



Administrative Cost Report **Minnesota State**

Legislative Mandate

2019 Minnesota Session Law, Chapter 64, Article 2, Section 44 requires Minnesota State to submit a report that defines, categorizes, and accounts for its administrative costs, as well as identifies measures taken to use innovation and cost efficiencies to lower administrative costs.

The Board of Trustees of the Minnesota State Colleges and Universities shall provide a report to the chairs and ranking minority members of the legislative committees with jurisdiction over higher education by July 1, 2021, detailing how the Minnesota State Colleges and Universities define, categorize, and account for administrative costs. The report must further identify measures taken to use innovation and cost efficiencies to lower administrative costs. The Board of Regents of the University of Minnesota is requested to provide a similar report by July 1, 2021.



Administrative Costs: Definition, Categorization and Accounting

Minnesota State Colleges and Universities defines, categorizes, and accounts for administrative costs consistent with the **Institutional Support** category in the Integrated Postsecondary Education Data System (IPEDS). IPEDS is a system of interrelated surveys conducted annually by the U.S. Department of Education's National Center for Education Statistics (NCES). IPEDS gathers information from every college, university, and technical and vocational institution that participates in the federal student financial aid programs. Other categories in IPEDS include Instruction, Academic Support, Student Services, Physical Plant (facilities), Public Service, Research, and Non-Educational General (i.e. auxiliary activities).

NCES defines Institutional Support as:

A functional expense category that includes expenses for the day-to-day operational support of the institution. Includes expenses for general administrative services, central executive-level activities concerned with management and long range planning, legal and fiscal operations, space management, employee personnel and records, logistical services such as purchasing and printing, and public relations and development. Also includes information technology expenses related to institutional support activities. If an institution does not separately budget and expense information technology resources, the IT costs associated with student services and operation and maintenance of plant will also be applied to this function.

The Institutional Support category includes the program areas of Executive Management, Fiscal Operations, Administrative Computing, General Administrative, Staff Development, and Public Relations/Development.

Executive Management includes the costs of people whose principle area of responsibility is management and planning for the entire institution, as distinct from planning and management for any one program within the institution. This area includes presidents, campus administrators (for multi-campus institutions), vice presidents, and related support staff. Also included in this area is legal operations.

Fiscal Operations includes the costs of areas that provide fiscal control and operations for the institution. Functional areas include budgeting, accounting, auditing, accounts receivable/payable, payroll, and other fiscal services. Financial expenses such as bad debts are included in this area.

Administrative Computing includes the costs of providing computer services that provide support for institution-wide administrative functions. This includes internal data processing activities and local network services (i.e., ISRS, SWIFT, SEMA4, and other systems).

General Administrative includes costs of providing general administrative services, including general liability insurance, as distinct from program-specific liability insurance which is charged to the appropriate program area. This area includes human resource activities, which consist of employee recruiting and advertising, employing, employee benefits (including tuition waivers for employees and/or dependents), workers compensation/unemployment, assigning, maintenance of employee records, and management of benefit programs for personnel; costs of procurement services, including supply and maintenance of materials and movement of materials for the campus; and service centers, such as printing, postal,

photocopy, mailroom, shipping and receiving, space management, motor pool, and fixed asset and consumable inventory.

Staff Development includes the costs of activities designed to contribute to professional or occupational growth and competence of staff members. This includes training, workshops, demonstrations, college or industry visits, specific courses, etc.

Public Relations/Development includes the costs of maintaining relationships with community, alumni or other constituents. This also includes foundation support and institutional fund-raising.

Table 1 below illustrates Institutional Support spending for fiscal year 2020. There are a couple things to note regarding fiscal year 2020 expenses. First, the COVID-19 pandemic provided challenges for fiscal year 2020 college and university budget planning. With many workplace restrictions in place, activities such as traveling to meetings, or professional development at large annual conferences and events were moved to virtual formats. Although we would expect expenses to decrease because of these restrictions on employees and staff, the pandemic also created additional expenses to the system. For example, screening the health of visitors and guests, providing personal protective equipment to working staff in the office, and converting classes to online formats for students all add to additional spending.

Also, in fiscal year 2020 Minnesota State started the implementation process of a new ERP system, referred to as NextGen. NextGen is the process to create a new technology landscape to support students, faculty, and staff at our 37 state colleges and universities across Minnesota. We are committed to identifying and deploying a commercial modern technology solution that meets the needs of today's students and campuses. It will link all 54 campuses and will serve as a unified administrative technology system that improves the student experience and streamlines enterprise-wide business processes in student services, finance, and human resources.

