999 Target
System					
Continuing Education and Extension					
Lower Division	1,842	1,999	2,000	2,000	2,022
Upper Division	1,942	2,206	2,207	2,208	2,232
Graduate	559	586	586	586	592
Total	4,343	4,791	4,793	4,794	4,846
Summer Session					
Lower Division	304	410	418	418	423
Upper Division	627	735	750	750	758
Graduate	322	519	519	519	525
Total	1,253	1,664	1,687	1,687	1,706
Grand Total	52,099	52,806	53,387	53,974	54,568
Summary by Campus					
Twin Cities	36,921	36,609	37,027	37,520	37,915
Duluth	6,678	6,798	6,888	6,953	7,028
Morris	1,861	1,941	1,955	1,970	1,992
Crookston	1,043	1,003	1,037	1,050	1,081
Continuing Education and Extension	4,343	4,791	4,793	4,794	4,846
Summer Session	1,253	1,664	1,687	1,687	1,706
Total	52,099	52,806	53,387	53,974	54,568
Summary by Level					
Lower Division	18,006	18,135	18,369	18,546	18,742
Upper Division	18,540	19,113	19,296	19,554	19,808
Graduate	8,938	9,002	9,172	9,334	9,456
Prof. & Grad. Prof.	6,615	6,556	6,550	6,540	6,562
Total	52,099	52,806	53,387	53,974	54,568

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: INSTRUCTION O&M

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	445,000	480,000	458,139	544,538	496,369	462,858	552,488	512,290
TOTAL EXPENDITURES	445,000	480,000	458,139	544,538	496,369	462,858	552,488	512,290
AGENCY REQUEST ITEMS:		FUND						
COMPENSATION		GEN		29,031			54,819	
TECHNOLOGY, EQUIPMENT & INFRASTRUCTURE		GEN		27,273			27,273	
ADMINISTRATIVE PROCESS REDESIGN		GEN		12,727			7,273	
PROGRAMMATIC INVESTMENTS		GEN		14,545			16,727	
FACILITIES MAINTENANCE & OPERATIONS		GEN		15,231			24,641	
PRICE LEVEL INCREASES		GEN		8,066			16,334	
OFFSET TO DECLINING REVENUE		GEN		7,273			9,455	
NEW REVENUE AND REALLOCATIONS		GEN		<15,444>			<42,472>	
OTHER REVENUE INCREASES		GEN		<12,303>			<24,420>	
TOTAL AGENCY REQUEST ITEMS				86,399			89,630	
GOV'S INITIATIVES:		FUND						
(P) FACULTY RECRUITMENT & RETENTION POOL		GEN			10,909			18,181
(P) INVESTMENTS FOR EXCELLENCE		GEN			27,071			31,001
(P) VIRTUAL UNIVERSITY		GEN			250			250
TOTAL GOV'S INITIATIVES					38,230			49,432
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	248,456	265,771	242,352	323,426	275,257	245,514	324,361	284,163
STATUTORY APPROPRIATIONS:								
GENERAL	196,544	214,229	215,787	221,112	221,112	217,344	228,127	228,127
TOTAL EXPENDITURES	445,000	480,000	458,139	544,538	496,369	462,858	552,488	512,290

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: INSTRUCTION O&M

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	196,544	214,229	215,787	221,112	215,787	217,344	228,128	217,344
TOTAL REVENUES COLLECTED	196,544	214,229	215,787	221,112	215,787	217,344	228,128	217,344

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1998-99 Biennial Budget

BUDGET ACTIVITY: Non-Instruction O&M
PROGRAM: Primary Programs
AGENCY: Minnesota, University of

ACTIVITY DESCRIPTION:

Research

The research activity of the faculty drives the graduate teaching enterprise, stimulates the undergraduate experience at a research, land-grant university, and generates new knowledge passed to society through technology transfer and other outreach activities. Much of the research enterprise is financed from outside resources through a competitive process with other research universities. It is essential that the University have internal funding available to support its participation in the competition.

Public Service

Outreach programs and services stimulate economic and social development. Apart from programs funded by state specials, outreach programs are generated from nearly every college of the institution and serve the people of Minnesota in a practical way where they live and work. University libraries specifically have established strong lending practices to libraries across the state of Minnesota as well as neighboring states.

An additional and important purpose of outreach is serving as a vehicle for gathering public input into the University's agenda. These are opportunities for faculty to interact directly with citizens in the state and return those thoughts and ideas to the institution to enhance teaching and research.

BUDGET ISSUES:

The Agency Budget Brief discusses the University response at the base level and the Program level narrative and budget initiative pages discuss the University's Agency Plan proposal.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: NON-INSTRUCTION O&M

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	146,976	130,650	159,183	193,569	189,672	159,183	195,799	195,728
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	146,976	130,650	159,183	193,569	189,672	159,183	195,799	195,728
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
COMPENSATION		GEN		10,886			20,557	
TECHNOLOGY, EQUIPMENT & INFRASTRUCTURE		GEN		10,227			10,227	
ADMINISTRATIVE PROCESS REDESIGN		GEN		4,773			2,727	
PROGRAMMATIC INVESTMENTS		GEN		5,455			6,273	
UNIVERSITY BASED FINANCIAL AID		GEN		2,625			5,250	
FACILITIES MAINTENANCE & OPERATIONS		GEN		5,711			9,240	
PRICE LEVEL INCREASES		GEN		3,024			6,126	
OFFSET TO DECLINING REVENUE		GEN		2,727			3,545	
NEW REVENUE AND REALLOCATIONS		GEN		<6,146>			<17,352>	
OTHER REVENUE INCREASES		GEN		<4,896>			<9,977>	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				34,386			36,616	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(P) FACULTY RECRUITMENT & RETENTION POOL		GEN			4,091			6,819
(P) INVESTMENTS FOR EXCELLENCE		GEN			8,154			7,582
(P) UNIVERSITY MERIT SCHOLARSHIPS		GEN			1,300			5,200
(P) MN CAREER EDUCATION PLANNING SYSTEM		GEN			250			250
(P) TRANSFER SPECIALS TO O&M		GEN			16,694			16,694
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					30,489			36,545
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	146,976	130,650	159,183	193,569	189,672	159,183	195,799	195,728

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: NON-INSTRUCTION O&M

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	146,976	130,650	159,183	193,569	189,672	159,183	195,799	195,728

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1998-99 Biennial Budget

BUDGET ACTIVITY: Special Appropriations, Agriculture
PROGRAM: Primary Programs
AGENCY: Minnesota, University of

ACTIVITY DESCRIPTION:

The Minnesota Agriculture Experiment Station (MAES), established in 1885, and the Minnesota Extension Service (MES), established in 1909, are long-standing legislative specials within the University of Minnesota budget. MAES and MES have an impressive history of helping fulfill the land-grant mission of the University of Minnesota.

This special appropriation provides core funding support for the research, teaching, and outreach missions of the units comprising the College of Agriculture, Food and Environmental Sciences, the College of Natural Resources, the College of Human Ecology, and the Minnesota Extension Service. Through the unique land-grant partnership with federal, state, and local funding, MAES and MES conduct mission-oriented research and research based outreach and 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 education in over 30 departments across the colleges of Agriculture, Food and Environmental Sciences, Human Ecology, Natural Resources, Veterinary Medicine, and Biological Sciences, plus a few scientists in other colleges. Station scientists conduct applied research at St. Paul, Rosemount, Becker, Staples, 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 2 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.

Minnesota Extension Service (MES)

Since 1909, the MES has helped residents move toward goals of a better state and more prosperous, productive, and healthy citizens. MES is integral to the University's overall outreach program. MES 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; 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. MES'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." MES reaches over 1 million Minnesotans each year with educational programs and information.

The MES is recognized by the state's citizens as a hardworking partner in their pursuit of economic stability, enriched family and community life, and a healthy environment. MES is an educational bridge. Both the U of MN 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 MES for insights garnered from daily contact with its many publics.

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

MES 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.

MES 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.

Program Status

Funding is a critical issue facing the MAES. This state special represents core funding support for the overall work of the MAES. Over 90% of the MAES budget supports faculty and staff payroll and fringe benefits. Good research requires a long-term effort and financial commitment. As core funding is reduced, more and more research dollars have to come from short-term "soft" funding sources. This makes it more difficult to maintain an appropriate blend of basic and applied research in the appropriate areas.

1998-99 Biennial Budget

BUDGET ACTIVITY: Special Appropriations, Agriculture
PROGRAM: Primary Programs
AGENCY: Minnesota, University of
 (Continuation)

For F.Y. 1994-95, the core funding provided to the MAES by this state special (\$34.3 million) leveraged an additional \$6.9 million in federal CSREES administered funds, \$5.5 million in other federal research funds, and \$14.4 million in other non-federal research grants and funds. These combined funds supported (full year equivalents) 173 scientists, 460 professional support personnel, 132 technical support personnel, and 262 clerical personnel. Some selected examples of outcomes of these projects include:

- Disease-resistant varieties of barley, oats, wheat, soybeans, corn, sweet corn, alfalfa, potatoes, peas, parsnips, radishes, wild rice, aspen, and pine. Development of such disease resistant varieties is the most economical and environmentally sound method of disease management;
- Modification of microorganisms used to produce fermented dairy products, such as cheese and yogurt, to enhance quality and eliminate costly manufacturing problems and defects;
- Reducing the energy consumption of homes in a manner that enhances the quality of indoor living environments and the sustainability of the building structures themselves, thereby reducing environmental degradation and energy use and strengthening local economies;
- Immuno reproduction techniques that have increased egg production 20 to 25% in turkeys;
- Continuing research leading to the production of biodegradable plastics from lignin and corn starch;
- Research results on higher order thinking skills are being widely distributed and utilized in courses, presentations, and publications;
- The development and release of 118 new varieties of 20 different crops;
- Technologies resulting in Minnesota's rank as the leading state in the production of oriented strand board, a widely used substitute for plywood in building construction;
- Development of measures and programs for premarital enrichment programs;
- Modified forest practices designed to improve habitat for the ruffed grouse, an important game bird;
- Moving the planting date for corn 10 days earlier over the past 20 years, resulting in annual productivity increases of 36 million bushels worth about \$80 million;
- On-going research and development of technologies which result in "precision management" of agriculture and other natural resource systems;
- Wood drying technologies resulting in significant economic and environmental advantages;
- The development of child support guidelines that more accurately reflect the economic consequences of divorce for Minnesota families;
- Comprehensive computer-based forest planning models that facilitate simultaneous strategic and operational planning in forest management;
- Post-harvest technologies that reduce losses and improve quality in stored crops, increasing the net value of crops by about \$60 million per year;
- The development of over 50 forest tree seed orchards that now provide genetically improved seed for all state nurseries. The benefits will be a 5-8% increase in forest stand growth.

The MAES aggressively pursues research funding from non-appropriated sources, such as federal, state, industry, and private grants, gifts, and contracts. The Station extends available resources by utilizing centers or center concepts that encourage interdisciplinary groups of faculty to address research opportunities. The MAES continues to develop and expand cooperative efforts with other

land-grant institutions to maintain quality research while reducing competition and duplication. Significant collaborative efforts are already in place and expanding with the University of Wisconsin, Iowa State University, North Dakota State University, and South Dakota State University.

MES is addressing its goals through 2 key elements of the "Re-inventing MES" restructuring plan: 1) 10 interdisciplinary specializations--Child and Youth Development, Community Resources, Crop Systems, Environment and Natural Resources, Family Development, Financial and Business Management, Horticulture, Leadership/Citizenship Education, Livestock Systems, and Nutrition, Food and Health; and 2) implementing partnerships with colleges and units not previously affiliated with MES. MES now has established formal ties with the following colleges and units: Colleges of Agriculture, Food, and Environmental Sciences; Architecture and Landscape Architecture; Education and Human Development; Human Ecology; Natural Resources Veterinary Medicine; University College (CE&E); the Center for Urban and Regional Affairs; the Hubert Humphrey Institute of Public Affairs; School of Nursing; School of Public Health; the Sea Grant College Program; and UM Crookston, UM Duluth, and UM Morris.

Underlying these efforts are a strong acknowledgment of and commitment to diversity, ongoing strategic planning, environmental scanning, and interactive program analysis, within MES and the University, and with people MES serves across the state.

MES educational programs are looked upon as a national model for innovatively addressing a broad range of issues facing Minnesotans. These issues emerge from an assessment and prioritization of needs conducted in each of the 87 counties, in each of the 17 MES clusters of counties, and by state extension faculty and staff. The central issues MES addresses are: environment and natural resources, human development, community leadership, and economic development. Numerous programs are planned and carried out in each of these areas in response to the needs assessment and prioritization. Some examples of outcomes include:

- The *Dairy Initiative* teaches farm families, private industry, and University faculty modern problem-solving methods for farm families. Over 400 local dairy professionals have been trained to help farm families identify problem areas and set goals to increase profitability.
- In a southwestern Minnesota county, MES joined school districts, law enforcement officials, family service agencies, and clergy on a chemical abuse prevention team for youth.
- *Business Retention and Expansion Strategies* (BR&E) programs help communities keep and improve businesses they have, while developing strategic plans and support systems to encourage new industries.
- Through stewardship education workshops and field demonstrations and video, forest landowners learn to use their resources to reach multiple objectives while sustaining the quality of the forest land environment.
- In an urban county, MES and the University of Minnesota Pediatric Clinic worked with 2 major corporations and various neighborhood groups on a lead poisoning prevention program in a poor city neighborhood.
- Working with farmers and state agencies, extension specialists developed a manure management computer program, including composting techniques, that helps producers meet feedlot ordinance requirements and water quality regulations and save money.
- In southeast Minnesota, MES-initiated community forums helped citizens identify local needs of children, youth, and family. Directed by citizens, the forums inspired the development of 15 citizen groups that are making their communities better for children and families.
- In the Minnesota River Basin, MES educators and specialists have been instrumental in developing a comprehensive, multi-agency approach to addressing the significant water quality issues in this basin.

