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Minnesota State

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<https://minnstate.edu/>

AT A GLANCE

- Over 300,000 students served each year
- 26 separately accredited two-year colleges and 7 four-year universities located on 54 campuses
- Over 4,000 academic programs offering technical, pre-baccalaureate, baccalaureate, graduate, and applied doctoral degrees
- Over 7,000 employer partnerships across Minnesota
- Over 9,950 customized and specialized training, occupational, and professional classes
- Over 36,000 degrees, diplomas, and certificates awarded each year

PURPOSE

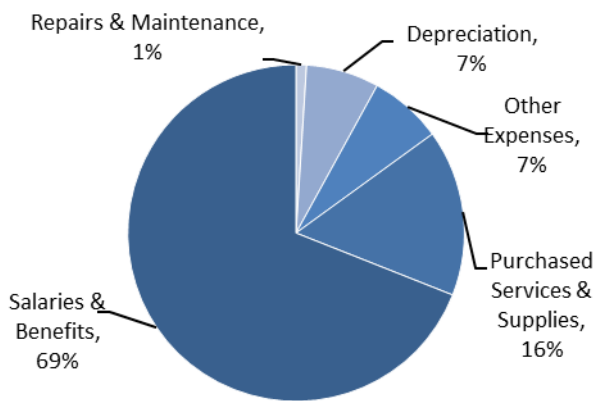
Minnesota State plays a critical role in ensuring the economic prosperity of Minnesota, its communities, and its citizens by offering high quality, affordable higher education opportunities that are aligned with employer needs throughout the state. Almost two-thirds of Minnesotans enrolled in undergraduate programs are attending Minnesota State colleges and universities to create a better future for themselves, for their families, and for their communities.

Consistent with our strategic framework, we strive to:

- Ensure access to an extraordinary education
- Be the partner of choice to meet Minnesota’s workforce and community needs
- Deliver the highest value and most affordable higher education option

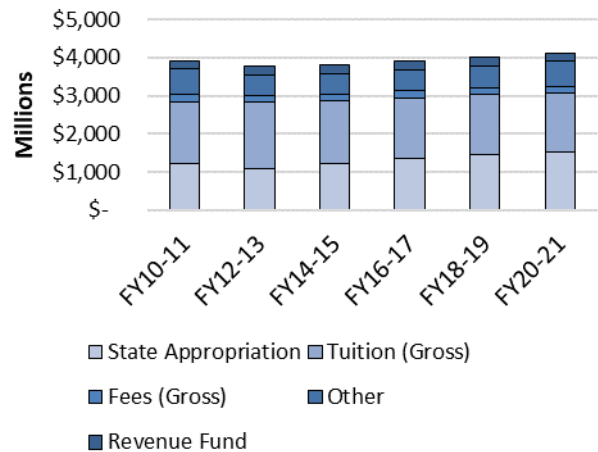
BUDGET

**Spending by Category
FY 2021 Actual**



Source: Minnesota State FY 2021 Audited Financial Statements

Historical Revenues



Source: Minnesota State Audited Financial Statements

- Our largest expenditure category is salary and benefits which account for almost two-thirds of expenditures
- Our primary revenue sources are tuition and state appropriation

STRATEGIES

Minnesota's social and economic vibrancy continues to grow and develop in the wake of significant COVID-19 disruptions. With over sixty percent of Minnesota resident students who are pursuing an undergraduate credential and thousands more students who are pursuing skills and knowledge outside of a specific degree or credential, Minnesota State actively implements strategies to provide the talent that Minnesota needs. Recent workforce shortages come at the same time that demographic trends have reduced higher education enrollment. These factors make it all the more important that students who start on an educational program can finish it, even if their families have no past experience with higher education or have significant financial challenges. As we assess the changes our students and our economy are facing, Minnesota State is committed to strategies that focus on key areas that will provide the skilled graduates our economy will rely on to achieve robust post-pandemic growth. Specifically, our colleges and universities are facing changes in:

1. How our students learn and receive services—increasingly through remote and hybrid delivery methods
2. Who our students are—lower numbers of incoming students as historically key demographic groups such as high school graduates are going down; increasingly diverse students in age and backgrounds; significant numbers of economically fragile students who have difficulty starting higher education and continuing as their home- and work-lives change, and
3. What our campuses need to do to face new financial realities—preserving core programs and services that the campus cannot exist without

To respond to these changes, the collective work of Minnesota State is aligned in four areas:

- *Alignment with the changing needs of learners.* Ensure the success of our students, particularly those who learn differently from students in previous generations by:
 - Examining the interface of technology and its use by our students
 - Implementing changes in our classroom and modes of delivery to reflect the way today's students access, process, aggregate, and connect information
 - Preparing for the next wave of change that will impact our work
- *Alignment with the new demographics of an increasingly diverse student body.* Increase our efforts around diversity, equity, and inclusion as we respond to a demographic shift and welcome an increasing number of students from populations traditionally underserved by higher education by:
 - Engaging and embedding ourselves in traditionally underrepresented communities
 - Expanding the landscape of learning beyond the classroom
 - Learning with and from diverse communities
 - Providing the student support services required to ensure student success
- *Alignment with current and emergent talent needs of employers.* Operationalize our Strategic Framework priority to ensure that Minnesota's businesses and industries have the talented workforce they need by:
 - Partnering with employers on curriculum advisory councils, student scholarships, and internship opportunities
 - Reorganizing our incumbent worker training offerings to ensure employers can access what they need easily and efficiently, no matter where in the state the expertise they need is offered
- *Alignment with challenging budget realities on our campuses.* Ensure the programmatic and financial sustainability of our campuses by:
 - Reprioritizing and reallocating our resources
 - Alleviating budget pressures through technology and better alignment and more efficient delivery of our curriculum

Guiding all these areas of work, Minnesota State's Equity 2030 goal is to eliminate equity gaps at every Minnesota State college and university. This means meeting the learning needs of all students, including historically underrepresented groups, so the same majority of all types of students can continue and complete their educational goals. This means students will progress towards their goals faster and that a higher-than-ever percentage of them will enter the workforce and contribute to the state's economic needs.

In one high-level effort to align to changing needs, demographics, and budget realities, Minnesota State recently decreased from 30 separately accredited colleges to 26 by merging five colleges in northeastern Minnesota into a unified accreditation under the name Minnesota North College.

RESULTS

Minnesota State has developed many measures to monitor and assess performance over time. These measure track graduate outcomes, student success, affordability, diversity, efficient use of resources, enrollment, and stewardship of financial and physical resources, and are used by leadership to determine how our strategies are working. Five key measures are shown below.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Result	Student Persistence and Completion	76.7%	75.6%	Fall 2019; Fall 2021
Result	Completion Rate (college/university)	54.1%/55.0%	55.0%/56.5%	Spring 2019; Spring 2021
Result	Related Employment of Graduates	89.5%	84.5%	FY 2019; FY 2021
Quantity	System Share, Minnesota Resident Enrollment	63.7%	63.3%	Fall 2018; Fall 2020
Quality	Percent Students of Color	27.8%	28.9%	FY 2019; FY 2021

Definitions of the five measures are provided below.

Student Persistence and Completion, a higher education standard metric, is the percent of a fall entering cohort of full-time degree and certificate seeking students that have been retained, graduated, or transferred by the next fall term following original fall enrollment.

Previous: percent of Fall 2018 cohort persisting or completed in Fall 2019;

Current: percent of Fall 2020 cohort persisting or completed in Fall 2021.

Completion Rate, a higher education standard metric, is the percent of an entering cohort that has completed by 150 percent of normal time. Completion is measured as graduation by the sixth spring after entry at the universities and as graduation or transfer by the third spring after entry at the colleges. Because the measures are different for colleges and universities, the measurements are given separately for each institution type.

Previous: measured in Spring 2019; Current: measured in Spring 2021.

Related Employment of Graduates is the percent of system graduates in a fiscal year that reported they were employed or seeking employment during the year after graduation and reported a job that was related to their program or major.

Previous: Fiscal Year 2018 graduates employed in Fiscal Year 2019;

Current: Fiscal Year 2020 graduates employed in Fiscal Year 2021.

System Share of Minnesota Resident Undergraduate Enrollment is the percentage of Minnesota residents enrolled as undergraduate students at a Minnesota higher education institution that are attending a Minnesota State college or university.

Previous: Fall 2018; Current: Fall 2020.

Percent Students of Color is the percent of system credit students in a fiscal year that reported being African American, American Indian, Asian, Hispanic, Pacific Islander, or two or more races.
Previous: Fiscal Year 2019; Current: Fiscal Year 2021.

[Minnesota Statutes Chapter 136F](#) provides the legal authority for Minnesota State.

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
2050 - Environment & Natural Resources	403	335	435	1,325				
4000 - MN State Colleges/Universities	1,600,414	1,552,015	1,546,708	1,706,496	1,696,899	1,696,899	1,784,321	1,784,498
4002 - MNSCU Special Revenue	9,018	7,943	7,881	8,865	7,965	7,439	7,965	7,439
4003 - MNSCU Federal	58,503	136,201	196,533	62,582	56,500	54,500	56,500	54,500
4004 - MNSCU Gift	287	241	250	600	600	600	600	600
4005 - MNSCU Enterprise Activities	9,425	8,490	9,791	9,651	9,611	9,611	9,611	9,611
4030 - MNSCU Agency	38,591	33,747	41,802	38,970	34,500	34,500	34,500	34,500
7350 - Sub Supplemental & Ira Retire	281	374	328	326	326	326	326	326
Total	1,716,922	1,739,346	1,803,728	1,828,815	1,806,401	1,803,875	1,893,823	1,891,474
Biennial Change				176,275		(22,267)		152,754
Biennial % Change				5		(1)		4
Governor's Change from Base								175,021
Governor's % Change from Base								5