This project and associated expenses will occur over the next several years. Since Administrative Computing is part of Institutional Support, this project is part of the spending shown in Table 1 below. With implementation beginning in fiscal year 2021 and continuing until fiscal year 2028, this category will be impacted to a great magnitude during this time period than it was during the planning phase that was nearly concluded in fiscal year 2020. While administrative computing costs will increase, NextGen will not only provide substantial long-term cost savings for the entire system, but more importantly will improve services to our students and create many other operational efficiencies. Our colleges and universities process more than 100,000 transactions every day. 400,000 people across the state, including every faculty member, staff and student, as well as future students, use this enterprise system.

The "Total Core Expenses" column on Table 1 below includes the following categories as defined in IPEDS, the Integrated Postsecondary Education Data System: Instruction, Research, Public Service, Academic Support, Institutional Support, Student Services, Scholarships and Fellowships, and Other Expenses Deductions.

Institutional Support Expenses

Source: IPEDS (Includes All Funds)

Fiscal Year 2020

Table 1

Colleges	Institutional Support	Total Core Expenses	Institutional Support as a % of Total Expenses
Alexandria Technical & Community College	\$4,238,000	\$25,864,000	16%
Anoka-Ramsey Community College	\$7,065,000	\$61,224,000	12%
Anoka Technical College	\$3,234,000	\$20,223,000	16%
Central Lakes College	\$3,732,000	\$35,445,000	11%
Century College	\$10,956,000	\$76,890,000	14%
Dakota County Technical College	\$3,696,000	\$30,383,000	12%
Fond du Lac Tribal and Community College	\$1,902,000	\$14,803,000	13%
Hennepin Technical College	\$6,475,000	\$50,883,000	13%
Inver Hills Community College	\$5,187,000	\$36,249,000	14%
Lake Superior College	\$6,344,000	\$42,582,000	15%
Minneapolis Community and Technical College	\$8,674,000	\$63,966,000	14%
Minnesota State College Southeast	\$3,033,000	\$18,562,000	16%
Minnesota State Community and Technical College	\$6,883,000	\$47,348,000	15%
Minnesota West Community and Technical College	\$3,540,000	\$29,251,000	12%
Normandale Community College	\$9,517,000	\$74,136,000	13%
North Hennepin Community College	\$7,542,000	\$50,318,000	15%
Hibbing Community College	\$2,529,000	\$15,463,000	16%
Itasca Community College	\$1,499,000	\$11,628,000	13%
Mesabi Range College	\$1,757,000	\$13,397,000	13%
Rainy River Community College	\$849,000	\$3,532,000	24%
Vermilion Community College	\$1,052,000	\$7,429,000	14%
Northland Community and Technical College	\$3,797,000	\$32,207,000	12%
Northwest Technical College	\$1,914,000	\$8,606,000	22%
Pine Technical & Community College	\$1,931,000	\$13,185,000	15%
Ridgewater College	\$4,841,000	\$38,850,000	12%
Riverland Community College	\$4,398,000	\$29,515,000	15%
Rochester Community and Technical College	\$6,806,000	\$50,267,000	14%
St Cloud Technical and Community College	\$4,796,000	\$40,801,000	12%
Saint Paul College	\$8,144,000	\$58,085,000	14%
South Central College	\$5,453,000	\$35,817,000	15%
Subtotal: Colleges	\$141,784,000	\$1,036,909,000	14%
Universities			
Bemidji State University	\$10,129,000	\$69,323,000	15%
Metropolitan State University	\$16,707,000	\$95,504,000	17%
Minnesota State University, Mankato	\$24,976,000	\$221,508,000	11%
Minnesota State University Moorhead	\$7,739,000	\$82,527,000	9%
St. Cloud State University	\$26,094,000	\$175,048,000	15%
Southwest Minnesota State University	\$7,742,000	\$47,933,000	16%
Winona State University	\$17,077,000	\$114,846,000	15%
Subtotal: Universities	\$110,464,000	\$806,689,000	14%
System Total	\$267,347,000	\$1,883,245,000	14%

Lowering Administrative Costs: Innovation and Costs Efficiencies

As a system and as individual institutions, Minnesota State continually searches for and incorporates innovative practices and cost efficiencies in order to lower administrative costs. Below are areas where the system is focused on finding cost efficiencies through innovation.