1998-99 Biennial Budget

BUDGET ACTIVITY: Special Appropriations, Agriculture
PROGRAM: Primary Programs
AGENCY: Minnesota, University of
(Continuation)

Planned Results

High-quality basic and applied research requires a long-term commitment in effort and funding. Likewise, objectives for quality research must be long range. Important MAES objectives include:

- Continued research support for the state's basic industries, with resources targeted on the most compelling opportunities;
- Further incorporation of interdisciplinary and system-based approaches in research;
- Developing increased regional cooperation among land-grant universities;
- Focusing more on value-added production and processing practices;
- Providing more research emphasis on issues related to children, youth, and families;
- Increasing emphasis on research related to analytical and modeling techniques;
- Forging new institutional relationships that reach beyond traditional college boundaries;
- Utilizing the MAES research base and faculty expertise to contribute to the development and analysis of state policy.

MES programs of the future will continue to be directed and defined by the changing issues facing Minnesota and the role they expect their land-grant university to play in helping them address these issues. Overarching the U2000 strategic directions and consistent with the Governor's priority areas, MES has 3 major goals:

1. Strengthening an interdisciplinary approach across the spectrum of research, graduate and undergraduate education and outreach and across the University.
2. Helping people to bring the University's resources to bear on societal problems from a total University perspective, not just outreach.
3. Providing 2-way access of the public to the University through MES county offices and access by the colleges to the public through the extension network.

BUDGET ISSUES:

The Agency Budget Brief discusses the University response at the base level. The Program level narrative and the Budget Initiative pages discuss the University's Agency Plan proposal. Each references budget issues concerning the Agricultural State Special.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: AGRICULTURE SPECIAL

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	47,597	47,797	47,297	47,297	32,440	47,297	47,297	32,440
TOTAL EXPENDITURES	47,597	47,797	47,297	47,297	32,440	47,297	47,297	32,440
GOV'S INITIATIVES:								
		FUND						
(P) TRANSFER SPECIALS TO O&M		GEN			<14,857>			<14,857>
TOTAL GOV'S INITIATIVES					<14,857>			<14,857>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	47,597	47,797	47,297	47,297	32,440	47,297	47,297	32,440
TOTAL EXPENDITURES	47,597	47,797	47,297	47,297	32,440	47,297	47,297	32,440

1998-99 Biennial Budget

BUDGET ACTIVITY: Special Appropriations, Health Sciences
PROGRAM: Primary Programs
AGENCY: Minnesota, University of

ACTIVITY DESCRIPTION:

Together the Health Sciences Specials complement the undergraduate, graduate, and professional training of some 4,000 students each year at various levels through 7 different collegiate structures. 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 Health Science 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.

County Papers

The purpose of this program is to assist counties in paying for medical care for indigent patients in the University Hospital and Clinic. Origins of this go back to the early 1900s when University Hospital was the only tertiary care referral facility for the State. Over the years, with the emergence of a variety of federal and state supported social assistance programs, there has been a decline in the number of patients referred and treated under this program.

Rural Physician Associate Program (RPAP)

The Rural Physician Associate Program 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 9 months of their clinical training--living, learning, and working--in a non-metropolitan medical practice.

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.

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.

Program Status

The need to provide medical care to the indigent patients who do not qualify under other programs continues. This is made possible by the County Papers program.

Since its inception, the Rural Physician Associate Program has enrolled more than 823 medical students for outstate Minnesota practices. Of these, 63% have returned to practices in Minnesota with more than 70% going into Family Practice and nearly 75% going to communities of 50,000 people or less. More than half practice in towns of 15,000 or less.

In disease detection and monitoring, the Veterinary Diagnostic Laboratory receives more than 35,000 animal specimens each year, requiring a total of about 500,000 analytical procedures. Results, reported promptly to owners and attending veterinarians, are maintained in a database information system necessary for the Minnesota Board of Health.

The Biomedical Engineering Center is pursuing key strategic initiatives in the areas of biomaterials for implanted medical devices; bioartificial tissues and organs to replace diseased or dysfunctional tissues and organs; and bioanalytical microdevices for automating genetic testing on semiconductor chips

Planned Results

For the past several years, referrals have increased to make the costs of providing care for indigent patients exceed funding for the County Papers program. The Hospital will continue to work closely with county social service agencies to review referrals in order to keep losses at manageable levels.

Efforts will continue to increase enrollment in the Rural Physician Associate Program and to increase the numbers of non-metropolitan community faculty who serve as hosts for the students. RPAP hopes to expand the program to rural general internal medicine and rural medical pediatrics. RPAP will participate in the development and implementation of interdisciplinary rural health school activities.

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 and federal authorities, we will continue to identify and monitor health hazards to humans especially related to food safety.

The Biomedical Engineering Center's objectives include an addressing the critical need for biomedical materials compatible with human tissue and for tissue/organ replacements; exploiting health cost reducing opportunities by melding semiconductor technology with biotechnology; and partnering with the biomedical industry to further the Center's research, education, and outreach missions.

BUDGET ISSUES:

The Agency Budget Brief discusses the University response at the base level. The Program level narrative and the Budget Initiative pages discuss the University's Agency Plan proposal. Each references budget issues concerning the Health Sciences State Special.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: HEALTH SCIENCES SPECIAL

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	17,758	26,358	3,742	3,742	12,213	3,742	3,742	3,273
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	17,758	26,358	3,742	3,742	12,213	3,742	3,742	3,273
=====								
GOV'S INITIATIVES:								

(P) TRANSFER SPECIALS TO O&M		GEN			<1,469>			<1,469>
(P) TECHNOLOGY TRANSFER		GEN			1,000			1,000
(P) BIOMEDICAL ENGINEERING INSTITUTE		GEN			3,000			
(P) ACADEMIC HEALTH CENTER		GEN			5,940			
=====					=====			=====
TOTAL GOV'S INITIATIVES					8,471			<469>
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	17,758	26,358	3,742	3,742	12,213	3,742	3,742	3,273
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	17,758	26,358	3,742	3,742	12,213	3,742	3,742	3,273
=====								

F.Y. 1998-99 GOVERNOR'S BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ACTIVITY: Special Appropriations, Health Sciences

ITEM TITLE: Academic Health Center Restructuring

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$5,940	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. Laws of Minnesota 1996, Ch. 395, Sect. 4

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$5,940,000 in F.Y. 1998 to the University's Academic Health Center (AHC) to redesign and restructure the AHC's curriculum and programs. This appropriation replaces funds authorized by the legislature in F.Y. 1997 contingent upon changes to the University tenure code. The Governor recommends that this 1997 appropriation be canceled and re-appropriated to the University without condition.

RATIONALE:

Changes in health care practices, driven in large part by the expansion of managed care, are causing shifts in the number and type of health care professionals the market demands. The University needs to re-design and restructure its health care education programs and curriculum to respond to these changes.

The University's health care education and research programs have depended substantially upon support from non-state resources which can not be sustained. The AHC's dependence upon patient care revenue from faculty clinics to subsidize education and research can no longer continue in the state's highly competitive health care market.

PROGRAM OUTCOMES:

This investment will assist the Academic Health Center to develop and purchase new information technology to improve the delivery of health care education programs; redesign the curriculum in health care education, and to provide transitional assistance as the AHC restructures in response to declining revenue from patient care sources.

LONG-TERM IMPACT:

The University of Minnesota's health care education and research programs will be better able to respond to the demands of the state's health care marketplace.

F.Y. 1998-99 GOVERNOR'S BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ACTIVITY: Special Appropriations, Health Sciences

ITEM TITLE: Biomedical Engineering Institute, Endowment Matching Funds

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$3,000	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$3 million in F.Y. 1998 to the University Academic Health Center to match private contributions toward a \$12 million operating endowment to support the University's Biomedical Engineering Institute. The state appropriation will be released when matched by \$9 million in contributions from the private sector.

RATIONALE:

The Minnesota business community, through the Campaign for the University of Minnesota Biomedical Engineering Institute (BMEI), has been working to raise a \$12 million operating endowment to support the BMEI's mission of education, research and service.

The BMEI is a new, cooperative enterprise between the Medical School and the Institute of Technology, working increasingly with the state's biomedical industry. With features of a biomedical engineering department and a research institute, the BMEI is a new model for interdisciplinary cooperation.

To date, the Campaign has raised nearly \$7 million toward its goal. A demonstrated commitment by the state of Minnesota will help the business community leverage the additional private support needed to secure \$12 million of support by the close of 1997.

PROGRAM OUTCOMES:

The \$12 million will permanently endow the BMEI and provide income to support more than half of its annual operating budget. The endowment will attract and retain top-flight faculty whose research can benefit human health in the future.

LONG-TERM IMPACT:

The state's investment will further the University of Minnesota's innovative contributions to the field of medical technology, sustaining and promoting the growth of the state's biomedical industry.

F.Y. 1998-99 GOVERNOR'S BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ACTIVITY: Special Appropriations, Health Sciences

ITEM TITLE: Technology Transfer

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,000	\$1,000	\$2,000	\$2,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$2 million to the Academic Health Center to support the creation of the Minnesota Technology Development Corporation (MTDC). The Governor intends that, over the biennium, this appropriation will be matched by an equal amount of funds from within the Academic Health Center's current budget. Minnesota Technology, which has acted as facilitator of this initiative, will continue to provide services and office space.

RATIONALE:

This initiative was developed by industry in collaboration with the University Academic Health Center. It is a two-pronged effort to enhance industry's use of University technology and technological resources.

Currently, Minnesota misses countless opportunities to transfer valuable technology into saleable products. State of the art technology is critical to the future of Minnesota's companies and their employees. Such technologies are being developed at the University, but often don't make it "out" of the research laboratory.

In keeping with the University of Minnesota's land grant mission, University research and technology should be made available to Minnesota companies. Having access to new, cutting-edge technology can substantially strengthen the market position of the state's industries and the job security of the Minnesotans they employ. In turn, the University generates new revenue from licensing agreements.

To capitalize on the opportunities for University-industry partnerships, this initiative advocates the establishment of two complimentary entities, both of which are critical to successful technology transfer:

(1) A Research Services Organization (RSO) within the University Academic Health Center funded out of existing resources. Under the direction of the AHC Provost, the RSO will be responsible for managing research relationships coming into the AHC from private industry, and for managing protection of intellectual property disclosed by the faculty of the AHC. In short, it will have the "front end" role of overseeing early development and protection of technology which may have a commercial application.

(2) The Minnesota Technology Development Center (MTDC), a separate non-profit corporation to be established with matching support from within the AHC's existing budget and a grant supported by the \$2 million state appropriation. The MTDC will work in conjunction with the AHC's Research Services Organization to identify commercial applications of technologies developed at the University. The MTDC will guide the development of promising technologies into saleable form, market and ultimately facilitate the licensing of technologies to industry, with a preference toward Minnesota companies.

PROGRAM OUTCOMES:

In the short term, AHC faculty will identify more technologies as candidates for commercialization. More technologies will be presented to industry in an attractive form and licensed, thus generating economic growth and providing greater revenue to the University in the future.

LONG-TERM IMPACT:

There are several long-term impacts of this initiative:

1. An improved technology transfer process will result in stronger, more stable high technology companies that provide high-wage jobs for Minnesotans.
2. A substantial increase in new revenue to the University as more technologies are licensed to industry for commercialization.
3. A University which has enhanced its reputation for welcoming partnerships with Minnesota industry for the benefit of the state's economy.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Special Appropriations, Institute of Technology
PROGRAM: Primary Programs
AGENCY: University of Minnesota

ACTIVITY DESCRIPTION:

The Institute of Technology special supports technological purposes deemed of great interest to the state.

Minnesota Geological Survey (MGS)

The MGS 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 3-dimensional geologic framework and its evolution in geologic time and to translation of 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.

Talented Youth Mathematics Program (TYMP)

The University of Minnesota TYMP is an intense and accelerated program for very talented mathematics students in grades 5-12, operated by the School of Mathematics at the University of Minnesota. Talented students in grades 4-8, identified by the home schools, are invited to participate in a qualifying examination. Of 1,400-1,750 students who test annually, 120-130 are invited to participate in the Twin Cities program, and 40-50 are invited to sites at St. Cloud, Duluth/Iron Range and Rochester. These students attend a 2-hour class 1 afternoon each week, after school, for 30 weeks, with 5-10 hours of homework. The high school component is taught by outstanding certified high school mathematics teachers and college-age teaching assistants. High school mathematics credit is granted for completion.

During the next 4 years (the college component), the students study calculus, linear algebra, differential equations, and advanced topics. The students who successfully complete the courses will earn 8-10 University of Minnesota undergraduate mathematics credits in calculus each year, and pay 50% of the tuition and book costs. Need-based scholarships are available. The 1996-97 enrollment in both components is 574.

The TYMP offers the advanced education and training necessary to make the state a leader in the global economy. TYMP fosters a positive learning environment and encourages acquisition of the skills necessary to compete internationally for highly talented young students.

Program Status

The MGS 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.

External support from the National Science Foundation, The Bush Foundation, and local industries has enabled enrollment and class coverage to grow in the TYMP. A new 6th year class in upper division mathematics is now firmly established. TYMP has increased the number of female participants, with equal retention rates in the first 2 years, and increasing retention rates for females in calculus.

