

Magnifying Minnesota's Potential

MINNESOTA STATE COLLEGES & UNIVERSITIES SYSTEM 2003 REPORT

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MINNESOTA STATE COLLEGES & UNIVERSITIES MISSION

The system's mission is to provide the diverse citizens of Minnesota the benefits of high-quality, accessible, future-oriented higher education; relevant research; and community service.

The Minnesota State Colleges and Universities System of diverse institutions offers unequalled breadth, variety and quality of educational opportunities across the state. Collectively, and in partnership, the system offers learning opportunities for a technologically sophisticated world that result in:

- Contributing and empowered citizens
- Active participants in a democratic society
- Educated, skilled and adaptable workers
- Innovative lifelong learners
- Practical research and development
- Strong communities



To the people of Minnesota:

In so many ways, the Minnesota State Colleges and Universities System is magnifying Minnesota's potential. By helping our graduates increase their earning power and improve their quality of life, by providing economical training to employers to upgrade the skills of their workers, by stimulating local economies in communities in which our colleges and universities are located – in all these ways, we are contributing every day to enhancing the state's vitality.

We are magnifying the taxpayers' investment as well. A 600 percent return on investment would turn the head of any portfolio manager, particularly in recent economic times. In a real way, this is the level of return state taxpayers are receiving for their investment in the Minnesota State Colleges and Universities System. For every \$1 in net state appropriation spent by Minnesotans on supporting the state's largest system of higher education, the state colleges and universities have returned \$6.14 in increased productivity and direct and indirect spending into the state's economy.

In the midst of what economists call a two-year persistent recession, the role of the 32 state colleges and universities in fiscal year 2003 became even more critical – and the Minnesota State Colleges and Universities stepped up to meet unprecedented demand for higher education services. With enrollment rising by 27.4 percent over the past five years, the system marked its fifth consecutive year of significant enrollment growth in 2003, and enrollment increases are projected to continue into 2004. The exponential growth of online course offerings and services provided to dislocated workers helped fuel this remarkable expansion.

In 2003, we worked hard to advance the system in the directions outlined in our 2002-2005 strategic plan: increase access and opportunity, expand high-quality learning programs, strengthen community development and economic vitality, and fully integrate the system. Key principles that have guided us are a focus on students, community success and stewardship of resources.

Magnifying Minnesota's Potential: Minnesota State Colleges & Universities System 2003 Report outlines the challenges we face and our accomplishments in the year ending June 30, 2003. Educating workers for brighter careers, keeping Minnesota safe and healthy, enhancing access for students, working together to deliver more for the dollar, maintaining our financial strength and delivering educational value throughout Minnesota are a few of the ways we played a role in magnifying Minnesota's potential. This report also includes stories about the people we touched and by whom we were touched.

The "Minnesota Miracle" that captured the nation's attention 30 years ago on the cover of *Time* magazine pointed to higher education as the bedrock of Minnesota's quality of life. Though much has changed since then, higher education remains a crucial component of the state's success. We are proud to rise to the challenge to magnify Minnesota's potential, now and in the future.



Jim A. Luoma James H. McCormick

Jim A. Luoma
Chair of the Board

James H. McCormick
Chancellor





Educating workers for brighter careers

A NEW CAREER IN MEDICAL DEVICES

After being laid off from his job in environmental consulting, David Yalch began a soul-searching examination to determine what change would come next in his professional life. Using an online career and education Web site developed by the Minnesota State Colleges and Universities System, he enrolled in a biomedical technology degree program at Anoka-Ramsey Community College.

Upon graduation, Yalch found that his new qualifications had strong value in the marketplace when he was quickly hired at Medtronic, Inc., as a senior manufacturing technician in the cardiac rhythm management division.

The college provided him with an excellent education in a new career he enjoys. "This was a great move for me; I fit right in here," he says. "The knowledge and resources I gained from going back to school helped my family to turn lemons into lemonade."

The Minnesota State Colleges and Universities System helped nearly 5,000 Minnesotans who lost their jobs in 2003 get back on their feet with relevant education and training. The system's colleges and universities coordinated with state agencies to respond to massive layoffs in a variety of industries and provided information and services to affected workers.

In some cases, courses and programs were tailored exclusively for groups of laid-off workers. Large numbers of displaced airline workers enrolled in custom-designed programs that enabled them to apply their existing skills to become high-demand medical technology specialists and technicians in the oil industry. Laid-off mine workers in Minnesota's northeast region registered for specially designed training programs in the health care field. Minnesotans affected by cuts in manufacturing across the state enrolled in a broad range of education and training programs to help them re-enter the workforce.

Despite the economic challenges of the period, the system's state-level coordination and collaboration helped hard-working Minnesotans across the state become gainfully re-employed.

DISLOCATED WORKER INDEX

4,914Number of laid off workers enrolled in system programs, FY 2003

4,171Number of laid off workers enrolled in system programs, FY 2002

95%Estimated share of all dislocated worker training in Minnesota provided by system institutions

18%Growth in number of dislocated workers served by system institutions, 2002-2003

Source: Minnesota Department of Employment and Economic Development, Minnesota Dislocated Worker Program Management Information System

David Yalch, senior manufacturing technician, Medtronic, Inc.



W

orking hard to stay ahead of the innovation curve, the system's colleges and universities anticipate the needs of emerging industries. Dynamic programs and corporate partnerships in medical device manufacturing, composite materials engineering, wireless technology, information security, nanotechnology and sonography are examples of that commitment.

