

Minnesota State Colleges & Universities

EDUCATING MINNESOTA: MEETING THE CHALLENGE
BUDGET REQUEST 2008-2009



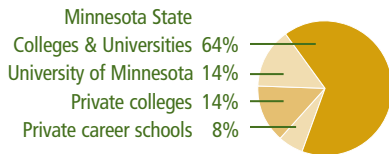
The need for public higher education has never been greater.

Recent state and national reports have sounded the alarm again and again: Minnesota and the nation will need more college graduates and more highly skilled workers to compete in a global economy. • The Minnesota State Colleges and Universities system addresses these challenges every day by meeting changing workforce needs with new programs such as biotechnology, nanotechnology and health informatics, and by continuing to increase numbers of graduates annually. • The 32 state universities and community and technical colleges serve 370,000 students each year in credit and noncredit courses. Every year, more than 33,000 students graduate, and more than 80 percent of them stay in Minnesota to work or continue their education. • The state's investment in the Minnesota State Colleges and Universities produces significant benefits for the state's economy and quality of life. A July 2006 study by economist Paul Anton of Wilder Research estimated that every dollar of net state appropriation to the system – that is, state appropriation minus revenue returned to the state in the form of taxes paid by employees and alumni – returns \$10.87 in economic activity to the state. Anton, a member of the Minnesota Council of Economic Advisors, found that the system has a total statewide economic impact of \$3.5 billion per year, of which \$2.4 billion is the result of the enhanced productivity of Minnesota workers who receive degrees or training from the system's colleges and universities.

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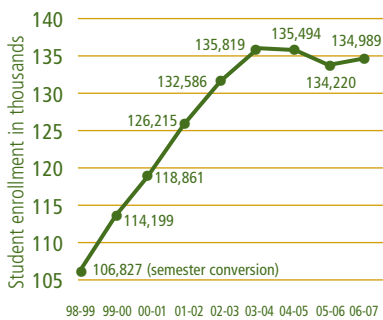
Minnesota State Colleges & Universities serve majority of Minnesota undergraduates

The 32 state colleges and universities serve more of the state's resident undergraduates than all other higher education providers combined.



Source: Minnesota Office of Higher Education, fall 2005 headcount enrollment, Minnesota resident undergraduates

Enrollment remains strong



Source: Minnesota State Colleges and Universities Finance Division, actual full-year-equivalent enrollment for 1998-2006; projected full-year-equivalent enrollment for 2006-2007



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Perhaps even more significant is the role that graduates play in communities around the state. The Minnesota State Colleges and Universities system educates:

- 80 percent of the state's new nursing graduates;
- 53 percent of the state's new teaching graduates;
- 92 percent of the state's law enforcement officers;
- 91 percent of new graduates in the construction trades;
- 91 percent of new mechanics graduates; and
- 42 percent of the state's new business graduates.

The Minnesota State Colleges and Universities are seeking a budget increase of \$177 million for the 2008-2009 biennium to cover inflation, to make critical technology infrastructure improvements to benefit students and to strengthen the state's competitive edge on five fronts by:

- recruiting and retaining more students from groups traditionally underrepresented in higher education;
- producing more graduates in science, technology, engineering and math;
- supporting the growth of the state's burgeoning bioscience industry by establishing a Biosciences Center of Excellence;
- increasing the number of nursing graduates to help avert a predicted nursing shortage; and
- encouraging innovation by faculty and staff.

This budget request anticipates a 4 percent per year tuition increase, which would be the smallest tuition increase since 1999. The tuition increase would raise \$73 million over two years for the colleges and universities. In addition, the system is redirecting \$25 million in existing resources to support the initiatives.

2008-2009 BUDGET REQUEST SUMMARY

Current base appropriation: \$1.2 billion

Biennial budget increase request

Infrastructure

| | |
|--|--------------|
| Inflation | \$57 million |
| Technology infrastructure improvements | \$70 million |

Strategic advancements

| | |
|--|--------------|
| Recruitment/retention of groups traditionally underrepresented in higher education | \$24 million |
| Academic innovations | \$26 million |
| Science, technology, engineering and math education | \$10 million |
| Health care education | \$3 million |
| Biosciences Center of Excellence | \$3 million |
| Management innovation | \$10 million |

Total budget increase request \$177 million

Other revenue

| | |
|--|--------------|
| Tuition increase of 4 percent per year | \$73 million |
| Reallocation of existing funds | \$25 million |

Total commitment \$275 million

Capital budget request

| | |
|---|----------------|
| Asset preservation, repair and replacement projects | \$30.0 million |
| Property acquisition | \$3.8 million |
| Fond du Lac Tribal & Community College | \$1.8 million |
| Bemidji State University | \$2.0 million |

Total capital budget request \$33.8 million

Biennial budget request overview

Inflation: \$57 million

The Minnesota State Colleges and Universities system expects that inflation over the biennium will amount to \$130 million, based on an assumption of 3.25 percent inflation per year. The system seeks \$57 million to cover a portion of this cost; the remaining \$73 million would be generated through a tuition increase of 4 percent per year.