Planned Results

Activities of the MGS in the next biennium will include: continuation of geological mapping and related research under the County Geologic Atlas Program (in cooperation with the DNR), as required by the 1989 Groundwater Protection Act; hydrogeological investigation in the 7-county metropolitan area to assist in environmental planning; geological mapping to address exploration, development, and environmental problems associated with Cu-Ni-Pt mineralization in NE Minnesota; geological mapping of hydrogeologically sensitive karst terrain in SE Minnesota; refinement and expansion of GIS capabilities in the management and dissemination of earth science data; participation in the teaching programs of the Department of Geology and Geophysics at the University of Minnesota; production of educational materials for K-12 and adult learners; expansion of geophysical capabilities applicable to shallow subsurface engineering problems; continuation of direct "help-line" response to public inquiries; production and publication of technical reports.

The TYMP will continue working to increase the participation of females and other underrepresented populations in calculus and to increase opportunities using technology, lab-based instruction, and distance education for all students. The state special is critical in providing core support, which will enable TYMP to acquire funding from other sources.

BUDGET ISSUES:

The Agency Budget Brief discusses the University response at the base level. The Program level narrative and the Budget Initiative pages discuss the University's Agency Plan proposal. Each references budget issues concerning the Institute of Technology State Special.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: TECHNOLOGY SPECIAL

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	3,067	3,067	1,552	1,552	1,430	1,552	1,552	1,430
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,067	3,067	1,552	1,552	1,430	1,552	1,552	1,430
=====								
GOV'S INITIATIVES:								

(P) TRANSFER SPECIALS TO O&M					<122>			<122>
=====					=====			=====
TOTAL GOV'S INITIATIVES					<122>			<122>
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	3,067	3,067	1,552	1,552	1,430	1,552	1,552	1,430
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,067	3,067	1,552	1,552	1,430	1,552	1,552	1,430
=====								

1998-99 Biennial Budget

BUDGET ACTIVITY: Special Appropriations, System
PROGRAM: Primary Programs
AGENCY: University of Minnesota

ACTIVITY DESCRIPTION:

This program is an aggregation of activities that could not reasonably be assigned to the Agricultural, Health Sciences, or Technology Specials. Its components represent a variety of purposes discussed below.

Bureau of Business and Economic Research (BBER) University of Minnesota, Duluth

Established in 1968, the BBER has 3 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.

Bureau of Business and Economic Research (BBER), Twin Cities

The BBER 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.

General Research

The General Research Fund was initiated by a legislature in 1941 to provide "seed funding" to help stimulate external funding for faculty research. It can be thought of as an investment by the State in the vitality of the faculty. The General Research Fund is one of the most important sources of University support to help faculty to position themselves to receive external funding. For the 1995-96 year, a total of 300 applications were received, of which 159 awards were made, with an average grant size of 113,899. New faculty have the highest priority for funding and, received 42% of the awards. Other categories include interim support during a lapse in extramural funding when the potential for re-funding is high (14%), funds for shared instrumentation (8%), support for faculty moving into significantly different areas of research and scholarship (14%), support for faculty in fields where external funding is scarce (17%), support for acquisition of special research materials (2%), and support for research visits between a faculty member and other scholars (4%).

Humphrey Forum, The

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.

Industrial Relations Education Fund (IREF)

The IREF supports a broad range of research and training outreach activities servicing diverse groups in industrial, employee, and labor relations: employers, union leaders and activists, arbitrators, mediators, academics, and public officials. In particular, it funds 2 outreach programs of the Industrial Relations Center: the Employer Education Service (EES), and the Labor Education Service (LES).

EES and LES initiatives strive to maintain and build Minnesota's economy by facilitating the fair and productive use of the state's most valuable resource--its work force. Initiated in 1945, these community outreach activities represent the commitment of the University of Minnesota to provide a transfer of knowledge through programs targeted at the working people of Minnesota.

EES and LES offer non-traditional educational choices to aid labor and management, dispute settlement professionals, legislators, scholars, and public administrators in understanding their rights and responsibilities under existing conditions, practices, policies, and state and federal laws.

James Ford Bell Museum of Natural History

The Bell Museum of Natural History (MNH) is dedicated to exploring the diversity of life in the natural world, and to promoting an understanding and appreciation of nature through excellence in collections, education and research. Through its educational programs the MNH 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 systematics and evolutionary relationships, including the use of 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.

Natural Resources Research Institute (NRRI)

Several factors led to establishment of the 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 resources in an environmentally sound manner to promote private sector employment."

Student Loan Matching Program

The University of Minnesota provides matching funds for 6 federal student assistance programs. Included are the U.S. Department of Education's Federal Supplemental Education Opportunity Grant

1998-99 Biennial Budget

BUDGET ACTIVITY: Special Appropriations, System
PROGRAM: Primary Programs
AGENCY: University of Minnesota
(Continuation)

(SEOG), the Federal Perkins Loan Program, the Community Service Learning portion of the Federal Work Study (CWS) program, the U.S. Department of Health and Human Services' Nursing Student Loan Program (NSL), Health Professions Student Loans (HPL) and Loans for Disadvantaged Students (LDS) program.

Urban and Regional Affairs, Center for (CURA)

The 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.

Program Status

The BBER 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.

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 BBER on the Twin Cities campus is more important than ever.

An in-depth analysis has documented a 36-fold return on investment in projects that were initiated 10 years ago with the General Research Fund, in terms of extramural funding generated/General Research Fund dollars invested. The impact in some fields is even greater. In the social sciences, health sciences, and math and physical sciences, for example, the return is approximately 50-fold, whereas in the area of arts and humanities where external funding is very limited, the return on investment is 5-fold. In the professional fields such as business, where again external funding is not as common, the return on investment is 13-fold.

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.

Programs and initiatives supported by the IREF 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. More than 11,000 Minnesotans participate annually in IREF conferences and seminars. In addition, many more benefit from printed materials and videos.

Over the last year, nearly 75,000 people participated in the James Ford Bell Museum of Natural History projects and programs. Specifically, 25,000 participated in tours or classroom experiences. 15,000 middle school students participated in the interactive satellite broadcasts of the Jason project. 6,000 school-age children used Bell Museum kits in their classrooms. 14,000 individuals participated in Bell Live electronic field trips.

As a relatively new institution, the NRRI staffing infrastructure, and operating strategies are now largely in place. This, coupled with the timeliness of its mission and consequent demand for services, has resulted in a number of initiatives including: the opportunity to use its new wood pilot 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.

Currently, \$1.2 million in matching funds is provided from the Student Aid Matching Program. The institution also provides an addition \$1.4 million in matching money from other state and institutional resources.

The emphases in the CURA programs change as community problems and needs change. CURA is involved in more than 300 projects in a biennium: 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."

Planned Results

The BBER 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).

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 BBER on the Twin Cities campus will directly support both objectives.

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.

The Humphrey Forum will continue to work to increase school group visits, paid subscriptions to *19th Avenue*, 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.

Specific objectives of the IREF will reflect a commitment deliver programs that are on the cutting edge of issues and changes in industrial, employment, and labor relations; and to respond to the changing needs of Minnesota employers, employees and unions.

Over the next few years the James Ford Bell Museum of Natural History will improve and diversify facilities and programming, build collections selectively, broaden the scientific expertise of the museum, and diversify funding sources to ensure a stable financial base for programs.

1998-99 Biennial Budget

BUDGET ACTIVITY: Special Appropriations, System
PROGRAM: Primary Programs
AGENCY: University of Minnesota
(Continuation)

The NRRI will carry out a full slate of projects focused on its 3 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.

The objective of the Student Aid Matching Program will continue 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.

The CURA 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. These projects and programs will number approximately 300 and will involve more than 100 faculty and 200 graduate students from more than 35 units across the University. The projects and programs will be carried out in conjunction with approximately 10 state agencies, 20 local agencies, and 45 nonprofit organizations. During the next biennium, the CURA expects to generate \$2.5 million in external grants and contracts.

BUDGET ISSUES:

The Agency Budget Brief discusses the University response at the base level. The Program level narrative and the Budget Initiative pages discuss the University's Agency Plan proposal. Each references budget issues concerning the System State Special.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: SYSTEM SPECIAL

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	20,056	20,481	6,629	6,629	6,383	6,629	6,629	6,383
TOTAL EXPENDITURES	20,056	20,481	6,629	6,629	6,383	6,629	6,629	6,383
GOV'S INITIATIVES:								
		FUND						
(P) TRANSFER SPECIALS TO O&M		GEN			<246>			<246>
TOTAL GOV'S INITIATIVES					<246>			<246>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	20,056	20,481	6,629	6,629	6,383	6,629	6,629	6,383
TOTAL EXPENDITURES	20,056	20,481	6,629	6,629	6,383	6,629	6,629	6,383

1998-99 Biennial Budget

PROGRAM: Other Activities
AGENCY: University of Minnesota (U of M)

PROGRAM DESCRIPTION:

The "other activities" of the University of Minnesota are those activities which 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 on Minnesota Resources; Special Projects; and MinnesotaCare.

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.

Projects funded under the Special Projects activity include, for F.Y. 1996, wheat scab research. This research is designed to minimize the adverse effects of future wheat scale infestations in the short-term while seeking to fully eliminate the problem in the long-term.

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.

BUDGET AND REVENUE SUMMARY:

The Legislative Commission on Minnesota Resources' project recommendations for the U of M in the 1998-99 biennium include \$2,581,000 from the Minnesota Future Resources Fund, \$1,050,000 from the Environment and Natural Resources Trust Fund, and \$50,000 from the Special Revenue Fund Great Lakes Protection Account. (See the LCMR budget for information on the specific research projects recommended for funding.)

The University requests an increase in its appropriation from the MinnesotaCare Fund of 2.5% in each year of the biennium.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: OTHER ACTIVITIES

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
MINNESOTACARE	2,567	2,582	2,357	2,416	2,357	2,357	2,476	2,357
LCMR	1,030			3,681	3,681			
SPECIAL PROJECTS	200							
UNIVERSITY PERMANENT FUND	5,290	5,446	1,727	1,727	1,727	2,731	2,731	2,731
TOTAL EXPENDITURES BY ACTIVITY	9,087	8,028	4,084	7,824	7,765	5,088	5,207	5,088
AGENCY REQUEST ITEMS:		FUND						
LCMR NEW ALLOCATIONS		EVT		1,050				
LCMR NEW ALLOCATIONS		MNR		2,581				
LCMR NEW ALLOCATIONS		SR		50				
INFLATION		HCA		59			119	
TOTAL AGENCY REQUEST ITEMS				3,740			119	
GOV'S INITIATIVES:		FUND						
(B) LCMR 98/9 PROJECTS 130 FUND		MNR			2,581			
(B) LCMR 98/9 PROJECTS 030 FUND		EVT			1,050			
(B) LCMR 98/9 PROJECTS 200 FUND		SR			50			
TOTAL GOV'S INITIATIVES					3,681			
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				1,050	1,050			
MINNESOTA RESOURCES	1,030			2,581	2,581			
HEALTH CARE ACCESS	2,567	2,582	2,357	2,416	2,357	2,357	2,476	2,357
SPECIAL REVENUE				50	50			
WORKERS COMPENSATION SPEC PMNT	200							
STATUTORY APPROPRIATIONS:								
AGENCY	5,290	5,446	1,727	1,727	1,727	2,731	2,731	2,731
TOTAL EXPENDITURES	9,087	8,028	4,084	7,824	7,765	5,088	5,207	5,088

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: OTHER ACTIVITIES
ACTIVITY: MINNESOTACARE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	2,567	2,582	2,357	2,416	2,357	2,357	2,476	2,357
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,567	2,582	2,357	2,416	2,357	2,357	2,476	2,357
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
INFLATION		HCA		59			119	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				59			119	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
HEALTH CARE ACCESS	2,567	2,582	2,357	2,416	2,357	2,357	2,476	2,357
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,567	2,582	2,357	2,416	2,357	2,357	2,476	2,357

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: OTHER ACTIVITIES
ACTIVITY: LCMR

		FY 1998	FY 1999
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	
		Base Level	Agency Request
		Governor Recomm.	
		Base Level	Agency Request
		Governor Recomm.	
=====			
EXPENDITURES:			

DETAIL BY CATEGORY:			
LOCAL ASSISTANCE	1,030		3,681
			3,681
=====			
TOTAL EXPENDITURES	1,030		3,681
			3,681
=====			
AGENCY REQUEST ITEMS:			
LCMR NEW ALLOCATIONS		EVT	1,050
LCMR NEW ALLOCATIONS		MNR	2,581
LCMR NEW ALLOCATIONS		SR	50
=====			
TOTAL AGENCY REQUEST ITEMS			3,681
=====			
GOV'S INITIATIVES:			
(B) LCMR 98/9 PROJECTS 130 FUND		MNR	2,581
(B) LCMR 98/9 PROJECTS 030 FUND		EVT	1,050
(B) LCMR 98/9 PROJECTS 200 FUND		SR	50
=====			
TOTAL GOV'S INITIATIVES			3,681
=====			
EXPENDITURES BY FUND:			

DIRECT APPROPRIATIONS:			
ENVIRONMENT & NATURAL RESOURCE		1,050	1,050
MINNESOTA RESOURCES	1,030	2,581	2,581
SPECIAL REVENUE		50	50
=====			
TOTAL EXPENDITURES	1,030		3,681
			3,681
=====			

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: OTHER ACTIVITIES
ACTIVITY: SPECIAL PROJECTS

			FY 1998			FY 1999		
		Est.						
ACTIVITY SUMMARY	FY 1996	FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	200							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	200							
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	200							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	200							

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: OTHER ACTIVITIES
ACTIVITY: UNIVERSITY PERMANENT FUND

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	5,290	5,446	1,727	1,727	1,727	2,731	2,731	2,731
TOTAL EXPENDITURES	5,290	5,446	1,727	1,727	1,727	2,731	2,731	2,731
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
AGENCY	5,290	5,446	1,727	1,727	1,727	2,731	2,731	2,731
TOTAL EXPENDITURES	5,290	5,446	1,727	1,727	1,727	2,731	2,731	2,731

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1998-99 Biennial Budget

PROGRAM: Primary Programs/Appendix-College Descriptions
AGENCY: University of Minnesota

PROGRAM DESCRIPTION:

College of Agricultural, Food, and Environmental Sciences

The College of Agricultural, Food, and Environmental Sciences is the principal source of B.S. degrees and the only source of M.S. and Ph.D. degrees in agriculture and related fields in Minnesota. The college provides leadership in the generation and application of research-based knowledge to the use of our natural and human resources for the production, distribution, and consumption of food, fiber, and renewable energy.