Expenditures by Program

Minnesota State	1,716,922	1,739,346	1,803,728	1,828,815	1,806,401	1,803,875	1,893,823	1,891,474
Total	1,716,922	1,739,346	1,803,728	1,828,815	1,806,401	1,803,875	1,893,823	1,891,474

Expenditures by Category

Compensation	1,350,411	1,349,387	1,339,445	1,425,130	1,423,404	1,423,404	1,485,904	1,485,904
Operating Expenses	353,392	375,522	443,450	386,430	370,382	367,856	395,304	392,955
Grants, Aids and Subsidies	9,745	14,183	13,386	12,785	12,615	12,615	12,615	12,615
Capital Outlay-Real Property	3,375	254	7,447	4,470				
Total	1,716,922	1,739,346	1,803,728	1,828,815	1,806,401	1,803,875	1,893,823	1,891,474

Total Agency Expenditures	1,716,922	1,739,346	1,803,728	1,828,815	1,806,401	1,803,875	1,893,823	1,891,474
Internal Billing Expenditures	4							
Expenditures Less Internal Billing	1,716,918	1,739,346	1,803,728	1,828,815	1,806,401	1,803,875	1,893,823	1,891,474

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Direct Appropriation	758,679	765,659	792,392	789,491	789,611	789,611	877,033	877,210
Transfers Out	758,679	765,659	792,392	789,491	789,611	789,611	877,033	877,210

2050 - Environment & Natural Resources

Balance Forward In	660	390	1,305	1,325				
Direct Appropriation	741	1,308	520					
Cancellations		58	65					
Balance Forward Out	999	1,305	1,325					
Expenditures	403	335	435	1,325				
Biennial Change in Expenditures				1,022		(1,760)		(1,760)
Biennial % Change in Expenditures				138		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

4000 - MN State Colleges/Universities

Balance Forward In	649,673	680,971	733,486	802,662	715,650	633,184	715,650	633,184
Receipts	902,115	871,325	850,285	854,822	854,822	854,822	854,822	854,822
Transfers In	758,929	765,909	792,630	789,491	789,611	789,611	877,033	877,210
Transfers Out	29,332	28,268	27,031	24,829	30,000	30,000	30,000	30,000
Balance Forward Out	680,971	737,922	802,662	715,650	633,184	550,718	633,184	550,718
Expenditures	1,600,414	1,552,015	1,546,708	1,706,496	1,696,899	1,696,899	1,784,321	1,784,498
Biennial Change in Expenditures				100,775		140,594		315,615
Biennial % Change in Expenditures				3		4		10
Governor's Change from Base								175,021
Governor's % Change from Base								5

4002 - MNSCU Special Revenue

Balance Forward In	8,781	10,135	10,360	10,455	8,786	8,061	8,786	8,061
Receipts	10,372	8,168	7,976	7,196	7,240	7,230	7,240	7,230
Balance Forward Out	10,135	10,360	10,455	8,786	8,061	7,852	8,061	7,852
Expenditures	9,018	7,943	7,881	8,865	7,965	7,439	7,965	7,439
Biennial Change in Expenditures				(215)		(1,342)		(1,342)
Biennial % Change in Expenditures				(1)		(8)		(8)

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Governor's Change from Base								0
Governor's % Change from Base								0

4003 - MNSCU Federal

Balance Forward In	1,519	3,094	8,876	10,271	2,189	189	2,189	189
Receipts	60,078	141,981	197,928	54,500	54,500	54,500	54,500	54,500
Balance Forward Out	3,094	8,874	10,271	2,189	189	189	189	189
Expenditures	58,503	136,201	196,533	62,582	56,500	54,500	56,500	54,500
Biennial Change in Expenditures				64,411		(148,115)		(148,115)
Biennial % Change in Expenditures				33		(57)		(57)
Governor's Change from Base								0
Governor's % Change from Base								0

4004 - MNSCU Gift

Balance Forward In	1,425	1,556	1,661	2,401	2,301	2,201	2,301	2,201
Receipts	418	346	990	500	500	500	500	500
Balance Forward Out	1,556	1,661	2,401	2,301	2,201	2,101	2,201	2,101
Expenditures	287	241	250	600	600	600	600	600
Biennial Change in Expenditures				322		350		350
Biennial % Change in Expenditures				61		41		41
Governor's Change from Base								0
Governor's % Change from Base								0