Because many costs are projected to rise more than 3.25 percent (health insurance, for example, is expected to increase by 10 percent or more), the system plans to reallocate an additional \$10 million in existing funds to cover inflation up to 3.5 percent per year.

Technology infrastructure improvements: \$70 million

The Minnesota State Colleges and Universities system has experienced phenomenal growth in online education over the past three years. Enrollment has grown from about 16,300 students taking at least one online credit course in 2003 to 40,700 students in 2006.

Demand for online education also is growing in key areas for which the system has become the leading provider – workforce development and training for Minnesota employers and Post-Secondary Enrollment Options for high school students.

The Minnesota State Colleges and Universities system operates a shared computer information system that provides most technology services for online course delivery and for other computer-based services to faculty, staff and students at the 32 institutions located on 53 campuses. The technology infrastructure handles essential functions, including class registration, academic and student records, student data collection and analysis, business transactions and online course delivery. The shared infrastructure prevents duplication of technology equipment and staff at individual institutions.

The system's current technology infrastructure is seriously outdated and inadequate to meet demand for up-to-date classroom teaching techniques, Internet access and fast-growing online student services and education programs. The aging infrastructure needs overhauling to protect students, faculty and staff from network security threats such as identity theft and to prevent massive breakdowns during class registration and other high-demand periods.

Of the \$70 million requested, at least \$10 million will go directly to the colleges and universities. The remainder will be used to hire staff and purchase equipment, software and services to expand capacity of the shared computer system. This would allow the colleges and universities to:

- deliver more online programs and services to employers and high schools,
- protect sensitive data and enhance computer network security,
- increase online learning,
- improve student services, and
- improve management of business processes.

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“Institutions should harness the power of information technology by sharing educational resources among institutions, and use distance learning to meet the educational needs of rural students and adult learners, and to enhance workforce development. Effective use of information technology can improve student learning, reduce instructional costs, and meet critical workforce needs.

“... The commission encourages the creation of incentives to promote the development of information technology-based collaborative tools and capabilities at universities and colleges across the United States, enabling access, interaction, and sharing of educational materials from a variety of institutions, disciplines, and educational perspectives.”

— *A Test of Leadership: Charting the Future of U.S. Higher Education, Spellings Commission report, September 2006*

“We are not prepared for the dramatically changing demographic shifts in our populations. Our fastest growing populations (Latinos, African Americans, immigrants) are the lowest participating populations in our higher education system. It is absolutely essential to the future of states and the country that these populations have access to and are successful in higher education.”

— *Transforming Higher Education: National Imperative – State Responsibility, National Conference of State Legislatures, October 2006*

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"The Twin Cities region has the 12th highest college attainment rate among the 100 largest metro areas – 33 percent of its residents have a bachelor's degree or higher. However, only 19 percent of African Americans, 11 percent of Mexicans, and 8 percent of Hmong do.

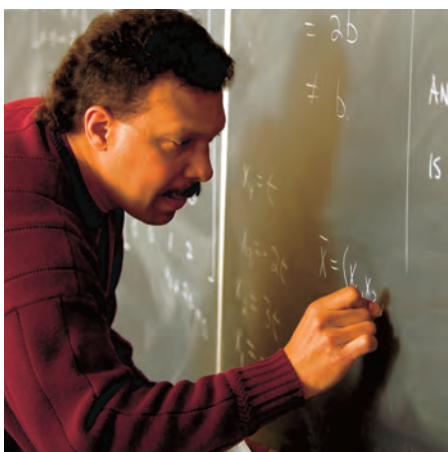
"... [R]acial disparities, if left unchecked, will mean a future workforce that has little education and few skills, potentially undercutting the economic strides of the past few decades."

– *Mind the Gap: Reducing Disparities to Improve Regional Competitiveness in the Twin Cities*, Brookings Institution 2005

"The best opportunity for increasing the number of post-secondary degrees lies with lower-income students because Minnesota's success is unusually concentrated at the high end of the socioeconomic spectrum. The wealthiest 20% of Minnesotans are seven times more likely to have a bachelor's degree than the poorest 20%. This is a greater inequality than in 29 other states.