With industry participation, the system's colleges and universities have redoubled efforts to support these and other promising fields by building cutting-edge training and education programs. The system's statewide perspective and reach enable its colleges and universities to help displaced workers transfer their current knowledge and skills into tangible and productive opportunities.

Most traditional fields also are rapidly changing, such as teaching, criminal science, manufacturing, health care and automotive technology. In each case, individual colleges and universities are working collaboratively to anticipate advances and prepare students for important changes.

THE EMERGING INDUSTRIES INDEX

100%Percentage of system colleges and universities with technology programs

92%Percentage of system colleges and universities offering health-related programs

667Number of new programs created by system institutions in FY 2002 and FY 2003

Source: Minnesota State Colleges and Universities, Office of the Chancellor

CREATING A WIRELESS GENERATION

Midwest Wireless Chief Executive Officer Dennis Miller talks often about the great talent produced by South Central Technical College and his alma mater, Minnesota State University, Mankato, both located in his hometown.

As the fortunes of companies like Midwest Wireless have skyrocketed, both institutions designed programs to meet rising employment demands. Minnesota State University, Mankato, developed an engineering degree with a wireless technology emphasis while South Central Technical College created a wireless technician program.

With Miller's encouragement, the technology department at Minnesota State University, Mankato, landed a model wireless campus sponsored by Nokia two years ago, and AT&T Wireless announced plans to sponsor a national training center on the university campus. To Miller, it's all good news.

"We're getting technologically advanced employees from Mankato's colleges who will be instrumental in keeping us moving onward and upward in an advancing industry," he says.



Dennis Miller, CEO, Midwest Wireless



Keeping Minnesota safe and healthy

PREVENTING DISASTERS; MANAGING THROUGH CRISES

Certified disaster managers are crucial in a state commonly bedeviled by floods, tornados, blizzards and other natural disasters. Likewise, training public safety officials to deal effectively with man-made hazards and threats can avert a crisis in an era of growing terrorist threats.

Al Bataglia, director of Minnesota's Division of Homeland Security and Emergency Management, relies on the Minnesota Colleges and Universities System to coordinate training for the state's emergency management offices and hazardous materials teams.

"Minnesota's approach is seen as a cutting-edge model," he says.

The system's involvement makes certain the disaster certificate courses offer a consistent statewide curriculum that goes beyond the classroom, says Bataglia. "Instructors make the experience as real as possible through classroom instruction, field and performance-based training simulations. The system's approach has been the key to our success."

As the only source of continuing education for many local government emergency services employees, the Minnesota State Colleges and Universities serve as the backbone of training and education for hundreds of police, fire and emergency medical departments across the state. About 89 percent of Minnesota firefighters have enhanced their knowledge and skills through programs delivered by the state colleges and universities.

Now pushing forward into new training areas as directed by the federal government, the Minnesota State Colleges and Universities will train 70,000 first responders throughout the state's 87 counties. A 2003 federal grant and mandate to educate public safety personnel for detection and deterrence of terrorists will involve the system's widespread training facilities and instructors.

By tapping the expertise of the best and brightest on campuses and in the field, the system is keeping Minnesota safe and offering current and future public safety workers the very best training available.

THE PUBLIC SAFETY INDEX

7,000	Estimated number of Minnesota firefighters receiving system training, FY 03
420	Number of local fire departments utilizing system training, education and consulting, FY 03
14	Number of colleges and universities offering firefighter training, FY 03
15	Number of colleges and universities offering emergency medical or paramedic training
2	Number of colleges offering emergency management training

Source: Minnesota State Colleges and Universities, Fire/EMS/Safety Center



Al Bataglia, director of Minnesota's Division of Homeland Security and Emergency Management

The Minnesota State Colleges and Universities System is leading a frontline effort to solve a statewide health care worker shortage that experts say will create a need for more than 13,000 new nurses by 2010 in Minnesota.

The situation's urgency has been met with innovation throughout the system. The number of students enrolled in nursing in fall 2003 increased 16 percent over fall 2002. A system survey showed more than 7,100 students enrolled in licensed practical nursing and registered nursing including bachelor's degree and master's degree programs, an increase of about 980 students. Armed with a \$3 million federal grant, the system created a rural initiative to bring courses to isolated communities that lack health care training options. In the metropolitan area, a systemwide model was developed for condensing nursing education and helping current and aspiring nurses become registered nurses more quickly, without compromising the rigor of the curriculum.

Thanks in large part to industry partnerships, cutting-edge technology and equipment have proliferated on campuses where health care training is offered. Online health care courses, too, have increased significantly, reaching areas previously underserved.

Such efforts showcase why the system educates more than 78 percent of the state's new nursing graduates and 63 percent of its non-nursing health care graduates. Forward-thinking and rapidly expanding health care programs continue to help the system play a critical role in overcoming Minnesota's acute shortage of health care workers.

HEALTH CARE INDEX

- 87%Percentage of colleges and universities offering nursing (RN or LPN) programs, FY 2003
- 92%Percentage of colleges and universities offering non-nursing health-related programs, FY 2003
- 1,175Number of nursing graduates, FY 2003
- 7Number of new nursing degree programs added since July 2001
- 26Number of new locations offering expanded nursing programs

Source: Minnesota State Colleges and Universities, Office of the Chancellor

A ST. CLOUD RESPONSE TO THE HEALTH CARE WORKER PINCH

In the late 1990s, Roxanne Wilson, a registered nurse and St. Cloud Hospital director of education and resource management, surveyed area health providers and found a need for nurses and medical care specialists in the region.