4005 - MNSCU Enterprise Activities

Balance Forward In	3,804	3,865	3,992	2,983	2,657	2,371	2,657	2,371
Receipts	9,486	8,617	8,782	9,325	9,325	9,325	9,325	9,325
Balance Forward Out	3,865	3,992	2,983	2,657	2,371	2,085	2,371	2,085
Expenditures	9,425	8,490	9,791	9,651	9,611	9,611	9,611	9,611
Biennial Change in Expenditures				1,527		(220)		(220)
Biennial % Change in Expenditures				9		(1)		(1)
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
4006 - MNSCU Endowment								
Balance Forward In	107	109	110					
Receipts	2	1	(110)					
Balance Forward Out	109	110						

4030 - MNSCU Agency

Balance Forward In	1,217	1,661	1,523	5,960	1,490	1,490	1,490	1,490
Receipts	39,035	33,609	46,239	34,500	34,500	34,500	34,500	34,500
Balance Forward Out	1,661	1,523	5,960	1,490	1,490	1,490	1,490	1,490
Expenditures	38,591	33,747	41,802	38,970	34,500	34,500	34,500	34,500
Biennial Change in Expenditures				8,434		(11,772)		(11,772)
Biennial % Change in Expenditures				12		(15)		(15)
Governor's Change from Base								0
Governor's % Change from Base								0

7350 - Sub Supplemental & Ira Retire

Balance Forward In	330	358	497	597	571	545	571	545
Receipts	309	512	428	300	300	300	300	300
Balance Forward Out	358	496	597	571	545	519	545	519
Expenditures	281	374	328	326	326	326	326	326
Biennial Change in Expenditures				(1)		(2)		(2)
Biennial % Change in Expenditures				(0)		(0)		(0)
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	789,491	789,491	789,491	1,578,982
Base Adjustments				
Current Law Base Change		120	120	240
Forecast Base	789,491	789,611	789,611	1,579,222
Change Items				
Student Support		19,000	19,000	38,000
Minnesota State Stabilization		62,500	62,500	125,000
Workforce and Economic Development		5,750	5,750	11,500
Higher Education Individual Retirement Account Plan Contribution Increases		172	349	521
Total Governor's Recommendations	789,491	877,033	877,210	1,754,243
Dedicated				
Fund: 4000 - MN State Colleges/Universities				
Planned Spending	1,706,496	1,696,899	1,696,899	3,393,798
Forecast Base	1,706,496	1,696,899	1,696,899	3,393,798
Change Items				
Student Support		19,000	19,000	38,000
Minnesota State Stabilization		62,500	62,500	125,000
Workforce and Economic Development		5,750	5,750	11,500
Higher Education Individual Retirement Account Plan Contribution Increases		172	349	521
Total Governor's Recommendations	1,706,496	1,784,321	1,784,498	3,568,819
Fund: 4002 - MNSCU Special Revenue				
Planned Spending	8,865	7,965	7,439	15,404
Forecast Base	8,865	7,965	7,439	15,404
Total Governor's Recommendations	8,865	7,965	7,439	15,404
Fund: 4003 - MNSCU Federal				
Planned Spending	62,582	56,500	54,500	111,000
Forecast Base	62,582	56,500	54,500	111,000
Total Governor's Recommendations	62,582	56,500	54,500	111,000
Fund: 4004 - MNSCU Gift				
Planned Spending	600	600	600	1,200
Forecast Base	600	600	600	1,200
Total Governor's Recommendations	600	600	600	1,200

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Fund: 4005 - MNSCU Enterprise Activities				
Planned Spending	9,651	9,611	9,611	19,222
Forecast Base	9,651	9,611	9,611	19,222
Total Governor's Recommendations	9,651	9,611	9,611	19,222
Fund: 4030 - MNSCU Agency				
Planned Spending	38,970	34,500	34,500	69,000
Forecast Base	38,970	34,500	34,500	69,000
Total Governor's Recommendations	38,970	34,500	34,500	69,000
Fund: 7350 - Sub Supplemental & Ira Retire				
Planned Spending	326	326	326	652
Forecast Base	326	326	326	652
Total Governor's Recommendations	326	326	326	652
Revenue Change Summary				
Dedicated				
Fund: 4000 - MN State Colleges/Universities				
Forecast Revenues	854,822	854,822	854,822	1,709,644
Total Governor's Recommendations	854,822	854,822	854,822	1,709,644
Fund: 4002 - MNSCU Special Revenue				
Forecast Revenues	7,196	7,240	7,230	14,470
Total Governor's Recommendations	7,196	7,240	7,230	14,470
Fund: 4003 - MNSCU Federal				
Forecast Revenues	54,500	54,500	54,500	109,000
Total Governor's Recommendations	54,500	54,500	54,500	109,000
Fund: 4004 - MNSCU Gift				
Forecast Revenues	500	500	500	1,000
Total Governor's Recommendations	500	500	500	1,000
Fund: 4005 - MNSCU Enterprise Activities				
Forecast Revenues	9,325	9,325	9,325	18,650
Total Governor's Recommendations	9,325	9,325	9,325	18,650
Fund: 4030 - MNSCU Agency				
Forecast Revenues	34,500	34,500	34,500	69,000

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Total Governor's Recommendations	34,500	34,500	34,500	69,000
Fund: 7350 - Sub Supplemental & Ira Retire				
Forecast Revenues	300	300	300	600
Total Governor's Recommendations	300	300	300	600

Change Item Title: Student Support

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	19,000	19,000	19,000	19,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	19,000	19,000	19,000	19,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$19 million in annual direct support for students during the 2024-25 and 2026-27 biennia. The recommendation includes funding to expand student support services, including mental health supports, and scholarships to students who complete college programs and transfer to university programs.