"... Public higher education, the main route up for lower-income students, has been getting a shrinking share of Minnesota's resources, and our commitment to it is declining sharply compared to other states."

– *Workforce First, Growth & Justice*, February 2004



Strategic advancements: \$50 million

Recruitment and retention of groups traditionally underrepresented in higher education: \$24 million

A persistent and alarming gap in the college enrollment and success rate among certain groups of students threatens Minnesota's future economic and civic vitality. Currently, of every 100 ninth-graders statewide, only 42 enroll in public higher education within two years of graduating from high school; even more worrisome, in Minneapolis and St. Paul, only 24 of every 100 ninth-graders go on to enroll in public higher education.

Many teenagers who now pass up college are in groups traditionally underrepresented in higher education – those from low-income families, those whose parents did not attend college and those of color. Of those who do enroll in college, many find that they are not prepared for college-level work and drop out after one or two semesters. Meanwhile, Minnesota employers seek an educated and skilled workforce prepared to meet the growing demands of global competitiveness.

The system is requesting \$24 million to launch an innovative and comprehensive program to help prepare students for college, encourage their enrollment and provide services that enable them to continue successfully to graduation. This approach includes partnerships with K-12 schools and a major expansion of programs proven to be successful, including some similar to the federally funded TRIO programs, which provide tutoring and counseling, assistance in preparing for college, academic and cultural enrichment programs, and guidance on financial aid.

The system would allocate \$16 million to its 32 institutions based on enrollment factors and \$8 million through a competitive grants process to encourage innovative approaches and expansion of proven programs. In addition, the system would match the appropriation with \$10 million in existing resources for a total of \$34 million to support the statewide initiative.

Specifically, the system's initiative would result in:

- 6,700 more underrepresented students enrolling in fall 2008, including 1,500 more students of color and
- 17,000 underrepresented students, including 5,500 students of color, receiving academic support services through new or expanded retention initiatives.

Students of color make up 14% of all students

Students of color: 14.0%

Total number of students of color: 29,815



Source: Minnesota State Colleges and Universities Research and Planning Office, 2005-2006 headcount in credit courses based on race and ethnicity for the 88.9% of students who reported this information.

Science, technology, engineering and math education: \$10 million

The system is seeking \$10 million to expand learning opportunities in science, technology, engineering and math, areas of study collectively known as STEM. The funding would be used to increase student enrollment in STEM courses, promote career opportunities in STEM-related industries and increase the number of Minnesota teachers prepared to teach science and math in K-12 schools. An additional \$5 million in existing resources would be allocated to support this initiative for a total of \$15 million.

If fully funded, the colleges and universities project the following outcomes:

- The percentage of students enrolled in at least one STEM course each year will grow from 44.9 percent to 47.8 percent over the biennium, an increase of 6,900 students by 2009.
- The number of secondary teachers prepared for licensure in science and math each year will more than double by 2011, an increase of 119 teachers.

Health care education: \$3 million

Over the past five years, the number of new nursing graduates of the Minnesota State Colleges and Universities has increased by 74 percent as a result of the system's coordinated effort to meet the statewide nursing shortage. In 2005, the system's colleges and universities graduated 3,800 nurses, an increase from 2,186 graduates in 2001. During that time, nearly 14,000 nursing students were graduated from system institutions. Even with that growth, the state's need for more health care workers continues.

This appropriation would enable the system to increase the number of nursing graduates in high-growth regions and would promote retention of front-line caregivers in long-term care facilities throughout the state. Funds would be used for curriculum redesign, programming to assist nursing students who are progressing to baccalaureate and graduate degrees, and simulation-based education and training to caregivers in long-term care facilities. Also, instruction on using electronic medical record technology would be provided so that health care students will graduate with the necessary skills and competencies to use electronic medical record technology in health care facilities by 2010.

This initiative is intended to provide stronger nursing education foundations at two-year colleges so that students can make a successful transition into upper-division health sciences courses at the state universities and the University of Minnesota.

If fully funded, the colleges and universities project the following outcomes:

- The number of nursing graduates will increase by 25 percent over the biennium, with a focus on producing more students receiving bachelor's and graduate degrees. This will result in 950 more nurses over the biennium.
- Recruitment and retention of underrepresented students in nursing and allied health fields will be improved.
- About 1,400 students will be trained on the use of electronic medical record systems.
- Simulation training will be provided to upgrade the skills of diverse populations of workers in 10 long-term care facilities.



