



State of Minnesota
Department of Finance

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March 4, 1999

To: Senator Keith Langseth, Chairman
Senate Education Finance Committee

Senator Linda Berglin, Chairman
Senate Human Resources Finance Committee

Senator Richard Cohen, Chairman
Senate State Government Finance Committee

Representative Dave Bishop
House Ways and Means Committee

Fr: Pamela Wheelock, Commissioner

Re: Supplement Budget Items, Errata and Omissions to the Governor's 2000-01 Biennial Budget - Change Order #1 (Other Agency Budget revisions, excluding Health & Human Services, Education, Children & Families and Local Aids)

This is to advise you and your colleagues that we will follow the same procedures used in previous biennia for transmitting any changes to the Governor's Budget.

Only changes submitted under my signature should be considered as official changes in the Governor's Budget. This procedure is necessary to ensure control over the General Fund Balance as well as eliminate confusion regarding the Governor's Recommendations. This process has worked well in past legislative sessions.

Sufficient detail is provided for clarification of errata, omission or change and reference to the appropriate budget page. New numbers and language were inserted while deleting old inappropriate language or references on the budget narrative pages. New or revised pages have been copied with original budget data remaining on the opposite page side to allow for ease in inserting and removal of pages into three ring binder budget books.

Please find the following page updates:

Higher Education:

Higher Education Services Office:

Page B-3 was revised to insert MnLINK under the Governor's Recommendation column. This was an omission when typing the page. The totals were correct.

University of Minnesota:

Page B-147 was revised to insert brackets around the base adjustment for Enrollment Formula Adjustment for FY 2000. This was an error in submission. The totals were correct for the base level.

Page B-193 has language revisions under Governor's Recommendations, Financing and Outcomes headers.

Environment & Natural Resources:

Pollution Control Agency:

Program Structure/Index Pages and Pages D-2, D-5, D-11, D-15, D-16, D-25, D-26, D-49, D-51, D-74, D-75, D-76, D-79, D-82, D-83 have been revised and two new pages added D-83a & D-83b to reflect a new Governor's change item and a revised Governor's change item and forecasted revenues. Environmental Fund expenditures were revised downward by \$137.0 in FY 1999, \$79.0 for FY 2000 & \$77.0 in FY 2001 related to a new Governor's change item for listed metals, fees were also increased, see below. An Environmental Fund change item was revised downward related to feedlots in the amount of \$619.0 for FY 2000.

Pages D-17 & D-18: the Summary of Agency Revenues was revised to reflect additional non-dedicated revenue due to a new Governor's change item to raise fees for listed metals in the Environmental fund of \$100.0 in FY 2000 and \$51.0 in FY 2001 and additional non-dedicated departmental earnings revenue of \$496.0 for FY 2000 and \$1,185.0 in FY 2001 for feedlot permit fees added to the Environmental Fund due to forecast changes.

Further revisions were made to correct dedicated receipts shown for departmental earnings in the Special Revenue Fund. The correct numbers are now reflected in the Governor's recommendation columns as \$205.0 for each year of the biennium. The reduction of revenues due to the elimination of the auto emissions testing program are now reflected on the Department of Public Safety's revenue summary.

Page D-22: agency total was stated incorrectly for Estimated SFY 2000 Revenues. The total should have been \$30,948. The numbers were correct in the budget system.

Page D-72 corrects the revenue line on the change page by showing a loss of \$(140.0) for each year of the biennium. This reflects a reduction of revenues of \$65.0 each year from fleet registrations and a loss \$75.0 for interest earnings. This is a Special Revenue fund revenue loss from the original budget.

Department of Natural Resources:

Pages D-174, D-205, D-294, D-295, D-296, D-299, D-300, D-307, D-311 & D-312 were revised to correct FTE's and change the base budget reduction items. Total funding remains the same in the budget.

Department of Agriculture:

Pages D-367, D-369, D-419 & D-423 were revised to reflect forecast and Governor's recommendation changes for the Ethanol producers' payments. This revised Open appropriation increase has a net effect to the General Fund of increasing expenditures by \$1,328.0 for FY 2000 and \$2,972.0 for FY 2001.

Page D-392: the wrong fund was listed for revenues on the budget change page. The numbers were correct in the budget system.

Page D-409 was revised to correct an error related to object of expenditures. Numbers displayed under the Governor's recommendation columns for FY 2000 & FY 2001 for expenditures by category have been corrected.

Economic Development:

Department of Trade and Economic Development:

Pages E-4, E-16 & E-34 were revised to correct errors in account coding of history and base budget years. Coding errors were made to Actual FY 1997, Actual FY 1998, Budgeted FY 1999, Base FY 2000 and Base FY 2001 columns. The amounts were coded as Statutory General Fund and should have been coded as an Open General Fund appropriation. Governor's recommendations were coded correctly.

Page E-13: Agency total was stated incorrectly for Estimated SFY 2000 Revenues. The total should have been \$83,036. The numbers were correct in the budget system.

Pages E-16, E-22, E-34 & E-35 were revised to correct federal expenditures placed in the wrong budget activity. The total amount for the agency was correct.

Department of Commerce:

Pages E-179, E-183, E-184, E-185, E-209, E-210 & E-214 were revised and a new page E-216 was added to reflect a new Governor's recommendation for a State Crop Insurance Feasibility Study. This affects the fund balance, additional expenditures of \$200.0 for FY 2000.

Pages E-183, E-185, E-191, E-192 & E-193 were revised to eliminate revenues for fee increases for Sub-divided Land left in the budget in error. This affects the fund balance. The Cambridge Deposit Fund loses revenue of \$(45.0) for FY 2000 and \$(75.0) for FY 2001.

Department of Labor & Industry:

Page E-301 was revised to correct enrollment information shown on graphs.

Public Utilities Commission:

Page E-334 corrects Cambridge Deposit revenues for FY 2000 and FY 2001. The previous numbers were overstated due to a data entry error.

Minnesota Municipal Board:

Pages E-415 & E-416 were revised and a new page E-418 was developed to add a Governor's recommendation to retain the Board as a separate agency. This increases funding here and decreases similar funding previously budgeted at State Planning. Total dollars remain unchanged in the budget.

State Government:

Strategic and Long Range Planning:

Pages F-156 & F-157 were out of order in the budget book. This submission reverses the pages for proper placement of the pages.

Pages F-158, F-160, F-161 & F-162 were revised and a new page F-168 was added as a result of the Governor's recommendation to retain the Municipal Board as a separate entity. There are no new costs statewide.

Department of Administration:

Page F-227 was revised to provide set aside language in the Governor's recommendation. The revised rider language is attached to this change order.

Contingent Accounts:

Pages F-321 & F-322 have been revised due to supplemental Governor's recommendations to increase the General Fund contingent account by \$300.0 for FY 2000. There are a couple items where liabilities exist but the exact amounts are unknown for the projected budget, such as: Secretary of State's Y2K problems and a change in the child support hearings for Administrative Hearings. Furthermore, the Governor is proposing not to have a supplemental budget in the even legislative year.

Debt Service:

Page F-323 has revised Governor's recommendations related to debt service costs.

Department of Revenue:

Page F-398 was revised to correct errors displayed under Department of Revenue Staff Positions.

Department of Military Affairs:

Page F-473: the total typed in for the change item of facilities maintenance was in error for the biennium. The numbers were correct in the budget system and totals were correct on the brief.

Department of Veteran Affairs:

Page F-517, the change item for the Guardianship Activity Increase was stated in error on the typed budget brief. The numbers in the budget system and on the budget book report pages are correct.

Page F-530, expenditures were stated in error between the State Operations categories on the budget page. This revision reflects the proper expenditures by State Operations categories. The total expenditures for the activity have not changed.

Racing Commission:

Page F-564 was revised to display revenue at the budget activity level. The dollars were in the system at the agency level, but programmatic coding was missing for proper display at the activity level.

Minnesota State Retirement System:

Page F-572 was revised to reflect forecast changes. This revised Open appropriation increase has a net effect to the General Fund of increasing expenditures by \$1,885.0 for FY 2000 and \$2,036.0 for FY 2001.

Minneapolis Employees' Retirement Fund:

Page F-586 was revised due to a forecast change for FY 1999. The General Fund net effect is a reduction to expenditures of \$1.0.

Local Police & Fire Amortization Aid:

Page F-588 was revised due to an error for the expenditures shown for FY 1999. The fund balance was correct.

Transportation & Other Agencies:

Department of Transportation:

Page G-73, replaces an old version of this program level that was submitted in error. The numbers were correct in the budget system and on other budget book reports.

Department of Public Safety:

Page G-160: the total for Governor's recommendation for FY 2001 was typed in error on the

budget brief. The numbers were correct in the budget system.

Pages G-155, G-156, G-164, G-165, G-166, G-250, G-251, G-255 & G-256 have been revised to reflect the loss of receipts and reduced expenditures related to ending the vehicle emission testing program. The revised pages reflect expenditure reductions of \$88.0 for each year of the biennium in the Special Revenue fund and revenue reductions of \$7,393.0 for FY 2000 and \$8,000.0 for FY 2001 for the Special Revenue fund.

Pages G-155, G-156, G-165, G-166, G-282 & G-283 were revised to reflect increased federal funds with the transfer of the Office of Drug Policy from the Department of Education, Children and families.

Criminal Justice:

Department of Corrections:

Pages H-117, H-118, H-120, H-121, H-129, H-130, H-131, H-170, H-171 & H-172 are replacements to reflect revised Governor's recommendations. The department has found savings to reduce the amount of funding needed for the expansion of mental health and infirmary units at MCF-Oak Park Heights costs presented as a change item on page H-172. The net effect to the General fund is a decrease of expenditures of \$3,169.0 for the biennium.

**Errata
Departmental Earnings Report**

Pollution Control Agency:

Pages 157, 168, 169, 180, 181 & 182 were revised to correct errors and align the departmental earnings report to the Governor's budget for listed metals and feedlot initiative.

Commerce Department:

Pages 355 & 378 remove the receipts related to the Sub-Divided Land fee.

Labor and Industry:

Page 409 was revised to correct an error.

Municipal Board:

Pages 459 & 460 were revised related to the Governor's recommendations to reestablish the Board as a separate agency.

State Planning:

Pages 503 & 504 were revised related to the Governor's recommendations to reestablish the Municipal Board as a separate agency.

Department of Public Safety:

Page 596 revised as part of Governor's initiative for Motor Vehicle Transfers at the Pollution Control Agency.

Additional Rider and Enabling Language:

Pollution Control Agency - Protecting the Land.

Department of Agriculture - Ethanol Development Fund transfer.

Department of Commerce - Crop Revenue Feasibility Study language.

Municipal Board - Language to retain as a separate agency.

Legislature - Delete rule note requirements.

Department of Administration - Revised Year 2000 System language.

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Changes to budget implementation language submitted February 22, 1999

STATE GOVERNMENT

Administration

<u>Budget Pg #</u>	<u>Item Title</u>	<u>Revisor's Bill Number</u>
F-227	Year 2000 System Changes	Rider

\$350,000 is appropriated to the commissioner of administration for the biennium ending June 30, 2000 for costs related to the operation of the year 2000 project office.

\$2,150,000 is appropriated to the commissioner of administration for the biennium ending June 30, 2001 for modification of state business systems to address year 2000 changes. Of this amount up to \$150,000 may be allocated for year 2000 project office costs. This appropriation is available only upon prior approval of the commissioner of finance after the commissioner has determined that all other money appropriated for replacement or enhancement of existing technology for year 2000 compliance will be expended.

ENVIRONMENT AND NATURAL RESOURCES

Pollution Control Agency

Budget Pg # Item Title

D-83A Protecting the Land

115A.9651 Listed metals in specified products;
enforcement.

Subd. 6. Product review reports. (a) Except as provided under subdivision 7, the manufacturer, or an association of manufacturers, of any specified product distributed for sale or use in this state that is not listed pursuant to subdivision 4 shall submit a product review report and fee as provided in paragraph (c) to the commissioner for each product by July 1, 1998. Each product review report shall contain at least the following:

(1) a policy statement articulating upper management support for eliminating or reducing intentional introduction of listed metals into its products;

(2) a description of the product and the amount of each listed metal distributed for use in this state;

(3) a description of past and ongoing efforts to eliminate or reduce the listed metal in the product;

(4) an assessment of options available to reduce or eliminate the intentional introduction of the listed metal including any alternatives to the specified product that do not contain the listed metal, perform the same technical function, are commercially available, and are economically practicable;

(5) a statement of objectives in numerical terms and a schedule for achieving the elimination of the listed metals and an environmental assessment of alternative products;

(6) a listing of options considered not to be technically or economically practicable; and

(7) certification attesting to the accuracy of the information in the report signed and dated by an official of the manufacturer or user.

If the manufacturer fails to submit a product review report, a user of a specified product may submit a report and fee which comply with this subdivision by August 15, 1998.

(b) By July 1, 1999, and annually thereafter until the commissioner takes action under subdivision 9, the manufacturer or user must submit a progress report and fee as provided in paragraph (c) updating the information presented under paragraph (a).

Revisor's Bill Number

The product review report fee is exempt from M.S. 16A.1285.

(c) Effective immediately, ~~the~~ fee shall be \$~~295~~ 750 for each report. The fee shall be deposited in the state treasury and credited to the environmental fund.

(d) Where it cannot be determined from a progress report submitted by a person pursuant to Laws 1994, chapter 585, section 30, subdivision 2, paragraph (e), the number of products for which product review reports are due under this subdivision, the commissioner shall have the authority to determine, after consultation with that person, the number of products for which product review reports are required.

(e) The commissioner shall summarize, aggregate, and publish data reported under paragraphs (a) and (b) annually.

(f) A product that is the subject of a decision under section 115A.965 is exempt from this section.

Department of Agriculture

<u>Budget Pg #</u>	<u>Item Title</u>	<u>Revisor's Bill Number</u>
D-449	<u>Ethanol Development Fund Transfer</u> No later than July 15, 1999, the Commissioner of Agriculture shall transfer the unencumbered cash balance in the ethanol development fund, under Minnesota Statutes, section 41B.044, to the General Fund.	Rider
	41B.044 Ethanol development program	Statutory Change
	Subd. 2. Ethanol development fund. There is established in the state treasury an ethanol development fund. All repayments of financial assistance granted under subdivision 1, including principal and interest, must be deposited into this <u>the general</u> fund. Interest earned on money in the fund accrues to the fund, and money in the fund is appropriated to the Commissioner of Agriculture for purposes of the ethanol production facility loan program, including costs incurred by the authority to establish and administer the program	

Changes to budget implementation language submitted February 22, 1999

ECONOMIC DEVELOPMENT

Department of Commerce

<u>Budget Pg #</u>	<u>Item Title</u>	<u>Revisor's Bill Number</u>
E-216	State Crop Revenue Insurance \$200,000 in the first year is appropriated to evaluate the feasibility of a state crop revenue insurance program to complement similar federal programs. The commissioner may not expend this appropriation for any purpose until the federal government adopts and institutes a crop revenue insurance program.	Rider

Municipal Board

<u>Budget Pg #</u>	<u>Item Title</u>	
E-418	Independent Municipal Board The Laws of 1997, Chapter 202, Article 5, Section 8 are repealed.	Rider

Delete local mandate rules language found in Chapter 3: Legislature

3.986 Definitions

Subdivision. 2: Local fiscal impact. (a) "Local fiscal impact" means increased or decreased costs or revenues that a political subdivision would incur as a result of a law enacted after June 30, 1997, ~~or rule proposed after December 31, 1998:~~

3.987 Local impact notes for state-mandated actions.

Subdivision 1: Local impact notes. The commissioner of finance shall coordinate the development of a local impact note for any proposed legislation introduced after June 30, 1997, ~~or any rule proposed after December 31, 1998,~~ upon request of the chair or the ranking minority member of either legislative tax committee. Upon receipt of a request to prepare a local impact note, the commissioner must notify the authors of the proposed legislation ~~or, for an administrative rule, the head of the relevant executive agency or department,~~ that the request has been made. The local impact note must be made available to the public upon request. If the action is among the exceptions listed in section 3.988, a local impact note need not be requested nor prepared. The commissioner shall make a reasonable and timely estimate of the local fiscal impact on each type of political subdivision that would result from the proposed legislation. The commissioner of finance may require any political subdivision or the commissioner of an administrative agency of the state to supply in a timely manner any information determined to be necessary to determine local fiscal impact. The political subdivision, its representative association, or commissioner shall convey the requested information to the commissioner of finance with a signed statement to the effect that the information is accurate and complete to the best of its ability. The political subdivision, its representative association, or commissioner, when requested, shall update its determination of local fiscal impact based on actual cost or revenue figures, improved estimates, or both. Upon completion of the note, the commissioner must provide a copy to the authors of the proposed legislation ~~or, for an administrative rule, to the head of the relevant executive agency or department .~~



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March 12, 1999

To: Senator Keith Langseth, Chairman
Senate Education Finance Committee

Senator Linda Berglin, Chairman
Senate Human Resources Finance Committee

Senator Richard Cohen, Chairman
Senate State Government Finance Committee

Representative Dave Bishop
House Ways and Means Committee

Fr: Pamela Wheelock, Commissioner

Re: Governor's 2000-01 Biennial Budget Change Order #2

This change order is to clarify how funds generated by the Governor's proposed \$350 million Health Professional Education and Medical Research Endowment are to be spent. There is no change in the amount of funds appropriated for the endowment from the tobacco settlement fund.

The revised budget page has been copied with original budget data remaining on the opposite page side to allow for ease in inserting and removal of pages into 3-ring binder budget books.

2000-01 BIENNIAL BUDGET

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HIGHER EDUCATION

Bill Summary - Higher Education

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The Governor's 2000-01 Biennial Budget can be viewed at
the Department of Finance's web site at:
<http://www.finance.state.mn.us/bis>

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2000-01 Biennial Budget
Bill Summary: Higher Education

The Post-Secondary Education budget includes funding for the state's two public higher education systems, the University of Minnesota and the Minnesota State Colleges and Universities (MnSCU) system; the Higher Education Services Office, which administers state student financial aid and loan programs; Mayo Foundation, which receives grants for medical students and medical residents; and the Higher Education Facilities Authority (HEFA), which does not receive direct state appropriations and is included in this budget document for information and reporting purposes only.

The University of Minnesota is constitutionally independent of the state and has its own accounting system. For purposes of the biennial budget, the University reports only those funds that are directly appropriated by the state legislature. In addition, for information purposes, the University reports its actual and estimated tuition income. The University's budget narrative discusses and presents charts that illustrate those revenues and expenditures that are not included in the appropriations bill, for example, federal and private grants, and income from auxilliary enterprises.

The MnSCU system is part of state government; however, it has more independent authority to manage its budget than most state agencies. Statutes appropriate "all income" from grants, gifts and other receipts to the MnSCU Board of Trustees, which has the authority to set tuition and oversee college and university budgets. Except for funds maintained in local activity accounts outside the state treasury, all of MnSCU's operating income and expenses are reported in the biennial budget document. Finally, MnSCU has the authority to carry forward unspent appropriations and other income between biennia, and earns income on its balances of tuition and fees.