Rationale/Background:

Even if students are making progress in the classroom, challenges outside of the classroom can be significant barriers that keep students from progressing and completing the educational goals they seek to achieve. These challenges impact some groups of students more than others. Lower income, first generation, and other underrepresented groups often find challenges outside the classroom especially difficult to balance with their classroom obligations. Other challenges, such as challenges in mental and physical health, can affect all students. This recommendation seeks to ensure that all Minnesotans can accomplish their educational goals, no matter their background or socioeconomic status.

Recommendation:

Expanded Student Support Services

One significant need expressed by students, faculty and staff is for additional support for students in figuring out how they can fit their educational goals within the broader complexities of their lives. Students do not just come to campuses right after finishing high school, but at many different ages, different points in their personal and professional lives, and with different family needs, financial needs, emotional and mental health needs. Student support services help students plan how their education will fit into their other life activities, navigate requirements, take advantage of opportunities, and manage complex activities made more difficult by a student’s personal challenges. This increase will provide funding directly to campuses to add more staff in the areas of highest need, such as student advisors, social workers, basic needs coordinators, community resource connectors, and mental health support staff. Each college or university will have different specific needs based on the makeup of its student body and existing staffing and programming. Each campus will have the flexibility to apply these funds as needed.

Mental Health Education and Training is another component of this recommendation. Experiential education and training opportunities will be expanded, focusing on mental health and wellbeing, including mental health first aid and other evidence-based training. Training will be available to students, faculty, and staff, designed to increase understanding of mental health concerns, health and wellness support resources, and techniques for promoting positive mental health and wellbeing. Experiential training components will include bystander intervention training.

Access to the Basic Needs Resource Hub will be expanded and sustained. This hub has been established through a partnership with United Way 211 to provide students with access to basic needs resources on their campus and in their community, available via text and phone 24 hours a day and 7 days a week. The system became available on August 22, 2022, as classes began on our campuses this fall, and within the first two weeks received 50-75 calls. Basic needs resources may assist with challenges such as housing and food insecurity, child and family care, transportation, and access to technology.

All of the above activities will continue to be coordinated at the system-wide level, facilitating use of the various assessment tools, assuring the data is being used to improve programs and address local needs efficiently, and promoting additional collaboration to continue to improve value to students and effectiveness of services

Transfer scholarships

Transfer scholarships help students continue towards completion of their educational goals when they might otherwise have to cut their education short or delayed completion, often making eventual graduation more difficult. Annually, over 5,000 students transfer from a system college to a system university. Two different transfer scholarship options will be offered to support students transferring from a Minnesota State college to a Minnesota State university. Both options will be a last dollar scholarship program, meaning they will be in addition to all other financial aid without reducing eligibility from other sources. Awards will start at the college attended and finish at the university attended.

The Transfer Pathways option targets students who complete any one of the 26 Transfer Pathways associate degree programs at a Minnesota State college. Completion of one of these programs guarantees junior year status to students admitted to a Minnesota State university and that all 60 associate degree credits will count toward the related bachelor's degree. This saves students time and money by not losing credits or taking extra courses.

The Transfer Guarantee option targets students who complete any Associate of Arts, Associate of Science, or Associate of Fine Arts degree at any Minnesota State college. Completing one of these degrees guarantees admission to every one of the seven Minnesota State universities. This also helps students to be admitted into the university program of their choice and to achieve greater success once they are in those university studies. This collaboration ensures that students can seamlessly and reliably transfer from Minnesota State colleges to Minnesota State universities and saves students money by taking advantage of the lowest tuition rates in Minnesota at Minnesota State colleges and universities.

Impact on Children and Families, Equity and Inclusion:

This recommendation addresses some key challenges families must address in order for any member of the family to pursue and complete a higher education program. Basic financial, mental and physical health, and other challenges often stand in the way of higher education pursuits. This recommendation will provide significant help in the addressing costs, non-academic support needs, and unexpected emergency situations.

Minnesota State's Equity 2030 initiative provides the framework for this recommendation. Equity 2030 focuses on completion rates of learner groups, including low-income students, first-generation students, students of color, and indigenous students. In order for Minnesota to have the skilled workforce needed for economic development and growth, the persistence and completion of all students must be supported. As the demographic groups that have historically provided most graduates have become smaller in recent years, the effects of this recommendation on groups with historically lower completion rates addresses both the equity and economic imperatives that face the state.