The college consists of 10 budgeted departments and 6 branch experiment stations. The college's tripartite mission is supported, in part, by state and federal funds that are provided according to matching fund cooperative agreements in support of research and extension in agriculture. The college supports extensive off-campus research facilities, including experiment stations and cooperative sites around the state.

The college is among the top 10 agriculture programs in the United States, and it has an enviable record of program development and interactions in many developing countries. Over the past few years the college has established and funded, in cooperation with external groups, the Minnesota Institute for Sustainable Agriculture and a statewide Dairy Initiative.

Current Data (1994-95/Fall 1995)	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	916	
Grad/Prof Headcount	424	
Total FYE Enrollment	1,184	
Total Degrees Awarded	304	
Tenure/Tenure-Track Faculty	242	
Total Expenditures (\$/%)	\$29,655	100.0
O&M Tuition	\$3,834	12.9
O&M State & Other	\$5,507	18.6
State Special	\$113	0.4
Federal	\$4,634	15.6
Private/Other	\$15,567	52.5

College of Human Ecology

The College of Human Ecology is committed to improving the human condition by focusing on individual and family well-being, food, clothing, shelter, and the community, and the interaction among them. Students are prepared for professional careers in related services and industries. Research efforts contribute to the body of knowledge and provide foundations for undergraduate and graduate education, informal educational outreach activities, policy formulation, and community leadership and service.

The units within the college are the Departments of Design, Housing and Apparel; Family Social Science; Food Science and Nutrition; and the School of Social Work. The college's doctoral programs are consistently ranked among the top 5 programs in their fields.

The mission of the college is implemented through resident teaching, research, and outreach. Faculty provide instruction day or evening, on and off campus, for undergraduate, graduate, and professional programs. Joint degrees and other programs link the college to every major unit of the University. The Minnesota Agricultural Experiment Station provides substantial support of the college's research activities. Extension specialists in the departments support the field staff of the Minnesota Extension Service (MES) in research-based information dissemination.

Current Data (1994-95/Fall 1995)	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	835	
Grad/Prof Headcount	317	
Total FYE Enrollment	892	
Total Degrees Awarded	310	
Tenure/Tenure-Track Faculty	67	
Total Expenditures (\$/%)	\$9,406	100.0
O&M Tuition	\$2,025	21.5
O&M State & Other	\$3,845	40.9
State Special	\$21	0.2
Federal	\$215	2.3
Private/Other	\$3,301	35.1

College of Natural Resources

The College of Natural Resources contributes to the management, protection, and sustainable use of natural resources through teaching, research, and outreach.

The college has a long history of distinguished accomplishments. It offers the state's only undergraduate and graduate degrees in forestry, forest products, fisheries, and wildlife conservation. A substantial amount of research is carried out through the Agricultural Experiment Station. Much of the college's outreach programs are provided by the MES.

Like most such programs nationally, the college grew out of societal concern for the conservation and wise use of our natural resources. Early efforts were directed at forests and their associated water, wildlife, recreation, aesthetic, and economic values, and the products provided by these resources. Programs have since evolved to encompass broader environmental and natural resource concerns of ecosystem management, sustainable development, and environmental quality.

Current Data (1994-95/Fall 1995)	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	605	
Grad/Prof Headcount	133	
Total FYE Enrollment	293	
Total Degrees Awarded	202	
Tenure/Tenure-Track Faculty	38	
Total Expenditures (\$/%)	\$7,128	100.0
O&M Tuition	\$1,150	16.1
O&M State & Other	\$1,195	16.8
State Special	\$53	0.7
Federal	\$1,833	25.7
Private/Other	\$2,898	40.7

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PROGRAM: Primary Programs/Appendix-College Descriptions

AGENCY: University of Minnesota
(Continuation)

Minnesota Extension Service (MES)

Since 1909, the MES has helped state residents move toward goals of a better state and more prosperous, productive, and healthy citizens. MES is integral to the University's overall outreach program, extending the University to the people by a network of faculty in every county, providing convenient access augmented by a statewide computer and satellite downlink system. This educational system is further extended by over 30,000 volunteers with other agencies and organizations—schools, human services, religious organizations, local governments—to ensure that community and individual needs are identified, prioritized, and met.

The mission of the MES 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."

MES is a catalyst in an increasingly diverse and disjointed society. It helps government, education, the private sector, communities, and individuals to work fruitfully together. It respects democratic principles and creates forums where conflicting ideas, heard with respect, generate solutions to complex problems.

MES 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. Through all of its work, it blends time-honored approaches and relationships with new ones demanded by the 21st century.

MES is addressing its goals and objectives through 10 interdisciplinary specializations: Child and Youth Development; Community Resources; Crop Systems; Environment and Natural Resources; Family Development; Financial and Business Management; Horticulture; Leadership/Citizenship Education; Livestock Systems; and Nutrition, Food, and Health.

The MES is funded jointly by the state (\$17.1 million), the federal government (\$7.1 million), and Minnesota counties (\$10.6 million). Grants, contracts, and fees provide an additional \$5.3 million. The MES Service has more than 750,000 contacts with the public each year.

College of Liberal Arts (CLA)

The CLA is the University's largest, with more than 15,000 students. The college is organized into more than 30 schools, departments, programs, and centers in the humanities, fine arts, and social sciences.

The college is committed to serving the people of Minnesota by educating future citizens, training future scholars, and serving as a public resource to enrich the quality of life of the state's residents. The college's faculty includes leading scholars in a wide range of disciplinary and interdisciplinary studies devoted to both innovative scholarship and undergraduate and graduate education. These faculty members form the core of a research, land-grant university.

The arts and sciences are the foundation of undergraduate education, so the quality of education at the University of Minnesota depends in large part on the strength of CLA. Regardless where a freshman matriculates on the Twin Cities campus, much of his or her course work will be provided by CLA, since CLA provides most of the liberal education curriculum that is the core of all undergraduate degree programs.

Many of the undergraduate students on the Twin Cities campus begin as freshmen in CLA and then transfer as juniors to upper division colleges such as the College of Biological Sciences, the College of Education and Human Development, the College of Nursing, and the Allied Health programs (e.g. Occupational Therapy) in the Medical School. CLA provides academic advising for these students until they transfer.

Along with the Medical School and the Institute of Technology, CLA is one of the largest providers of graduate and professional instruction. CLA provides 50% of undergraduate instruction and 35% of all instruction on the Twin Cities campus and produces 45.3% of undergraduate degrees, 13.5% of master's degrees, 21.5% of Ph.D. degrees, and 32.4% of all degrees awarded.

Current (1994-95/Fall 1995)

	<u>Dollars in Thousands</u>	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	13,396	
Grad/Prof Headcount	1,775	
Total FYE Enrollment	12,475	
Total Degrees Awarded	2,738	
Tenure/Tenure-Track Faculty	493	
Total Expenditures (\$/%)	\$77,539	100.0
O&M Tuition	\$32,782	42.3
O&M State & Other	\$29,018	37.4
State Special	\$251	0.3
Federal	\$7,183	9.3
Private/Other	\$8,304	10.7

Institute of Technology (IT)

The IT is the University's second largest college with more than 6,400 students. IT's structure is unique among the country's major research universities in that it includes engineering, mathematics, and the physical and computational sciences in a single unit. This is an advantageous combination, as the boundaries between pure science and engineering continue to disappear. IT's 11 departments include 5 engineering departments, 4 science departments, mathematics, and computer science. In addition there are 19 centers, including 2 NSF engineering research centers, 1 NSF science and technology center, the NSF-funded Institute for Mathematics and Its Applications, and the Army High Performance Computing Research Center.

The mission of the IT is to provide a rigorous and stimulating education for its undergraduate and graduate students; to provide programs of instruction in engineering that meet nationally accepted standards for practice of the profession of engineering; and to provide a rigorous and stimulating education for majors in other colleges for whom the institute provides instruction in mathematics and physical science. The institute's basic and applied research programs sustain its educational programs, enrich modern culture, improve professional practice, and create the knowledge and know-how that are essential to our increasingly technological society and the maintenance of our desired standard of living. The Institute's service and outreach programs provide expertise to the state's industry and enhance education in science and mathematics in grades K-12.

1998-99 Biennial Budget

PROGRAM: Primary Programs/Appendix-College Descriptions
AGENCY: University of Minnesota
 (Continuation)

IT is the major supplier of engineers and scientists for the state's businesses and industries. IT's programs are funded by more than \$70 million per year in federal and private funds.

Current Data (1994-95/Fall 1995)		Dollars in Thousands	
		<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount		4,238	
Grad/Prof Headcount		1,749	
Total FYE Enrollment		6,627	
Total Degrees Awarded		1,487	
Tenure/Tenure-Track Faculty		405	
Total Expenditures (\$/%)		\$135,329	100.0
O&M Tuition		\$20,235	14.9
O&M State & Other		\$35,443	26.2
State Special		\$3,189	2.4
Federal		\$46,469	34.3
Private/Other		\$29,993	22.2

College of Biological Sciences

The College of Biological Sciences provides educational opportunities to undergraduate and graduate students and carries out research in areas of modern biology from the molecular to the ecosystem level. The college integrates a strong basic research program with both traditional and innovative classroom teaching and with intensive mentoring of students at all levels. As part of its mission, the college is dedicated to providing basic biological science education and to sharing expertise with students and colleagues in other disciplines such as agriculture, engineering, health sciences, and liberal arts. The college provides the majority of the instruction in undergraduate biology on the Twin Cities campus.

The college includes 4 academic units: the departments of Biochemistry; Ecology, Evolution, and Behavior; Genetics and Cell Biology; and Plant Biology. It also includes the Institute for Advanced Studies in Biological Process Technology (BPTI), the Itasca Biology Field Station, and the Cedar Creek Natural History Area, site of an NSF-sponsored Long-term Ecological Research program.

The college has been the originator of, or a major partner in, 3 of the 30 Research Training Groups awarded nationally in biology by the National Science Foundation, and it ranks among the top 5 units in the University in externally sponsored research funds per faculty member.

Current Data (1994-95/Fall 1995)

		<u>Dollars in Thousands</u>	
		<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount		468	
Grad/Prof Headcount		202	
Total FYE Enrollment		1,252	
Total Degrees Awarded		268	
Tenure/Tenure-Track Faculty		84	
Total Expenditures (\$/%)		\$26,415	100.0
O&M Tuition		\$3,833	14.5
O&M State & Other		\$7,535	28.5
State Special		\$1,107	4.2
Federal		\$10,163	38.5
Private/Other		\$3,777	14.3

College of Architecture and Landscape Architecture (CALA)

The CALA provides Minnesota's only accredited programs in architecture and landscape architecture. The college maintains excellent professional educational programs and also offers liberal education courses that address the role of the built environment in reflecting and shaping human culture.

The college has recently restructured and streamlined its degree programs and curriculum and has reduced the number of degrees offered from 9 to 6. The Architecture and Landscape Architecture departments are phasing out their bachelors-level first professional degrees and phasing in the offering of new graduate professional degrees as the only professional degrees offered. CALA will continue to serve undergraduates, by offering a B.A. degree with a major in architecture and the Bachelor of Environmental Design (B.E.D.) degree for landscape architecture students. These degrees prepare students for entry into graduate programs, or for careers in related fields such as city planning, urban design, development, and historic preservation.

Current Data (1994-95/Fall 1995)		<u>Dollars in Thousands</u>	
		<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount		77	
Grad/Prof Headcount		135	
Total FYE Enrollment		381	
Total Degrees Awarded		93	
Tenure/Tenure-Track Faculty		22	
Total Expenditures (\$/%)		\$4,199	100.0
O&M Tuition		\$1,207	28.7
O&M State & Other		\$1,532	36.5
State Special		\$0	0.0
Federal		\$36	0.9
Private/Other		\$1,424	33.9

General College

The mission of the General College is to identify and recruit educationally disadvantaged students who can benefit from early integration into the University and who are willing and able to direct their energy toward a baccalaureate education. The college offers programs that serve the educational needs of special student populations, offering a variety of interventions supportive of student achievement.

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PROGRAM: Primary Programs/Appendix-College Descriptions
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The proper mission of a developmental educational unit within the context of a research institution is a major issue for the college, particularly with respect to admissions criteria, size of college enrollment, nature of the curriculum, student outcomes, and cost effectiveness of the program. The college's primary objectives are to increase the number of educationally disadvantaged students who successfully transfer to other academic units for completion of degrees and to promote multicultural education as a logical extension of the cultural diversity at the University.