Higher Education Funding (\$000s)	1998-99 Biennium			
	Agency	General Fund	% of Total	All Funds
State Colleges and Universities	1,669,954	47.52	1,810,688	47.75
University of Minnesota	1,563,408	44.49	1,576,990	41.59
Higher Education Services Office	278,548	7.93	401,601	10.59
Mayo Foundation	2,309	0.07	2,309	0.06
Higher Education Facilities Authority	0	0.00	407	0.01
Totals (Direct, Open, and Statutory)	3,514,219		3,791,995	

2000-01 Biennium			
General Fund	% of Total	All Funds	% of Total
1,799,688	48.07	1,935,054	43.88
1,655,616	44.22	2,022,026	45.86
285,478	7.63	448,803	10.18
3,183	0.09	3,183	0.07
0	0.00	430	0.01
3,743,965		4,409,496	

Base Adjustments by Category	F.Y. 2000		F.Y. 2001	
	General Fund	All Funds	General Fund	All Funds
Biennial Appropriations	12	12	12	12
Case Load/Enrollment Change	(24,371)	(24,371)	(4,224)	(4,224)
One-Time Appropriations	(59,458)	(59,458)	(59,465)	(59,465)
Document Space Rental/Lease	58	58	130	130
Statewide Administration Systems	661	661	661	661
2000-01 Salary & Benefits Base	50	50	99	99
1999 Salary Supplement Transfers	136	136	152	152
Uniform Pension Bill Reduction	(2,113)	(2,113)	(2,113)	(2,113)
Totals	(85,025)	(85,025)	(64,748)	(64,748)

Note: Individual base adjustments may be positive or negative depending on the item and adjustment category; all category amounts shown here are net figures.

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F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Post-Secondary Education
PROGRAM: U of M, MnSCU, HESO
ACTIVITY:

ITEM TITLE: Budget Sunsets and Reductions

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ (99)	\$ (99)	\$ (99)	\$ (99)
- Grants	\$ (1,062)	\$ (1,062)	\$ (1,062)	\$ (1,062)
Revenues: (\$000s)				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Statutory Change? Yes X No ___

If yes, statutes(s) affected: M.S. 136A. 1359, M.S. 136A.136

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION: The Governor recommends that the following grant programs be sunset: University of Minnesota Health Sciences Special appropriation for County Papers; Minnesota State Colleges and Universities (MnSCU) appropriations for the State Council on Vocational Education and Firefighter Training Tuition Subsidy; Higher Education Services Office (HESO) appropriations for Nursing Students of Color and Ladders in Nursing Careers grants. The Governor also recommends that the appropriation to MnSCU for the Southwest Asia Veterans Tuition Assistance Program be reduced to the amount required to support actual expenditures.

RATIONALE: The Governor's budget includes over \$80 million in spending reductions statewide, reflecting his commitment to reviewing the merits of existing programs. The post-secondary education programs chosen for sunset or reduction include programs that are obsolete, over-funded, or do not have a clear state government role.

University of Minnesota County Papers. The purpose of the County Papers appropriation is to assist counties in paying for the medical care of indigent patients

treated at the University Hospital. The program was initiated in the early 1900s before the advent of federal and state social programs. The University hospital was sold in 1997 and is no longer part of the University of Minnesota budget.

The Firefighter Training discount was established in F.Y. 1986. It provides a subsidy of \$1 per student contact hour for training provided to fire departments at MnSCU two-year technical and combined colleges. Metro State University also participates. While recognizing the public service that volunteer firefighters provide, these training costs should be borne by the communities that directly benefit--by local governments and not the state.

The 1995 legislature created the Southwest Asia Veterans Tuition Assistance Program for Persian Gulf War veterans attending technical colleges. After the technical colleges became part of the MnSCU system, the program was amended to include veterans enrolled at combined technical-community colleges. The annual appropriation of \$318,000 far exceeds the program's expenditures, which were about \$12,000 in F.Y. 1998. The number of students served dropped from 60 to 27 (from 44 to 18 in full-year equivalent students) between F.Y. 1997 and F.Y. 1998.

The State Council on Vocational Education will sunset on 6/30/99. The legislature has appropriated funds for the Council to MnSCU, which has acted as its fiscal agent.

The Nursing Students of Color program provides grants of \$2,000 to \$4,000 per year to students of color pursuing a degree leading to licensure as a registered nurse or advanced nursing education. The Ladders in Nursing Careers Program (LINC) is administered by the Metropolitan Health Care Foundation through a grant from HESO.

FINANCING:

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
U of M - County Papers	\$(334,000)	\$(334,000)
HESO - Nursing Students of Color	(250,000)	(250,000)
HESO - Ladders in Nursing	(25,000)	(25,000)
MnSCU - State Council on Voc Ed	(99,000)	(99,000)
MnSCU - Firefighter Training	(318,000)	(318,000)
MnSCU - Southwest Asia Veterans	<u>(135,000)</u>	<u>(135,000)</u>
TOTAL	\$(1,161,000)	\$(1,161,000)

OUTCOMES: More than \$1 million each year will be available to finance programs of greater state priority. MnSCU will retain \$15,000 in each year to continue the Southwest Asia Veteran Tuition Assistance Program.

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2000-01 Biennial Budget
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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Higher Education Services Office (HESO)

AGENCY MISSION AND VISION:

Mission:

Through our advocacy and actions, we work to:

- Achieve student financial access to post-secondary education;
- Enable students to choose among post-secondary educational options;
- Protect and inform educational consumers;
- Produce independent, statewide information on post-secondary education; and
- Facilitate interaction among and collaborate with organizations that share responsibility for education in Minnesota.

Vision:

Our services enable Minnesota to provide access for people who seek post-secondary education to achieve personal goals and contribute to the educational, cultural, civic, and economic advancement of the state and nation.

KEY SERVICE STRATEGIES:

To address its mission and vision, the Higher Education Services Office provides:

- State level administration of financial aid programs;
- Approval, registration, licensing, and financial aid eligibility of private collegiate and career schools;
- Administration of the telecommunications council, the Learning Network of Minnesota, and the statewide library planning task force;
- Negotiation and administration of interstate tuition reciprocity agreements;
- Publication and distribution of financial aid information and other materials to students and parents;
- Collection and maintenance of student enrollment and financial aid data; and
- Administration of federal programs that affect students and institutions on a statewide basis.

Further, the Services Office continues to pursue innovations in its service and delivery strategies, including the expansion of services through the Office web site. Services available through the web site include information for students and parents; enrollment data which can be customized according to the needs and interests of the customer; and information concerning private post-secondary institutions which are licensed or registered by the Services Office.

OPERATING ENVIRONMENT:

A number of factors affect the operating environment of the Services Office:

- Increased cost of post-secondary education that students and parents must pay, both in Minnesota and in states with which Minnesota has tuition reciprocity agreements;
- Decreased ability of students to meet their share of the cost of attending a Minnesota post-secondary institution (as required under Minnesota's Design for Shared Responsibility) given the increasing costs of attendance;
- The creation of federal tax credits and state savings programs, which can help families meet the cost of college, and create the need for further information about college costs and financial planning for all Minnesotans;
- Growth among populations historically under represented in post-secondary education which will increase the need for strategically timed information and interventions to help low income students achieve access to and success in post-secondary education; and
- Changes in education-related technology enabling further electronic access to collegiate education and library resources.

ORGANIZATION/PROGRAM STRUCTURE:

Agency Director and Executive Management Structure	
Agency Directors Office	2.0 FTE
Financial Services	9.5 FTE
Human Resources and Agency Services	3.1 FTE
Information and Technology Services	5.0 FTE
Research and Program Services	13.1 FTE
Student Financial Aid Services	17.5 FTE
Communications and Legislative Services	3.0 FTE
Community Outreach	<u>10.5 FTE</u>

9/30/98 TOTAL FTEs 63.7

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY PROGRAM:									
STUDENT FINANCIAL AID	105,865	112,137	137,040	132,659	147,028	131,296	132,697	154,061	134,694
STATE STUDENT LOANS	32,690	40,512	59,457	62,522	62,522	62,522	67,532	67,532	67,532
RESEARCH & PROGRAM SERVICES	1,476	1,654	1,681	1,717	1,977	1,717	1,753	2,013	1,753
LIBRARIES AND TECHNOLOGY	8,787	9,279	25,182	10,392	15,021	12,017	10,393	14,962	11,943
AGENCY & LOAN ADMINISTRATION	6,804	1,849	12,810	12,599	12,688	12,636	12,656	12,745	12,693
Total Expenditures	155,622	165,431	236,170	219,889	239,236	220,188	225,031	251,313	228,615
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	571	14	18,287	30	30	30	30	30	30
DIRECT APPROPRIATIONS:									
GENERAL	111,782	118,497	141,750	140,707	160,054	141,006	140,828	167,110	144,412
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	125	215	237	184	184	184	186	186	186
FEDERAL	1,477	2,310	1,595	1,595	1,595	1,595	1,595	1,595	1,595
AGENCY	3,092	2,977	3,356	3,356	3,356	3,356	3,356	3,356	3,356
HIGHER EDUCATION SERV OFFICE LOAN FUND	38,575	41,418	70,945	74,017	74,017	74,017	79,036	79,036	79,036
Total Financing	155,622	165,431	236,170	219,889	239,236	220,188	225,031	251,313	228,615
FTE BY EMPLOYMENT TYPE:									
FULL TIME	48.4	60.2	63.7	63.7	68.9	63.7	63.7	68.9	63.7
PART-TIME, SEASONAL, LABOR SER	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	48.6	60.2	63.7	63.7	68.9	63.7	63.7	68.9	63.7

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Higher Education Services Offices (HESO)

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$141,752	\$141,752	\$283,504
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(1,156)	(1,156)	(2,312)
Doc. Space Rental/Lease	58	130	188
2000-01 Salaries & Benefit Base	50	99	149
Statewide Administration Systems	5	5	10
Uniform Pension Bill Reduction	(2)	(2)	(4)
<u>BASE LEVEL (for 2000 and 2001)</u>	\$140,707	\$140,828	\$281,535
<u>CHANGE ITEMS</u>			
Midwestern Higher Education	17	17	34
Interstate Tuition Reciprocity	500	500	1,000
State Grants	10,840	17,160	28,000
MINITEX	1,455	1,395	2,850
Learning Network of Minnesota	2,677	2,677	5,354
HESO Technology	47	47	94
Minnesota Minority Education	42	42	84
National Service Scholarship	290	290	580
MnLINK	497	497	994
Post-secondary Service Learning	260	260	520
Student Parent Information	150	150	300
Get Ready Outreach Effort	275	350	625
Intervention Investment Program	500	500	1,000
Minnesota Promise Scholarship	500	1,000	1,500
Child Care Grants	641	641	1,282
Work Study	<u>656</u>	<u>756</u>	<u>1,412</u>
AGENCY REQUEST	\$160,054	\$167,110	\$327,164
<u>GOVERNOR'S RECOMMENDATION</u>			
Midwestern Higher Education	17	17	34
Interstate Tuition Reciprocity	500	500	1,000
State Grants	(1,855)	1,505	(350)
Work Study	250	250	500
HESO Technology	37	37	74
MINITEX	425	350	775
MnLINK	450	450	900
Learning Network of Minnesota	750	750	1,500
Sunset Nursing Grants	<u>(275)</u>	<u>(275)</u>	<u>(550)</u>
TOTAL	\$141,006	\$144,412	\$285,418

Brief Explanation of Budget Decisions:

- The agency spends approximately \$140 million in state funds annually. Of this amount, 90% of the base budget is for state post-secondary financial aid programs.
- The remaining 10% of state operation funding pays for core administrative functions and several major HESO sponsored projects such as Learning Network of Minnesota regional grants, and the MINITEX program.
- Base adjustments include one-time appropriations for MnLINK; increases for space rental and lease due to the required move out of the Capitol Square Building to a new office in Energy Park in St. Paul; salary and benefit adjustments; and decreases required under the uniform pension bill reductions.

The agency budget recommendations are designed to strengthen those services that contribute to post-secondary education access for Minnesotans. Change items involve funding requests to address the following strategies:

- Strengthen financial access to help students pursue and achieve their higher education objectives through proposed increases in the State Grant, Work Study, Child Care Grant, and Interstate Tuition Reciprocity Programs;
- Early intervention and information initiatives to help get students to the door of post-secondary education through proposed increases in the Get Ready! Outreach Effort and the Student/Parent Information effort, funding for an Intervention Investment Program for College Attendance, creation of a Minnesota Promise Scholarship Program, and additional funding for the Minnesota Minority Education Partnership;
- The promotion of access to community service opportunities to help foster citizen involvement through continued funding for the National Service Scholars Program and increased funding for the Post-secondary Service Grant Program;

**2000-01 Biennial Budget
Agency Budget Brief**

Agency: Higher Education Services Offices (HESO)
(Continuation)

Fund: General

-
- The expansion of the use of technology to enhance access to information and instruction through funding for the MnLINK (statewide on-line library information system), MINITEX (library information network), and the Learning Network of Minnesota; and
 - An additional investment for continued state participation in the Midwest Higher Education Commission and funding for resources to maintain and enhance the agency's technological information capacity.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$285,418,000 for the Higher Education Services Office. This appropriation increases State Grant awards for students at public and private colleges for projected tuition increases of 3% each year; provides additional Work Study grants; funds the operating costs of 2 new statewide library resources, the Library Access Center and the Library Information Network (MnLINK) Gateway; and increases telecommunications grants to regional networks in the Learning Network of Minnesota.

**2000-01 Biennial Budget
Agency Level Revenue Summary**

CHANGE ITEMS:

None of the change items submitted by the Office relates to fee structure changes.

AGENCY: Higher Education Services Office (HESO)

REVENUE SOURCES:

The Higher Education Services Office (HESO) generates non-dedicated revenue, dedicated revenue and federal revenue. The non-dedicated revenue is primarily generated through refunds of prior year financial aid payments and payments made to Minnesota under the interstate reciprocity agreements. In addition, the Office receives payments on several miscellaneous loan programs. All non-dedicated revenue is deposited into the state General Fund.

Dedicated revenue is generated in several areas: fees received through the Private Institution Registration Program and the Private Trade School Licensure Program, federal receipts, loan capital fund, and contracted services. Special revenue and federal funds represent less than 2% of the HESO budget.

FEE STRUCTURE:

The office has 2 primary areas where specific licensing fees are involved: the Private Institution Registration Program and the Private Trade School Licensure Program. These programs are funded primarily through licensing fees which are reviewed annually. In F.Y. 1998 the revenue for these programs totaled \$93,000.

RECENT CHANGES:

There have been no major policy changes which would affect agency revenue sources. Dedicated and non-dedicated revenue remained consistent over the past biennium and is expected to remain level over the next biennium.

FORECAST BASIS:

Federal funding is expected to remain consistent over the next biennium. Fee revenue and dedicated revenue is expected to remain consistent with program expenditures for these areas compared against anticipated revenue on an annual basis. At this point in time there are no anticipated fee structure changes proposed.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
OTHER REVENUES:									
GENERAL	1,243	1,629	2,516	1,270	1,270	1,265	1,265	(1,610)	-38.8%
OTHER SOURCES:									
GENERAL	117	33	0	50	50	40	40	57	172.7%
Total Non-Dedicated Receipts	1,360	1,662	2,516	1,320	1,320	1,305	1,305	(1,553)	-37.2%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
SPECIAL REVENUE	88	93	93	96	96	96	96	6	3.2%
GRANTS:									
FEDERAL	1,492	2,120	1,535	1,535	1,535	1,535	1,535	(585)	-16.0%
OTHER REVENUES:									
SPECIAL REVENUE	79	147	152	95	95	95	95	(109)	-36.5%
FEDERAL	7	11	10	10	10	10	10	(1)	-4.8%
AGENCY	3,092	2,977	3,356	3,356	3,356	3,356	3,356	379	6.0%
HIGHER EDUCATION SERV OFFICE LOAN FUND	23,760	30,951	46,120	49,072	49,072	54,091	54,091	26,092	33.9%
OTHER SOURCES:									
FEDERAL	51	42	50	50	50	50	50	8	8.7%
HIGHER EDUCATION SERV OFFICE LOAN FUND	17,491	7,898	21,893	24,945	24,945	24,945	24,945	20,099	67.5%
Total Dedicated Receipts	46,060	44,239	73,209	79,159	79,159	84,178	84,178	45,889	39.1%
Agency Total Revenues	47,420	45,901	75,725	80,479	80,479	85,483	85,483	44,336	36.5%

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2000-01 Biennial Budget

PROGRAM: Student Financial Aid
AGENCY: Minnesota Higher Education Services Office

PROGRAM PROFILE:

Student financial aid programs remove economic barriers and expand access to post-secondary undergraduate education for Minnesota residents. The state's financial aid policy, the Design for Shared Responsibility, is intended to help ensure equal access for all Minnesota residents to attend the institution that can best meet their educational needs, regardless of their economic status.

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

STRATEGIES AND PERFORMANCE:

The Design for Shared Responsibility distributes responsibility for paying the price of attendance among undergraduate students, their families and, if necessary, taxpayers. Students, as the primary beneficiaries, must contribute 47% of the price of attendance; the remaining 53% is met by a contribution from the family, as determined by a Federal Need Analysis, and the combination of Federal Pell Grants and Minnesota State Grants. All other financial aid helps students fulfill their 47% share.

Strong support for financial aid by Minnesota policymakers has enabled the state to enhance financial access to post-secondary education. The 1997 Legislature increased funding for the State Grant Program as well as the State Work Study and Child Care Grant programs. The 1998 Legislature reduced the share of the price of attendance assigned to students from 50% to 47%.

An internal HESO staff team is conducting a performance evaluation of 3 financial aid programs: State Grant, Nursing Grants for Persons of Color, and Summer Scholarships for Academic Enrichment. An evaluation report is scheduled for completion by the end of 1998.

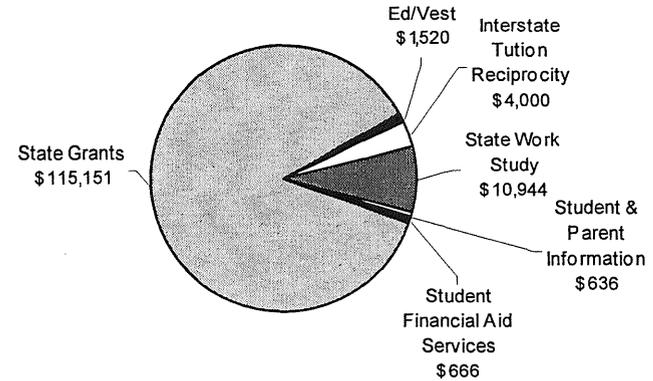
For the 2000-01 biennium, the objectives for student financial aid are to:

- Maintain and expand the opportunity for post-secondary attendance by enhancing financial access for Minnesota residents, regardless of ability to pay;

- Ensure that net higher education tuition (less government grants) is affordable to Minnesota families;
- Ensure that needy students have access to resources to pay for child care;
- Help students fulfill their responsibility in paying for college by expanding work study opportunities; and
- Increase access to information on paying for college, especially for families of color, low income, or with no previous post-secondary education experience.