Consultation:

During the month of September 2022, the Chancellor, Board of Trustees Chair, and the Chairs of the Academic and Student Affairs, Audit, and Finance Committees participated in a series of listening sessions held across the

state. A total of twelve listening sessions were held on campuses of the Minnesota State system. More than 550 students, faculty, staff, business and community leaders, including 14 legislators, attended the listening sessions. Participants provided valuable insights and specific ideas for the biennial budget recommendation.

In October, the Board of Trustees reviewed the information received at the listening sessions and a first reading of this recommendation.

Following the Board meeting, consultation continued on campuses, including budget-specific conversations with the statewide college and university student associations and statewide bargaining units. This consultation was supported by local campus discussions, including conversations with students, faculty, staff, and campus leadership. One of the colleges in the Minnesota State system, Fond du Lac Tribal and Community College, has a unique mission in providing education to the public through a close Tribal and State partnership. This collaboration offers all students, regardless of demographic background, a unique opportunity to learn in a comfortable and diverse environment. Informed by consultation sessions and campus discussions, Minnesota State's Presidents reviewed and provided feedback on programmatic aspects of the proposed biennial recommendation.

Feedback strongly supported significant recommendations in all three components: student needs, inflationary funding, and specific workforce needs. Increases in system base funding are viewed as crucial to ensuring that institutions can address pressures in ongoing costs and maintain strength in classroom and non-classroom resources that students and communities rely on. Financial support for students, including scholarships, higher student worker wages, and an efficient, sufficiently funded emergency grant system are also viewed as crucial for students to be able to afford higher education. And student services are viewed as essential to student success and completion.

Results:

Minnesota State will track results by documenting the services provided to students within this program and how many students utilize services funded.

Change Item Title: Minnesota State Stabilization

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	62,500	62,500	85,000	85,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	62,500	62,500	85,000	85,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends an increase to the state’s portion of funding Minnesota State college and university operations by \$125 million in the first biennium and \$170 million in the second biennium. The other main portion of the system’s operating budget comes from students through tuition and fees.

Rationale/Background:

Minnesota State is the nation’s third largest system of colleges and universities, with 54 campuses in 47 communities across the state. Roughly 300,000 students are provided credit and non-credit education each year. Approximately 63 percent of all Minnesota residents pursuing an undergraduate credential do so at a Minnesota State college or university. The seven universities and 26 colleges offer over 4,000 academic programs and provide the bulk of the state’s health care workers, peace officers, teachers, welders, plumbers, etc., by awarding over 36,000 degrees, certificates, and diplomas each year. Fourteen thousand faculty and staff across the state account for over a third of all State of Minnesota employees, and actively partner with local business and industry to provide educational opportunities that fit the community, including almost 10,000 customized training, occupational, and professional classes. With these dimensions, Minnesota State is arguably the state’s largest economic development agency.

State appropriation is one of two primary sources of funding for our colleges and universities, the other main source being tuition. At the system level, the relationship between tuition and appropriation was nearly a 1/3 tuition and 2/3 appropriation split in fiscal year 2002, which is the goal set by the legislature in Minnesota Statute. In recent years, the relationship has generally been around 50 percent tuition and 50 percent appropriation. Currently, the relationship is roughly 47 percent tuition to 53 percent state appropriation. The mix of tuition and appropriation differs at individual colleges and universities, with colleges generally more reliant on state appropriation and universities generally more reliant on tuition revenues. Appropriation percentages of total funding have decreased as the higher education portion of the overall state budget has decreased. When Minnesota State began in 1995, higher education’s share (including the University of Minnesota and the Office of Higher Education with the state grant program) totaled over 12 percent of the state’s general fund budget. Since 1995, higher education’s share has been cut nearly in half (to 6.5 percent) due to competing priorities such as health and human services and E-12 education.

Tuition revenues have also experienced downward trends as system enrollment has decreased over many years. Fiscal year 2011 was the apex in the system’s enrollment of 157,903 full-year equivalent (FYE) credit students. Since that peak, the system has over 53,000 (34 percent) fewer FYE in fiscal year 2023 budgets compared to fiscal year 2011. This decline has negatively affected the tuition revenue at our colleges and universities.

Further complicating the relationship between appropriation and tuition have been legislative limitations and freezes on tuition rate increases. While appropriation amounts have received increases over the years, those increases have not always offset tuition rate limitations that have been included in legislation since fiscal year 2014. For institutions that rely more on tuition revenue or have historically low tuition rates, these limitations have put significant financial stress on their operations.

Employee compensation makes up roughly 77 percent of Minnesota State expenditures. With state appropriations constrained in recent years and tuition limitations placed at the system level regardless of local history and needs, our institutions have had modest annual compensation increases in faculty collective bargaining agreements in recent years. Recent faculty contract settlements have included inflationary adjustments that are below increases in other staff areas. In high-demand fields where faculty are most needed, salaries have lost competitiveness to be able to recruit the talent needed to maintain these programs, let alone expand them. Colleges and universities have lost talent in key areas due to this disparity. Reallocation of existing resources alone cannot address the inflationary pressures on our annual compensation increases.