"The composition of the next generation reflects the demographic shifts that have occurred within our nation's youth. That is, a larger proportion of America's future workforce will come from ethnic minority and low-income groups. Many workers in these groups will be first-generation college students who are served least effectively by education at all levels, whether elementary, secondary, or postsecondary. Such students graduate from high school, enroll in college, and complete college programs at significantly lower rates than the baby boomers that preceded them."

— *Measuring Up 2006*, The National Center for Public Policy and Higher Education

"American students are not attaining the level of knowledge they need in science, technology, engineering, and math, and are falling behind their peers in many other countries. Nor is the United States producing sufficient numbers of the skilled scientists and engineers needed to create tomorrow's innovations."

— "Why America Must Innovate: A Call to Action," by Everett Erlich, National Governors Association, December 2006

"In an age now driven by the relentless necessity of scientific and technological advance, the current preparation that students in the United States receive in mathematics and science is, in a word, unacceptable."

— *Before It's Too Late: A Report to the Nation*, National Commission on Mathematics and Science Teaching in the 21st Century, John Glenn, chair, 2000





Recommendation: The Minnesota State Colleges and Universities system should focus on “development of ‘best in class’ programs that demonstrate contributions to the local and regional economies, and to the broader global economy, through innovative partnerships with business and industry. The more job-relevant the curriculum, the more important the connection to local economies.”

— *Trouble on the Horizon: Growing Demands and Competition, Limited Resources, & Changing Demographics in Higher Education, Citizens League report, November 2004*

“While postsecondary enrollment has increased over the past decade, the proportion of students obtaining degrees in STEM fields [science, technology, engineering and math] has fallen. In academic year 1994-1995, about 519,000 students (32 percent) obtained STEM degrees. About 578,000 students obtained STEM degrees in academic year 2003-2004, accounting for 27 percent of degrees awarded.

“...College and university officials and students cited subpar teacher quality at the high school and college levels, poor high school preparation, more rigorous and expensive degree requirements for STEM majors, and lower pay of STEM occupations relative to such fields as law and business as factors that discouraged students from pursuing degrees in STEM fields.”

— *Science, Technology, Engineering, and Mathematic Trends and the Role of Federal Programs, Government Accounting Office, May 2006*



Biosciences Center of Excellence: \$3 million

Minnesota is uniquely positioned to become a bioscience industry powerhouse. Already home to companies known for innovation in medical, agricultural and industrial technologies, the state has made it a goal to become a global leader in the biosciences. The state’s public and private sectors have made significant investments in the state’s research structure.

This request for \$3 million for a Biosciences Center of Excellence will support preparation of the highly skilled workforce that will be needed to achieve the state’s goal. Funds would be awarded through a competitive process to one or more state universities and colleges.

The process would be similar to that used to create four centers of excellence in 2005 with a \$10 million legislative appropriation. These centers are now under way:

- the Center for Strategic Information Technology and Security at Metropolitan State University with Inver Hills Community College and Minneapolis Community and Technical College;
- the Center for Integrated Health Science Education and Practice at Winona State University with Rochester Community and Technical College, Pine Technical College, Minnesota State College – Southeast Technical and Ridgewater College;
- the Center for Engineering and Manufacturing Excellence at Minnesota State University, Mankato, with Alexandria Technical College, Anoka Technical College, Hennepin Technical College, Normandale Community College, South Central College and the Northeast Higher Education District; and
- the Consortium for Manufacturing and Applied Engineering at Bemidji State University with Central Lakes College, Northwest Technical College, Northland Community and Technical College, St. Paul College, St. Cloud Technical College, Minneapolis Community and Technical College, and Pine Technical College.

The key accountability measures to evaluate the success of the Biosciences Center of Excellence will be similar to those set for the existing centers, including improvements in graduate outcomes; student learning outcomes; related business and industry support; local, state and national accreditation and recognition; enrollment and placement trends; and access to quality facilities and equipment.

Management innovation: \$10 million

One of the four strategic directions in the system’s 2006-2010 strategic plan is, “Innovate to meet current and future educational needs efficiently.” A \$10 million state appropriation is sought to support institutions, administrators, faculty and staff in creating innovations that advance excellence and efficiency.

If funded, the system projects the following outcome:

- The system would be able to compensate the most innovative and productive employees at a level above the 70th percentile of the employees’ appropriate peer group. This would be based on national comparisons of similar employee groups at similar types of institutions.