She immediately began working with St. Cloud Technical College and St. Cloud State University to develop new health care programs, including a bachelor of arts nursing program that produced its first class of graduates in 2003. In similar fashion, St. Cloud Technical College started training future cardiovascular and sonography technicians in 2002.

St. Cloud Hospital is among the many health care providers lining up to hire graduates. The effort has proven to be a good start in filling a dire need in Minnesota. "It continues to be a great collaboration," says Wilson. "Our local campuses came together quickly to design programs to educate more nurses and health care professionals."



Roxanne Wilson, RN and St. Cloud Hospital director of education and resource management



Enhancing access for students

TRAINING A NEW GENERATION OF URBAN TEACHERS

Last year, Jenny Coughlin worked in elementary schools in St. Paul and Inver Grove Heights, experiencing firsthand how to deal with a mix of eager learners and challenging behaviors.

"I'm a hands-on person and it's great to see classroom management and parent-teacher communication up close," says Coughlin, a 20-year-old Woodbury sophomore participating in Inver Hills Community College's Urban Teachers Program. "You learn to deal with kids with a little edge, a little attitude."

The new program, created in response to urban school districts' expressed needs for teachers eager and capable of serving city schools, gave Coughlin an opportunity to work with several elementary school classes and helped clarify what grade level she ultimately wanted to teach.

"I learned that I love spending time with first graders," she says. "Kids at that age have so much energy."

The college's flexible schedule of day and night courses allows her to maintain a 30-hour per week job. Says Coughlin: "I'm happy at Inver Hills – all the professors are great and willing to go the extra mile to help you out."

To meet growing educational needs of Minnesotans, the Minnesota State Colleges and Universities worked hard in 2003 to preserve and enhance access to education.

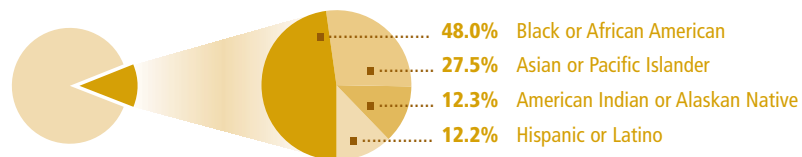
Access has grown increasingly more complex to maintain as it has come to mean many different and important things, including having a college or university nearby, fostering a welcoming campus for diverse students, offering flexible learning opportunities and keeping higher education financially within reach for all. For employers, access may mean receiving customized training for employees, when and where they need it.

The system's 53 geographically dispersed campuses provide a mix of day, night and online courses to help students with varying backgrounds and situations receive their education. More than 40 percent of the system's 240,000 credit-based students are enrolled part-time, and the average learner is nearly 27 years old. Enrollment of students of color has climbed steadily to 12 percent systemwide, and to more than 20 percent in the Twin Cities, due in part to active outreach on the part of campuses and the system as a whole.

In addition to this, Minnesota State Colleges and Universities provide more training and education directly to employers than any other entity in the state, reaching more than 140,000 employees in 6,000 businesses in 2003.

STUDENTS OF COLOR: 12.1%

TOTAL STUDENTS OF COLOR: 21,796



Source: Minnesota State Colleges and Universities Research and Planning Office, 2002-2003 headcount in credit courses based on race and ethnicity for the 75.4% of students who report this information.

Jenny Coughlin, participant in Inver Hills Community College's Urban Teachers Program



Faced with busy lives and heavy work schedules, many Minnesotans needing higher education or career training simply cannot find time to travel to or attend classes held at traditional times on college campuses.

To meet the needs of a range of students and capitalize on the systemwide academic offerings for all students, the Minnesota State Colleges and Universities System has aggressively increased online course offerings to provide a palette of e-learning options. The system's colleges and universities offered 852 credit-based e-learning courses and 425 not-for-credit courses in 2003. While the typical online student in 2003 was enrolled in a combination of traditional classroom and online courses, e-learning has provided educational opportunities to rural residents, parents, disabled citizens and hundreds of National Guard soldiers stationed abroad.

The system's online student population has grown 900 percent since 2000 as campuses add dozens of courses annually. The future looks even brighter. Faculty members have been hard at work incorporating new approaches to the best Web-based software available, and systemwide training and best practices are being shared with all member institutions.

E-LEARNING INDEX

- 70**.....Number of academic programs delivered predominantly online
27,811.....Number of registrations for online credit and non-credit courses, FY 03
16,946.....Number of students taking online credit and non-credit courses, FY 03
2.....Percent of full-year equivalent students taking all online courses, FY 03

Source: Minnesota State Colleges and Universities, Office of the Chancellor, Research and Planning

MOM EARNS A DEGREE ONLINE

Amy Malikowski never gave up on her goal to earn an accounting degree. Yet as a homemaker and mother whose husband works full time, she couldn't arrange her life in rural Frazee, Minn., to accommodate going to school.

Then a friend mentioned that Minnesota State Community and Technical College offered a two-year associate accounting degree online. While pregnant with her third child in 2002, Malikowski decided to give the old college try a new twist. "It's nice because I do my homework when the kids are napping or after I put them to bed at night," she explains. "I drive to campus for tests, but all other coursework occurs online."

She enjoys the Web-based discussion boards for each of her classes and commends her professors for attentively answering e-mail and phone inquiries. "I think I'm doing better in these classes than I might have done in traditional classes," says Malikowski. "Professors don't always tell you how to do things right away. This forces you to learn more on your own."