Early exit counseling is provided for students who do not demonstrate academic potential; students demonstrating the capacity for transfer into other Twin Cities colleges earlier than anticipated are offered accelerated transfer options.

Current Data (1994-95/Fall 1995)

	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	1,453	
Grad/Prof Headcount		
Total FYE Enrollment	699	
Total Degrees Awarded	1	
Tenure/Tenure-Track Faculty	34	
Total Expenditures (\$/%)	\$77,539	100.0
O&M Tuition	\$32,782	42.3
O&M State & Other	\$29,018	37.4
State Special	\$251	0.3
Federal	\$7,183	9.3
Private/Other	\$8,304	10.7

Carlson School of Management

The mission of the Carlson School of Management is to advance the practice of management in the context of a global economy with increasing technological and social change. To do this, the Carlson School must be a recognized leader in the development of knowledge valued by the management professions and in the dissemination of this knowledge to students, practitioners, and academia. Moreover, the Carlson School must recognize its responsibilities to exercise leadership in fostering the intellectual and economic vitality of Minnesota and the region through its research, teaching, and outreach programs.

The vision for the school is to form a professional learning community which fosters the interaction of students, alumni, business people and scholars to share knowledge and insights to address current and emerging management problems.

A significant revision in the curriculum of the MBA program was successfully implemented in F.Y. 1993-94, and the program is expected to increase in size and national reputation. An equally ambitious revision of the BSB program is being implemented in F.Y. 1996-97. The school is expanding its executive education programs, and increasing its linkages with the Institute of Technology and the Academic Health Center to support efforts to expand management education to other professional audiences. Finally, the school is attempting to expand its external funding for research.

Current Data (1994-95/Fall 1995)

	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	838	
Grad/Prof Headcount	1,488	
Total FYE Enrollment	2,175	
Total Degrees Awarded	896	
Tenure/Tenure-Track Faculty	110	
Total Expenditures (\$/%)	\$27,077	100.0
O&M Tuition	\$8,434	31.1
O&M State & Other	\$8,083	29.9
State Special	\$1,057	3.9
Federal	\$177	0.7
Private/Other	\$9,325	34.4

Law School

The Law School provides quality legal education by educating men and women in the law, through instruction leading to a Juris Doctor degree, and through other quality programs. It also contributes substantially to knowledge of the legal order, through the dissemination of scholarship and by providing discipline-related public service to the state, the nation, and the international community, and to the legal profession in those fields in which it has special expertise.

The Law School is expanding its LL.M. program for foreign law graduates. In an era of increasing international economic activity, the presence of foreign law graduates will provide significant enhancement of educational opportunities for domestic students, as well as the extension of the University's reputation internationally.

Current Data (1994-95/Fall 1995)

	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	10	
Grad/Prof Headcount	825	
Total FYE Enrollment	801	
Total Degrees Awarded	277	
Tenure/Tenure-Track Faculty	39	
Total Expenditures (\$/%)	\$11,974	100.0
O&M Tuition	\$6,071	50.7
O&M State & Other	\$2,557	21.4
State Special	\$13	0.1
Federal	\$71	0.6
Private/Other	\$3,261	27.2

College of Education and Human Development

The mission of the College of Education and Human Development is to generate knowledge about teaching, learning, and human development and to apply that knowledge to improve education for all individuals. The college retains excellence in teacher preparation but college academic programs now span the entire lifecycle of learning and development, from research on early development and learning, through best practice in K-12 classrooms, to recreation and exercise science, to school-to-work transitions and effective postsecondary education, to human resource development and lifelong learning.

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College faculty and graduates conduct research and help shape policy in elementary, secondary, and postsecondary education, in social and government agencies, and in workplace training and development programs.

The College of Education and Human Development ranks among the top 7 colleges of education in the country; several of its teaching and research programs (including child psychology, higher education, reading and literacy, school psychology, special education, and vocational and technical education) rank among the best 2 or 3 nationally. Within the University, the college is a leader in promoting cultural diversity and in developing alternative strategies for the delivery of professional education. It also has an impressive track record of inter-institutional collaboration, linking the University with Minnesota school districts and related community service agencies, state universities, technical and community colleges, business and industry, and human services programs, and with higher education institutions in other states and in other countries.

The college ranks 1st in endowments (private individual and foundation support) among U.S. public colleges of education. This year alone, the college has raised \$1.4 million. Over the past 3 years, college faculty have averaged over \$13 million per year in outside funding, the highest level of external grants and contracts in the college's history. As a result, the college ranks 6th among U.S. public colleges of education in external grants and contracts.

Current Data (1994-95/Fall 1995)	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	557	
Grad/Prof Headcount	1,553	
Total FYE Enrollment	3,312	
Total Degrees Awarded	884	
Tenure/Tenure-Track Faculty	136	
Total Expenditures (\$/%)	\$34,503	100.0
O&M Tuition	\$7,136	20.7
O&M State & Other	\$10,478	30.4
State Special	\$55	0.2
Federal	\$8,258	23.9
Private/Other	\$8,574	24.9

Humphrey Institute of Public Affairs

The Humphrey Institute of Public Affairs provides education, research, and outreach in public policy, planning, and management. The Institute prepares students for careers as managers, planners, and policy analysts; fosters the intellectual and ethical development of experienced practitioners as reflective leaders in a complex society, serves as an interdisciplinary center for basic and applied research; and acts as a nonpartisan resource to help empower citizens, communities, and organizations.

The Institute strives to strengthen its research capacity to better understand the social problems society faces, and to educate public policy professionals. The Institute has recently developed new programs on environmental problems in Eastern Europe, science and technology policy, transportation policy, and mid-career training for policy makers.

Current Data (1994-95/Fall 1995)

	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount		
Grad/Prof Headcount	214	
Total FYE Enrollment	193	
Total Degrees Awarded	56	
Tenure/Tenure-Track Faculty	20	
Total Expenditures (\$/%)	\$12,092	100.0
O&M Tuition	\$668	5.5
O&M State & Other	\$1,444	11.9
State Special	\$147	1.2
Federal	\$4,338	35.9
Private/Other	\$5,495	45.4

Medical School

The mission of the Medical School is to conduct high quality programs of research, education, and service that contribute significantly to the provision of excellent health care for the people of Minnesota. The school provides programs at all levels in all medical disciplines. Educational programs for medical students are designed to promote a fundamental understanding of basic concepts of biology, human health, and disease, with emphasis upon individual learning. More than 50% of the state's doctors and 65% of its family practitioners are graduates of the Medical School.

Basic and applied biomedical research is a continuing central focus of the Medical School. More than \$210 million of the school's total funding is from federal and private sources, including income from the University of Minnesota Hospital and Clinic. The Medical School faculty serve as the medical staff for the University of Minnesota Hospital and Clinic and other affiliated teaching hospitals. They offer extensive professional consultative services to the public and to practicing health care personnel. Medical School personnel provide direct patient care consistent with this consultative role and with the School's responsibility for providing essential educational and research resources for the faculty, students, and community.

There are more than 2,800 medical students, allied health students, medical residents and fellows, and graduate students in the medical school. More Minnesota graduates enter primary care than graduates of any other medical school in the nation. The school is developing programs in rural and environmental health with the University of Minnesota-Duluth School of Medicine, the School of Public Health, and other schools within the Health Sciences.

The Clinical Sciences faculty have the heavy challenge and responsibility of implementing their missions within highly competitive local, state, and national environments for health care. These pressures have resulted in new methods of relating together as practitioners, including strong and cooperative ties with the University of Minnesota Hospital and Clinic and the emerging University Health Care System.

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PROGRAM: Primary Programs/Appendix-College Descriptions
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 (Continuation)

Current Data (1994-95)	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	290	
Grad/Prof Headcount	2,113	
Total FYE Enrollment	4,062	
Total Degrees Awarded	440	
Tenure/Tenure-Track Faculty	532	
Total Expenditures (\$/%)	\$260,586	100.0
O&M Tuition	\$11,227	4.3
O&M State & Other	\$31,873	12.2
State Special	\$5,207	2.0
Federal	\$80,424	30.9
Private/Other	\$131,856	50.6

School of Dentistry

The mission of the School of Dentistry is to produce highly trained dentists, dental hygienists, dental specialists, and dental scientists. The school is the only dental school in Minnesota. More than 60% of the state's dentists are graduates of the University's School of Dentistry. The school is 1 of the nation's leading dental schools and is recognized for the quality of its research. It is 1 of only 2 schools in the U.S. to be funded for an NIH Clinical Research Center.

The school is viewed as a leader in producing quality clinicians and in making major contributions in generating new knowledge and technology. In addition, the school's clinic system is viewed as a model clinical program. The school offers the most cost effective, quality dental education among public schools. Over 124,500 patients are seen annually in the dental school's clinics.

The school has become a major provider for indigent/M.A. care patients who are not being treated in the private community. At present, the school does not receive monies from the state or county to offset the cost of this service. A major objective of the school is to help fill the shortage of dental hygienists and rural dentists.

Current Data (1994-95/Fall 1995)	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	101	
Grad/Prof Headcount	390	
Total FYE Enrollment	626	
Total Degrees Awarded	110	
Tenure/Tenure-Track Faculty	73	
Total Expenditures (\$/%)	\$26,239	100.0
O&M Tuition	\$2,815	10.7
O&M State & Other	\$8,840	33.7
State Special	\$21	0.1
Federal	\$3,209	12.2
Private/Other	\$11,353	43.3

School of Nursing

The School of Nursing was established in 1909 as the first university-based school of nursing in the world. The school's mission is to generate knowledge for the care of patients and to prepare nurses for roles in research, education, and practice. The school is ranked 13th among the 636 U.S. nursing schools with baccalaureate and higher degree programs.

The undergraduate curriculum takes full advantage of the professional training opportunities in a major research university. There is a RN/BSN/MS option for selected registered nurses. Master's degree programs prepare nurses for advanced practice as nurse midwives, clinical specialists, and nurse practitioners in most major clinical areas as well as educational and management roles. In the interest of greater efficiency and effectiveness, the school collaborates with other disciplines and schools of nursing in offering its master's programs. The Ph.D. program, initiated in 1983, is designed to prepare scholars and researchers for academic roles.

Current faculty research focuses on testing and evaluating care alternatives for persons across the lifespan, particularly for those requiring long term care for chronic conditions. Faculty also investigate the theoretical and ethical issues surrounding contemporary health care delivery issues.

Current Data (1994-95/Fall 1995)	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	227	
Grad/Prof Headcount	283	
Total FYE Enrollment	368	
Total Degrees Awarded	170	
Tenure/Tenure-Track Faculty	36	
Total Expenditures (\$/%)	\$7,119	100.0
O&M Tuition	\$1,249	17.5
O&M State & Other	\$2,909	40.9
State Special	\$16	0.2
Federal	\$1,975	27.7
Private/Other	\$970	13.6

College of Pharmacy

The College of Pharmacy educates pharmacy practitioners and pharmaceutical scientists who deliver essential pharmaceutical services to the people of Minnesota and society. The college is committed to the improvement of human health through the creation and dissemination of knowledge leading to the development of new drugs and drug delivery systems, the optimization of drug use, and the improvement of pharmaceutical care. It is also committed to the development of pharmaceutical technology to strengthen the economy of Minnesota. The college offers the only pharmacy program in the state and provides 66% of the state's pharmacists.

The college has responded to a national mandate to make the Pharm.D. degree the entry level degree for the profession by revising its Pharm.D. curriculum and discontinuing the BS program. This will prepare graduates to provide patient-focused pharmaceutical care to optimize drug therapy outcomes. The College's programs include centers of excellence in diverse areas of pharmacy such as drug delivery, drug design, pharmacy management and economics, rural pharmacy, and pharmaceutical care.

About 25% of each student's curriculum involves experiential clerkship training which is supported in part by donated volunteer instruction, provided by more than 700 Minnesota pharmacists who teach

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 (Continuation)

and mentor pharmacy students in the pharmacies where they practice. The college is exploring new ways of responding to the needs of practicing pharmacists to maintain and upgrade their skills.

Current Data (1994-95/Fall 1995)	<u>Dollars in Thousands</u>	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	157	
Grad/Prof Headcount	259	
Total FYE Enrollment	376	
Total Degrees Awarded	115	
Tenure/Tenure-Track Faculty	36	
Total Expenditures (\$/%)	\$11,923	100.0
O&M Tuition	\$1,663	13.9
O&M State & Other	\$3,332	27.9
State Special	\$39	0.3
Federal	\$1,848	15.5
Private/Other	\$5,041	42.3

School of Public Health

The mission of the School of Public Health is to preserve and enhance the health of the public through education, research, and service programs. These programs are designed to discover and transmit new knowledge aimed at the prevention of disease and disability, to improve health, and to improve the planning, analysis, management, evaluation, and systems for the delivery of health services.

The school is organized into 5 administrative units in addition to the Dean's Office and Student Services Center. Biostatistics combines statistics and computing, to further research in human health. Environmental and Occupational Health covers the interaction between people and the toxins of their environments. Epidemiology is concerned with the causes, distributions, trends, control, and prevention of diseases in populations. Health Management and Policy prepares leaders for the field of health care administration, public health administration, long-term care, and maternal and child health. The Division of Health Services Research and Policy conducts research on the organization and delivery of health services and provides a broad range of training programs for those in health services research and policy.

The school offers 9 educational majors leading to professional masters degrees and 5 other degree programs through the Graduate School. More than 2/3 of the school's funding is from federal sponsored research sources, the most of any University college.