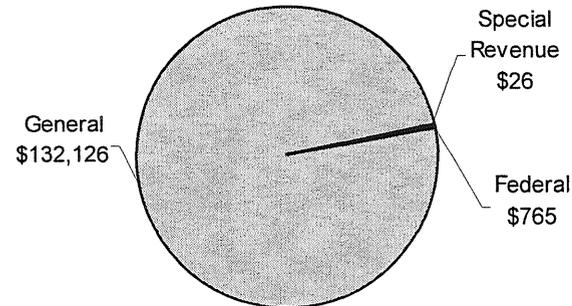
F.Y. 1999 Est. Expenditures by Activity

Dollars in Thousands



F.Y. 1999 Est. Financing by Fund

Dollars in Thousands



2000-01 Biennial Budget

PROGRAM: Student Financial Aid

AGENCY: Minnesota Higher Education Services Office
(Continuation)

BUDGET ISSUES:

Despite progress made during the past two years, students, parents, and policy makers continue to face the challenge of how to make post-secondary education financially accessible to Minnesota families. Within the Design for Shared Responsibility, policymakers need to determine the amount of tuition and fees and other expenses student aid programs should recognize, and the share of college costs that students should be required to finance themselves. Another key issue to explore is the relationship of federal tax credits and state financial aid.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STUDENT FINANCIAL AID

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY ACTIVITY:</u>									
STATE GRANTS	93,509	97,712	117,125	114,862	126,633	112,732	114,862	132,953	116,092
EDVEST	0	3	3,036	1,520	1,520	1,520	1,520	1,520	1,520
INTERSTATE TUITION RECIPROCITY	3,121	3,581	4,419	4,000	4,500	4,500	4,000	4,500	4,500
STATE WORK STUDY	8,427	9,540	11,158	10,944	11,600	11,194	10,944	11,700	11,194
STUDENT & PARENT INFORMATION	320	561	636	646	2,071	646	658	2,658	658
STUDENT FINANCIAL AID SERVICES	488	740	666	687	704	704	713	730	730
Total Expenditures	105,865	112,137	137,040	132,659	147,028	131,296	132,697	154,061	134,694

<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) STATE GRANTS	GEN			10,840	(1,855)		17,160		1,505
(B) NATIONAL SERVICE SCHOLARSHIP	GEN			290			290		
(B) CHILD CARE	GEN			641			641		
(B) INTERSTATE TUITION RECIPROCITY	GEN			500	500		500		500
(B) WORK STUDY & COLLEGE CORPS	GEN			656	250		756		250
(B) GET READY OUTREACH EFFORT	GEN			275			350		
(B) INTERVENTION INVESTMENT PROGRAM	GEN			500			500		
(B) MINNESOTA PROMISE SCHOLARSHIP	GEN			500			1,000		
(B) STUDENT PARENT INFORMATION	GEN			150			150		
(B) MIDWESTERN HIGHER EDUCATION COMMISSION	GEN			17	17		17		17
(B) SUNSET NURSING GRANTS	GEN				(275)				(275)
Total Change Items				14,369	(1,363)		21,364		1,997

<u>FINANCING BY FUND:</u>									
CARRY FORWARD:									
GENERAL	169	14	4,153	30	30	30	30	30	30
DIRECT APPROPRIATIONS:									
GENERAL	104,849	110,728	132,096	131,838	146,207	130,475	131,876	153,240	133,873
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	26	35	26	26	26	26	26	26	26
FEDERAL	821	1,360	765	765	765	765	765	765	765

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STUDENT FINANCIAL AID

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Total Financing	105.865	112.137	137.040	132.659	147.028	131.296	132.697	154.061	134.694
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	6.5	16.0	18.2	18.2	23.2	18.2	18.2	23.2	18.2
Total Full-Time Equivalent	6.5	16.0	18.2	18.2	23.2	18.2	18.2	23.2	18.2

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2000-01 Biennial Budget

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

ACTIVITY PROFILE:

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

State Grant Program

The program's purpose is to enable Minnesota undergraduate students of all economic backgrounds to attend the Minnesota post-secondary institution of their choice by maintaining an appropriate and reasonable distribution of the price of post-secondary education among students, families, and taxpayers.

The State Grant award is based on a concept called the Design for Shared Responsibility, which assigns specific responsibilities for paying attendance costs to students, parents, and the government. The State Grant is determined by establishing a price of attendance and then subtracting the amount of that price assigned to students, families, and the Federal Pell Grant.

The Design starts with a recognized price of attendance. It consists of tuition and fees plus a standard allowance established by the Legislature for room and board, books, supplies and miscellaneous expenses. For students attending public institutions, actual tuition and fees are used. For students attending certain private institutions, a tuition maximum, established by the Legislature, is used in determining the recognized price. The price of attendance for a full-time State Grant is based on 15 credits per term, and the price of attendance used to calculate the grant is reduced if the student enrolls for fewer credits.

Under Shared Responsibility, students are required to contribute 47% of the price of attendance from savings, earnings, loans or assistance from institutional or private sources. The remaining 53% of the price is the responsibility of families and government, which sponsors the Minnesota State Grant Program and the Federal Pell Grant Program.

The dollar amount that families are expected to contribute is established by a Federal Need Analysis, which assesses the family's income and net worth. Some students who meet specific criteria are eligible to apply as independent of their parents. These independent students are assigned -- in addition to the student share -- the portion of the price that the state assigns to the parents of dependent students. The policy assigns government the responsibility for covering the amount not assigned to families. The government share represents the combination of the Federal Pell Grant for which the student is eligible and the Minnesota State Grant.

Child Care Grant Program

The program provides financial assistance to students who have children 12 years of age and younger (14 years of age and younger if the child has a disability), do not receive assistance under the Minnesota Family Investment Program (MFIP), and who need child care assistance in order to attend an eligible Minnesota post-secondary institution. Assistance may cover up to 40 hours/week per eligible child.

The maximum annual award is \$2,000 per eligible child. The award calculation is based on family income, number of eligible children, and the recipient's level of enrollment.

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

These 4 programs promote educational opportunities for specific groups of Minnesota residents by providing financial assistance for post-secondary education.

Nursing Grants for Persons of Color

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

Public Safety Officers' Survivor Grant

This program pays tuition and fees for the dependent children and surviving spouses of public safety officers killed in the line of duty who are enrolled in an undergraduate or certificate program at a Minnesota post-secondary institution.

2000-01 Biennial Budget

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

Youth Works

This program pays a grant to students who performed community service through the Youth Works Program. F.Y. 1995 was the last year that students could do community service under Youth Works and earn a state-funded education benefit.

LINC

HESO is the fiscal agent for the Ladders in Nursing Careers Program (LINC). The Services Office forwards the \$25,000 grant to the Metropolitan Health Care Foundation which selects recipients and administers the program. Grants are awarded to eligible health care facility employees who are working toward a baccalaureate or master's degree in nursing.

Summer Scholarships for Academic Enrichment

This program provides scholarships to low income Minnesota students in grades 7-12 who attend eligible summer academic programs sponsored by Minnesota post-secondary institutions. The maximum award is \$1,000.

STRATEGIES AND PERFORMANCE:

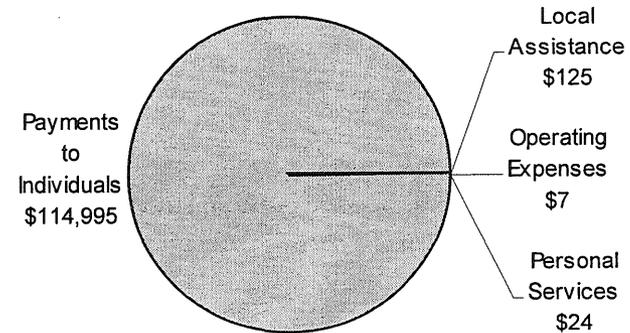
In F.Y. 1998, these grant programs helped Minnesota students attend post-secondary education by providing approximately 64,000 awards totaling about \$96 million. During F.Y. 1998, about 61,000 students received about \$151 million in combined State and Federal Pell Grants, with State Grants contributing about \$92.5 million to the total.

HESO has established an internal performance evaluation team to assess the Minnesota State Grant Program, the Nursing Grants for Persons of Color, and Summer Scholarships for Academic Enrichment. The team has identified goals, objectives, and measures for each program, and collected data. A report is expected to be completed by the end of F.Y. 1998.

FINANCING INFORMATION:

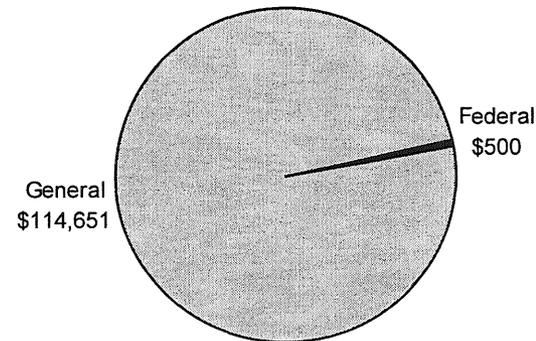
F.Y. 1999 Est. Expenditures by Category

Dollars in Thousands



F.Y. 1999 Est. Financing by Fund

Dollars in Thousands



2000-01 Biennial Budget

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

BUDGET ISSUES:

Maintaining the current value and enhancing these grant programs is important to help ensure financial access to post-secondary education for Minnesota undergraduates. Increases in the maximum Federal Pell Grant provide Minnesota with the opportunity to reinvest the savings from federal changes for state financial aid.

Additional state funds are being requested for the 2000-01 biennium for 2 of the above grant programs—State Grants and Child Care Grants. The change request for the State Grant Program would fund the reduction of the assigned student responsibility from 47% to 45% and provide adjustments for inflation in the price components of the design for shared responsibility. The change item for the Child Care Program would fund an increase in the number of eligible post-secondary institutions participating in this program and increase the maximum award amount per eligible child.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STUDENT FINANCIAL AID

Activity: STATE GRANTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	19	20	24	25	25	25	25	25	25
OPERATING EXPENSES	(2)	197	7	7	7	7	7	7	7
SUBTOTAL STATE OPERATIONS	17	217	31	32	32	32	32	32	32
PAYMENTS TO INDIVIDUALS	93,372	97,303	116,969	114,705	126,476	112,600	114,705	132,796	115,960
LOCAL ASSISTANCE	120	192	125	125	125	100	125	125	100
Total Expenditures	93,509	97,712	117,125	114,862	126,633	112,732	114,862	132,953	116,092
CHANGE ITEMS:									
	<u>FUND</u>								
(B) STATE GRANTS	GEN				10,840	(1,855)		17,160	1,505
(B) NATIONAL SERVICE SCHOLARSHIP	GEN				290			290	
(B) CHILD CARE	GEN				641			641	
(B) SUNSET NURSING GRANTS	GEN					(275)			(275)
Total Change Items					11,771	(2,130)		18,091	1,230
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	27	14	2,004	30	30	30	30	30	30
DIRECT APPROPRIATIONS:									
GENERAL	92,865	96,712	114,621	114,332	126,103	112,202	114,332	132,423	115,562
STATUTORY APPROPRIATIONS:									
FEDERAL	617	986	500	500	500	500	500	500	500
Total Financing	93,509	97,712	117,125	114,862	126,633	112,732	114,862	132,953	116,092
REVENUE COLLECTED:									
DEDICATED									
FEDERAL	617	986	500	500	500	500	500	500	500

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STUDENT FINANCIAL AID

Activity: STATE GRANTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
NONDEDICATED									
GENERAL	643	1	200	250	250	250	250	250	250
Total Revenues Collected	1.260	987	700	750	750	750	750	750	750
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Full-Time Equivalent	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: State Grants

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$10,840	\$17,160	\$17,160	\$17,160
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S.

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial reduction of \$350,000 in the appropriation for the State Grant Program. The Governor's recommendation will support annual increases of 3% in the tuition allowance for grant recipients attending public institutions and in the tuition maxima for grant recipients at private 2- and 4-year colleges. The cost of this increase will be financed through the reinvestment of program savings projected as a result of the \$125 increase in the maximum federal Pell grant, from \$3,000 to \$3,125. The Governor does not concur with HESO's request to increase the Living and Miscellaneous Expense Allowance (LME) portion of the cost of attendance or the Office's request to increase the government's share of college costs from 53% to 55%.

RATIONALE:

Increased funding is requested for the Minnesota State Grant Program in order to help maintain access to and choice of post-secondary educational opportunities for Minnesota undergraduate students. Because the Design is predicated on

recognizing realistic prices of attendance, it is recommended that the following price components be adjusted for inflation by 2.5% annually:

- Tuition and fees recognized at public post-secondary institutions;
- Tuition maximums; and
- The living and miscellaneous expense allowance.

These adjustments would maintain the purchasing power of State Grants relative to projected increases in tuition and fees and living and other expenses.

Also requested is a reduction from 47% to 45% of the amount of the price students are expected to contribute from their past, current, and/or future incomes (savings, earnings, borrowing). This is called the Assigned Student Responsibility, or student share. Reducing the student share to 45% would mean that up to 55% of the price of attendance for eligible students would be covered by the combination of Federal Pell and State Grants.

A reduction in student share is needed because increases in the price of tuition and fees over the past 10 years have greatly exceeded students' ability to pay. For example, between 1988-89 and 1998-99, tuition and fees increased by 82% at the University of Minnesota, 64% at Minnesota State Colleges and Universities (MnSCU) state universities, 62% at MnSCU 2-year colleges, and 71% at private 4-year colleges, while the Consumer Price Index grew by 31%. The proposed reduction in the student share will help soften the burden associated with price increases while maintaining a rigorous but reasonable expectation of students in contributing to the price of their education.

The State Grant Program is the primary investment through which the state helps low and moderate income students attend the higher education institution that can best meet their needs. Of state grant dollars awarded, about 64% goes to students with adjusted incomes below \$30,000, about 29% to students with incomes of between \$30,000 and \$50,000, and about 7% to students with incomes of over \$50,000.

FINANCING:

These requests would cost \$37 million for the biennium and would be financed by the reinvestment of savings from federal financial aid changes and additional state appropriations.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: State Grants
(Continuation)

The proposed inflationary increases total \$6,420,000 in F.Y. 2000 and \$12,730,000 in F.Y. 2001. This consists of an inflationary adjustment for tuition and fees of \$1,490,000 in F.Y. 2000 and \$2,960,000 in F.Y. 2001; an adjustment of \$3,340,000 in F.Y. 2000 and \$6,650,000 in 2001 for the living and miscellaneous expense allowance; and an increase of \$1,590,000 in F.Y. 2000 and \$3,120,000 in 2001 to adjust tuition maximums.

The 4-year tuition maximum would increase from \$8,055 in F.Y. 1999 to \$8,256 in F.Y. 2000 and \$8,426 in F.Y. 2001. The Living and Miscellaneous Expense Allowance would increase from \$4,855 this year to \$4,976 in F.Y. and \$5,100 in F.Y. 2001.

The cost of reducing the student share to 45% of the price of attendance would be \$8,910,000 in F.Y. 2000 and \$8,970,000 in F.Y. 2001.

The State Grant enhancements would be partially financed by a reinvestment of \$9,030,000 for the biennium—\$4,490,000 in F.Y. 2000 and \$4,510,000 in F.Y. 2001 resulting from federal changes. Congress has funded an increase in the Federal Pell Grant from \$3,000 this year to \$3,125 for 1999-2000. Congress also made some changes in the Federal Need Analysis which will result in savings of \$30,000 in F.Y. 2001.

The rest of the change item would be funded by an increase in state appropriations—\$10,840,000 in F.Y. 2000 and \$17,160,000 in F.Y. 2001.

OUTCOMES:

Inflationary adjustments in price components would help ensure the financial integrity of the State Grant Program by recognizing a realistic price of attendance. A reduction in the student share would help students respond to the sharp price increases over the past several years. A continued, strong investment in the State

Grant Program will make it possible for Minnesotans to access higher education. As a result of the opportunity to pursue education beyond high school, students will benefit financially and socially and contribute to the state's economic and civic well being.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: National Service Scholarship

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$290	\$290	\$290	\$290
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the Agency's request. Compensating young people for volunteer service is not an appropriate role for state government. Small grant programs such as this one, which do not provide a benefit or service that is available to a broader public, are better undertaken by the private sector.

RATIONALE:

This program, established on a one-time basis by the 1997 Legislature, recognizes high school students for outstanding community service. High school juniors and seniors in public and private schools, who have performed community service for at least a year, can be designated for scholarships of at least \$1,000. The principal of each school selects one student. One-half of the scholarship is funded under the National Service Scholarship Program by the federal Corporation for National Service and the remaining \$500 from a local business, community or civic organization, or the state. The principal may use the Minnesota scholarship as the local award to meet the requirements to receive a national match.

Scholarships are awarded to Minnesota high school students who will attend a Minnesota post-secondary institution. No more than one matching grant of \$500 may be made per high school per year.

FINANCING:

The 1997 legislature appropriated \$290,000 per year on a nonrecurring basis for the 1998-99 biennium. This request would fund scholarships for 2 new cohorts of high school classes, provided that federal money also is available. There were 101 students selected for the Minnesota scholarship for 1998-99. The federal program is in the third year of a 3-year funding cycle; a new cycle will begin for 1999-2000, and the availability of funding will not be known until spring 1999.

OUTCOMES:

This program contributes to the objective of recognizing volunteer community service. A key purpose of education is to teach students the value of civic involvement and community service. As a result of the state match, more Minnesota students are likely to be selected for this national program because the high school principal will be able to rely on the state match instead of, or in addition to, the match from other sources.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Child Care Grants

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$641	\$641	\$641	\$641
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statutes(s) affected: M.S.

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends base level appropriations for the Child Care Grant Program, and does not concur with the agency's request for a \$641,000 increase. The Governor recommends that statutes be amended to allow the participation of students attending private 2-year occupational schools, which are currently eligible for State Grants but excluded from the Child Care Grant Program. The Governor recommends that additional grants resulting from this statutory change be covered within the base appropriation, which exceeds projected program spending under current law. The Governor does not recommend that eligibility be expanded to MFIP recipients.

RATIONALE:

The Child Care Grant Program helps parents with financial need pay for child care so that they can attend post-secondary education. Assistance is provided to parents who have a child 12 years of age or younger (14 years of age or younger if handicapped), meet program guidelines, and are not receiving Minnesota Family Investment Program (MFIP) benefits.

HESO is requesting increased funding for 2 program changes: 1) expansion of eligible post-secondary institutions to include all institutions eligible for the State Grant Program; and 2) increase in the maximum award from \$2,000 to \$2,100 for each child per year. HESO also is requesting that the statute be amended to allow students receiving MFIP benefits to participate in the Child Care Grant Program.

Institutional eligibility currently includes Minnesota public post-secondary institutions, Minnesota private, baccalaureate degree granting colleges or universities, or Minnesota nonprofit 2-year vocational schools granting associate degrees.

Under the State Grant Program, private institutions in the state are eligible if they maintain academic standards substantially equivalent to those of comparable institutions operated by the state. Applying these standards to the Child Care Grant Program would support the goal of enhancing access to and choice of post-secondary education institutions. Private career schools are eligible for all state financial aid programs except the Child Care Grant Program.

Increasing the maximum Child Care Grant award would enable the program to account for inflation in child care prices over the biennium.