Amy Malikowski, online student at Minnesota State Community and Technical College



Working together delivers more for the dollar

INVESTING IN MINNESOTA EDUCATION

Lee Kopp knows and values a good investment when he sees one. Kopp Investment Advisors, the Edina-based money management firm he founded and operates today, has been recognized as one of the finest in the country, overseeing more than \$2.3 billion for more than 1,500 clients.

But perhaps no investment has meant more to him than the first \$200 scholarship he received in 1956 to attend college. As the son of a parking lot attendant whose family had four children, the financial assistance was essential to his becoming the first in his family to attend college. He said the small scholarships he received made such a profound difference that in 1986 he and his wife Barbara established the Kopp Family Foundation, which focuses on and supports continuing education. In addition, Kopp committed his company to a program that directs 10 percent of its pre-tax profits towards students pursuing higher education.

Among the chief beneficiaries have been 12 colleges and universities within the Minnesota State Colleges and Universities System, which have collectively received more than \$4 million to establish the Kopp scholarship program on their campuses. The program provides individual grants of up to \$5,000 to help students pay for books, school transportation, child care, tutors, tuition or other special needs.

"It is especially important to give to two-year colleges, where financial resources are often lacking," says Kopp. "Their needs, in my opinion, are greater by far than a lot of other colleges and universities with fatter endowment funds."

Kopp has found that his philanthropy creates a ripple effect of giving to bring education into reach for more people. We are not seeking publicity for this, but we decided to put our name on it because you lead by example.

"I am where I am today because of the educational opportunity I had," he says. "If you can educate people, you are going to have a much stronger community and a more viable community than ever before. It's critical."

Tough decisions and broad-scale collaboration within Minnesota's largest system of higher education have yielded greater efficiency in this time of shrinking state resources. To offset the effects of state funding cuts on students, the system has been enhancing and building partnerships to provide students and other Minnesota taxpayers with the greatest possible return on investment.

In particular, system advancements have enabled students to transfer credits more easily between institutions. An increase in innovative program agreements between two- and four-year institutions provides new and improved opportunities for obtaining bachelor's degrees.

The system captures significant savings through online services that reduce staff demands on campuses and provide enhanced services to students, including online registration, online payment and electronic transcripts. In addition, the system has gained significant savings in the purchase of bandwidth, software, hardware and low-cost Internet bandwidth for telephone services.

EFFICIENCY MEASURES

- Saved millions by aggressively managing workers compensation claims, aggregating purchases and negotiating steeply discounted contracts for information technology
- 41,000 students used online bill payments in 2003, saving 2,000 staff hours
- Eliminated 45 positions over the past two years in the Office of the Chancellor
- Introduced a framework for measuring accountability in key areas

Source: Minnesota State Colleges and Universities, Office of the Chancellor



Lee Kopp, Kopp Investment Advisors

During its past two sessions, the Minnesota Legislature cut a total of \$47.7 million from already-approved state appropriations and reduced the system's base appropriations for fiscal years 2004 and 2005 by another 14.8 percent, or \$191.5 million. Planning and consultation began immediately to reduce systemwide budgets, reserve funds, programs, services and staff. Tuition and fee increases averaging 12.5 percent for the 2003-2004 academic year were necessary to preserve standards of quality critical to the Minnesota State Colleges and Universities.

In 2002, former Governor Jesse Ventura vetoed \$50.7 million for 16 campus renovation and construction projects from a bonding bill that contained \$209.5 million for facility improvements at Minnesota State Colleges and Universities. Major projects were approved for Alexandria Technical College, Metropolitan State University, Minneapolis Community and Technical College, Minnesota State University Moorhead, Normandale Community College and Winona State University.

In the 2003 session, the Legislature passed and Governor Tim Pawlenty signed a supplemental capital bonding bill containing \$50.7 million for the 16 projects vetoed the previous year. The bill also contained a new \$10 million appropriation for land acquisition, which paved the way for purchase of a downtown city block adjacent to Minneapolis Community and Technical College. The 2003 bonding bill contained funding for major projects at St. Cloud State University; Minnesota State University, Mankato; Southwest Minnesota State University; Minnesota West Community and Technical College in Worthington; and Mesabi Range Community and Technical College in Virginia.

THE SYSTEM'S SPIRIT OF COOPERATION

Coordination, collaboration and consolidation have become key themes of the leadership of the Minnesota State Colleges and Universities System. Wilson Bradshaw, president of Metropolitan State University, co-chaired the system's Leadership Council with Chancellor James McCormick in academic year 2002-2003.

The council, which includes each of the system's 32 college and university presidents and the chancellor's senior staff, meets monthly in St. Paul to provide advice about policy and strategic direction for the system. "We serve as the primary advisory body to the chancellor," says Bradshaw. "The council is an invaluable sounding board within the system and serves as a place to share ideas and best practices with peers."

Examples of this spirit of collaboration abound in Bradshaw's own leadership and daily work as president of Metropolitan State University.

The university's Minneapolis campus will be moved from leased office space to the campus of

Minneapolis Community and Technical College to cut costs, share resources and integrate programs. The university offers bachelor's degree programs on two-year college campuses in the metro area and the university's new library in St. Paul will house a branch of the St. Paul Public Library to serve students and neighborhood residents alike.



Wilson Bradshaw, president, Metropolitan State University



Financial strengths and challenges in uncertain economic times

In spite of tough economic times, the Minnesota State Colleges and Universities System has worked hard to maintain its financial strength. The charts and narratives below present the financial health and performance of the system as well as several expected future challenges. Financial data regarding net assets, revenues and expenses have been prepared on a full accrual basis in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board.