Current Data (1994-95/Fall 1995)

	<u>Dollars in Thousands</u>	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	8	
Grad/Prof Headcount	363	
Total FYE Enrollment	632	
Total Degrees Awarded	192	
Tenure/Tenure-Track Faculty	75	
Total Expenditures (\$/%)	\$44,364	100.0
O&M Tuition	\$1,403	3.2
O&M State & Other	\$5,929	13.4
State Special	\$321	0.7
Federal	\$25,765	58.1
Private/Other	\$10,946	24.7

College of Veterinary Medicine (DVM)

The DVM fosters the welfare of Minnesotans by enhancing food animal and companion animal health, animal health research, and the solution of public health problems through teaching, research, and service.

The college is currently strengthening production animal programs, particularly in swine, poultry, and dairy to ensure its lead role in food animal veterinary medicine, and it is changing the emphasis of companion animal veterinary medicine from a traditional therapeutic/restorative approach to one of preventive health care.

The college is revamping the professional curriculum of the DVM degree to permit students to specialize for the type of veterinary practice they intend to enter (i.e. small companion animal, dairy, equine, swine, poultry, mixed rural, mixed suburban, etc.). A new 4th year curriculum has been initiated for the DVM professional program, during which 37 specialty choices are offered in 25 2-week blocks.

The college is 1 of the 3 leading U.S. colleges of veterinary medicine for Ph.D. graduate education.

Current Data (1994-95/Fall 1995)	<u>Dollars in Thousands</u>	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount		
Grad/Prof Headcount	374	
Total FYE Enrollment	545	
Total Degrees Awarded	101	
Tenure/Tenure-Track Faculty	86	
Total Expenditures (\$/%)	\$27,367	100.0
O&M Tuition	\$2,502	9.1
O&M State & Other	\$8,506	31.1
State Special	\$1,830	6.7
Federal	\$3,019	11.0
Private/Other	\$11,510	42.1

School of Medicine, UMD

The primary mission of the School of Medicine at UMD is to train future rural family physicians. The School has been exceedingly successful in fulfilling this mission, leading the nation nearly each year in the percentage of its students who have specialized in family medicine (52% versus a national

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average of 11%). Likewise, it has achieved similar success in placing its graduates in small, rural communities, with 60% establishing practices in non-urban, non-suburban settings, 4 to 5 times the national average. The school is recognized nationally for these accomplishments, ranked in both 1995 and 1996 by U.S. News and World Report as the number 2 medical school in the country in rural health and number 11 in primary care.

The school is administered by the Provost for Health Sciences on the Twin Cities campus. It has 40 full-time faculty, divided among 8 departments, and more than 300 volunteer faculty, who are mainly physicians from Duluth and throughout the rural portions of the State.

In addition to its primary mission, the School has an equally long-standing dedication to the training and support of American Indians interested in pursuing careers centered in the biomedical sciences. The American Indian training program, with now over a \$1 million annual budget, has secured substantial federal funding and offers opportunities and support for American Indians from kindergarten through professional and graduate school. The American Indian Health Pathway program offers American Indian medical students course work and clinical experiences in American Indian medicine, as well as traditional western medicine.

The school's Biomedical Research Program is likewise well respected nationally and internationally, generating approximately \$2 million annually. Recent discoveries receiving special recognition include advances in cardiovascular physiology, cancer, toxicology, immunology, and improving healthcare delivery in rural settings. Two scientists were just acknowledged for the discovery that tuberculosis existed in mummies in South America, well over a thousand years old, disproving the long held belief that TB was brought to the Americas by the European settlers.

Current Data (1994-95)	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount		
Grad/Prof Headcount	119	
Total FYE Enrollment	212	
Total Degrees Awarded	N.A.	
Tenure/Tenure-Track Faculty	38	
Total Expenditures (\$/%)	\$8,880	100.0
O&M Tuition	\$1,151	12.9
O&M State & Other	\$4,424	49.8
State Special	\$289	3.3
Federal	\$1,889	21.3
Private/Other	\$1,126	12.7

University of Minnesota, Duluth (UMD)

The UMD is a comprehensive university, offering baccalaureate and master's degree programs in the liberal arts, fine arts, education, business, human services, sciences, and engineering, as well as the first 2 years of medical school. UMD is dedicated to the belief that human progress is made possible through the advancement and dissemination of knowledge and technology, the creation and

appreciation of artistic performance, and the development of an awareness, understanding, and acceptance of the diversity of cultures, values, and aspirations of the members of our own community and the peoples of the world. Advances in knowledge and learning can take place only within an environment that values high quality teaching and scholarship and that fosters an atmosphere of openness and respect among all those who have come to UMD to teach, learn, and work.

The UMD serves northern Minnesota, the state, and the nation as a medium-sized comprehensive university, dedicated to excellence in all its programs and operations. As a university community in which knowledge is sought as well as taught, its faculty recognize the importance of scholarship and service, the intrinsic value of research, and the significance of primary commitment to quality instruction.

At UMD, a firm liberal arts foundation anchors a variety of traditional undergraduate degree programs, outreach offerings, and selected professional and graduate studies. Active learning through internships, honors programs, research, and community service promotes the development of skills, critical thinking, and maturity sought by society. Demanding standards of performance for students, faculty, and staff make UMD attractive to students with strong academic potential.

The campus contributes to meeting the cultural needs of the region and serves as a central resource for the economic development of the region through community outreach and through an emphasis on the sea-grant and land-grant components of its programs. Providing an attractive alternative to both large research-oriented universities and small liberal arts colleges, the University of Minnesota, Duluth attracts the student looking for a program that emphasizes a personalized learning experience on a medium-sized campus of a major university.

The UMD is organized into 6 collegiate units: College of Liberal Arts, College of Fine Arts, College of Science and Engineering, College of Education and Human Service Professions, College of Business and Economics, and School of Medicine. The latter is administered by the Provost for Health Sciences. The Natural Resources Research Institute at UMD is a major University research center.

Current Data (1994-95/Fall 1995)	Dollars in Thousands	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	6,921	
Grad/Prof Headcount	375	
Total FYE Enrollment	6,466	
Total Degrees Awarded	1,486	
Tenure/Tenure-Track Faculty	298	
Total Expenditures (\$/%)	\$95,585	100.0
O&M Tuition	\$18,393	19.2
O&M State & Other	\$28,514	29.8
State Special	\$3,176	3.3
Federal	\$2,775	2.9
Private/Other	\$42,727	44.7

University of Minnesota, Morris (UMM)

The UMM is an undergraduate, residential, liberal arts college. The campus serves students primarily from Minnesota and its neighboring states, and is an educational resource and cultural center for citizens of west central Minnesota.

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Through its instructional excellence, its commitment to research, its numerous extracurricular programs and services, and its strong sense of community, the UMM, endeavors to achieve its place among the best liberal arts colleges in the region. The campus' academic programs are organized in 4 divisions: humanities, social sciences, science and mathematics, and education.

UMM is the most selective of the University's campuses. Most of its entering students each year graduated in the top 10th percentile of their high school class.

Current Data (1994-95/Fall 1995)

	<u>Dollars in Thousands</u>	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	1,952	
Grad/Prof Headcount		
Total FYE Enrollment	1,861	
Total Degrees Awarded	293	
Tenure/Tenure-Track Faculty	93	
Total Expenditures (\$/%)	\$24,448	100.0
O&M Tuition	\$5,954	24.4
O&M State & Other	\$8,717	35.7
State Special	\$106	0.4
Federal	\$58	0.2
Private/Other	\$9,614	39.3

University of Minnesota, Crookston (UMC)

The mission for the UMC is to provide programs leading to associate degrees and selected baccalaureate degrees in agriculture, business, environmental sciences, human resource development, and appropriate technical studies. Additionally, UMC provides a University link to the region for technology transfer and outreach.

UMC is the state's only polytechnic baccalaureate institution. The new curriculum is focused on: applied theory and specialized skills; active learning; extensive use of technology; employers' influence; student-skill outcomes; and general education supporting the technical curriculum. Field experience is required for work experience, on-the-job training, and personal growth of students. Business and industry support UMC's programs with shared personnel and technology and with joint education and training.

UMC has an open admissions policy, and its students have a very different profile than students on other University campuses. The preparation requirements for UMC are different, as also are the transfer requirements for students from other institutions.

Current Data (1994-95/Fall 1995)

	<u>Dollars in Thousands</u>	
	<u>Actual</u>	<u>% of Total</u>
Ugrad Headcount	1,729	
Grad/Prof Headcount		
Total FYE Enrollment	1,042	
Total Degrees Awarded	135	
Tenure/Tenure-Track Faculty	50	
Total Expenditures (\$/%)	\$12,197	100.0
O&M Tuition	\$2,430	19.9
O&M State & Other	\$5,744	47.1
State Special	\$79	0.6
Federal	\$219	1.8
Private/Other	\$3,725	30.5

University College

On 7-1-96, Continuing Education and Extension assumed a new name, University College. Building on a network of credit and noncredit courses, degrees, and certificates, the University College vision emphasizes meeting career development and continuing education needs of Minnesotans, preparing them for the workplace of the 21st Century. University College will continue to be the University of Minnesota's major point of access and educational opportunity for the non-traditional, part-time, and distant learner and will offer a delivery system that is responsive to the needs of students and clients.

University College represents an important element within the University of Minnesota's University 2000 initiative.

To accomplish the University College vision, we seek to:

- improve access to existing University courses and degree programs by being more responsive to student scheduling (evening, week end, summer study) and support service needs (registration by mail, e-mail, advising counseling);
- provide market information about public interests and needs; and
- assess the need for and develop additional degree and certificate programs, such as the new degrees being developed within the framework of the Twin Cities Higher Education partnership.

Courses and instruction are offered through campuses and centers in the Twin Cities, Crookston, Duluth, Morris, and Rochester as well as delivered more broadly through varied forms of distance delivery via satellite, cable, film and video, radio and television, interactive computer-based networks, including Internet-based courses. University College also offers conferences, short courses, workshops and seminars, study through correspondence, summer study, week end courses, lectures, performances.

Graduate School

Graduate education is the core component of a research university. The national and international reputation of the University of Minnesota, 1 of the nation's great research universities, rests on the strength and quality of its graduate programs, 1 of the main criteria for judgment. The Graduate School's goal is to enhance the national and international reputation of its graduate programs by assisting in the recruitment and support of the most outstanding graduate students, and to provide those students with an excellent education so that they are at the forefront of their fields.

1998-99 Biennial Budget

PROGRAM: Primary Programs/Appendix-College Descriptions

AGENCY: University of Minnesota

(Continuation)

Graduate study at the University of Minnesota was initiated in the 1880s, but the Graduate School was not organized into a separate college until 1905. The first Ph.D. was awarded in 1888, 1 of the first in the nation. Today the Graduate School offers master's and Ph.D. degrees on the Twin Cities campus in approximately 150 fields, ranging from the traditional arts and sciences to agriculture, engineering, education, the health sciences, business, and public affairs. Master's degree programs are also offered on the Duluth campus. The more than 10,000 graduate students currently working toward a degree come from all 50 states and approximately 100 nations; the graduate faculty numbers approximately 3,000. The Graduate School awards approximately 675 doctorates and 1,700 master's degrees annually. The University of Minnesota currently ranks 7th in the nation in doctorates awarded.

University of Minnesota Libraries

The University Libraries provide information, collections, and services that are necessary to support the University's instructional and research programs.

The University Libraries deliver information to users where and when they need it in a format best suited to their needs, regardless where the source material is located. The libraries are a leader in the collection and preservation of internationally recognized research materials, and develop their collections in cooperation with other libraries in the state, region, and nation. Many of the collections of the libraries are accessible electronically. The University libraries play a leadership role in the global effort to organize information and make it accessible.

Access to information whatever its source is provided through state-of-the-art, networked electronic access and document delivery systems to users both on and off campus. A full range of library services is available at one's work station. The libraries are a leader, in partnership with campus information technology units and organizations, in the development of campus-wide information policy and infrastructure to insure effective, equitable, and integrated access to information. The libraries have a nationally recognized program in information literacy. Library users are taught how to navigate the networks, as well as how to assess information and evaluate its merit and reliability. Librarians collaborate with students and faculty in stretching the boundaries of knowledge, in developing curricula, and in exploring new approaches to integration of knowledge.

The University's libraries are among its greatest resources. The University loans more volumes to other institutions than any other academic library in the country.