For system-wide functions that rely solely on inflationary increases in state appropriations, budgetary stresses also exist. These system office functions, such as enterprise technology, have had historically flat appropriations (one 3 percent inflationary adjustment since FY2012). These expenses include 70 percent employee compensation. Functions providing assurance, compliance, and advocacy for our 33 institutions, would need to be addressed locally if not at the system level. This puts greater burden on campuses because nearly all these service reductions impact mandatory functions that then must be funded directly from campus budgets.

Our colleges and universities rely on state appropriation to cover a significant portion of their general fund operating budgets. An increase in state appropriation is needed for Minnesota State colleges and universities to continue to provide an exceptional education and ensure there are adequate programs and services to serve our students. Without increases in general fund revenues, campuses will need to reduce the breadth of academic programs and student services that are available to students at the same time that demands have increased.

Proposal:

Among the side effects of the pandemic have been a resurgence of inflation due to supply and demand issues and increases in labor costs due to shifts and shortages in labor market participation. This labor market is less favorable for recruiting and retaining the talent Minnesota State needs. Colleges and universities reassess and reallocate spending on a continual basis to address inflationary costs. In order to maintain academic programs and keep tuition affordable, however, additional resources are required.

Impact on Children and Families, Equity and Inclusion:

This recommendation helps keep higher education available for all members of any Minnesota family, children, parents, and senior citizens. The facilities of Minnesota State are found all across the state and provide resources for a wide variety of educational opportunities, from brief certificate courses to a wealth of undergraduate and graduate degrees. Beyond that, the colleges and universities of Minnesota State provide communities with information, cultural and sporting events, and community-accessible facilities.

Minnesota State's Equity 2030 initiative provides a systemwide framework for equity and inclusion. Equity 2030 focuses on completion rates of learner groups, including low-income students, first-generation students, students of color, and indigenous students. In order for Minnesota to have the skilled workforce needed for economic development and growth, the persistence and completion of all students must be supported. As the demographic groups that have historically provided most graduates have become smaller in recent years, the effects of this recommendation on groups with historically lower completion rates addresses both the equity and economic imperatives that face the state.

Consultation:

During the month of September 2022, the Chancellor, Board of Trustees Chair, and the Chairs of the Academic and Student Affairs, Audit, and Finance Committees participated in a series of listening sessions held across the state. A total of twelve listening sessions were held on campuses of the Minnesota State system. More than 550 students, faculty, staff, business and community leaders, including 14 legislators, attended the listening sessions. Participants provided valuable insights and specific ideas for the biennial budget recommendation.

In October, the Board of Trustees reviewed the information received at the listening sessions and a first reading of this recommendation.

Following the Board meeting, consultation continued on campuses, including budget-specific conversations with the statewide college and university student associations and statewide bargaining units. This consultation was supported by local campus discussions, including conversations with students, faculty, staff, and campus leadership. One of the colleges in the Minnesota State System, Fond du Lac Tribal and Community College, has a unique mission in providing education to the public through a close Tribal and State partnership. This collaboration offers all students, regardless of demographic background, a unique opportunity to learn in a comfortable and diverse environment. Informed by consultation sessions and campus discussions, Minnesota State's Presidents reviewed and provided feedback on programmatic aspects of the proposed biennial recommendation.

Feedback strongly supported significant recommendations in all three components: student needs, inflationary funding, and specific workforce needs. Increases in system base funding are viewed as crucial to ensuring that institutions can address pressures in ongoing costs and maintain strength in classroom and non-classroom resources that students and communities rely on. Financial support for students, including scholarships, higher student worker wages, and an efficient, sufficiently funded emergency grant system are also viewed as crucial for students to be able to afford higher education. And student services are viewed as essential to student success and completion.

Results:

Minnesota State will report results consistent with statutorily required reports in use of funding, enrollment data, and academic completion rates.

Change Item Title: Workforce and Economic Development

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	5,750	5,750	5,000	5,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	5,750	5,750	5,000	5,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$11.5 million in the 2024-25 biennium and \$10 million in the 2026-27 biennium for programs that provide the skilled workforce Minnesota needs for the continued development and growth of the state economy. All these funds will be matched one-to-one in cash or in-kind donations from businesses and organizations that value the contributions a skilled workforce brings to their communities.

Rationale/Background:

The focus of this recommendation is to provide the highest quality, most relevant educational experiences to prepare students for the complexity of technology-oriented workplaces and jobs. In addition, students must have access to high-value, short-term credentials that allow for immediate entry into the workforce or retraining for another job or career. Minnesota State currently reports a high rate of related employment to students’ academic degree fields, so our measures will focus on increasing enrollment and credential attainment in Minnesota’s high-growth employment sectors of healthcare, manufacturing, information technology, and others. Our goal positions our colleges and universities to meet employers’ needs for skilled workers in career and technical education and STEM disciplines.