FINANCING:

An increase of \$641,000 is requested for each year of the biennium. The proposed expansion of institutional eligibility is projected to cost about \$831,900 per year and support child care grants for about 600 additional students. The change in maximum award is projected to cost \$554,000 per year, assuming approval of expanded institutional eligibility. Although these 2 items together would cost about \$1.4 million per year, the request for F.Y. 2000 and 2001 is less because child care grant expenditures under current law are projected to be less than base level appropriations. No additional funding is requested for the proposed inclusion of students participating in MFIP.

OUTCOMES:

The recommendations would enhance access to post-secondary education for parents who need affordable, quality child care in order to continue their education at the post-secondary institution that best meets their needs. By expanding institutional eligibility, the state would be using consistent standards for all grant programs. By recognizing the maximum award, the state would recognize changes in child care prices faced by students.

2000-01 Biennial Budget

BUDGET ACTIVITY: EdVest
PROGRAM: Student Financial Aid
AGENCY: Higher Education Services Office (HESO)

ACTIVITY PROFILE:

Through Minnesota EdVest, the state seeks to encourage individuals and families to save for post-secondary education by providing tax benefits for saving. Minnesota EdVest is a qualified state tuition savings program as defined by Internal Revenue Code 529 and M.S. 136A.241- 136A.245. Minnesota's program provides grants to match contributions to EdVest by low and middle income families.

STRATEGIES AND PERFORMANCE:

Minnesota's EdVest program is being designed to take advantage of a federal tax law included in the Tax Reform Act of 1997. Under the provisions of this legislation, taxpayers can receive favorable tax treatment of savings for college expenses made under a "qualified state tuition plan". Parents, grandparents or other individuals can establish an account on behalf of a designated beneficiary who will attend college sometime in the future. While contributions to these plans are not deductible, earnings on accounts accumulate tax-free until used to pay college expenses. At the time funds are withdrawn, taxes on earnings are paid by the student, who typically is taxed at a lower level than the original donor.

Once savings are deposited in the account, neither the contributor nor the beneficiary may direct the investment. Under Minnesota's legislation, the State Board of Investment will make investment decisions for EdVest accounts.

EdVest can be used to pay for tuition and fees at a public or private post-secondary institution located in any state. Withdrawals can also be used for room and board expenses if the student is attending half time or more.

Minnesota's program is unique in offering state-paid matching grants based on individual contributions to EdVest. If the beneficiary's family income is \$50,000 or less, 15% of the contributions to his or her EdVest account can be matched. For family incomes between \$50,000 and \$80,000, 5% of the contributions can be matched. The total state match for each beneficiary cannot exceed \$300 per year.

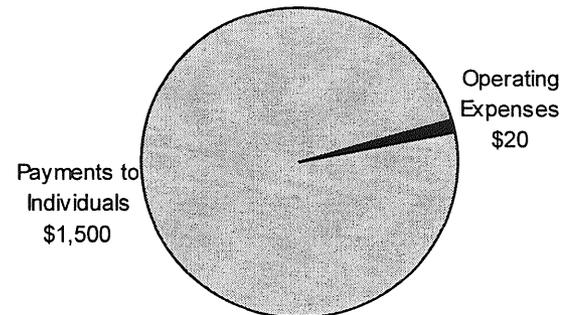
The matching grants are not an entitlement so their availability is limited by the amount of state funds the legislature appropriates.

The Internal Revenue Service (IRS) issued proposed regulations for qualified state tuition plans such as Minnesota EdVest in August 1998. Subsequent to the IRS action, the Higher Education Services Office and the State Board of Investment issued a Request for Proposals to obtain a contractor to manage Minnesota EdVest services. A contractor is expected to be selected in early 1999, and the tax benefits provided by Minnesota EdVest are to be available beginning in the 1999 tax year.

FINANCING INFORMATION:

Investment management and other administrative expenses will be paid through fees charged to participants. Marketing and promotion expenses must be paid entirely by state General Fund appropriations, according to Minnesota's authorizing legislation. Matching grants are also financed from a General Fund direct appropriation.

F.Y. 1999 Est. Expenditures by Category
Dollars in Thousands



2000-01 Biennial Budget

BUDGET ACTIVITY: EdVest
PROGRAM: Student Financial Aid
AGENCY: Higher Education Services Office (HESO)
(Continuation)

BUDGET ISSUES:

Minnesota general fund appropriations for Minnesota EdVest are primarily for marketing the program and providing a state match to qualifying account owners. Minnesota EdVest enabling legislation calls for prorating matching awards in case the appropriation is insufficient. Minnesota EdVest is not yet operational so there is no participation data from which to project future matching grants. The base appropriation, which provides \$1.5 million for matching grants, assumed informational materials would need to be developed, possible travel to promote the program, staffing needs, mailing costs and work station costs.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STUDENT FINANCIAL AID

Activity: EDVEST

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
OPERATING EXPENSES	0	3	20	20	20	20	20	20	20
SUBTOTAL STATE OPERATIONS	0	3	20	20	20	20	20	20	20
PAYMENTS TO INDIVIDUALS	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500
LOCAL ASSISTANCE	0	0	1,516	0	0	0	0	0	0
Total Expenditures	0	3	3,036	1,520	1,520	1,520	1,520	1,520	1,520
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	0	0	1,516	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	0	3	1,520	1,520	1,520	1,520	1,520	1,520	1,520
Total Financing	0	3	3,036	1,520	1,520	1,520	1,520	1,520	1,520

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Tuition reciprocity reduces price barriers thereby increasing access to a wider choice of public colleges and universities for residents of the participating states. A Minnesota resident may enroll full or part-time in an undergraduate or graduate program at a public institution in Wisconsin, North Dakota, South Dakota, the province of Manitoba, and one institution in Iowa (Iowa Lakes Community College) without paying non-resident tuition rates which are typically higher. Students from these out of state locations may enroll in Minnesota public institutions without paying non-resident tuition rates, which are typically double the rate charged to Minnesota residents.

The Minnesota Higher Education Service Office is responsible for negotiating and administering tuition reciprocity agreements. The University of Minnesota Board of Regents and the Minnesota State College and Universities Board of Trustees must ratify the agreements.

STRATEGIES AND PERFORMANCE:

The average student participation in tuition reciprocity is shown below based on average fall headcount enrollment for F.Y. 1995-1997:

- Minnesota/Wisconsin Tuition Reciprocity

Minnesota residents attending in Wisconsin:	11,118
Wisconsin residents attending in Minnesota:	8,692

- Minnesota/North Dakota Tuition Reciprocity

Minnesota residents attending in North Dakota:	6,082
North Dakota residents attending in Minnesota:	4,272

- Minnesota/South Dakota Tuition Reciprocity

Minnesota residents attending in South Dakota:	1,801
South Dakota residents attending in Minnesota:	1,496

- Minnesota/Iowa Tuition Reciprocity

Minnesota residents attending in Iowa:	14
Iowa residents attending in Minnesota:	33

- Minnesota/Manitoba Tuition Reciprocity

Minnesota residents attending in Manitoba:	5
Manitoba residents attending in Minnesota:	85

FINANCING INFORMATION:

The state appropriation for tuition reciprocity covers Minnesota's financial obligation for tuition reciprocity. Minnesota's agreements with South Dakota, Manitoba, and Iowa do not require an interstate payment calculation. Minnesota's agreements with Wisconsin and North Dakota provide for an interstate payment calculation.

A Minnesota payment is incurred when North Dakota and/or Wisconsin's marginal cost of educating Minnesota residents, net of tuition received, exceeds Minnesota's marginal cost of educating North Dakota and/or Wisconsin residents, net of tuition received. North Dakota and/or Wisconsin incur a payment obligation when the reverse is true. (Marginal cost is defined as 64% of instructional costs).

Tuition reciprocity rates are set to avoid financial incentives for students to leave their home state, but to increase the number of colleges and universities available to students at tuition rates similar to their home state institutions. Interstate tuition reciprocity payment calculations are designed to be fiscally neutral for the participating states. Were reciprocity students to return to similar colleges and universities in their home state, the taxpayer cost of educating them would be as much or more than the tuition reciprocity interstate payment.

Modifications to Minnesota's tuition reciprocity agreements are negotiated as needed.

BUDGET ISSUES:

The Higher Education Services Office projects a tuition reciprocity interstate payment in excess of the program's base appropriation in the next biennium. Payments to North Dakota are projected to increase in F.Y. 2000 and F.Y. 2001. The Office does not project a payment to Wisconsin in F.Y. 2000 and F.Y. 2001.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID
Activity: INTERSTATE TUITION RECIPROCITY

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	3,121	3,581	4,419	4,000	4,500	4,500	4,000	4,500	4,500
Total Expenditures	3,121	3,581	4,419	4,000	4,500	4,500	4,000	4,500	4,500
CHANGE ITEMS:									
(B) INTERSTATE TUITION RECIPROCITY	<u>FUND</u> GEN				500	500		500	500
Total Change Items					500	500		500	500
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	0	0	419	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	3,121	3,581	4,000	4,000	4,500	4,500	4,000	4,500	4,500
Total Financing	3,121	3,581	4,419	4,000	4,500	4,500	4,000	4,500	4,500
REVENUE COLLECTED:									
NONDEDICATED									
GENERAL	505	1,308	0	0	0	0	0	0	0
Total Revenues Collected	505	1,308	0	0	0	0	0	0	0

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Interstate Tuition Reciprocity

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$500	\$500	\$500	\$500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the Agency's request. The Governor recommends that this increase sunset at the end the F.Y. 2001 and that the North Dakota Reciprocity Program be evaluated in light of the two states' changing student demographics.

RATIONALE:

This request is necessary to meet Minnesota's projected financial obligation to North Dakota for the marginal cost of instruction minus student tuition for Minnesota reciprocity students.

FINANCING:

Interstate payment calculations are designed to avoid financial incentives or disincentives among the participating states. This is accomplished by defining each state's financial obligation as marginal instructional costs minus reciprocity student paid tuition. Minnesota interstate tuition reciprocity payments have ranged

from \$1.5 million in F.Y. 1974 to \$8.9 million in F.Y. 1979. Annual interstate payments have varied by as much as \$4.0 million from year to year. The request represents an annual increase of \$0.5 million, from \$4.0 million in F.Y. 1999 to \$4.5 million each year of the 2000-01 biennium, a 12.5% increase.

OUTCOMES:

Tuition reciprocity reduces cost barriers and increases access to and choice among public post-secondary education institutions for residents of the participating states. This change item request will permit Minnesota and North Dakota residents to continue to select public post-secondary education institutions in either state that best meet their needs at a price lower than non-resident tuition.

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2000-01 Biennial Budget

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

ACTIVITY PROFILE:

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

The program serves low to moderate income students who demonstrate financial need and who are enrolled for at least 6 credits per term. Financial need is calculated by subtracting the student's family contribution and other financial aid and resources from the institution's cost of attendance.

The 1997 legislature passed a law encouraging schools to use State Work Study funds for student tutoring positions in public K-12 schools. A separate appropriation was made to the Department of Children, Families and Learning to assist public K-12 schools in meeting the employer's share of student earnings. The statute was amended to permit the use of State Work Study funds for internship positions in the for-profit sector if the internship is directly related to the student's field of study.

During the 1997-98 academic year (F.Y. 1998), 9,294 students participated in the State Work Study program, earning an average of \$971 for the academic year.

STRATEGIES AND PERFORMANCE:

HESO has issued information to participating colleges to encourage them to use State Work Study funds for tutoring positions and internships in the for-profit sector and the Office is collecting data to determine the percentage of program funds allocated to these types of positions.

Measures are in place to determine state work study usage at each participating post secondary institution.

Efforts continue to find work study opportunities for students that will be meaningful and related to their course of study.

FINANCING INFORMATION:

Direct appropriations cover the state share of 75%, with the employer covering the remaining 25% of the wages paid to work study students.

BUDGET ISSUES:

A strong Work Study program is an important component of the state's overall financial aid policy. It helps students fulfill their share of the price of attendance. Both students and financial aid administrators have indicated support for increased funding, noting various benefits to students, such as expanded learning opportunities and additional work opportunities. Many financial aid administrators have indicated that additional funds could be used.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STUDENT FINANCIAL AID

Activity: STATE WORK STUDY

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
PAYMENTS TO INDIVIDUALS	8,427	9,540	11,158	10,944	11,600	11,194	10,944	11,700	11,194
Total Expenditures	8,427	9,540	11,158	10,944	11,600	11,194	10,944	11,700	11,194
CHANGE ITEMS:									
	<u>FUND</u>								
(B) WORK STUDY & COLLEGE CORPS	GEN				656	250		756	250
Total Change Items					656	250		756	250
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	142	0	214	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	8,285	9,540	10,944	10,944	11,600	11,194	10,944	11,700	11,194
Total Financing	8,427	9,540	11,158	10,944	11,600	11,194	10,944	11,700	11,194
REVENUE COLLECTED:									
NONDEDICATED									
GENERAL	6	4	10	10	10	10	10	10	10
Total Revenues Collected	6	4	10	10	10	10	10	10	10

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Work Study and College Corps

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$656	\$756	\$756	\$756
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statutes(s) affected: M.S.				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$250,000 in each year for the Work Study Program. This recommendation will support jobs for up to 260 additional students. The Governor does not concur with HESO's request to initiate the College Corps.

RATIONALE:

Given the use of increased State Work Study Program money during the current biennium, as well as testimony by financial aid administrators and students, the Services Office believes there is demonstrated need for funding increases. In F.Y. 1998, institutions requested \$12.9 million compared to the appropriation of \$9.4 million. Requests for reallocation of funds totaled \$4.7 million, but only \$911,316 was available for reallocation. The same trend has continued in F.Y. 1999.

A portion of the new funding would be used to create and pilot the College Corps program. The College Corps would provide college students with the opportunity to serve as "ambassadors" of Minnesota post-secondary education to students in

seventh and eighth grades throughout an academic year. The Services Office would pilot the College Corps program in communities where the Office has established contacts and relationships through the Get Ready! Program. The College Corps would further assist students at Get Ready! sites in thinking about and planning for post-secondary education as they move from elementary into middle school years. If the pilot succeeds, the College Corps initiative could expand throughout Minnesota.

FINANCING:

The base level funding for the Work Study program is \$10,944,000 per year. The Services Office recommends an increase of \$656,000 in F.Y. 2000 and \$756,000 in F.Y. 2001. Of these amounts, \$556,000 is requested in each year to fund additional Work Study opportunities. In addition, the Services Office recommends that \$100,000 in the first year of the biennium and \$200,000 in the second year be used to create and pilot the College Corps program.

With the first year's funding for the College Corps program, the Services Office would create a curriculum using the Office's Future Choices and Get Ready! materials and a training program for College Corps Work Study students to use with seventh and eighth grade students. The office would hire a coordinator to assist in managing program development and implementation during the 2-year pilot period; hire Work Study students at an hourly rate of \$8; and begin working with 2 schools. In the second year, \$200,000 would be used to fund the coordinator, hire additional College Corps Work Study students, and evaluate the effectiveness of the program.

OUTCOMES:

Most of the new funding will enable more students to receive Work Study jobs to help them pay for college. An increase of \$556,000 per year for the core Work Study program would support jobs for an additional 577 students. The College Corps program is intended to provide college students with the opportunity to engage in a meaningful public service effort, through which they will earn enough money to help offset the cost of college attendance. The Corps also will provide 7th and 8th graders with information about preparing academically and financially for a variety of post-secondary opportunities available in Minnesota.

2000-01 Biennial Budget

BUDGET ACTIVITY: Student and Parent Information
PROGRAM: Student Financial Aid
AGENCY: Higher Education Services Office

ACTIVITY PROFILE:

The Higher Education Services Office provides information to students and parents about planning and preparing for future educational opportunities. Without reliable information, families may make ill-informed decisions or rule out post-secondary education altogether.

Studies indicate that parents and students:

- Lack information about financial and academic preparation;
- Have misperceptions about the cost of different types of colleges;
- Have little knowledge about financial aid; and
- Are not saving at all or nearly enough to pay college costs.

Among the least informed are families of color, low income families, and those with no previous post-secondary experience. Despite efforts to expand access to post-secondary education for these populations, significant gaps in equal educational opportunity remain. Many students face substantial financial, academic, social, and cultural barriers to post-secondary education.

STRATEGIES AND PERFORMANCE:

The Services Office has developed several information and intervention strategies to communicate with students and parents. Strategies for providing information include distributing information to all 8th grade students about planning for life after college; informing parents with children of all ages about academic and financial planning for their children; distributing and presenting information about financial aid and higher education tax benefits; and developing information for high school counselors.

These efforts use a variety of media, including publications, videos, and the Internet. They involve outreach to community organizations and agencies, minority newspapers, and other precollege programs. The agency provides an annual Get Ready workshop on academic and financial planning for parents and

free presentations on paying for post-secondary education. A major redesign of the agency's web page, with a focus on students and parents, is close to completion.

Students and parents respond favorably to HESO products, based on returns of response cards contained in agency publications in 1997-98. For example, 69% of parents responding found the *Get Ready* magazine to be "very helpful", and 30% found it to be "somewhat helpful".

Through the Get Ready! Program, counseling and information have been provided to students and parents since 1995-96. Minnesota was one of nine states selected to participate in the federal National Early Intervention Scholarship and Partnership Program. The 1997 legislature appropriated funds for early awareness to supplement these federal grants. Through this state and federal partnership, the Get Ready! Program provides the following services:

- Education outreach liaisons provide counseling and information to elementary school-age (4th - 6th grade) children and parents of color, low incomes, or no previous post-secondary education in the Twin Cities and Duluth.
- Curricula have been developed to cover goal setting, career awareness, paying for college, and higher education options. Staff also make college planning presentations to elementary school classes.
- Education outreach liaisons meet monthly with students on a one-on-one or small group basis to present the curriculum. Students also participate in events and activities, such as a career expo, a higher education night, career field trips, and college visits.

2000-01 Biennial Budget

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

	Get Ready! Program Data			<u>Projected</u>
	<u>Actual</u>			
	1995-96	1996-97	1997-98	1998-99
Number of Students in Core Program	166	253	379	400
Number of Sites	5	5	10	10
College Planning Presentations	26	32	100	120
Students Reached by Presentations	661	798	2,500	3,000
Number of Volunteers	0	10	43	80
Number of Work Study Students	2	0	2	6
Number of Classes Adopted	0	0	0	2
Number of Events/Activities	2/12	3/25	4/57	4/80

The program includes an evaluation component. An internal agency team has developed an Outcome Measurement Framework for future evaluations. In addition, end-of-year evaluations of participants and teachers for 1997-98 indicate that the program is successfully motivating and informing students about preparing for their future educations.

FINANCING INFORMATION:

The program represents a partnership between the federal and state governments and private sources. For F.Y. 1999, the federal government is providing \$205,000,

and the state is providing \$265,000. The federal government requires that grant recipients provide from state, local, institutional or private funds, not less than 50% of the cost of the program—in cash or in kind. In fall 1998, Congress incorporated the main features of the National Early Intervention Scholarship and Partnership Program into a new Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). More details on available funding and the application process are expected in early 1999.