FULLY ALLOCATED EXPENDITURES
F.Y. 1995 (1)

	Primary Programs				Support Programs				
Campus	Instruction	Research	Public Service	Other	Academic Support	Student Support	Institutional Support	Physical Plant	Total
Twin Citites	249,923	78,222	58,754	4,256	34,961	21,055	33,238	78,540	558,949
Duluth	29,951	3,218	1,070	1,410	3,371	3,427	4,770	9,345	56,561
Morris	6,782	37	59	488	1,617	1,833	1,906	2,345	15,067
Crookston	3,597	19	237	385	1,467	707	1,021	1,654	9,087
System				34,636					34,636
Total	290,253	81,496	60,121	41,174	41,416	27,022	40,935	91,884	674,299
Physical Plant	38,252	32,457	4,453		9,261	1,174	6,288	(91,884)	
Institutional Support	15,346	13,686	11,109	5,139	1,027	917	(47,223)		
Student Support	27,450	1,664				(29,113)			
Academic Support	42,837	4,653	4,213		(51,703)				
Total	414,137	133,955	79,895	46,313	0	0	0	0	674,299

(1) per Exhibit Ia; Instructional Cost Study -- F.Y. 1995

INSTRUCTIONAL BASE CALCULATIONS
Per M.S. 135A

Enrollment Summary (FYE Students) :

Adjustment Summary:

	Actual F.Y. 1995	Estimated F.Y. 1996	Estimated F.Y. 1997	Projected F.Y. 1998	Projected 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	18,006	18,335	18,537	18,741	18,947					
Upper Division	18,540	18,913	19,121	19,331	19,544	Fixed Base @ 35%		85,145	41,937	127,082
Subtotal	36,546	37,248	37,658	38,072	38,491					
Less: NRNR & MFS (1)	2,017	2,311	2,336	2,362	2,388	Variable Base @ 65%		158,127	77,883	236,010
Total UG	34,529	34,937	35,321	35,710	36,103					
						Applicable Adjustment Factor	2.0%	3,163	1,558	4,720
Graduate	8,938	9,002	9,101	9,201	9,302	Adjusted Instructional Base		246,435	121,378	367,813
Professional	6,615	6,556	6,628	6,701	6,775					
Marginally Funded Students						F.Y. 1999				
PSEO	437	441	446	451	456	F.Y. 1997 Instruction (recurring only)		243,272	119,821	363,093
Midwest Compact	52	113	114	115	117					
Subtotal	489	554	560	567	573	Fixed Base @ 35%		85,145	41,937	127,082
Weight @ .5	245	247	250	252	255					
						Variable Base @ 65%		158,127	77,883	236,010
Total Formula Enrollment	50,327	50,742	51,300	51,864	52,435	Applicable Adjustment Factor	4.0%	6,325	3,115	9,440
Enrollment Base	50,327	50,327	50,327	50,327	50,327	Adjusted Instructional Base		249,597	122,936	372,533
Percent Change From Base		0.8%	1.9%	3.1%	4.2%					
Allowable Adjustment Factor				2.0%	4.0%					

(1) NRNR = "Non-resident Non-reciprocity"; MFS = "Marginally Funded Students"

(2) Reflects transfer of instructional appropriation to non-instruction; \$21,123,000.

AGENCY: Minnesota, University of

1998-99 Biennial Budget

EXPENDITURES PER STUDENT
F.Y. 1995

	FYE Students -----	(1) Instructional Expenditures -----	Expenditures per Student -----
System Wide Enrollments			
Lower Division	15,857	92,691,945	5,845
Upper Division	15,471	128,560,777	8,310
Graduate	11,827	103,486,250	8,750
Professional	4,229	62,838,711	14,859
Lower Division (CEE & Summer)	2,146	9,483,174	4,419
Upper Division (CEE & Summer)	2,569	17,076,143	6,647
Total	52,099	414,137,000	7,949

(1) Per Exhibit II; Instructional Cost Study -- F.Y. 1995

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1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Mayo Foundation

PROGRAM

Mayo Medical School
Family Practice Medicine Residency Program

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1998-99 Biennial Budget

AGENCY: Mayo Foundation

AGENCY DESCRIPTION:

Mayo Foundation is a nonprofit, charitable corporation best described as a private trust for public purposes. Mayo aspires to provide the best medical care through practice, education and research in a unified, multi-campus system.

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.

AGENCY ISSUES:

The mission of Mayo Foundation is to provide:

- comprehensive and compassionate patient care through an integrated, multi-specialty group practice.
- Superior biomedical research to attain new knowledge with broad clinical interactions.
- Scholarly educational programs to teach and train medical and scientific professionals for national, state and Mayo needs and to be a health information resource for the public.

AGENCY STRATEGIES:

The clinical practices, education and research of Mayo Foundation are driven by the following institutional principles:

1. To honor the commitment that "the needs of the patient come first."
2. To be local, regional, national and international in service.
3. To emphasize access for patients who may most benefit from Mayo's practice characteristics.
4. To be a unified, integrated medical system in multiple locations offering the Mayo style of group practice, research and education.
5. To recruit and retain outstanding people to work as a team in an interdisciplinary setting.
6. To respect the individual contributions of each member of the Mayo family and to reaffirm the importance of "continuing interest by every member of the staff in the professional progress of every other member."
7. To promote cultural diversity and equality of opportunity within the Mayo family.
8. To serve appropriately those patients whose financial circumstances indicate that payment of normal charges would be a difficult burden.
9. To be a leader in conducting our activities in a manner which protects, conserves, and reuses natural resources.

10. To consider resource allocation at Mayo within the perspective of a system rather than its individual entities.

11. To conduct our activities in a manner that permits a financial return sufficient to meet present and future requirements, both operational and capital, for its programs in practice, education and research.

12. To measure success in terms of quality and not quantity; service and non self-serving; financial security and not accumulated wealth; system in contract to individual entity.

Mayo does not:

1. Aspire to grow to be the largest medical system.
2. Aspire to create geographically separate groups functioning independently.
3. Have as an objective to maximize profit. Any financial surplus is viewed as a means to an end (the accomplishment of our mission), not an end in itself.

SUMMARY OF BUDGET REQUEST:

Mayo Foundation requests state funding for partial support of two higher education programs: Mayo Medical School (MMS) and Mayo Family Practice Residency Program. MMS is an undergraduate Medical School preparing students to enter graduate training and residency programs. The Mayo Family Practice Residency Program trains family physicians who provide comprehensive medical care to patients of all ages. State funding for these two programs is used to offset tuition for MMS students from Minnesota and to partially fund the stipends of the Family Practice residents.

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the agency's request; however, Mayo Foundation may apply for funds through the Medical Education and Research (MERC) Trust Fund authorized by the 1996 legislature. The Governor's budget recommends appropriations from the General Fund to support the MERC Trust Fund, which is administered by the Department of Health. The MERC Advisory Committee will award grants from the Trust Fund to accredited medical education teaching institutions, consortia and programs.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MAYO FOUNDATION

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
PROGRAM RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
MAYO MEDICAL SCHOOL	408	450	429	441	429	429	455	429
MAYO FAMILY PRACTICE RESIDENCY	343	516	396	738	396	396	827	396
TOTAL EXPENDITURES BY PROGRAM	751	966	825	1,179	825	825	1,282	825
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	751	966	825	1,179	825	825	1,282	825
TOTAL EXPENDITURES	751	966	825	1,179	825	825	1,282	825

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: MAYO FOUNDATION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	945	945	945	945				
BASE ADJUSTMENTS								

ONE-TIME APPROPRIATIONS	<120>	<120>	<120>	<120>				
	-----	-----	-----	-----	-----	-----	-----	-----
SUBTOTAL BASE ADJ.	<120>	<120>	<120>	<120>				
	-----	-----	-----	-----	-----	-----	-----	-----
BASE LEVEL	825	825	825	825				

1998-99 Biennial Budget

PROGRAM: Mayo Medical School (MMS)

AGENCY: Mayo Foundation

PROGRAM DESCRIPTION:

Mayo Medical School (MMS) was founded in 1972. In September of 1997, MMS will celebrate its 25th anniversary. 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.

Mayo Medical School annually enrolls 42 students in 3 related medical degree programs:

- M.D. program
- MD-PhD program
- MD-OMS program

Patient contact begins early in the first year and increases commensurate with the student progress. The integration of basic and clinical sciences occurs in a manner that strengthens basic science concepts; stresses the patient orientation appropriate for an undergraduate medical school; and utilizes a variety of active, problem-oriented, faculty guided and self learning techniques to aid student comprehension.

Emphasis is given to the primary care disciplines of general internal medicine, family medicine, pediatrics, and obstetrics/gynecology in an effort to encourage students to select one of these fields when making career choices. Of those graduating in 1996, 47% chose a residency program in one of those 4 areas. As part of their education, each MMS student lives with a family practice physician who is in private practice in this Minnesota region to experience first-hand the challenges and rewards of primary care medicine. Beginning in the Fall of 1996, a Year IV Pediatrics clerkship and a Family Medicine clerkship are now required. Now students must study Pediatrics and Family Medicine in Years II, III and IV.

PROGRAM STATUS:

Mayo Medical School strives to be a leader in undergraduate medical education. In 1995, MMS was ranked 22 in the U.S. News and World Report of the 125 medical schools. In September, 1997, MMS will celebrate its 25th anniversary with approximately 860 graduates. Of the 280 graduates to date, 343 or 42% are in practice or residency in the state of Minnesota. Of those original state residents who received capitation (581 or 71%) 271 or 43% are currently in practice or residency in Minnesota.

Of the 343 physicians, residents and fellows practicing in Minnesota:

- 73 (21%) are in Family Medicine
- 58 (17%) are in Internal Medicine
- 17 (5%) are in Pediatrics
- 12 (3%) are in Obstetrics/Gynecology

PLANNED RESULTS:

Following is a listing of MMS's outcome measures. The mechanism for data collection is in parentheses. These outcomes are reviewed by the Medical School Education Committee.

- In recognition of MMS's being a national undergraduate medical school, students enrolled in MMS will represent a broad geography and wide range of colleges and universities. (Enrollment records)
- In recognition of the high quality of MMS applicants and the need for a strong foundation in the sciences, the average scores for each class enrolled in MMS will exceed national norms for science grade point average (GPA) and Medical College Admissions Test (MCAT). (Premedical science GPAs and MCAT scores)
- In recognition of the limitations of sole reliance upon cognitive attributes in the selection of future physicians, all students enrolled in MMS will have demonstrated attributes which may include: personal achievements indicating leadership ability; contributions to community and civic activities; evidence of strong motivation and compassion; involvement in research and medical service; and ability for productive interaction with fellow students. (Non-test attributes of enrollees)
- In recognition of the desire to enrich the Mayo community by increasing cultural and ethnic diversity, and to meet future health care needs, under represented minority students will be actively recruited and will be enrolled in MMS at a level that exceeds the national norm. (Enrollment data)
- In recognition of the importance of superior teaching and the contribution of faculty development, all faculty will be regarded as effective teachers. (Students' evaluations of faculty)
- In recognition of the importance of clinical and procedural skills, in addition to a cognitive knowledge base, all students graduating from MMS will have demonstrated achievement of those core clinical and procedural skills defined by MMS faculty. (Clinical skills performance of students and residents)
- In recognition of the opportunity provided by MMS's research semester, all students graduating from MMS will have completed a biomedical research project and, within one year of graduation, at least 80% of students will have presented their work at a professional meeting and/or have had their work published. (MMS research-related publication and travel statistics)
- In recognition of the attributes and skills achieved in part through the research semester, at least 50% of MMS graduates will have published 1 or more scientific papers, in addition to their MMS research project, within 5 years of graduation. (Publication records)
- In recognition of the single pathway to licensure, all students enrolled in MMS will pass United States Medical Licensure Examination Steps, 1, 2, and 3 and achieve licensure. On average, MMS students will achieve scores that are higher than the national norm. [National achievement

1998-99 Biennial Budget

PROGRAM: Mayo Medical School (MMS)

AGENCY: Mayo Foundation
(Continuation)

test results (assuming that passing U.S. Medical Licensure Examination Steps 1,2,3 = achieving licensure)]

- In recognition of the financial support programs of MMS and the debt burden of MMS students, which for the Class of 1992 averaged \$42,400 per student, there will be a reduction in the average debt, beginning with the Class of 1993. (Average debt level for class)
- In recognition of the importance of student counseling and the balance between specialty choice, program location, and perceived quality of training, students graduating from MMS will be:
 - 100% successful in obtaining a first year (residency) position in the specialty of their choice;
 - 90% successful in obtaining the first, second, or third choice of a program within that specialty; and
 - 90% "very satisfied" with their counseling and their result in the match.
(A. Residency Match results/first year positions. B. Student satisfaction with their counseling.)
- In recognition of the individual strengths and talents of our students, the specialties chosen will reflect the unique integrated multi disciplinary group practice at Mayo and the national imperative to produce more primary care physicians. (Medical specialty choices of graduates)
- In recognition of the goals for graduates to achieve competency in medical practice, all eligible MMS graduates will have obtained American Board of Medical Specialties (ABMS) certification. (Specialty certification)
- In recognition of the goal for graduates to achieve leadership roles in education, graduates of MMS will have achieved academic rank in a higher percentage than the national norm. (Academic/research appointments)
- In recognition of the goal to prepare students to assume leadership roles, all MMS graduates, within 10 years of graduation, will be serving or will have served on local, hospital, state, national, or specialty professional committees. (Information about graduates' leadership roles)
- In recognition of the goals to prepare students to assume leadership roles, all MMS graduates will be actively involved in community service. (Information about graduates' community service)

BUDGET AND REVENUE SUMMARY:

The cost to Mayo Foundation to educate a medical student is expected to be \$51,000 per student in F.Y. 1996 and \$55,000 in F.Y. 1997. Projections for the F.Y. 1998-1999 biennium estimate the cost will rise to \$59,000 and \$62,000/student respectively.

Capitation provided by the state is used to offset tuition to Minnesota resident medical school students. The full amount of state capitation is passed through to the Minnesota student in the form of a tuition reduction. In F.Y. 1996 and 1997, each Minnesotan received \$10,736 in state funding, reducing their tuition by 45% to \$9,064.