Reallocations

As a system, Minnesota State reallocated \$21.6 million in fiscal year 2020 bringing to \$124.7 million the total reallocations over the four year time period from fiscal year 2017 to fiscal year 2020. The majority of the reductions were achieved through personnel reductions, primarily through managing vacancies, although some employees were laid off. The reductions were mainly used to balance the budget. The fiscal year 2021 budget approved by the Board of Trustees in June 2020 included reported reallocations to date for colleges and universities totaling \$38.7 million in fiscal year 2021.

These reallocations on an annual basis are a primary tool used by colleges and universities to cover cost increases in fixed costs along with compensation increases. With Minnesota State consistently committing over 70 percent of its resources towards instruction, academic support, and student services, where students are directly served by faculty and student support professionals, Minnesota State is continually looking for efficiencies to manage administrative costs.

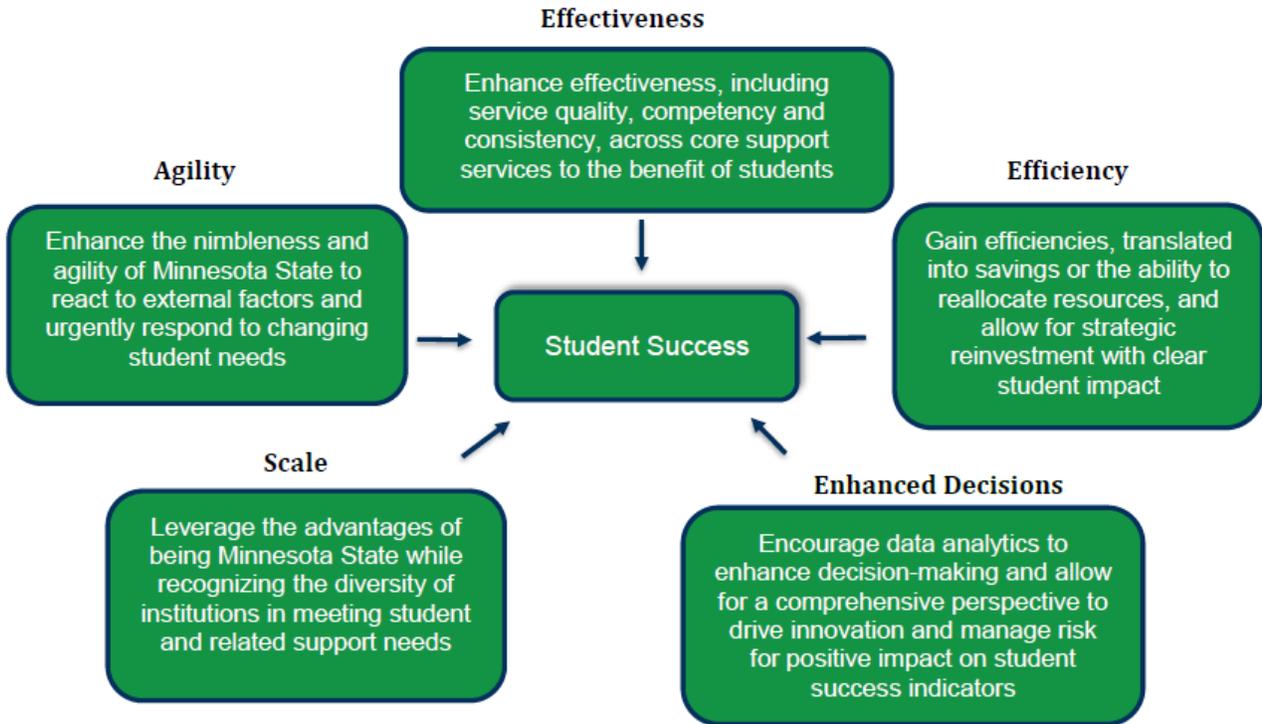
Over a ten-year time period (fiscal years 2000-2011), the system reduced the number of administrators, managers, and supervisors by nearly five percent while increasing the number of positions by approximately ten percent in the bargaining units that have primary roles in providing services to our students.

Enterprise Shared Services

Minnesota State continues to work with its Office of Internal Auditing, as well as our outside auditor Baker Tilly, on reviewing and implementing services to create and achieve effective shared service delivery models. The overarching goal is that enterprise shared services should leverage resources to best impact student success and drive effective system-wide support efficiencies, and strengthen core competencies.