Recommendation:

The recommendation includes \$11.5 million to address the challenges associated with current and future workforce needs for Minnesota in fiscal years 2024-25 and \$10 million in fiscal years 2026-27. All state funds in this recommendation will be matched one-to-one with non-state funds in-kind or cash. Succinct goals will be established to demonstrate the return on investment in strengthening the workforce. These strategic investments will provide Minnesota with the talent it needs for its continued economic development. This recommendation includes upgrades for college and university equipment and learning environments, and increased workforce development scholarships.

Impact on Children and Families, Equity and Inclusion:

This recommendation expands and enhances highly focused educational opportunities for the families of Minnesota. Focusing on areas with especially high needs, this recommendation partners with local communities to help get students into the skilled workforce quickly.

Minnesota State's Equity 2030 initiative provides a systemwide framework for equity and inclusion in all programs, including these specific workforce development programs. Equity 2030 focuses on completion rates of learner groups, including low-income students, first-generation students, students of color, and indigenous students. In order for Minnesota to have the skilled workforce needed for economic development and growth, the persistence and completion of all students must be supported. As the demographic groups that have historically provided most graduates have become smaller in recent years, the effects of this recommendation on groups with historically lower completion rates addresses both the equity and economic imperatives that face the state.

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Results:

Goals will also be established by assessing supply and demand in key industries and occupations. For example, potential goals for enrollment, completion, and exam rates in Nursing could include increasing enrollment by 1,400 students (a 65 percent increase) with an 80 percent graduation rate within five years. A goal for the RN licensure exam pass rate could be increasing to 86 percent (currently 82 percent).

Statutory Change(s):

M.S. 136F.38

Change Item Title: Higher Education Individual Retirement Account Plan Contribution Increases

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	172	349	530	715
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	172	349	530	715
FTEs	0	0	0	0

Recommendation:

The Governor recommends increased funding to raise the employer contribution rate for the Minnesota State Higher Education Individual Retirement Account Plan (IRAP). This recommendation would increase the employer contribution rate for IRAP from the current 6% to 8.75% in 2027.

Rationale/Background:

IRAP is a defined contribution plan that covers employees of the Minnesota State Colleges and Universities (MN State). MN State currently contributes an employer contribution equal to 6% of each employee’s pay to an account established in the IRAP for the employee. Each employee currently contributes a percentage of pay that is equal to the percentage of pay contributed by members of the Teachers Retirement Association (TRA). That percentage is currently 7.5% and is scheduled to increase to 7.75% on July 1, 2023.

The employee contribution rate was increased in 2019 from 4.5% of pay to 7.5% of pay, to match the employee contribution rate for TRA. The change in the employee contribution rate in 2019 was driven by the discovery that federal law requires the employee contribution rates to be the same if an employee can elect to transfer from one plan to the other. Prior to the change in the contribution rate in 2019, when an employee in the IRAP elected to be covered by TRA, whether at the commencement of employment or when the employee became tenured, the employee’s employee contribution rate would change from 4.5% to 7.5%. With the change in 2019, when an employee elects to transfer coverage from the IRAP to TRA, the employee contribution rate remains constant at 7.5%.

The employer contribution rate for the IRAP has been at 6% since 1995. The employer contribution rate for TRA is currently 8.55% and is scheduled to increase to 8.75% on July 1, 2023. Federal law does not similarly require the employer contribution rate to the IRAP to match the employer contribution rate for TRA even though employees can elect to transfer from the IRAP to TRA. For employees of MN State who have transferred to TRA coverage or TRA coverage is the default coverage, MN State is required to contribute at a rate that is higher than the rate of its contribution to the IRAP. Currently, MN State makes an employer contribution of 8.55% to TRA, as compared to a 6% employer contribution to the IRAP.

Recommendation:

The Governor recommends increasing the current employer rate of 6% in 0.55% annual increments over the next four fiscal years, until the rate increases 8.75% in FY2028. When the rate reaches 8.75%, it will equal the rate of the employer contribution MN State is required to make to TRA. The increase in the employer contribution rate will increase the annual cost of IRAP to MN State. As calculated by MN State, the annual additional costs would be:

	FY2024	FY2025	FY2026	FY2027
Employer Contribution	6.55%	7.10%	7.65%	8.20%
Proposed Change	0.55%	0.55%	0.55%	0.55%
Employer Contributions	\$31,496,421	\$32,064,096	\$32,636,073	\$33,212,352
Additional Costs	\$172,283	\$348,868	\$529,754	\$714,943

Results:

Minnesota State will track results by documenting costs for contributions in the affected years.

Statutory Change(s):

M.S. 354B.23