Capital budget overview

Repair and replacement projects: \$30 million

The Minnesota State Colleges and Universities system maintains 20.9 million square feet of academic buildings on 53 campuses. In 2006, the system requested \$110 million for repair, replacement and life safety improvement of existing facilities; this was the system's top bonding priority. The Legislature appropriated \$40 million for this purpose in 2006; this year, the system is seeking \$30 million to complete a portion of the unfunded projects.

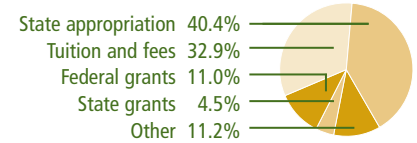
Funds would be used to replace roofs that are leaking and beyond their life expectancy; preserve building exteriors; replace exterior windows and doors; replace aged and failing heating, ventilation, air-conditioning, plumbing and mechanical systems; abate hazardous materials; improve accessibility for people with disabilities; improve air quality; and replace fire protection systems to comply with life safety codes.

Property acquisition: \$3.8 million

The system seeks \$3.8 million for two property acquisition projects that were part of the system's capital budget request to the 2006 Legislature but were not funded. A \$1.8 million purchase of property adjacent to Fond du Lac Tribal and Community College in Cloquet will provide a buffer to protect college growth, particularly in light of a construction project scheduled to begin in early 2007. Bemidji State University is proposing to buy former high school property adjacent to the campus for \$2 million to provide space for student parking and potential growth.

State appropriation a critical revenue source

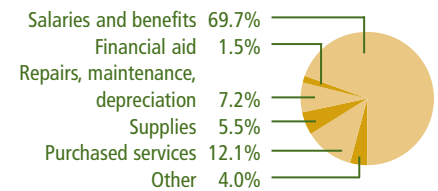
State appropriation makes up 40 percent of the annual general fund operating budget of the Minnesota State Colleges and Universities. Tuition and fees are the second-largest source of revenue at 32.9 percent.



Source: FY 2006 operating revenues, Minnesota State Colleges and Universities Finance Division

Personnel costs are largest expense

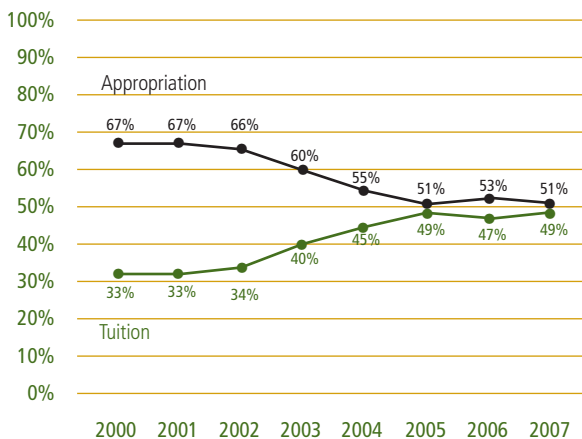
Salaries and employee benefits make up the largest share of college and university expenses.



Source: FY 2006 operating expenditures, Minnesota State Colleges and Universities Finance Division

As state appropriation declines, tuition increases

Tuition now makes up an average of 49 percent of college and university operating budgets (tuition plus state appropriation), up from 33 percent in 2000. State law indicates the Legislature's intention for the state's contribution to be at 67 percent.



Source: Minnesota State Colleges and Universities Finance Division

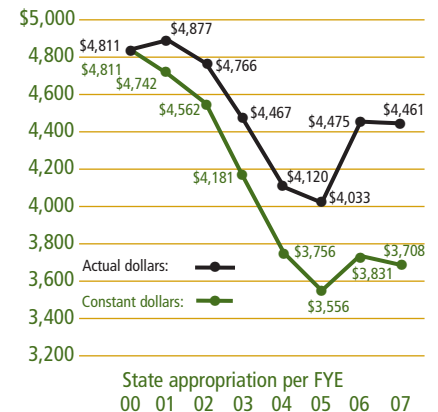
Funding policy

"It is the policy of the legislature to provide stable funding, including recognition of the effects of inflation, for instructional services at public postsecondary institutions and that the state and students share the costs of those services. The legislature intends to provide at least 67 percent of the instructional services costs for each postsecondary system."

— Minnesota Statutes 135A.01

State spending per student has declined since 2000

The state appropriation per full-time student has declined since 2000, both in actual dollars and in constant dollars after adjusting for inflation.