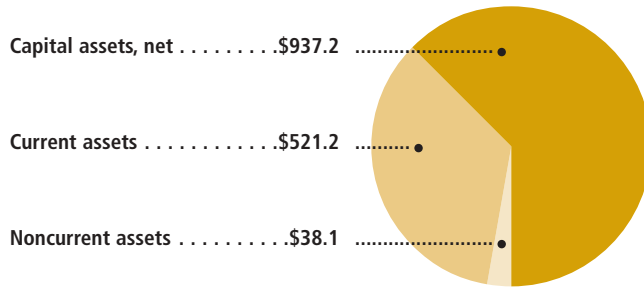
Net assets improve

The system's overall financial condition, as measured by an increase in net assets, improved \$73.3 million, or

7.7 percent, between 2002 and 2003. In simple terms, net assets represent the difference between what an organization owns and what it owes; as such, the financial data focuses on assets, liabilities and equity ("net assets" - or the total of assets less liabilities). The slight improvement in net assets is primarily due to:

- actions by colleges and universities to preserve cash in the face of current and pending state budget reductions, and
- net increase in capital assets investments (about \$150 million of capital outlay, including \$82 million of construction in progress, net of current year depreciation and asset retirements).

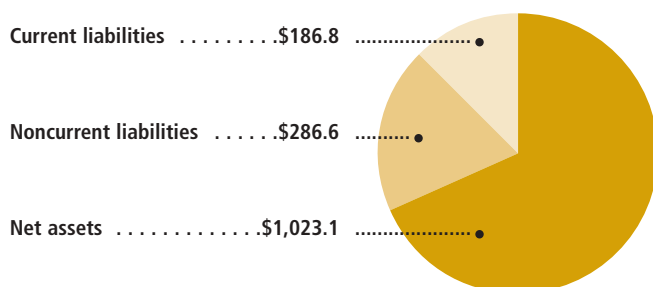
Total assets near \$1.5 billion



As of June 30, 2003, total assets equaled \$1,496.5 million. This represents an increase of \$78.1 million, or 5.5 percent, from June 30, 2002. Of this \$78.1 million increase, capital assets, net of accumulated depreciation, increased \$59.4 million to a total of \$937.2 million.

Total assets represent what the system owns and has available to support on-going operations. Similar to any organization, the system funds assets through a combination of short- and long-term debt and accumulated equity.

Net assets exceed \$1 billion in 2003



This chart shows how the system's \$1.5 billion in total assets are financed. Primary financing is through accumulated equity of \$1,023.1 million, which represents 68 percent of the system's total assets. This reflects the state's investment in the buildings, infrastructure, equipment and working capital needed to provide higher education to more than 130,000 students, measured on a full-year-equivalent basis.

The remaining 32 percent of total assets is financed through noncurrent liabilities, including \$150.0 million of bonds payable and current liabilities, including \$123.8 million of salaries and accounts payable.

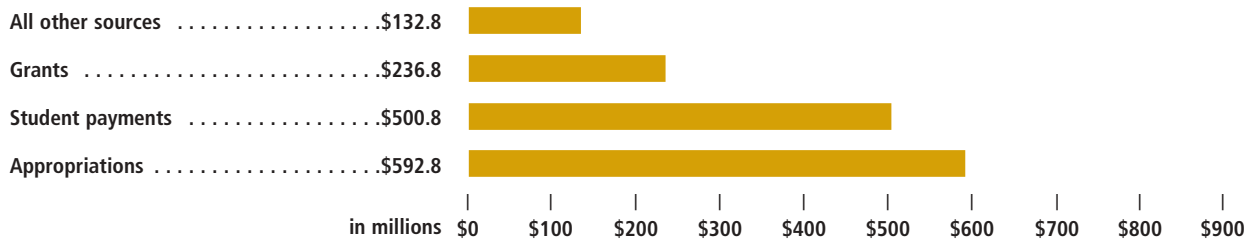
Net assets, or the system's \$1,023.1 million of equity, consists of \$794.3 million of capital assets, net of related debt; unrestricted net assets of \$129.4 million; and restricted net assets of \$99.4 million.

Operating performance suffers

Several consecutive years of tough economic times, as reflected in part by a reduced 2003 state operating appropriation, had a negative impact on the system’s 2003 operating performance. Total revenue available to fund operations grew at 3.4 percent, half the 7.0 percent operating expense growth rate. This resulted in a \$25.5 million loss before other revenues, expenses, gains or losses, as compared to a \$22.6 million gain in fiscal 2002.

After considering all sources of revenues and expenses, the system ended 2003 with a \$73.3 million increase in net assets, but this was due to other revenues of \$86.4 million from capital appropriations and \$11.2 million of insurance proceeds from a fire loss suffered at one of the system’s universities. These other revenues, while increasing net assets, did not increase the system’s ability to defray increasing operating costs.