Mayo Medical School is requesting the same base budget for F.Y. 1998 and F.Y. 1999 (\$429,000) for 40 Minnesota students who would receive \$10,736 each in the form of a direct tuition reduction.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MAYO FOUNDATION
PROGRAM: MAYO MEDICAL SCHOOL
ACTIVITY: MAYO MEDICAL SCHOOL

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	408	450	429	441	429	429	455	429
TOTAL EXPENDITURES	408	450	429	441	429	429	455	429
AGENCY REQUEST ITEMS:		FUND						
MEDICAL SCHOOL CAPITATION GRANTS		GEN		12			26	
TOTAL AGENCY REQUEST ITEMS				12			26	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	408	450	429	441	429	429	455	429
TOTAL EXPENDITURES	408	450	429	441	429	429	455	429

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Mayo Foundation
PROGRAM: Mayo Medical School (MMS)
ACTIVITY: Mayo Medical School (MMS)
ITEM TITLE: Capitation Grants for Minnesota Medical Students

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- Grants	\$12	\$26	\$26	\$26
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the agency's request; however, this program may apply for funds through the Medical Education and Research (MERC) Trust Fund authorized by the 1996 legislature. The Governor's budget recommends appropriations from the General Fund to support the MERC Trust Fund, which is administered by the Department of Health. The MERC Advisory Committee will award grants from the Trust Fund to accredited medical education teaching institutions, consortia and programs.

AGENCY RATIONALE FOR INITIATIVE:

The cost per student to provide a medical school education at Mayo will be approximately \$51,000 in 1996. In F.Y. 1997, cost per student is expected to rise 8% to \$55,000. In 1998, another increase of 7% is anticipated to \$59,000 and in 1999 a 5% increase to \$62,000.

Mayo Medical School requests for F.Y. 1998, \$441,870 or \$11,047/student for 40 students, which is a 3% increase from the F.Y. 1997 (\$429,000). Mayo Medical School requests for F.Y. 1999, \$455,120 or \$11,378/student for 40 students, a 3% increase over the 1998 request.

PROGRAM OUTCOMES:

With the increase in funding requested in this initiative, MMS will be able to continue offering a concentrated level of medical education provided by a faculty-medical school student ratio of 10:1. Through the year 2002, MMS has requested an increase in faculty time from 15 FTE to 20 FTE.

LONG-TERM IMPACT:

Tuition at MMS is \$19,800 and has been held at this level since 1993, with the intention of remaining at this level as long as possible for several reasons: 1) Mayo Medical School is able to recruit the "best and brightest" having the lowest private school tuition available; 2) students graduating with lower debt have more freedom to choose careers which historically are paid a lower salary, such as family medicine; and 3) we encourage our medical students to keep their debt load as low as possible, and a lower tuition level helps this endeavor. State funding will be used solely to reduce tuition for Minnesota medical students.

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1998-99 Biennial Budget

PROGRAM: Mayo Family Practice Residency Program
AGENCY: Mayo Foundation

PROGRAM DESCRIPTION:

The Mayo Graduate School of Medicine established a 3 year graduate medical residency program in the specialty of family practice in 1978. The mission of the Mayo Foundation Family Practice Residency has been to train family physicians who will provide personal, comprehensive care for persons of all ages. The training program prepares the prospective family physician for primary care practice in all settings of practice, with special emphasis on rural or smaller communities.

The Mayo Family Practice Clinic is located in Kasson, Minnesota, a rural community in Dodge County of approximately 3,200 people. Mayo's Family Practice Clinic is a vital element in the residents' 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 a rural area with a drawing population of close to 18,000. In 1995, 35,000 patients were seen in the Kasson office.

The residents and Mayo Clinic Family Medicine consultants also deliver care to migrant workers at Blooming Prairie as part of their public health experience. Other resident activities include providing sport physicals to local high schools, give talks to high schools, public health nurses, and ambulance crews. They also volunteer to work at camps for children with chronic illnesses.

Mayo Graduate School of Medicine is also the academic sponsor of a family practice residency program at St. Cloud Hospital. The St. Cloud Hospital/Mayo Family Practice Residency Program admitted its first class of residents in July 1996. The St. Cloud Hospital Program received a one-time appropriation of \$120,000 in F.Y. 1997 to support stipends for 4 residents.

PROGRAM STATUS:

A major goal of the residency program has been to train physicians who will provide efficient, cost-effective, high-quality medical care for all populations. It is clear from our studies that the best way to improve this care is by changes in the medical system of practice. To this end we have ongoing projects in the development of clinical strategies. This is a multi disciplinary project in which we define the most cost-effective approach to management of various chronic clinical problems, such as cancer of the breast, coronary heart disease, depression and low back pain, as well as acute conditions such as urinary tract infections. We have also instituted system changes to improve the provision of preventive services to elderly patients. These programs will eventually reduce health costs while maintaining high-quality care.

We are actively developing a managed care curriculum. We will soon be implementing the electronic medical record as a state-of-the-art record keeping system.

PLANNED RESULTS:

The residency has been extremely successful in recruiting excellent medical school graduates who have filled all the positions in the 18 entering classes. 48% percent of these graduates are currently practicing in Minnesota (25% in Rochester, 24% in other areas of Minnesota, primarily in rural areas). Mayo Foundation has affiliated family practice programs at St. Francis Hospital in La Crosse, WI; St. Cloud, MN; and Des Moines, IA. The foundation has given financial and education support

for this program. In the past, Mayo Family Medicine residents have scored well above the national average on the American Board of Family Practice In-Training Examination.

It is the goal of the department to have 60% of its graduating residents remaining in practice in Minnesota and of those, 35% practicing in rural Minnesota.

BUDGET AND REVENUE SUMMARY:

Funding provided by the state of Minnesota to the Family Practice Residency Program is used to offset resident stipends which average \$32,500 per resident in 1996. In F.Y. 1996 and 1997, each resident's stipend was funded \$13,192 or 44% of each stipend. The Family Medicine Residency Program requests for F.Y. 1998 and 1999 the base budget amount of \$396,000 each year.

The legislature appropriated to Mayo non-recurring funds of \$120,000 in F.Y. 1997 to support 4 resident physicians in the St. Cloud Hospital/Mayo Family Practice Residency Program. St. Cloud Hospital met the legislative requirement that it demonstrate \$950,000 in matching funds from non-state sources. This appropriation is non-recurring.

Other sources of revenue supporting the St. Cloud Hospital program are listed below:

Source:	<u>F.Y. 1997-98</u>	<u>F.Y. 1998-99</u>
Patient Revenue	\$1,286,000	\$1,500,000
Medicare Direct/Indirect	720,000	1,000,000
St. Cloud Hospital	520,000	260,000

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MAYO FOUNDATION
PROGRAM: MAYO FAMILY PRACTICE RESIDENCY

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
FAMILY PRACTICE RESIDENCY	343	396	396	408	396	396	467	396
ST. CLOUD HOSPITAL RESIDENCY		120		330			360	
TOTAL EXPENDITURES BY ACTIVITY	343	516	396	738	396	396	827	396
AGENCY REQUEST ITEMS:		FUND						
FAMILY PRACTICE RESIDENCY CAPITATION		GEN		12			71	
ST. CLOUD HOSPITAL RESIDENCY PROGRAM		GEN		330			360	
TOTAL AGENCY REQUEST ITEMS				342			431	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	343	516	396	738	396	396	827	396
TOTAL EXPENDITURES	343	516	396	738	396	396	827	396

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Mayo Foundation
PROGRAM: Family Practice Residency Program
ACTIVITY: Mayo Family Practice Residency Program

ITEM TITLE: Expand Family Practice Residency Program (FPRP)

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- Grants	\$12	\$71	\$71	\$71
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the agency's request; however, this program may apply for funds through the Medical Education and Research (MERC) Trust Fund authorized by the 1996 legislature. The Governor's budget recommends appropriations from the General Fund to support the MERC Trust Fund, which is administered by the Department of Health. The MERC Advisory Committee will award grants from the Trust Fund to accredited medical education teaching institutions, consortia and programs.

AGENCY RATIONALE FOR INITIATIVE:

The Mayo Family Practice Residency Program requests an appropriation of \$407,880 in F.Y. 1998 to support capitation payments of \$15,107 for 27 medical residents. This is a 3% increase over the F.Y. 1997 appropriation. For F.Y. 1999, Mayo requests a total appropriation of \$446,795 to support capitation payments of \$15,560 for 30 family practice residents.

PROGRAM OUTCOMES:

With the increase in funding requested in this initiative, the program will be able to continue funding residents at an attractive and competitive salary, while offsetting the cost of educating family practice residents.

LONG-TERM IMPACT:

May Foundation has been extremely supportive of the Family Practice Residency Program and has requested that the Department of Family Medicine develop plans for expansion of the program. The number of residents has been increased from 18 in 1992 to 27 in 1996, and plans to increase to 30 residents by 1999.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Mayo Foundation
PROGRAM: Mayo Family Practice Residency
ACTIVITY: St. Cloud Hospital/Mayo Family Practice Residency

ITEM TITLE: Grants for Medical Residents

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$330	\$360	\$360	\$360
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the agency's request; however, this program may be eligible to apply for funds through the Medical Education and Research (MERC) Trust Fund authorized by the 1996 legislature. The Governor's budget recommends appropriations from the General Fund to support the MERC Trust Fund, which is administered by the Department of Health. The MERC Advisory Committee will award grants from the Trust Fund to accredited medical education teaching institutions, consortia and programs.

AGENCY RATIONALE FOR INITIATIVE:

St. Cloud Hospital requests that the state of Minnesota contribute \$30,000 per resident to assist in defraying the costs of educating those doctors appointed to the St. Cloud Hospital/Mayo Family Practice Residency Program. There will be 11 residents appointed in F.Y. 1998 and 12 residents appointed in F.Y. 1999 and beyond. The St. Cloud Hospital Residency Program received a one-time appropriation in F.Y. 1997 to support 4 medical residents.

Many rural areas of central Minnesota are experiencing a shortage of primary care physicians. Inadequate numbers of primary care physicians in rural communities create the following problems: 1) lack of accessibility to affordable health care; 2) reluctance by some to obtain necessary treatment; 3) reduction in the viability of small; 4) rural hospitals; 5) increased cost of health care; 6) loss of economic resources and economic development in rural areas and potential health risks to rural communities.

The St. Cloud Hospital/Mayo Family Practice Residency Program offers a 3 year residency in Family Medicine, with an emphasis on developing caring, competent physicians for primary care practice in rural communities of central Minnesota. Mayo Graduate School of Medicine is the academic sponsor

of the program, which received accreditation by the Council for Graduate Medical Education in September, 1995. The St. Cloud Hospital/Mayo Family Practice Residency Program provides:

- A comprehensive education for family physicians, especially those intending to practice in rural communities.
- An emphasis on outpatient experiences for learning family medicine and obtaining subspecialty training.
- Instruction in family-oriented primary care emphasizing the biopsychosocial approach.
- Procedural training that will enable the family physician to care for the patient problems seen most often in rural settings.
- A supportive environment with a well-rounded and diverse faculty
- An opportunity to develop lifelong learning skills to help family physicians to continue to provide quality care into the 21st century.

PROGRAM OUTCOMES:

The St. Cloud Hospital/Mayo Family Practice Residency Program was established to prepare doctors to practice primary care medicine in rural Minnesota. The Family Practice Residency Program is designed to address a variety of issues, including: the shortage of primary care physicians in rural Minnesota, the special challenges of practicing medicine in rural areas, and the need to manage health care costs.

LONG-TERM IMPACT:

The St. Cloud Hospital/Mayo Family Practice Residency Program will assist in alleviating the shortage of primary care physicians in rural Minnesota, improve health of members of rural communities and provide affordable access to appropriate medical care.

1998-99 Biennial Budget

AGENCY: Higher Education Facilities Authority

AGENCY DESCRIPTION:

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 F. Y. 1988, the legislature also asked that the Authority finance 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 \$350 million of bonding authority.

ISSUES AFFECTING AGENCY'S OPERATIONS:

It is evident that colleges and universities in Minnesota will be in need of 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. This technology has forever changed college libraries, business offices, development offices, and admissions and records offices. The computer has become an invaluable tool for teaching in most academic disciplines, and telecommunication systems are rapidly transforming campus instructional and administrative systems.
- **Obsolete Building Replacement:** Any major renovation 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, or if the building is not energy efficient or not accessible to the handicapped.
- **Deferred Maintenance:** Nationwide studies show that higher education institutions have a large amount of accumulated deferred maintenance. Minnesota private colleges are proportionately facing this problem.
- **Refinancing Options:** The recent economic climate, which has lowered interest rates, has made refinancing of existing debt attractive to many institutions. Debt that was issued in the 1980s at comparably high interest rates is being refinanced at lower rates thereby saving interest cost.

GOALS AND OBJECTIVES:

The Authority's policies, procedures, regulations and approval of bonding projects are made by a board composed of 10 members, 8 of which are appointed by the Governor. The remaining 2 ex-officio members; are, representative of the Higher Education Services Office and a representative or a of 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 its books and records.

EXPLANATION OF AGENCY'S BUDGET PLAN:

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 positions 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.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED FACILITIES AUTHORITY
PROGRAM: HIGHER EDUC FAC AUTHR
ACTIVITY: HIGHER EDUC FAC AUTHR

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	181	191	191	191	191	191	191	191
SUBTOTAL STATE OPERATIONS	181	191	191	191	191	191	191	191
TOTAL EXPENDITURES	181	191	191	191	191	191	191	191
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
AGENCY	181	191	191	191	191	191	191	191
TOTAL EXPENDITURES	181	191	191	191	191	191	191	191
REVENUE COLLECTED:								
DEDICATED:								
AGENCY	181	191	191	191	191	191	191	191
TOTAL REVENUES COLLECTED	181	191	191	191	191	191	191	191
FTE BY EMPLOYMENT TYPE:								
REGULAR	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL FTE	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