The Enterprise Shared Service Governing Principles that has been endorsed by the Board of Trustees center around student success:

Enterprise Shared Service Governing Principles



Minnesota State is currently making process improvements to the most comprehensive project that was implemented in phases between 2017 and 2020. The Human Resources Transaction Service Model (HR-TSM) project began in 2015 as an initiative to create a shared service model for all colleges and universities for the delivery of human resource (HR) and payroll transaction services across the system. The primary objectives of this HR and Payroll Transaction Service Model (service center) are to:

- Create consistent practices and deliver high-quality service to all employees
- Mitigate risks and reduce errors
- Provide opportunity for transformational (e.g., strategic) HR work on campuses

The Board of Trustees received a retrospective and prospective review of the HR-TSM project execution in November 2020 followed by an update in May 2021 on steps that are being taken to better partner with campuses in achieving a stabilized, cost effective, and customer-centered operation. The continued implementation and improvements in human resources shared services model will set the stage for Minnesota State to adopt additional enterprise shared services in the future.

NextGen Implementation

Minnesota State is in the beginning stages of the implementation of a new ERP, referred to as NextGen, which is the process to create a new technology landscape to support students, faculty, and staff at our 37 state colleges and universities across Minnesota.

In November 2020, the Board of Trustees approved up to a thirteen year contract with Workday. It is clear that new technology is critical for continued success of our students, faculty, and staff. Our home-grown technology legacy system, referred to as ISRS, was reaching the end of its technological life and while its capabilities served us well for two decades, we could not expect to remain competitive in the long-term in a constantly changing technology landscape.

The implementation of the Workday products will occur over a seven-year time period. Minnesota State will go-live with the finance and human resource modules in July 2023. Finance and HR are foundational elements of ERPs and are best put in place prior to implementing student modules. The process of adopting Workday will also mean adopting standardized business processes across all institutions. As a result, there will be many more opportunities to share services at the enterprise level and across campuses in the future.

Over time, this new ERP will provide substantial cost savings for the entire system. Our colleges and universities process more than 100,000 transactions every day. 400,000 people across the state, including every faculty member, staff and student, as well as future students, use this enterprise system. This is one of the system's bigger projects focused on finding cost efficiencies through innovation.

College and University Governance Changes

Minnesota State has continued to make changes in the governance of colleges and universities as opportunities arise. These changes ultimately result in a long-term reduction in administrative costs as initially senior level positions are consolidated and then over time more and more services at the campuses become consolidated in areas such as information technology, human resources, facilities leadership, and others.

The most recent example is the formation of a single college in Northeast Minnesota that was approved by the Board of Trustees in January 2021. The Board of Trustees approved the name of Minnesota North College, and a new vision and mission to support the merger of Hibbing Community College, Itasca Community College, Mesabi Range College, Rainy River Community College, and Vermilion Community College. This merger goes into effect for fall semester 2022. This merger will reduce the number of accredited colleges in the Minnesota State system from 30 to 26, while at the same time creating more seamless learning experiences for students in Northeastern Minnesota.

This merger comes after other governance changes that have been implemented successfully across the Minnesota State system. This includes the alignment of the below colleges and universities:

- Anoka-Ramsey Community College and Anoka Technical College
- Dakota County Technical College and Inver Hills Community College
- Bemidji State University and Northwest Technical College
- The five campuses of Minnesota West Community and Technical College: Canby, Granite Falls, Jackson, Pipestone and Worthington
- The four campuses of Minnesota State Community and Technical College: Detroit Lakes, Fergus Falls, Moorhead and Wadena

Conclusion

Minnesota State's enrollment makes it the third largest public two and four year college and university system in the country. To support the work of the system, Table 1 above shows \$267.3 million, or 14 percent, was spent on institutional support in fiscal year 2020 by the campuses, and includes \$15.1 million of expenditures by the system office. A significant portion of these expenses are more of a fixed nature and do not change at the same rate as our college and universities' enrollment fluctuates.

Minnesota State remains focused on its core commitment, our students. This commitment includes our responsibility to keep administrative spending low. That commitment includes Minnesota State having as one of its college and university performance measures the percentage each college and university spends on institutional support along with the total dollar amount. This measure, along with several others are part of the annual review process the chancellor has with each college and university president.

Minnesota State consistently ranks in the lowest quartile for administrative spending per full year equivalent student for like systems and institutions across the U.S., and, as illustrated above, incorporating innovative practices and cost efficiencies in order to lower administrative costs is a top priority for the system.