BUDGET ISSUES:

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

Projected demographic trends suggest increases in populations historically underrepresented in post-secondary education. As *Minnesota Milestones 1998* points out, racial and ethnical minorities, who comprise nearly 15% of all school children, are far behind white children in academic achievement.

Less than 50% of African American, American Indian, and Hispanic students graduate from high school on time, and about 40% of all minority students drop out.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STUDENT FINANCIAL AID

Activity: STUDENT & PARENT INFORMATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	150	337	395	401	611	401	408	623	408
OPERATING EXPENSES	169	224	241	245	460	245	250	535	250
SUBTOTAL STATE OPERATIONS	319	561	636	646	1,071	646	658	1,158	658
PAYMENTS TO INDIVIDUALS	1	0	0	0	500	0	0	1,000	0
LOCAL ASSISTANCE	0	0	0	0	500	0	0	500	0
Total Expenditures	320	561	636	646	2,071	646	658	2,658	658
CHANGE ITEMS:									
	<u>FUND</u>								
(B) GET READY OUTREACH EFFORT	GEN				275			350	
(B) INTERVENTION INVESTMENT PROGRAM	GEN				500			500	
(B) MINNESOTA PROMISE SCHOLARSHIP	GEN				500			1,000	
(B) STUDENT PARENT INFORMATION	GEN				150			150	
Total Change Items					1,425			2,000	
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	92	327	410	420	1,845	420	432	2,432	432
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	24	35	21	21	21	21	21	21	21
FEDERAL	204	199	205	205	205	205	205	205	205
Total Financing	320	561	636	646	2,071	646	658	2,658	658
REVENUE COLLECTED:									
DEDICATED									
SPECIAL REVENUE	0	40	26	26	26	26	26	26	26
FEDERAL	0	210	205	205	205	205	205	205	205

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STUDENT FINANCIAL AID

Activity: STUDENT & PARENT INFORMATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Total Revenues Collected	0	250	231	231	231	231	231	231	231
FTE BY EMPLOYMENT TYPE:									
FULL TIME	0.0	8.8	10.5	10.5	15.5	10.5	10.5	15.5	10.5
Total Full-Time Equivalent	0.0	8.8	10.5	10.5	15.5	10.5	10.5	15.5	10.5

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Get Ready! Outreach Effort

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$275	\$350	\$350	\$350
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends base level appropriations for this program. While the Governor recognizes the importance of getting more students to the door of post-secondary education--especially those whose backgrounds make college attendance less likely--the Governor does not recommend that Get Ready! be expanded at this time. The Governor commends HESO's efforts to evaluate this intervention program but believes that further discussion is required to determine whether this approach is the most effective and efficient way for state government to address this public policy issue.

RATIONALE:

This change item is part of a package of HESO initiatives that are designed to get students of color, low income, or no previous post-secondary education experience to the door of college. The proposal to expand Get Ready! recognizes that many of the aspirations and opportunities for post-secondary education are shaped before students reach age 18.

The HESO initiatives are designed to combine the benefits of early and continuing information about preparing for college with early intervention. The initiatives are intended to close gaps in equal educational opportunity by helping to overcome financial, academic, social, and cultural barriers to post-secondary education.

Early intervention refers to efforts to work with young children from families previously underrepresented in college and provide them with the tools and experiences that will motivate and prepare them to complete high school and pursue post-secondary education. Four key elements often included in early intervention are support services, information about college, collaboration among programs and agencies, and guaranteed financial assistance.

The Get Ready! Program, begun in 1995-96, targets students in grades 4 through 6. Students and their parents receive counseling and information about goal setting, careers, paying for college, and higher education options. Students participate in activities such as a career expo, a higher education night, career field trips, and college visits.

While other precollege programs exist, Get Ready! is distinctive in its focus on early intervention and information, its thorough curriculum, its focus on both communities and schools, and its structure of regular, one-on-one or small group interaction with participants.

The end-of-year evaluation for 1997-98 by Get Ready! staff indicated that the program has helped participants understand the importance of going to college, the importance of accomplishing goals, and different ways to pay for college. The program has helped students learn about careers, motivated them to attend school every day, do well in school, and prepare for their future. Of teachers interviewed at the end of the year, 95% said that all students can benefit from participation in Get Ready!, and 90% want new students to participate.

FINANCING:

The program's base funding includes state appropriations of \$265,000 per year and a federal grant of \$205,000 per year from the National Early Intervention Scholarship and Partnership Program. Private grants the past 2 years from The McKnight Foundation and American Express Financial Advisors supported the development of program curricula.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Get Ready! Outreach Effort
 (Continuation)

The Get Ready! initiative includes \$275,000 in F.Y. 2000 and \$350,000 in F.Y. 2001 to expand and enhance the program. The funding would enable the program to:

- Expand service from 400 to 550 students and parents per year in the Twin Cities and Greater Minnesota with the full Get Ready! curriculum in regular one-on-one and small group sessions. The cost of this component is \$150,000 per year. The number of Get Ready! sites would be increased from 10 to 13; 2 new sites would be started in Greater Minnesota and one in the Twin Cities.
- Provide continuing counseling to about 100 middle school students who have completed Get Ready! in the 6th grade but who have not yet connected with another advanced precollege program. The cost of this component is \$50,000 per year. Get Ready! staff would meet monthly with these students and continue work on the curricula on college planning begun in the elementary school years.
- Expand from 120 to 160 per year the number of Get Ready! college planning presentations in schools, community agencies, churches, and other locations. In the schools, Get Ready! staff make presentations on various aspects of college preparation to all students in the 4th, 5th or 6th grades. Presentations are also made in various community locations. The number of students reached would increase from about 3,000 in 1998-99 to 4,000 in subsequent years.
- Expand evaluation of Get Ready! by implementing the program evaluation design developed by Services Office staff in 1998. The cost of the evaluation and expansion of college planning presentations would be \$75,000 per year.
- Develop and implement, in the second year of the biennium, a summer Get Ready! camp in which the program curricula would be presented over one to 2 weeks to students not able to be accommodated during the school year. Two camp sessions would be held during the summer, possibly at a college campus, and 150 students would be enrolled each session. The cost of this component is \$75,000 for the second year of the biennium.

OUTCOMES:

As a result of this initiative, additional students of color, low income, or no previous post-secondary education experience in the family will be motivated and prepared to complete high school and pursue post-secondary education. An additional 250 students per year will be served through their participation in elementary and middle school, and another 300 students will be assisted in the second year through the summer camp. About 1,000 more students per year will benefit from the college planning presentations, and the agency will be able to enhance its program evaluation.

End of Year Student Get Ready! Evaluation (165 responses)			
Item	A Lot	A Little	Not at All
Get Ready has:	%	%	%
Helped me understand importance of going to college	93	6.1	.6
Taught importance of accomplishing goal	77	23.0	0
Helped me learn about careers	88	11.5	.6
Motivated me to do well in school	75	24.0	1.8
Encouraged me to attend school every day	65	28	6.1
Understand what college campuses look like	93	6.1	.6
Helped me understand different ways to pay for post-secondary education	55	36	9
Prepare for my future	86	12	1.8

In the short run, Get Ready! participants will benefit from increased knowledge of careers, financial aid, higher education options, and the benefits of college. Further, the program teaches goal setting, enhances self esteem, and helps overcome language and cultural barriers. In the long run, Get Ready! is intended to enhance academic success—high school completion and college enrollment.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Intervention Investment Program for College Attendance

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$500	\$500	\$500	\$500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the agency's request.

RATIONALE:

The purpose of this initiative is to obtain state funding to support the expansion of successful precollege intervention programs, such as the federal TRIO programs, which support college attendance. These programs would provide mentoring, tutoring, and information to low income students who have completed elementary school.

While financial aid programs help students overcome financial barriers to post-secondary education, initiatives like the TRIO programs are needed to help students overcome class, social, and cultural barriers to post-secondary education.

Established by Congress, TRIO refers to a series of programs (initially three) to help low income Americans enter college, graduate, and move on to participate more fully in America's economic and social life. As mandated by Congress, two-

thirds of the students served must come from families with incomes under \$24,000, where neither parent graduated from college. The TRIO programs are Upward Bound, Student Support Services, Talent Search, Educational Opportunity Centers, and the Ronald E. McNair Post-Baccalaureate Achievement Program.

There are 49 TRIO programs in Minnesota with total federal funding of about \$9 million. Two of the programs that focus on early intervention are Talent Search and Upward Bound. These programs reach students in grades 6 to 12 who have college potential but often do not recognize their academic and career options beyond high school. There are 7 Talent Search and 15 Upward Bound programs in Minnesota.

TRIO programs have been successful over the past 30 years in helping students overcome barriers to post-secondary education. Students in Upward Bound, for example, are 4 times more likely to earn an undergraduate degree than those students from similar backgrounds who did not participate in the program. However, it is estimated that the TRIO programs serve only about 10% of students from disadvantaged backgrounds who could benefit from them.

FINANCING:

An appropriation of \$500,000 per year would enable HESO to award grants to fund 2 to 3 programs like the TRIO Talent Search or Upward Bound. The funds would pay for the salaries of staff who coordinate programs and work with students as well as provide funds for rent, supplies, and related expenses. Minnesota currently does not fund TRIO programs. HESO would request proposals and, in cooperation with a panel of representatives from the community, award the grants.

Programs funded by this initiative would be part of a continuum of efforts to advance college opportunity, beginning with programs like Get Ready! in elementary schools and continuing in subsequent grades with programs similar to TRIO.

OUTCOMES:

The long-term goal is to increase educational success of students of low income backgrounds in which the parents have limited post-secondary education experience. Participants would demonstrate higher rates of high school completion and post-secondary education enrollment than their counterparts from similar backgrounds.

F. Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Minnesota Promise Scholarship

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$500	\$1,000	\$1,000	\$1,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with the agency's request. While the Governor agrees with the goals of Minnesota Promise, the Governor does not believe state government's role should be expanded in this direction. Instead, the state's first emphasis should be to ensure that all students successfully complete a high school education. Until all students can achieve this goal, the Governor will not recommend creating new programs such as Minnesota Promise, the cost of which has the potential to grow far beyond this initial request. The state already makes a promise of scholarship assistance to all students, based upon their need, through the State Grant Program. Finally, Governor believes that personal achievement is the most powerful motivator. A student who succeeds in K-12 will be inspired to pursue their educational goal, whether it be a college degree, an apprenticeship or other job training.

RATIONALE:

The Minnesota Promise Scholarship is designed to motivate students from low income families with no previous higher education attendance to prepare for post-

secondary education and reward them for their efforts. The early commitment of financial assistance combined with ongoing support from a mentor is intended to encourage students to complete high school and participate in post-secondary education.

Initiatives that help get disadvantaged students to the door of college are needed because families from low incomes and no post-secondary education experience participate in college at much lower rates than students from higher income families where the parents have attended college. Since 1970, the percentage of 18 to 24 year olds enrolled in post-secondary education has increased for all income groups, but the participation gap between students from the highest income families and those from the lowest has barely changed: it remained at over 30% between 1970 and 1994 (Tom Mortenson, "Educational Attainment by Family Income, 1970 to 1994," *Postsecondary Education Opportunity 41*, November 1995).

The idea of an early financial commitment is not unique. As originally designed, federal student aid was meant to send an early signal to young people and their families that college was a realistic goal. Sponsors of the Federal Pell Grant Program had hoped that the promise of aid would be a powerful motivational force for students.

While many low income students will qualify for Pell and/or State Grants, a large number of low income students—many of color—will drop out before completing high school. This is of concern because demographic projections by Minnesota Planning indicate that in the next 25 years, Minnesota's minority population will more than double while the white population will grow by only 4 percent. Minorities will make up a larger share of the young population and many of these children will be poor.

By combining the benefits of mentoring and an early financial guarantee, the Minnesota Promise Scholarship will help students see higher education as a real possibility in their lives. The initiative recognizes that often one teacher or counselor or mentor can make a significant difference in helping students overcome barriers to post-secondary education. It also seeks to assist students at a critical year of transition—the move from 8th grade to 9th grade.

To be eligible for a Minnesota Scholarship, a student must:

- Be a Minnesota resident who has completed the 8th grade;
- Come from a family with adjusted gross income of below \$24,000 and where the parents' highest level of education is a high school diploma or less;
- Be nominated by a mentor or tutor, such as a teacher, school counselor, community counselor, or church leader.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Minnesota Promise Scholarship
(Continuation)

The following criteria will be used for selecting scholarship recipients:

- Evidence of accomplishment in middle school, including but not limited to:
 - academic progress (a minimum of a 2.5 grade point average);
 - community service
 - regular school attendance
 - participation in extra curricular activities
- Submission of an essay on future educational aspirations and how they will be accomplished;
- Recommendation of the mentor or tutor;
- Promise by the mentor or tutor to maintain contact with the applicant throughout his or her high school years; and
- Pledge by the student that he or she will fulfill program requirements in high school.

An application committee will review and select scholarship recipients. The review committee will be convened by HESO and include, but not be limited to, representatives of community organizations serving youth, K-12 education, post-secondary education, the Minnesota Minority Education Partnership, business, and intervention or outreach programs.

While in high school, the scholarship recipient must:

- Enroll in and complete a high school curriculum that meets state graduation standards and expectations of Minnesota post-secondary institutions;
- Participate in community service (at least 100 hours); and
- Maintain a cumulative grade point average of 2.5.

In order to receive the scholarship money, the recipient must:

- Graduate from a Minnesota high school;
- Be admitted to a Federal Title IV eligible public or private post-secondary institution;
- Complete the financial aid application process;
- Enroll in an eligible post-secondary institution within 3 years of high school graduation; and
- Attend post-secondary education for a minimum of 12 credits per term.

Students who meet the program requirements will be guaranteed \$2,000 toward their price of attendance for the first year of post-secondary education. Students who complete their first year of post-secondary education and maintain satisfactory academic programs will have their scholarship renewed for a second year.

FINANCING:

An appropriation of \$500,000 in F.Y. 2000 and \$1 million in F.Y. 2001 is requested. The appropriation would provide scholarships for up to 125 students the first year and 250 the second year. The Services Office would have authority to seek matching funds and federal grants to expand the pool of scholarship money. The Services Office would maintain and administer a trust fund to accumulate assets from appropriations, investment earnings, and gifts.

OUTCOMES:

The initiative would help get students from low income families in which no one has attended college to the door of higher education. There would be an increased number of low income students who complete high school and go on to post-secondary education and training. Recipients of Minnesota Promise Scholarships in turn would serve as future role models and mentors for low income families with no history of college attendance.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Student and Parent Information

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$150	\$150	\$150	\$150
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends base level appropriations for this program and does not concur with the agency's request for an increase.

RATIONALE:

This initiative would expand and enhance the agency's Student and Parent Information Program to encourage families to begin preparing early both financially and academically for post-secondary education.

A statewide campaign to encourage families to save for post-secondary education is needed because:

- Many families lack information about paying for college. As a result, low income families may limit or rule out higher education options; other families may not plan ahead and find themselves with high work or borrowing needs.
- College costs have escalated over the past 10 to 15 years while savings rates of Americans have been dropping. Many students and parents are not saving at all or nearly enough to help pay for college.

- A wide range of new saving and investment options are available to help parents plan for college costs, but consumers need information to make appropriate financial choices

Some current Services Office materials are translated into Hmong and Spanish, but funds are needed to do more because of the growth in the number of people speaking these languages. The increased diversity of the state's population suggests the need to expand efforts to translate information into other languages. These could include Laotian, Vietnamese, Cambodian, Somali, and Russian.

FINANCING:

The initiative would build on current efforts to inform students and parents about planning and preparing for future educational opportunities. The initiative includes 2 components:

- \$100,000 per year for a public-private partnership to develop and disseminate information to make families aware of the value of saving for education and inform them about different financing opportunities. These funds would be the state's contribution to a joint effort involving public and private sector companies, agencies, and organizations. As one possibility, HESO has been working with the Insurance Federation of Minnesota to design a campaign to educate Minnesotans about methods of financing higher education. The proposed funding would support the state's contribution to the costs of a "kickoff" event in 1999 and an ongoing effort to disseminate information about saving for college.
- \$50,000 per year to help the agency enhance its web page as a central source of interactive information to students and parents and to expand the agency's capacity to translate materials for families in different languages.

The Services Office has been working to redesign its web site through the reallocation of existing funds. The initiative would enable the Office to build on this effort and enhance its services to families via the web. The use of state and private grant funds have enabled the Services Office to do some translations; additional funding would help the Office broaden this effort to meet growing needs.

OUTCOMES:

As a result of this initiative, more families throughout Minnesota will have accurate information about college costs and strategies for planning and paying for post-secondary education and may begin to plan earlier. Increased saving will help ease the burden of paying rising college costs and moderate the need for work and borrowing. Access to information will be enhanced through the availability of a dynamic web page. Language barriers to education will be reduced as a result of making translated materials available.

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2000-01 Biennial Budget

BUDGET ACTIVITY: Student Financial Aid Services
PROGRAM: Student Financial Aid
AGENCY: Higher Education Services Office (HESO)

ACTIVITY PROFILE:

The division of Student Financial Aid Services administers student financial aid programs for which HESO is the fiscal agent. This activity includes 9 state student financial assistance programs, 6 tuition reciprocity programs and Manitoba and a Midwestern exchange program with 2 federal student assistance programs.

The division's responsibilities include the dissemination of financial aid program information, application processing, notifying applicants, preparation of payment requests to recipients, program reports and evaluation of program effectiveness. The staff also provide administrative assistance to post-secondary institutional student financial aid offices, which includes trouble-shooting and answering program questions.

The programs help to ensure post-secondary access and choice for Minnesota residents by providing financial assistance to students from low and moderate income families.

STRATEGIES AND PERFORMANCE:

During F.Y. 1998, the Student Financial Aid Services Division processed approximately 182,000 student aid applications, delivering \$104 million of financial assistance to approximately 72,000 students attending both public and private post-secondary educational institutions. Also included are 19,020 post-secondary reciprocity students attending institutions in Wisconsin, North Dakota, South Dakota, Iowa, and Manitoba.

Of the 132 institutions currently participating in the State Grant Program, 96 institutions have decentralized delivery of grant funds to students, and 36 institutions have centralized delivery of funds. Under centralized delivery, HESO processes individual student grant applications rather than the institution calculating and disbursing individual student awards.

The Services Office is seeking to bring the remaining centralized delivery institutions under the decentralized delivery process. In addition, HESO is working to enhance service delivery via the web and to ensure year 2000 compliance for all programs.

FINANCING INFORMATION:

Direct state appropriations support this activity. Federal funding does not support program administrative activities.