2003 revenues increase to \$1,463.2 million

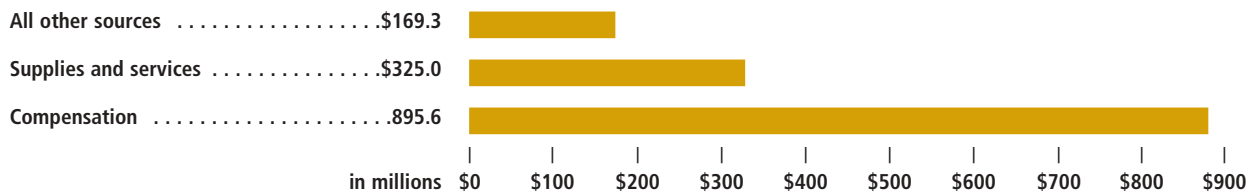


The system’s reliance on tuition, fees and other student payments increased in fiscal 2003. Revenue from 2002 appropriations and student payments represented 42.5 percent and 31.5 percent, respectively, or a combined total of 74.0 percent of total revenue. For 2003,

appropriations and student payments represented 40.5 percent and 34.2 percent, respectively, or a combined total of 74.7 percent of total revenue. While the combined revenue percentages for appropriations and student payments

did not change much between years, there was a decided shift in which student payments assumed an increasing burden for financing system operations. This trend is expected to continue over the next several years.

2003 expenses increase to \$1,389.9 million



Salaries and benefits increased by \$56.8 million over 2002 levels. Included in this increase is a \$13 million, or nearly 17 percent, increase in health insurance costs. The \$54.7 million increase in 2003 total student payment revenue was more than

consumed by this salary and benefits increase. Compensation represents the single largest system expense at just over 64.4 percent of 2003 total system expenses, a slight reduction from 64.7 percent in 2002.



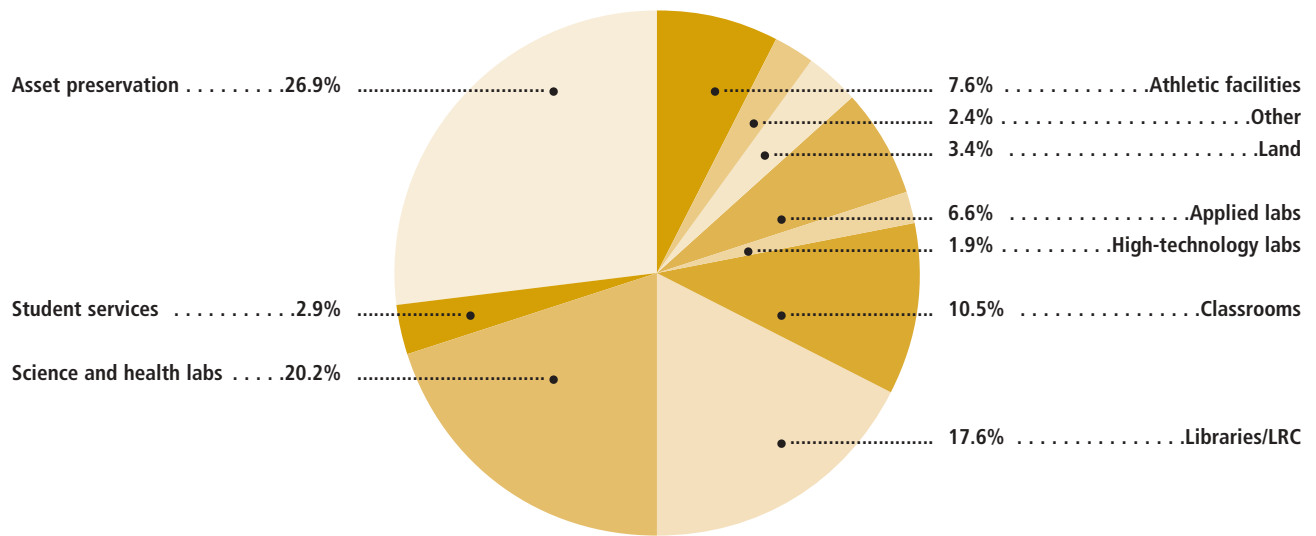
Preserving and improving our campuses

The capital outlay building program encompasses past and present construction projects. Revenue bonds supported by student fees and general obligation bonds sold by the state of Minnesota are the primary financing methods. The Minnesota Legislature appropriates funds for construction and remodeling projects each biennium. The state pays all the debt service on asset preservation-related debt and two-thirds of the debt service on capital improvement-related debt. The state and the Minnesota State Colleges and Universities System follow a policy of keeping capital debt below 3 percent of general operating revenues. System debt service obligations to date are well below the

3 percent threshold and are projected to remain well below that for at least a decade.

A variety of construction or remodeling projects have been built from 1996 to 2003 or are underway. The largest investments made in the past seven years have been in asset preservation (\$158.4 million), science and health science laboratories (\$118.7 million), and libraries and learning resource centers (\$103.4 million). These three categories, which comprise 65 percent of all construction during the period, follow the priorities and goals laid out by the chancellor and system's Board of Trustees.

Minnesota State Colleges & Universities building program, 1996-2003



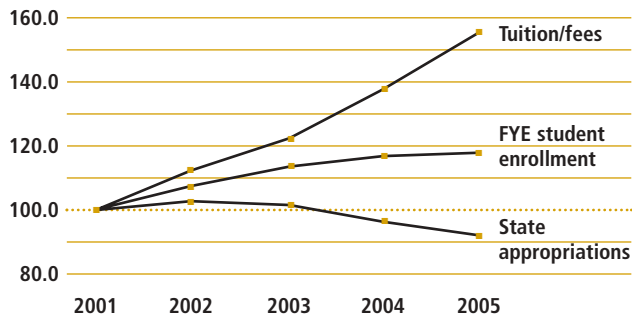
	(in millions)
High-technology labs	\$ 11.4
Other	\$ 14.7
Student services	\$ 16.8
Land	\$ 20.3
Applied labs	\$ 38.7
Athletic	\$ 44.5
Classrooms	\$ 61.7
Libraries/Learning Resource Centers	\$103.4
Science and health labs	\$118.7
Asset preservation	\$158.4
TOTAL	\$588.6