Constant dollars are calculated on a 2000 base using actual Consumer Price Index inflation for 2000 through 2005 and estimated 3.0 percent inflation per year for 2006 and 2007.

Source: Minnesota State Colleges and Universities Finance Division

Minnesota State Colleges & Universities system at a glance

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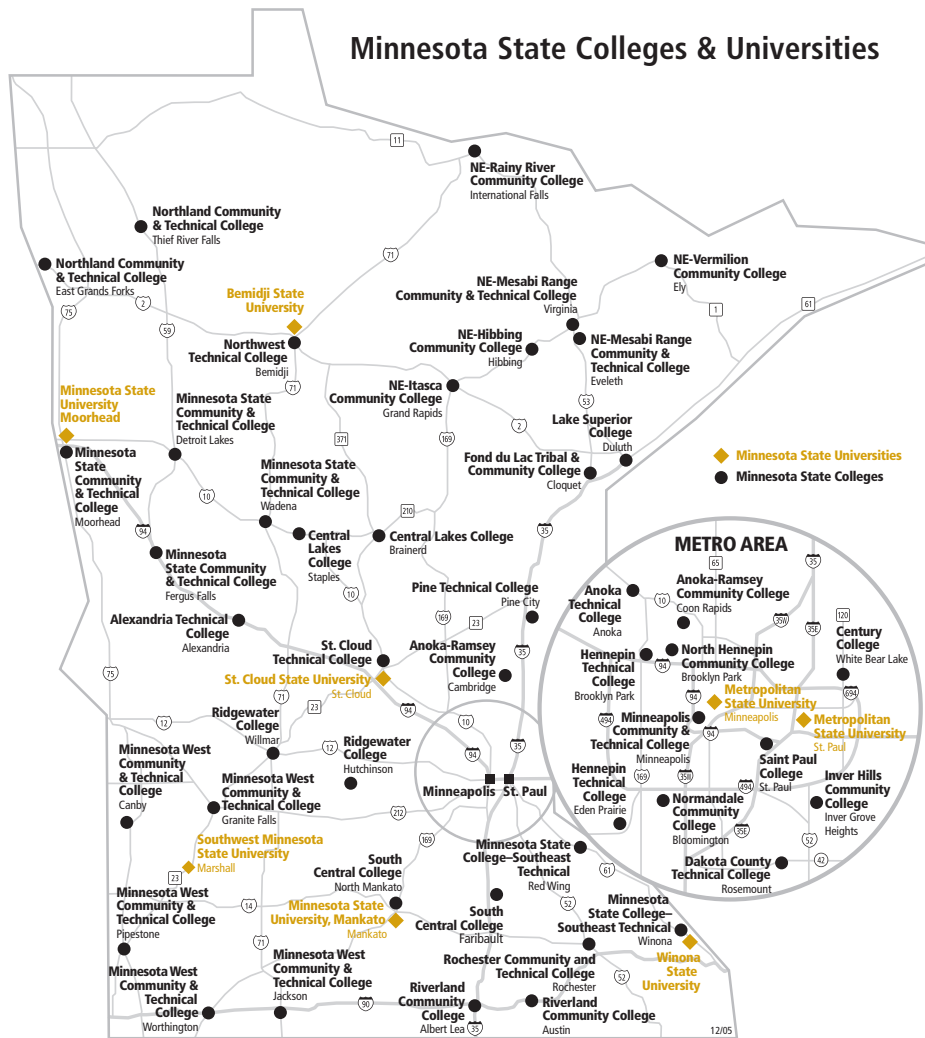
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January 2007



"[W]e have forgotten that higher education is an important investment for the states and the nation. Higher education is the ticket to a good job and economic security. A strong higher education system supports individual financial success, a strong state economy, and a competitive nation.

"... States simply must get more students into postsecondary education. That requires a commitment to improve access."

— *Transforming Higher Education: National Imperative – State Responsibility, National Conference of State Legislatures, October 2006*

"Looking ahead to next year, 52 percent of companies (we) visited expect to increase jobs at their facilities. It's unfortunate, but qualified candidates are not always available. Precision production/specialty skilled positions have been the most difficult to fill for the last three years.

"... Employers acknowledge that they always will have their own company-specific training. However, other states are taking action on this problem, creating special training at local colleges and universities for larger employers and/or bringing basic technical skills to high school students so they are ready for basic jobs and/or technical training upon graduation. Minnesota could lose these companies, and these jobs, if it cannot find a solution."

— *Grow Minnesota! Annual Report, Minnesota Chamber of Commerce, 2005-2006*