BUDGET ISSUES:

As the number of institutions using a decentralized delivery system for state grants has increased, the agency has been able to significantly reduce operating expenses. Currently, more than 95% of students receiving state grants have their grant awards calculated on campus. This has allowed the Services Office to maintain a high level of service without significant staff increases. No significant increase in costs related to this activity are projected for the 2000-01 biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE
 Program: STUDENT FINANCIAL AID
 Activity: STUDENT FINANCIAL AID SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	276	333	357	365	365	365	375	375	375
OPERATING EXPENSES	212	232	249	262	279	279	278	295	295
OTHER EXPENSES	0	175	60	60	60	60	60	60	60
SUBTOTAL STATE OPERATIONS	488	740	666	687	704	704	713	730	730
Total Expenditures	488	740	666	687	704	704	713	730	730
CHANGE ITEMS:									
(B) MIDWESTERN HIGHER EDUCATION COMMISSION					17	17		17	17
Total Change Items					17	17		17	17
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	486	565	601	622	639	639	648	665	665
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	2	0	5	5	5	5	5	5	5
FEDERAL	0	175	60	60	60	60	60	60	60
Total Financing	488	740	666	687	704	704	713	730	730
REVENUE COLLECTED:									
DEDICATED									
SPECIAL REVENUE	3	9	5	5	5	5	5	5	5
FEDERAL	58	53	60	60	60	60	60	60	60
Total Revenues Collected	61	62	65	65	65	65	65	65	65

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE
 Program: STUDENT FINANCIAL AID
 Activity: STUDENT FINANCIAL AID SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
FULL TIME	6.0	6.7	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Total Full-Time Equivalent	6.0	6.7	7.2	7.2	7.2	7.2	7.2	7.2	7.2

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Midwestern Higher Education Commission

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$17	\$17	\$17	\$17
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

RATIONALE:

The Midwestern Higher Education Commission (MHEC) was established in 1991 by the Midwestern Regional Education Compact, an interstate agreement among Midwestern states including: Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin. The mission of MHEC is to improve higher education opportunities and services in the Midwest region through interstate cooperation and resource sharing. The Services Office serves as the fiscal agent for Minnesota's participation in the MHEC.

Minnesota's continued membership in the MHEC is essential to ensure ongoing participation in Commission activities such as the Midwest Student Exchange Program and the Interactive Video Program.

FINANCING:

The annual membership dues of \$58,000 for the state's participation in MHEC have not been adjusted for 7 years. In F.Y. 1998, 87% of the total MHEC budget was based on membership dues. A \$17,000 increase in membership dues is needed to meet rising costs associated with the administration of a larger number of Commission initiatives, such as the academic scheduling and management software program and the risk management program, and rising costs that are connected with Commission meetings; e.g., increases in hotel and airline expenses, and meeting rooms.

OUTCOMES:

Minnesota's membership in MHEC creates opportunities to participate in programs which generate cost savings and benefits for students. Group purchasing of interactive video classroom products and services have generated a net savings for Minnesota of approximately \$1.7 million between 1994 and 1997.

Through MHEC membership, Minnesota also participates in the Midwest Student Exchange Program (MSEP) whereby Minnesota students can pursue designated out-of-state programs of study in other Midwestern states where there is no other reciprocity arrangement (such as Kansas, Michigan, Missouri, and Nebraska). Under the MSEP, students are charged 150% of a state's regular in-state tuition at a public institution and no more than 90% of the base tuition rate at private colleges and universities. In fall 1996, 62 Minnesota students participated in the program and were able to save approximately \$82,000 in out-of-state tuition charges.

2000-01 Biennial Budget

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

PROGRAM PROFILE:

This program includes the Student Educational Loan Fund Program (SELF), the Federal Stafford Loan Program, the Graduated Repayment Income Protection Program (GRIP), and the Minnesota Medical and Osteopathy Loan Program (MMOLP). These loan programs assist undergraduate and graduate students in financing their education expenses.

STRATEGIES AND PERFORMANCE:

The SELF program is designed to provide an additional source of low-interest funding for Minnesota residents and non-residents attending post-secondary education institutions in Minnesota, and to Minnesota residents attending post-secondary education institutions in other states.

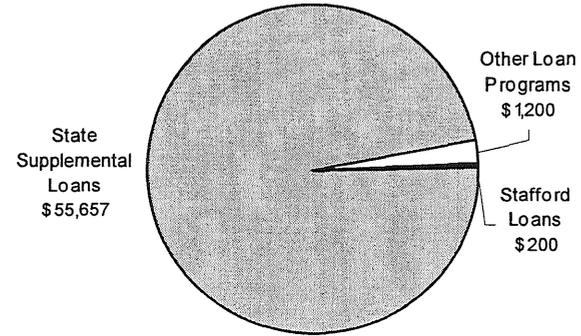
The Services Office is no longer an active lender in the Federal Stafford Student Loan Program. Also, the GRIP and MMOLP programs are being phased out with no new participants allowed in either program.

FINANCING INFORMATION:

There are no General Fund appropriations for this program. Loan capital and operating expenses are financed from bonds, loan repayments, and investment income.

F.Y.1999 Est. Expenditures by Activity

Dollars in Thousands



BUDGET ISSUES:

The SELF Program is funded through repayments of existing SELF loans and through \$68.5 million of tax exempt bonds outstanding. Based on current loan volume projections, HESO anticipates that adequate funds exist for the 2000-01 biennium. If actual loan volume exceeds these projections, HESO will have to secure additional funds.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STATE STUDENT LOANS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY ACTIVITY:									
STATE SUPPLEMENTAL LOANS	31,195	39,368	55,657	58,722	58,722	58,722	63,732	63,732	63,732
OTHER LOAN PROGRAMS	1,495	1,144	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Total Expenditures	32,690	40,512	59,457	62,522	62,522	62,522	67,532	67,532	67,532
FINANCING BY FUND:									
STATUTORY APPROPRIATIONS:									
HIGHER EDUCATION SERV OFFICE LOAN FUND	32,690	40,512	59,457	62,522	62,522	62,522	67,532	67,532	67,532
Total Financing	32,690	40,512	59,457	62,522	62,522	62,522	67,532	67,532	67,532
FTE BY EMPLOYMENT TYPE:									
FULL TIME	7.3	7.6	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Total Full-Time Equivalent	7.3	7.6	9.1	9.1	9.1	9.1	9.1	9.1	9.1

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The Student Educational Loan Fund (SELF) Program was begun in 1985 to provide an additional source of long-term, low-interest funding to Minnesota residents and non-residents attending post-secondary education institutions in Minnesota, and to Minnesota residents attending post-secondary education institutions in other states and the province of Manitoba. M.S. 136A.1701 permits the creation of such supplemental loan programs.

The state of Minnesota has long understood the economic and social benefits derived from having an educated, knowledgeable, and skilled population. As a result, the state has been pro-active in establishing programs like SELF to help ensure access to education for all Minnesota citizens.

The private sector has created additional private loan programs in recent years. However, the SELF loan has continued to provide funding to students at a lower interest rate and without charging origination and guarantee fees. The SELF Program is a low cost financing option for students. It provides a service to Minnesota residents, and to non-residents attending Minnesota schools, in ensuring access to an education of their choice. Since the price of higher education continues to increase, more students need to partially or fully fund their education with student loans. Without the SELF program, many students would be unable to complete their education at the college of their choice.

The program requires a credit-worthy co-signer and payment of interest while the borrower is in school. HESO also uses various collection tools to collect on defaulted SELF loans.

STRATEGIES AND PERFORMANCE:

The program's strategies to meet the needs of students in funding their post-secondary education are:

- Provide an alternative source of funding for parents and students;

- Inform students, parents and financial aid administrators about the benefits of the SELF Program, primarily through various printed publications and visits to post-secondary institutions by a HESO staff person serving as the SELF institutional representative;
- Conduct ongoing research regarding improvements to the SELF Program;
- Monitor the annual lending activity; and
- Continue to structure the program to reduce defaulted loans.

The goal of the program is to strive continually for program improvement to better meet the needs of students, parents and schools. The program uses technological advances to improve services. In the future, more use will be made of the Internet to provide services to customers.

Since 1985, HESO has made over 130,000 SELF loans totaling over \$400 million to students from all sectors of higher education. HESO collected over \$2 million from SELF defaulters in F.Y. 1998. The cumulative SELF default rate after collection is less than 3%.

FINANCING INFORMATION:

The SELF Program is funded through a combination of tax-exempt financing, repayment of principal and interest on SELF and federal Stafford loans, and investment earnings. These revenues finance additional SELF loans, pay interest on the tax-exempt bonds, pay the loan servicing costs, and cover program operating costs.

BUDGET ISSUES:

Loan volume for 1998 increased by about 75%. If this dramatic growth continues, it will require HESO to seek additional loan capital, possibly through the sale of taxable bonds. The use of taxable bonds could result in less favorable terms for borrowers.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STATE STUDENT LOANS

Activity: STATE SUPPLEMENTAL LOANS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	321	365	379	444	444	444	454	454	454
OPERATING EXPENSES	5,514	6,906	8,278	8,278	8,278	8,278	8,278	8,278	8,278
OTHER EXPENSES	25,360	32,097	47,000	50,000	50,000	50,000	55,000	55,000	55,000
SUBTOTAL STATE OPERATIONS	31,195	39,368	55,657	58,722	58,722	58,722	63,732	63,732	63,732
Total Expenditures	31,195	39,368	55,657	58,722	58,722	58,722	63,732	63,732	63,732
FINANCING BY FUND:									
STATUTORY APPROPRIATIONS:									
HIGHER EDUCATION SERV OFFICE LOAN FUND	31,195	39,368	55,657	58,722	58,722	58,722	63,732	63,732	63,732
Total Financing	31,195	39,368	55,657	58,722	58,722	58,722	63,732	63,732	63,732
REVENUE COLLECTED:									
DEDICATED									
HIGHER EDUCATION SERV OFFICE LOAN FUND	20,782	37,110	65,961	70,242	70,242	70,242	75,261	75,261	75,261
Total Revenues Collected	20,782	37,110	65,961	70,242	70,242	70,242	75,261	75,261	75,261
FTE BY EMPLOYMENT TYPE:									
FULL TIME	7.3	7.6	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Total Full-Time Equivalent	7.3	7.6	9.1	9.1	9.1	9.1	9.1	9.1	9.1

2000-01 Biennial Budget

BUDGET ISSUES:

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

HESO will continue to monitor and oversee the repayment process for these loan programs in a cost effective manner.

ACTIVITY PROFILE:

This activity includes 3 targeted state student loan programs and the federal Stafford/Guaranteed Student Loan (GSL) Program. The Graduated Repayment Income Protection (GRIP) Program, the Minnesota Medical and Osteopathy Loan Program (MMOLP), and the Optometry and Osteopathy (O&O) Program are being phased out. HESO has not made any Stafford/GSL loans since 1988.

GRIP participants are graduates of Minnesota schools in dentistry, medicine, pharmacy, veterinary medicine, public health, and chiropractic-medicine and Minnesota residents graduating from osteopathy programs. The GRIP Loan was discontinued in 1995 for new participants. Loans are still being made to participants who entered the program prior to 1995.

The MMOLP program assisted students in medical and osteopathy schools by providing loans which would be forgiven if they served in rural Minnesota upon completion of their medical training. The Optometry and Osteopathy (O&O) Program targeted loans to medical students in those fields to encourage them to practice in Minnesota upon completion of their medical training.

STRATEGIES AND PERFORMANCE:

The GRIP program enabled program participants to repay their student loans with a repayment loan based on their projected annual income. There are 139 individuals in repayment. There are 10 individuals in repayment under the O&O Program and one individual in repayment in the MMOLP. HESO currently has a portfolio of less than \$4 million under the Stafford (GSL) Program, which will be serviced until the loans have been repaid.

FINANCING INFORMATION:

Repayments to the MMOLP and O&O Programs are deposited in the General Fund as non-dedicated receipts. Repayments to the GRIP and Stafford/GSL Programs are deposited in the Loan Capital Fund.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: STATE STUDENT LOANS

Activity: OTHER LOAN PROGRAMS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
OPERATING EXPENSES	109	77	200	200	200	200	200	200	200
OTHER EXPENSES	1,386	1,067	3,600	3,600	3,600	3,600	3,600	3,600	3,600
SUBTOTAL STATE OPERATIONS	1,495	1,144	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Total Expenditures	1,495	1,144	3,800	3,800	3,800	3,800	3,800	3,800	3,800
FINANCING BY FUND:									
STATUTORY APPROPRIATIONS:									
HIGHER EDUCATION SERV OFFICE LOAN FUND	1,495	1,144	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Total Financing	1,495	1,144	3,800	3,800	3,800	3,800	3,800	3,800	3,800
REVENUE COLLECTED:									
DEDICATED									
HIGHER EDUCATION SERV OFFICE LOAN FUND	1,852	1,735	1,877	3,600	3,600	3,600	3,600	3,600	3,600
Total Revenues Collected	1,852	1,735	1,877	3,600	3,600	3,600	3,600	3,600	3,600

2000-01 Biennial Budget

PROGRAM: Research and Program Services
AGENCY: Higher Education Services Office (HESO)

PROGRAM PROFILE:

This program provides services to support quality educational programs through the licensure and registration of institutions operating in Minnesota, and to support research on trends and conditions in Minnesota post-secondary education. These services have been located in this agency because they achieve statewide goals.

STRATEGIES AND PERFORMANCE:

This program includes the following activities;

- **Consumer protection and consumer information through the registration and licensing of private non-profit colleges and for profit career schools.** State statutes require oversight of these institutions, which are not accountable to Minnesota public governing boards, to prevent “degree mills” and fraudulent institutions from operating in this state and to provide other safeguards to Minnesota students.
- **A central state collection point for information and data on Minnesota post-secondary students, institutions and financial aid.** HESO manages statewide data bases and performs analyses that provide a complete picture of students attending all types of institutions. This information is used by policymakers, institutions, the media and the general public.
- **Administration of state and federal grants to institutions to accomplish specific educational objectives.** Competitive grant programs target specific areas of need to encourage institutions to make changes to their educational programs that support current statewide priorities.

FINANCING INFORMATION:

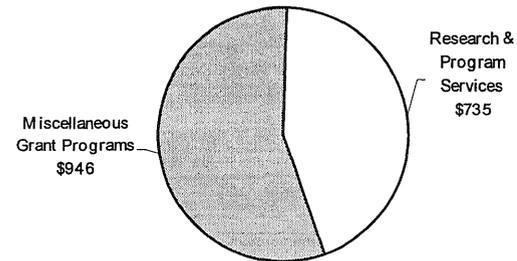
Consumer protection is financed through state appropriations and through dedicated fee revenue collected from institutions that must be licensed or approved.

Grants to institutions consist of separate programs funded at either the state or federal levels.

Research services are funded through state General Fund appropriations.

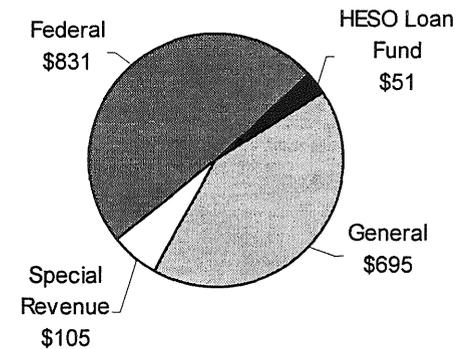
F.Y. 1999 Est. Expenditures by Activity

Dollars in Thousands



F.Y. 1999 Est. Financing by Fund

Dollars in Thousands



BUDGET ISSUES:

The base budget is adequate to cover the projected expenses of consumer protection and research services. No fee increases are proposed.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: RESEARCH & PROGRAM SERVICES

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY ACTIVITY:									
RESEARCH & PROGRAM SERVICES	710	613	735	770	770	770	806	806	806
MISCELLANEOUS GRANT PROGRAMS	766	1,041	946	947	1,207	947	947	1,207	947
Total Expenditures	1,476	1,654	1,681	1,717	1,977	1,717	1,753	2,013	1,753

CHANGE ITEMS:	FUND								
(B) POST SECONDARY SERVICE LEARNING	GEN				260			260	
Total Change Items					260			260	

FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	698	565	695	723	983	723	756	1,016	756
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	79	95	105	112	112	112	114	114	114
FEDERAL	656	950	830	830	830	830	830	830	830
HIGHER EDUCATION SERV OFFICE LOAN FUND	43	44	51	52	52	52	53	53	53
Total Financing	1,476	1,654	1,681	1,717	1,977	1,717	1,753	2,013	1,753

FTE BY EMPLOYMENT TYPE:									
FULL TIME	10.5	11.0	10.8	10.8	11.0	10.8	10.8	11.0	10.8
Total Full-Time Equivalent	10.5	11.0	10.8	10.8	11.0	10.8	10.8	11.0	10.8

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2000-01 Biennial Budget

BUDGET ACTIVITY: Research and Program Services
PROGRAM: Research and Program Services
AGENCY: Higher Education Services Office (HESO)

ACTIVITY PROFILE:

This activity includes the following:

Consumer Protection. Statutes allow the state to set minimum standards for private and out-of-state institutions that want to offer programs in Minnesota. The Minnesota Private Institution Registration Act (M.S. 136A.61- 136A.71) provides quality control and fosters consumer protection for approximately 80 private and out-of-state post-secondary institutions offering educational programs within the state. Licensing of private for-profit schools (M.S. Chapter 141) provides quality control and consumer protection for approximately 50 private, for-profit career training institutions.

Standards address the quality of faculty, facilities and other resources necessary to support the program; financial stability needed to ensure continued operation once students enroll; advertising and other promotion to prevent misleading prospective students; and protection for students if an institution does not maintain the program as promised or ceases operations. State oversight protects prospective students from schools that collect tuition money fraudulently, "diploma mills" that sell degrees without offering legitimate programs, and schools that lack sufficient expertise or financial resources to develop and maintain post-secondary programs.

New types of providers of post-secondary education, including non-Minnesota institutions serving residents through distance education, affect consumer protection needs and the state's ability to respond.

Research Services. Agency staff provide several services to enable the state to identify trends and conditions in post-secondary education. While individual institutions maintain information on their own activities, data collection and analyses at the Services Office cover both public and private institutions so that a statewide picture is feasible. These services are used by policy makers, institution staff, the media and the general public who need a single source of data on post-secondary education in Minnesota.

Agency-maintained data bases include fall term enrollments, and degrees and other awards conferred by Minnesota institutions. Student enrollment information has

been collected since 1983, allowing analyses of transfer and persistence over time. The Services Office also coordinates data collection from Minnesota institutions for the federal Integrated Post-Secondary Education Data System (IPEDS) which maintains enrollment, financing, staffing and other data at the U.S. Department of Education.

Also included are research services on student financing, including surveys of all financial aid available at Minnesota institutions, and assessment of state financial aid programs for budgetary and policy purposes.

STRATEGIES AND PERFORMANCE:

Consumer Protection. Regulatory standards for private institution registration and licensure of private career schools are contained in the authorizing statutes and in agency rules. Institutions applying for licensure or registration for the first time can access application materials via the agency web site. Managers assist institutions in understanding state requirements and evaluate programs that are proposed. Outside evaluators are used when specialized expertise is needed for evaluation. Staff answer student inquiries and work with institutions to ensure student complaints are addressed satisfactorily. When complaints or other information indicate that state standards are not being met, legal action can be taken to protect students.

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>
Private Institution Registration		
Registrations renewed	68	71
New institutions registered	3	5
New degrees approved	7	12
Student complaints received	26	1
Private School Licensure		
Licenses renewed	48	48
New institutions licensed	3	5
Licenses terminated/surrendered	2	4
Student complaints received	71	19

Research Services. The agency's student enrollment and degree data bases are cooperative ventures with public and private institutions, which agree on data elements and definitions and provide data annually. The Services Office publishes both standard reports and special analyses. Upon request, staff produce tailored summary reports and analyses for researchers from a variety of organizations. A custom table generator is a recent addition to the agency website, allowing many

2000-01 Biennial Budget

BUDGET ACTIVITY: Research and Program Services
PROGRAM: Research and Program Services
AGENCY: Higher Education Services Office (HESO)
 (Continuation)

This activity generates dedicated revenue from fees for private institution registration and private trade school licensure. No fee increases are anticipated at this time. The research activity is fully supported from state General Fund appropriations. The loan capital fund supports the student aid database.