Trends and other factors affecting higher education accessibility and affordability

Several trends have particular significance to the system’s ability to maintain broad access to higher education at affordable rates. Full-year-equivalent enrollment increases, the middle trend line in the chart below, coupled with rising costs, drive increases in operating expenses. Declining state operating appropriation revenue, the bottom index line, covers a decreasing portion of increasing costs. These two conflicting trends (FYE and cost increases and appropriation decreases), coupled with the system’s need to both cover costs and maintain systemwide net assets, leads to significant tuition and fee increases, the top index line. The cost of tuition and fees is directly related to affordability, which in turn is a major factor in accessibility to higher education, especially for low- and middle-income families. Although accessibility and affordability cannot be precisely quantified, it is reasonable to assume that both are adversely affected by the tuition and fee trend line.

In addition to specific known or anticipated cost increases, the overall economic condition of the state and national economies continues to be a concern for the system. Another potential concern is the impact of reauthorization of the Higher Education Act. The act must be reauthorized every five years, and Congress currently is considering the reauthorization. The Higher Education Act authorizes the major federal postsecondary student aid programs through which the system’s students receive significant funding for loans, work-study, grants and other programs. This funding is essential to maintaining broad student access at affordable tuition rates. The system works closely with several national associations to advocate for the needs of students and higher education. These factors require that the system utilize resources very efficiently, and, on occasion, make tough choices. The system will continue efforts to minimize future tuition and fee increases, and maintain access to high-quality, affordable postsecondary education for the citizens of Minnesota.

Trends affecting accessibility and affordability (Index: 2001=100)*



FYE/cost increases, coupled with the system’s need to cover costs and maintain system net assets, leads to significant tuition increases.

* Tuition and fee data for 2004 and 2005 is based on Board of Trustees approved tuition rates for these years. State operating appropriation data for 2004 and 2005 is based on the approved biennium appropriation for these years.



Delivering educational value throughout Minnesota

The responsibilities of the Board of Trustees for the Minnesota State Colleges and Universities System include appointing presidents, approving system reorganization plans and college and university name changes.

Reorganization and Streamlining

- On July 1, 2003, the five campuses of the former Northwest Technical College, located in Bemidji, Detroit Lakes, East Grand Forks, Moorhead and Wadena, were combined with three other Minnesota State Colleges and Universities in the region to serve students better and save an expected \$700,000 or more in administrative costs in the first year. As part of this reorganization:
 - ~ *Orley Gunderson*, president of Northland Community and Technical College, added the former Northwest Technical College campus in East Grand Forks to his institution.
 - ~ *Ken Peeders*, formerly president of Fergus Falls Community College, became president of the new Minnesota State Community and Technical College with campuses at Detroit Lakes, Fergus Falls, Moorhead and Wadena.
 - ~ *Jon Quistgaard*, president of Bemidji State University, assumed administration of Northwest Technical College, which is aligned with the university.
- Hibbing Community College joined the Northeast Higher Education District, a consortium of five colleges in northeastern Minnesota, in July 2003.

Name changes

Several colleges and one university underwent name changes in response to reorganization or in an effort to more clearly communicate their missions.

- St. Paul Technical College became *Saint Paul College - A Community & Technical College*
- Anoka-Hennepin Technical College became *Anoka Technical College*
- Southwest State University became *Southwest Minnesota State University*
- Fergus Falls Community College and Northwest Technical College campuses in Detroit Lakes, Moorhead and Wadena became *Minnesota State Community and Technical College*

Appointments

- *Douglas Allen* became president of Ridgewater College in Hutchinson and Willmar in June 2003. Allen replaced Colleen Thompson Michels, who served as president for five years.
- *Richard Davenport* became president of Minnesota State University, Mankato, in July 2002. Davenport replaced interim president Karen Boubel.
- *Donald R. Day* became president of Fond du Lac Tribal and Community College in Cloquet in December 2002. Day replaced interim president Tom Davis.
- *Terrence Leas* became president of Riverland Community College in Albert Lea and Austin in July 2003. Leas replaced interim president Jim Davis.

The Board of Trustees

The Minnesota State Colleges and Universities System comprises 32 state universities and community and technical colleges serving the higher education needs of Minnesota. The system is headed by a chancellor and governed by a 15-member Board of Trustees. Members of the board are appointed by the governor and include representatives from each of Minnesota's eight congressional districts and four members at large, each of whom serve six-year terms, and three student representatives – one from a state university, one from a community college and one from a technical college – who serve two-year terms.

The Board of Trustees selects the chancellor and has broad policy responsibility for system planning, academic programs, fiscal management, personnel, admissions requirements, tuition and fees, and policies and procedures.

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Board officers for 2002-2003 were **Mary Choate**, chair; **Jim Luoma**, vice chair; and **Michael Redlinger**, treasurer.

Michael Redlinger served on the Board of Trustees in 2002-2003, representing state university students.

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THE MINNESOTA STATE COLLEGES AND UNIVERSITIES FOUNDATION

The Minnesota State Colleges and Universities Foundation works to enhance the campuses' ability to raise funds and, where appropriate, to raise, manage and equitably distribute external gifts and grants on behalf of the system as a whole.

2004 Board members

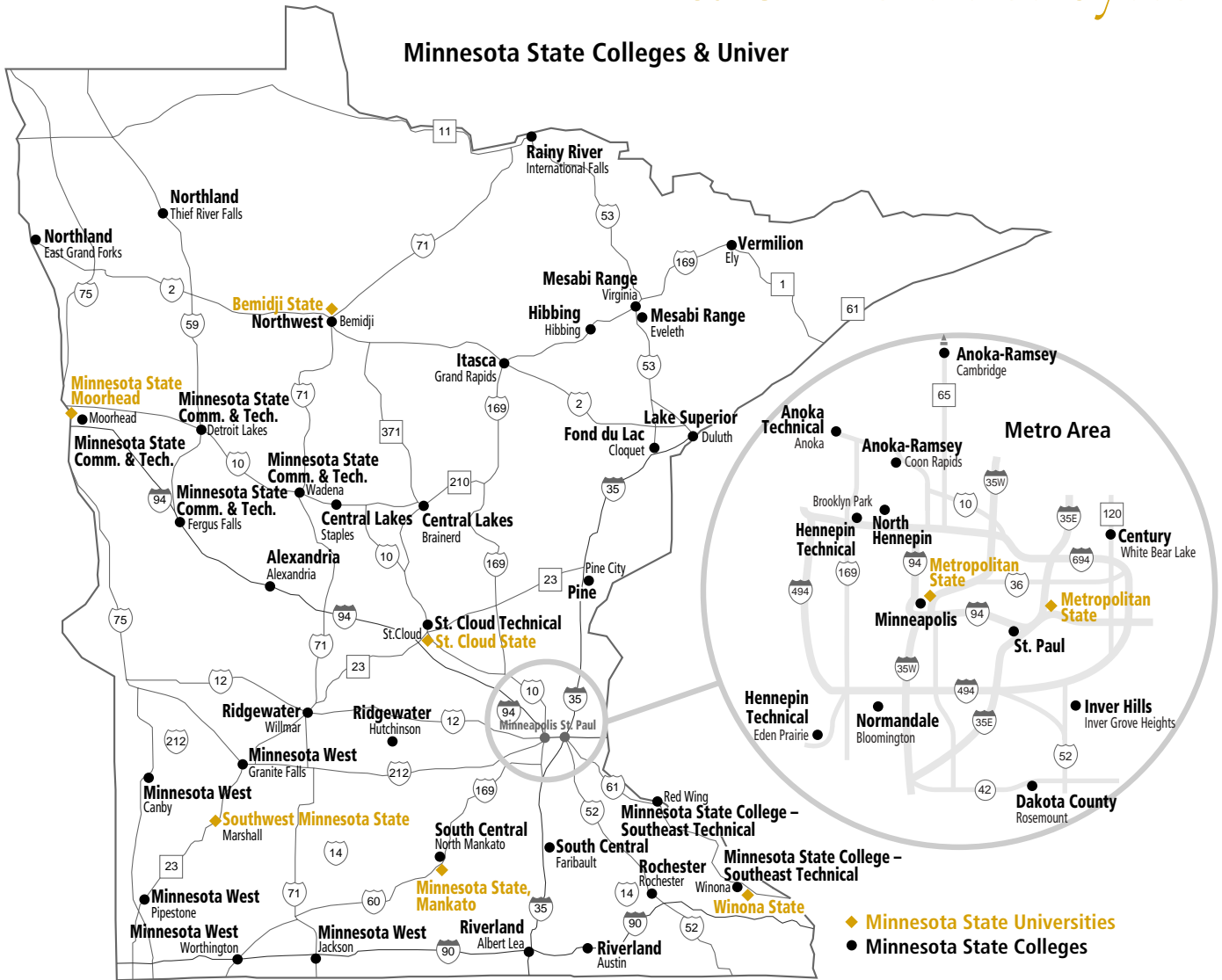
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Chuck Ehlers, Mankato;
Gene Merriam, Coon Rapids;
John Wade, Rochester; and
Mary Thornton Phillips, St. Paul,
 served on the board in fiscal
 year 2003.



Minnesota State Colleges & Universities System

Minnesota State Colleges & Univer



Alexandria Technical College
 Anoka-Ramsey Community College
 Anoka Technical College
 Bemidji State University
 Central Lakes College
 Century College
 Dakota County Technical College
 Fond du Lac Tribal & Community College
 Hennepin Technical College
 Hibbing Community College*
 Inver Hills Community College
 Itasca Community College*

Lake Superior College
 Mesabi Range Community & Technical College*
 Metropolitan State University
 Minneapolis Community & Technical College
 Minnesota State College-Southeast Technical
 Minnesota State Community & Technical College
 Minnesota State University, Mankato
 Minnesota State University Moorhead
 Minnesota West Community & Technical College

Normandale Community College
 North Hennepin Community College
 Northland Community & Technical College
 Northwest Technical College **
 Pine Technical College
 Rainy River Community College*
 Ridgewater College
 Riverland Community College
 Rochester Community and Technical College
 St. Cloud State University

St. Cloud Technical College
 St. Paul College
 South Central Technical College
 Southwest Minnesota State University
 Vermilion Community College*
 Winona State University

* Hibbing, Itasca, Mesabi Range, Rainy River and Vermilion make up the Northeast Higher Education District, a consortium of five state colleges.

** Northwest Technical College is aligned with Bemidji State University.

MINNESOTA STATE COLLEGES & UNIVERSITIES PRESIDENTS

Alexandria Technical College Jan Mahoney, Interim 320-762-4411	Inver Hills Community College Cheryl Frank 651-450-8500	Normandale Community College Thomas Horak 952-487-8200	Rochester Community and Technical College Don Supalla 507-285-7210
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