BUDGET ISSUES:

A continuation of the base budget for consumer protection and research services is proposed. No fee increases are requested.

users to get an immediate response to simple requests. Staff use federal and other sources of information to provide answers to data questions about Minnesota higher education.

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>
Published reports	6	10
Special requests for analysis (approximate)	120	120
Other inquiries (approximate)	150	150

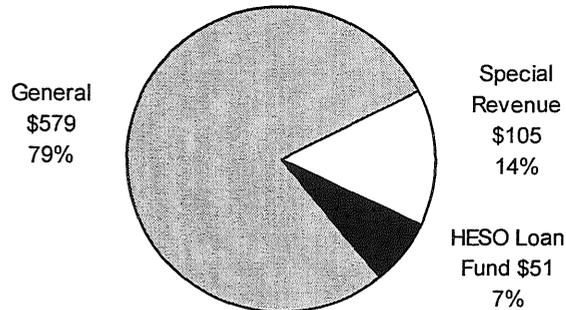
HESO also maintains a research data base on the State Grant Program that is used to project expenditures for budget planning and simulations. The Office produces research on student financing for state policymakers and staff, for agency planning, and for others.

FINANCING INFORMATION:

RESEARCH & PROGRAM SERVICES

FY99 ESTIMATED FINANCING BY FUND

(Dollars in Thousands)



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE
Program: RESEARCH & PROGRAM SERVICES
Activity: RESEARCH & PROGRAM SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	583	488	581	594	594	594	610	610	610
OPERATING EXPENSES	127	125	154	176	176	176	196	196	196
SUBTOTAL STATE OPERATIONS	710	613	735	770	770	770	806	806	806
Total Expenditures	710	613	735	770	770	770	806	806	806
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	588	474	579	606	606	606	639	639	639
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	79	95	105	112	112	112	114	114	114
HIGHER EDUCATION SERV OFFICE LOAN FUND	43	44	51	52	52	52	53	53	53
Total Financing	710	613	735	770	770	770	806	806	806
REVENUE COLLECTED:									
DEDICATED									
SPECIAL REVENUE	93	95	104	107	107	107	107	107	107
Total Revenues Collected	93	95	104	107	107	107	107	107	107
FTE BY EMPLOYMENT TYPE:									
FULL TIME	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Total Full-Time Equivalent	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1

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2000-01 Biennial Budget

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

ACTIVITY PROFILE:

This activity manages the following state and federal grants to encourage post-secondary institutions and nonprofit organizations to address specific areas of need. HESO develops competitive award processes through which institutions and agencies submit proposals for support of local activities that meet grant requirements.

State **Post-Secondary Service Learning grants** support the development of campus/community collaborations that address significant long-term community needs and enhance the academic and civic development of post-secondary students.

The federal **Dwight D. Eisenhower Professional Development Program** provides assistance to state and local educational agencies and to institutions of higher education to improve learning by providing professional development aligned to state and local content and performance standards for K-12 teachers and other staff.

The federal **Corporation for National Service**, under the Learn and Serve America Higher Education Program, supports efforts to make community service-learning an integral part of the education and life experiences of college students.

STRATEGIES AND PERFORMANCE:

Post-Secondary Service Learning grants have funded community service projects to encourage service-learning since 1994. Service-learning is a process through which college students are involved in community work that contributes to positive social change and students' academic, civic, personal, and career growth and their understanding of larger social issues.

- For the 1998-99 biennium, 9 of 63 proposals from higher education institutions and nonprofits were funded.

Dwight D. Eisenhower grants provide sustained and intensive high quality professional development that emphasizes in-depth understanding of subject matter, appropriate pedagogy, and follow-up to assure classroom implementation.

- Initially, the program focused on providing professional development for teachers of mathematics and science; in 1994, Congress expanded the program to allow a portion of the state's funding allocation to be spent on development in other core subject areas.
- For the 1997-98 academic year, 14 of 19 proposals were funded at 9 Minnesota colleges and one nonprofit organization. With emphasis on sustained and intensive professional development, eight of the funded projects involved teachers in over 80 instructional hours. Three projects addressed preservice coursework in mathematics and science.
- For the 1998-99 academic year, 21 of 32 proposals were funded at 10 Minnesota colleges and one nonprofit organization. Seventeen projects addressed inservice development for teachers, and four projects addressed preservice coursework in mathematics and science.

Corporation for National Service grants had the following national priorities for the 1997-99 biennium: promoting faculty development in curriculum-based service; increasing student voice and student leadership; expanding the use of service-learning in teacher education programs; and increasing the quality and quantity of community service federal work-study positions. HESO's current grants support work with campus financial aid officers on campus-community efforts to employ student work-study positions for community service.

- 7 of 18 proposals were funded in 1997. With additional federal support, these projects will continue through 1999.
- For the 1997-98 year, 179 higher education students and 21 faculty participated in project activities.
- For 1998-99 year, it is expected that 200 students and 35 faculty members will participate in work-study activities that assist in development of student leadership skills and strengthen the relationship between the campus and community-based partners.

FINANCING INFORMATION:

State Post-Secondary Service Learning grants are funded through state General Fund appropriations.

2000-01 Biennial Budget

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

Dwight D. Eisenhower grants are funded by federal funds allocated to Minnesota by formula. HESO receives 16% of the state allocation for grants to higher education institutions; the Department of Children, Families and Learning receives 84% of the allocation for grants to school districts.

Corporation of National Service grants are supported by annual federal grants to HESO. States must apply for this program and are selected on a competitive basis.

For the 3 programs, 5% of the grant award is retained by HESO to support program administration, while 95% of the funds are awarded to higher education institutions and nonprofit organizations on a competitive basis for program activities.

BUDGET ISSUES:

- Growth in interest and activity by campus members and community leaders requires increased staff time for program orientation and technical assistance.
- State funding has been augmented by federal grants. The federal program is a competitive award process with an increasing number of applications. There is no assurance that HESO will get an award each year.
- The current budget is not adequate to support a comprehensive evaluation of state and federal efforts.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE
Program: RESEARCH & PROGRAM SERVICES
Activity: MISCELLANEOUS GRANT PROGRAMS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	18	46	48	49	69	49	49	69	49
OPERATING EXPENSES	0	1	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	18	47	49	50	70	50	50	70	50
LOCAL ASSISTANCE	748	994	897	897	1,137	897	897	1,137	897
Total Expenditures	766	1,041	946	947	1,207	947	947	1,207	947
CHANGE ITEMS:									
(B) POST SECONDARY SERVICE LEARNING					260			260	
Total Change Items					260			260	
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	110	91	116	117	377	117	117	377	117
STATUTORY APPROPRIATIONS:									
FEDERAL	656	950	830	830	830	830	830	830	830
Total Financing	766	1,041	946	947	1,207	947	947	1,207	947
REVENUE COLLECTED:									
DEDICATED									
SPECIAL REVENUE	40	0	0	0	0	0	0	0	0
FEDERAL	671	924	830	830	830	830	830	830	830
Total Revenues Collected	711	924	830	830	830	830	830	830	830

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE
 Program: RESEARCH & PROGRAM SERVICES
 Activity: MISCELLANEOUS GRANT PROGRAMS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
FULL TIME	0.4	0.9	0.7	0.7	0.9	0.7	0.7	0.9	0.7
Total Full-Time Equivalent	0.4	0.9	0.7	0.7	0.9	0.7	0.7	0.9	0.7

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Research and Program Services
ACTIVITY: Miscellaneous Grant Programs

ITEM TITLE: Post-Secondary Service Learning

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$60	\$60	\$60	\$60
- Grants	\$200	\$200	\$200	\$200
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends base level appropriations for this program and does not concur with the requested increase.

RATIONALE:

The Services Office is proposing an increase of \$260,000 in F.Y. 2000 and \$260,000 in F.Y. 2001 to expand and improve service-learning opportunities. Through extra-curricular, co-curricular and credit activities, service-learning establishes the habit of civic involvement and strengthens the bonds between academic and applied learning. State support for these efforts would assure continuation of targeted support to strengthen the infrastructure of Minnesota communities and for civic development of over 260,000 Minnesota post-secondary students.

Since 1994, the Post-Secondary Service Learning Program has received \$115,000 each year to support campus/community collaborations that address significant

long-term community needs and enhance students' academic and civic development. State funding has been augmented by federal grants awarded to Minnesota on a competitive basis by the Corporation for National Service. Working with the Minnesota Campus Compact, a state-wide coalition of 45 post-secondary presidents, HESO has secured federal grants each year since 1992, in amounts ranging from \$69,900 from \$180,000. There is no assurance that the federal program will continue or that HESO will get an award each year.

National attention to service-learning and positive results in Minnesota have generated interest in creating new classroom applications. Current funding is not adequate to address the diverse needs of Minnesota's 65 campuses and over 260,000 post-secondary students.

The request for increased state funding is based on the following:

- As an outgrowth of the Minnesota Campus Compact, 17 chief academic officers from all Minnesota higher education systems organized to increase connections among service-learning, campus community collaboration and institutional issues such as curricular coherence, student retention and enhanced learning. These funds will enable academic officers to expand programs that incorporate service-learning into academic course work.
- In 1997, 81 proposals were submitted for funding. State and federal funds were able to support only 16.
- Faculty interest and staff interest in service-learning as an instructional strategy has increased. More than 2,000 Minnesota faculty and staff have received training over the last 5 years.
- Technical assistance, provided under contract to HESO by the Campus Compact, needs to expand to reflect the greater number and variety of projects underway.
- A professional evaluation of service-learning in Minnesota has never been done. Now that campuses have experience with several approaches, there is an opportunity to assess their impacts. An evaluation will assist campuses in understanding implementation of service-learning and assist the state in identifying whether there is need for continued support.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Research and Program Services
ACTIVITY: Miscellaneous Grant Programs

ITEM TITLE: Post-Secondary Service Learning
(Continuation)

FINANCING:

The proposed change request for the Post-Secondary Service Learning Program would provide:

- \$20,000 each year for technical assistance through the Minnesota Campus Compact and for state-level program administration at HESO;
- \$40,000 each year for program evaluation to measure program effects and grant performance, to document successful practices for dissemination to Minnesota campuses, and to identify priorities for future action; and
- \$200,000 each year for expansion of campus service-learning projects, including establishment of larger campus centers for community partnerships in education, housing, economics and environmental services for area residents.

OUTCOMES:

New funding would support:

- 2 or 3 campus-based centers for community partnerships. Regional centers would strengthen efforts to utilize connections with multiple agencies in an institution's service area.
- 2 or 3 additional small grants to campuses for start up service-learning activities, integration with academic course work or specific community collaboration projects.
- A formal evaluation to determine if project outcomes reflect program performance measures and to identify lessons that can be applied to other campuses.
- Increased support for technical assistance and program oversight.

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2000-01 Biennial Budget

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

PROGRAM PROFILE:

The Libraries and Technology Program supports library resource sharing and the development, use and coordination of telecommunications and other technologies for higher education instruction and academic libraries.

- **The Learning Network of Minnesota**, funded by grants awarded through the Minnesota Educational Telecommunications Council, allows courses and academic degrees to be delivered through telecommunications and other technologies.
- **The MINITEX Library Information Network** coordinates resource sharing and other cooperative programs among the state's academic and public libraries.
- **The Minnesota Library Information Network (MnLINK)** is a statewide library information system being developed under guidance of the Minnesota Library Planning Task Force.

STRATEGIES AND PERFORMANCE:

Through use of information technologies for education and library services, these three activities promote efficiency and effectiveness, and reduce geographic barriers through the following strategies:

- The Learning Network is a technological infrastructure to improve access to higher education programs, courses, and degrees.
- MINITEX identifies and transports interlibrary loan documents among academic and public libraries, maintains a unified catalog of serial holdings, supports cooperative cataloging, and expands the availability of electronic information resources.
- MnLINK will be an automated library information system and a gateway system that will allow collections in most Minnesota libraries to appear as a single resource to the user.

FINANCING INFORMATION:

Learning Network of Minnesota. Through HESO, the state appropriated funds of \$10.8 million for F.Y. 1998 and F.Y. 1999 to support the higher education portion of the network and administration of the Minnesota Educational

Telecommunications Council. A 10% match is required from the higher education telecommunication regions. A state appropriation of \$23 million for F.Y. 1998 and 1999 through the Department of Children, Families and Learning supports connections to public school districts and libraries.

MINITEX: In the F.Y. 1998-99 biennium, MINITEX was financed through \$5.21 million in state appropriations and an additional \$1.6 million from contracts with the Minnesota Department of Children, Families, and Learning, and the North and South Dakota State Libraries. In addition, an estimated \$4.7 million will be generated by Online Computer Library Center (OCLC) online cataloging services to participating MINITEX libraries--these funds are passed directly to OCLC.

MnLINK: The 1997 Legislature provided a one-time appropriation of \$12 million to implement MnLINK. Future operating costs of the automated library information system will be shared by participating libraries. To support special staffing for planning and implementation of MnLINK services in school media centers, the Office of Library Services in the Department of Children, Families and Learning has transferred \$60,000 in federal funds to HESO.

BUDGET ISSUES:

The activities under this program are shaped by rapid changes in the potential benefits and costs of information technologies.

- **Learning Network of Minnesota:** Telecommunications rate increases and other rising costs affect the current infrastructure. The network needs modernization funds to upgrade the system, to experiment with new technologies and to reduce problems created by use of incompatible technologies.
- **MINITEX:** Inter-library loan demand is growing despite advances in electronic information. Demand is expected to increase even more once MnLINK is operational. Relocation of MINITEX staff to the Minnesota Library Access Center at the University of Minnesota will entail one-time and new operating costs.
- **MnLINK:** Once operational, the integrated library system (*System X*) will be funded by participating libraries. The common service gateway, however, will serve a broader public as a statewide resource. A decision must be made on how the common service gateway is to be funded.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: LIBRARIES AND TECHNOLOGY

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY ACTIVITY:									
MINITEX LIBRARY SYSTEM	5,200	5,585	5,964	5,964	7,419	6,389	5,964	7,359	6,314
MN LINK	135	397	11,723	0	497	450	0	497	450
LEARNING NETWORK OF MINN	3,452	3,297	7,495	4,428	7,105	5,178	4,429	7,106	5,179
Total Expenditures	8,787	9,279	25,182	10,392	15,021	12,017	10,393	14,962	11,943

CHANGE ITEMS:	FUND								
(B) LEARNING NETWORK OF MINNESOTA	GEN				2,677	750		2,677	750
(B) MINITEX	GEN				1,455	425		1,395	350
(B) MN LINK	GEN				497	450		497	450
Total Change Items					4,629	1,625		4,569	1,550

FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	402	0	13,866	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	5,293	6,242	7,900	7,036	11,665	8,661	7,037	11,606	8,587
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	0	60	60	0	0	0	0	0	0
AGENCY	3,092	2,977	3,356	3,356	3,356	3,356	3,356	3,356	3,356
Total Financing	8,787	9,279	25,182	10,392	15,021	12,017	10,393	14,962	11,943

FTE BY EMPLOYMENT TYPE:									
FULL TIME	1.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
PART-TIME, SEASONAL, LABOR SER	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	2.0	3.0							

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Now in its 29th year of operation, the MINITEX Library Information Network (MINITEX) is a publicly-supported network of more than 225 academic, public, state government and other special libraries in Minnesota, North Dakota, and South Dakota working cooperatively to improve library service by sharing library resources and services for the benefit of residents in Minnesota and its neighboring states. MINITEX's mission is to enhance the effectiveness and efficiency of libraries by expanding their access to local, state, regional, national and international information resources.

STRATEGIES AND PERFORMANCE:

MINITEX fulfills its objective through 4 primary activities: 1) document delivery; 2) a union list of serial holdings (journals and magazines) of participating libraries; 3) a common data base of participants' books and non-print holdings through on-line shared cataloging; and 4) group licenses for on-line access to bibliographic and full-text data bases. In addition, MINITEX provides three secondary services on a reimbursement basis: cooperative purchasing, periodical exchange and a reference service.

	F.Y. 1996	F.Y. 1997	F.Y. 1998
Document Delivery Requests	309,279	307,295	312,856
Document Delivery Requests: Percent filled	90%	92%	94%
Online Shared Cataloging: Participating libraries	177	191	196
Union List of Serials (MULS): Number of titles	144,570	147,246	153,396
On-line data bases: Number of hits	N.A.	N.A.	2,078,844

FINANCING INFORMATION:

The entire MINITEX appropriation is for contracted services provided by MINITEX at the University of Minnesota. The University of Minnesota provides space and related physical plant and administrative support services at no cost.

Additional revenue is generated from contracts with the Minnesota Department of Children, Families and Learning, the North Dakota State Library, and the South Dakota State Library. All of these funds are passed directly to MINITEX at the University of Minnesota. Revenue is also generated by the Online Computer Library Center (OCLC) online cataloging service in which the revenue is received from libraries using OCLC services through the MINITEX office and passed directly to OCLC.

The 1998-99 biennial appropriation included \$500,000 for online access to the full-text of articles in science and technology journals. With this appropriation, MINITEX: 1) negotiated price discounts for group licenses; 2) covered the full cost of licenses for 14 nursing journals; and 3) both subsidized the cost of licenses for 232 online science and technology journals and assured that none of the University of Minnesota print subscriptions to these journals would be dropped, thus assuring that non-participating libraries would continue to have access to articles through the traditional MINITEX document delivery service.

BUDGET ISSUES:

For the 2000-01 biennium, there are several issues regarding the appropriation for MINITEX services to academic and state government libraries.

- The number of document delivery requests is expected to increase with the implementation of the MnLINK system, the development of the Minnesota Virtual University, and the expansion of distance education.
- The implementation of MnLINK may lead to an increasing number of unnecessary requests to MINITEX since it will enable library patrons to search and request items from distant sites without the assistance of a professional librarian.
- There will be significant costs associated with MINITEX moving to and staffing the Minnesota Library Access Center (MLAC), scheduled to open in November/December 1999.
- As the availability of online journals and data bases continues to increase, there are far greater potential cost savings in joint licensing and purchasing agreements than existed when libraries bought materials individually.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: LIBRARIES AND TECHNOLOGY

Activity: MINITEX LIBRARY SYSTEM

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
OPERATING EXPENSES	5.200	5.585	5.964	5.964	7.419	6.389	5.964	7.359	6.314
SUBTOTAL STATE OPERATIONS	5.200	5.585	5.964	5.964	7.419	6.389	5.964	7.359	6.314
Total Expenditures	5.200	5.585	5.964	5.964	7.419	6.389	5.964	7.359	6.314
CHANGE ITEMS:									
(B) MINITEX					1.455	425		1.395	350
Total Change Items					1.455	425		1.395	350
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	2.108	2.608	2.608	2.608	4.063	3.033	2.608	4.003	2.958
STATUTORY APPROPRIATIONS:									
AGENCY	3.092	2.977	3.356	3.356	3.356	3.356	3.356	3.356	3.356
Total Financing	5.200	5.585	5.964	5.964	7.419	6.389	5.964	7.359	6.314
REVENUE COLLECTED:									
DEDICATED									
AGENCY	0	2.977	3.356	3.356	3.356	3.356	3.356	3.356	3.356
Total Revenues Collected	0	2.977	3.356	3.356	3.356	3.356	3.356	3.356	3.356

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: MINITEX Library Information Network

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$1,455	\$1,395	\$1,395	\$1,395
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial increase of \$775,000 for this program. This appropriation includes \$310,000 in F.Y. 2000 and \$205,000 in F.Y. 2001 for one-time moving expenses and staff to operate the new Library Access Center. \$115,000 in the first year and \$145,000 in the second year is for increased demand for MINITEX document delivery services. The Governor's recommendation does not include funding for electronic information resources or online tables of contents.

RATIONALE:

Document Delivery

The Services Office is proposing an increase of \$115,000 in F.Y. 2000 and \$160,000 in F.Y. 2001 to maintain the speed of document delivery service and to accommodate an expected increase in document requests. The number of requests from academic and state agency libraries increased 4.2% from F.Y. 1996 to F.Y. 1998. As MnLINK becomes operational during F.Y. 1999-2000, users will have

direct access to library collections statewide. Whenever direct access has been extended in similar projects, the number of interlibrary loan requests has grown dramatically. These funds would also cover price increases charged by courier services and the purchase of equipment and software for electronic delivery of materials to more libraries.

An additional increase of \$300,000 annually is requested to purchase online tables of contents for newly purchased academic books cataloged in MnLINK's System X. This investment should:

- Assist patrons in selecting materials;
- Increase the efficient use of MINITEX and other resource sharing services by minimizing the number of unnecessary document delivery requests; and
- Increase the value added by books purchased by Minnesota institutions.

Minnesota Library Access Center

The Minnesota Library Access Center (MLAC), which MINITEX will staff, is expected to open in November/December 1999. In addition to holding special collections of the University of Minnesota, MLAC will store important, but seldom-used materials from libraries across the state.

- The 1996 appropriation for the MLAC project was below less than the requested amount. One-time funding of \$164,000 for F.Y. 2000 is needed for furnishings, fixtures, equipment, and moving costs.
- Additional MINITEX staff is required to receive and process materials deposited there and to retrieve materials for all libraries. Staffing will be phased in as MLAC becomes operational. \$146,000 is needed for 4 FTE staff in F.Y. 2000 and \$205,000 for 6 FTE staff in F.Y. 2001.

Electronic Information Resources

The Office is proposing \$730,000 for each year of the biennium for licenses to online journals and periodicals. Funding is needed to maximize access to this growing resource while minimizing the cost to Minnesota and its libraries.

- "Bundled" licenses are available for a collections of journals rather than for one journal at a time.
- Price discounts may be negotiated for multiple libraries.
- Publishers are moving to online periodicals, but campuses frequently are prohibited from sharing these materials unless a multi-campus or statewide contract is in place.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: MINITEX Library Information Network
(Continuation)

FINANCING:

The proposed change request and the current base funding are for contracted services provided by MINITEX at the University of Minnesota. Neither the current base funding nor the change request affects HESO's full time equivalent complement.

OUTCOMES:

Document Delivery

- Anticipated 12,000 additional annual requests to MINITEX
- Increased electronic delivery of material
- More libraries with direct courier service
- Online tables of content for new books in MnLINK System X

Minnesota Library Access Center

- Implementation of Minnesota Library Access Center services to Minnesota libraries.
- Retrieval and delivery of items archived in MLAC.

Electronic Information Resources

- Expand statewide licenses and discounted prices for online resources available to academic and state government libraries.

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The 1997 Minnesota Legislature appropriated \$12 million to the Higher Education Services Office (HESO) for the implementation of the Minnesota Library Information Network (MnLINK), in cooperation with the Library Planning Task Force (LPTF).

The Library Planning Task Force, staffed by HESO and created by the 1994 Legislature to make recommendations about library and information services in the state, was given the charge to plan and recommend a design and implementation process for the new system. The 1996 Minnesota Legislature authorized the Higher Education Services Office (HESO) to coordinate the process for developing a statewide, online information system for libraries.

In 1997, the LPTF recommended an implementation time line, technical standards, a draft request for proposal, a governance structure, and a budget.

Implementation of MnLINK is being coordinated with the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), the Minnesota Education Telecommunications Council, the MINITEX Advisory Committee, the advisory council of the Office of Library Development and Services in the Department of Children Families and Learning, the Office of Technology, and the Department of Administration. Members from these bodies are represented on the LPTF.

STRATEGIES AND PERFORMANCE:

The MnLINK project includes the following:

- *System X*--an automated library information system for the University of Minnesota libraries; MnSCU, which includes libraries of all technical colleges, state universities, and community colleges; state government libraries; and some private colleges libraries, such as the Cooperating Libraries in Consortium (CLIC). It is expected to include 3 public library systems and at least one school system.
- A *Gateway* that provides links to the statewide system - *System X* - for other libraries using a different system for their local operations.

- Technical support for the planning and training at participating libraries to participate in either *System X* or the *Gateway*.

A request for proposals (RFP) was issued in 1998. Twelve vendors responding to the RFP were evaluated with the assistance of a vendor evaluation team and a number of functionally-focused working groups. Representatives of the University of Minnesota, MnSCU, state government, public, private college, and school libraries participated in the vendor selection and planning process. Two vendors, one for *System X* and one for the *Gateway*, were recommended by the LPTF. Further technical investigations are being conducted in preparation for contract negotiations. The goal is to have the *Gateway* in place early in 1999 and evaluation test sites for *System X* up before the end of 1999. A governance structure, operational budgets for both parts of MnLINK, and a funding formula for the integrated library system are among issues currently being discussed by the LPTF. The Task Force will recommend both a governance structure and a *System X* funding formula by the beginning of 1999.

FINANCING INFORMATION:

The implementation of MnLINK is funded through a one-time state appropriation of \$12 million.

BUDGET ISSUES:

The initial \$12 million appropriation is expected to cover MnLINK costs through the installation of the 2 systems and the training of staff in participating libraries. Once operational, *System X* will be funded by the participating libraries just as they have paid for their own automated library systems in the past. The *Gateway*, however, serves a broader public function as a statewide resource allowing Minnesota residents to access library and information at libraries throughout the state. State funds are needed for the ongoing coordination and operations of the *Gateway* because it will increase the operating costs of participating libraries, as well as the wear and tear on materials purchased with local funds.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: LIBRARIES AND TECHNOLOGY

Activity: MN LINK

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	37	81	95	0	0	0	0	0	0
OPERATING EXPENSES	98	316	11,628	0	497	450	0	497	450
SUBTOTAL STATE OPERATIONS	135	397	11,723	0	497	450	0	497	450
Total Expenditures	135	397	11,723	0	497	450	0	497	450
CHANGE ITEMS:									
(B) MN LINK					497	450		497	450
Total Change Items					497	450		497	450
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	0	0	11,663	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	135	337	0	0	497	450	0	497	450
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	0	60	60	0	0	0	0	0	0
Total Financing	135	397	11,723	0	497	450	0	497	450
REVENUE COLLECTED:									
DEDICATED									
SPECIAL REVENUE	0	60	60	0	0	0	0	0	0
Total Revenues Collected	0	60	60	0	0	0	0	0	0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: LIBRARIES AND TECHNOLOGY

Activity: MN LINK

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
FULL TIME	0.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
PART-TIME, SEASONAL, LABOR SER	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	0.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

F.Y. 2000-2001 Information Technology New Funding

AGENCY: HIGHER EDUCATION SVCS OFFICE

PROGRAM: LIBRARIES AND TECHNOLOGY

ACTIVITY: MN LINK

IT Change Item: MN LINK

ITEM DESCRIPTION AND PURPOSE:

The Minnesota Library Information Network (MnLINK) is being developed to enable Minnesota citizens to access library and other information resources from anywhere at anytime. The academic, public, K-12, state agency and other special libraries are primary participants in MnLINK. Every resident of Minnesota is a stakeholder.

MnLINK consists of two components:

- 1.) System X: a combined library automation system for all the University of Minnesota and MnSCU campuses, all state agency libraries, and a score or more of private colleges, public library systems, and K-12 school libraries.
- 2.) The Gateway: hardware and software that will enable a MnLINK user to simultaneously retrieve bibliographic records and other information from any System X library, all other public libraries in the state, and other selected databases.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	135	135	135	135	135	135
Hardware	3	3	3	3	3	3
Personnel	280	280	280	280	280	280
Services	0	0	0	0	0	0
Software	45	45	45	45	45	45
Supplies	34	34	34	34	34	34
Training	0	0	0	0	0	0
Total	497	497	497	497	497	497

RATIONALE:

The 1997 Legislature appropriated \$12,000,000 to MHESO for the purpose of working with the Library Planning Task Force to establish MnLINK. After an intensive selection process, contract negotiations are now occurring with vendors chosen for the Gateway and System X. MnLINK funding is sufficient to establish these services, but not to fund their continuing operations. System X operating costs will be supported and maintained financially by the libraries which are using its services. The Gateway, however, is a distinct operation whose services will be used by all Minnesotans and will leverage other public investments both in library materials and in resource sharing services such as MINITEX.

The MnLINK plan is to have the Gateway operational in the first half of 1999 and evaluation test sites for System X set up before the end of 1999. Both services will directly benefit people throughout Minnesota by vastly increasing their access to information resources, whether they live in St. Paul, St. Peter, St. Cloud or Blackduck. A user in one library will be able to request materials from nearly any other library in the state via simple electronic command.

State funds are needed to provide annual maintenance payments to the Gateway hardware and software vendors, to cover the software and hardware maintenance at the 20 Gateway Server Sites located throughout the state and the central operations site in Mankato, and to support 5.25 fulltime equivalent staff at Mankato.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X					
Operations	X	X	X	X	X	X
Modification						
Retirement						

F.Y. 2000-2001 Information Technology New Funding

AGENCY: HIGHER EDUCATION SVCS OFFICE
TITLE: MN Link
(Continuation)

OFFICE OF TECHNOLOGY ANALYSIS:

The Office is beginning to implement information resource management and is participating in several major technology collaborations.

OT Master Plan: Goal 2-Efficient and effective government, Goal 3-Easy and affordable access. This project would provide funds for operations, maintenance and coordination of the gateway portion of MNLINK after the implementation phase. Using the internet, the gateway system would allow a library user to search bibliographic materials, retrieve electronic databases and request material online throughout the State. Recommendation: Proceed. OT supports this project contingent on the establishment of a MnLINK governance structure and operations by January 1, 2000.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$450,000 in each year to support operating costs of the MnLINK Gateway. The Governor further recommends that MnLINK develop a formula that assesses participating Gateway sites for a portion of these costs.

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2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The Learning Network of Minnesota (LNM), is a technological highway to provide education programs and access to library resources through electronic means such as ITV (interactive television), Internet, and other types of technologies. The purpose of the network is to expand the availability of learning opportunities throughout the state and to improve access, quality and efficiency through the use of telecommunications and other instructional technologies.

The LNM is managed by the Minnesota Education Telecommunications Council (METC). Representatives of K-12 and post-secondary education, public libraries, state agencies, and legislative members serve on the METC. The METC oversees the distribution of grants to regional entities to ensure interoperability (different technologies and equipment on the same network) and efficiency of the network. HESO provides all staff support for the METC and serves as fiscal agent for the higher education portion of the network.

STRATEGIES AND PERFORMANCE:

The METC awards grants to the 6 higher education telecommunication regions, which maintain links among post-secondary institutions as well as public school districts and libraries. In addition, the council promotes interoperability (different technologies and equipment on the same network) and efficiency through its recommendations concerning technical standards and governance.

The METC's performance measures team is investigating ways to document use of the network. For the higher education portion, regional coordinators report annually on network use. In addition, HESO's report on performance measures for the higher education portion of the network will be completed in the fall of 1998.

FINANCING INFORMATION:

The higher education portion of the LNM is financed through state appropriations. A 10% match is required from the regions for ongoing operational costs and for planning and coordination of funds.

The K-12/Library portion of the LNM is also financed through state appropriations. No match is required of the regional clusters. The telecommunication access grants (TAG) are awarded by the METC and administered by the Department of Children, Families, and Learning.

For the higher education portion of the LNM, additional funds allocated for F. Y. 1998-99 have helped to modernize the network, keep up with the volatile and dynamic nature of technology, determine optimal technology, and to begin to look at ways to integrate the new technologies that combine data, voice and video into the current system.

Fiscal Years	Budget Category	Amount
1994	Initial Start-Up Funds	\$1.75 Million
1995/1996/ 1997	Operational Base & Administrative Costs	\$3.050 Million per year
1998	Operational Base & Administrative Costs Special Projects	\$3.426 Million (includes transferred funds from MnSCU) \$2.076 Million <ul style="list-style-type: none"> • \$1.0 Million for New Technology • \$.5 Million for Quality/ Capacity improvements (Non-Recurring) • \$.366 Million Inter/State/Regional Connections (Non-Recurring)
1999	Operational Base & Administrative Costs Special Projects	\$3.426 Million \$1.866 Million <ul style="list-style-type: none"> • \$1.0 Million for New Technology • \$.5 Million for Quality/ Capacity improvements (Non-Recurring) • \$.366 Million Inter/State/Regional Connections (Non-Recurring)

BUDGET ISSUES:

Issues of interoperability, cost-effectiveness, and duplication affect costs. Due to price increases and expiring leases, current base funding will not support the network. In addition to increases in the base budget to support the current infrastructure, the network needs modernization funds to continually upgrade the system. The Services Office is requesting an additional \$2.677 million each year of the biennium to address these costs. The METC is looking for ways to leverage the resources from several networks to achieve greater cost efficiencies and to reduce duplication.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: LIBRARIES AND TECHNOLOGY

Activity: LEARNING NETWORK OF MINN

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	61	55	59	62	62	62	63	63	63
OPERATING EXPENSES	17	23	41	41	41	41	41	41	41
SUBTOTAL STATE OPERATIONS	78	78	100	103	103	103	104	104	104
LOCAL ASSISTANCE	3,374	3,219	7,395	4,325	7,002	5,075	4,325	7,002	5,075
Total Expenditures	3,452	3,297	7,495	4,428	7,105	5,178	4,429	7,106	5,179
CHANGE ITEMS:									
(B) LEARNING NETWORK OF MINNESOTA	<u>FUND</u> GEN				2,677	750		2,677	750
Total Change Items					2,677	750		2,677	750
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	402	0	2,203	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	3,050	3,297	5,292	4,428	7,105	5,178	4,429	7,106	5,179
Total Financing	3,452	3,297	7,495	4,428	7,105	5,178	4,429	7,106	5,179
FTE BY EMPLOYMENT TYPE:									
FULL TIME	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Full-Time Equivalent	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

F.Y. 2000-2001 Information Technology New Funding

AGENCY: HIGHER EDUCATION SVCS OFFICE

PROGRAM: LIBRARIES AND TECHNOLOGY

ACTIVITY: LEARNING NETWORK OF MINN

IT Change Item: LEARNING NETWORK OF MINNESOTA

ITEM DESCRIPTION AND PURPOSE:

The Learning Network of Minnesota, is a technological highway to provide education programs and access to library resources through interactive television, the Internet, and other technologies. The 1993 legislation states the purpose of the Network is to expand the availability of learning opportunities throughout the state; and to improve access, quality and efficiency by enhancing and expanding the use of telecommunications and other instructional technologies.

The change item represents an additional appropriation of \$2.677 million each year of the biennium to the Minnesota Education Telecommunications Council (METC) for grants to address the infrastructure and modernization needs of the higher education portion of the Network.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	2,677	2,677	2,677	2,677	2,677	2,677
Hardware	0	0	0	0	0	0
Personnel	0	0	0	0	0	0
Services	0	0	0	0	0	0
Software	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Training	0	0	0	0	0	0
Total	2,677	2,677	2,677	2,677	2,677	2,677

The change item of \$2.677 million includes the following budget items:
 - \$1 million in recent and projected increased costs and rate increases,
 - \$.5 million in maintenance costs, and
 - \$1.177 million in modernization (new technology) funds.

The change item of \$2.677 million is part of a total request that includes \$7 million per year in grants to six higher education telecommunications regions to pay for Network infrastructure and modernization costs. Both infrastructure and modernization costs involve ongoing expenses.

RATIONALE:

The METC awards grants to six higher education telecommunication regions, which maintain links among post-secondary institutions, and to public school districts and libraries. In addition, the Council promotes interoperability and efficiency through its recommendations on technical standards and governance.

This request was developed through cost analyses of the following budget issues facing the higher education portion of the Learning Network:

1. The state's telecommunications rates have increased. The existing Network cannot operate at the current funding level without damaging its overall effectiveness.
2. As long-term leases expire, they are replaced by agreements offering more current technologies. For example, analog services and equipment are being replaced with digital technologies.
3. Some sections of the Network receive heavy use during peak hours, and additional capacity is required to satisfy user needs. If this capacity is not available, the current level of networking cannot be sustained and part of the infrastructure would have to be curtailed.
4. To accommodate user expectations and take advantage of new educational applications, it is essential to upgrade the Network on a continuous basis by adopting new technologies. Outdated equipment and software create problems in operating the Network efficiently and in meeting user requirements.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: HIGHER EDUCATION SVCS OFFICE
TITLE: Learning Network of Minnesota
 (Continuation)

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development						
Operations	X	X	X	X	X	X
Modification						
Retirement						

OFFICE OF TECHNOLOGY ANALYSIS:

OT Master Plan: Goal 2-Efficient and effective government, Goal 3-Easy and affordable access. This project would provide grants through the Minnesota Education Telecommunications Council (METC) for infrastructure and modernization of the higher education portion of the network. Recommendation: Continue to address OT requirements. OT supports funding if there is continued commitment at all levels of education to work together as a community. OT encourages the METC to continue its efforts to work with the U of M and MnSCU to move forward on developing a plan for the Learning Network of MN II.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$1,500,000 over the biennium for grants to regional telecommunication networks. This recommendation provides 75% of the amount requested for actual and projected telecommunication lease costs. The Governor believes that network users should also contribute to increased lease costs and encourages the Minnesota Education Telecommunications Council (METC) to consider increasing the local match above the historical rate of 10%.

2000-01 Biennial Budget

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

PROGRAM PROFILE:

Agency Administration provides leadership, direction, and supervision of the Higher Education Services Office, works with and provides recommendations and administrative support to the Higher Education Services Council; and supports the agency's divisions and programs with fiscal services, human resources, office services, administrative services, data processing, and information management services.

In addition, the scope of its management services also involves service to outside customers including: the governor and legislature, other governmental agencies and appropriate congressional offices, the post-secondary education community, K-12 entities, students, communities of color, the general public, and the media. Moreover, agency administration dedicates staff and fiscal resources toward addressing primary agency issues and strategies relating to student access to post-secondary education, focusing on the importance of financial assistance as well as information relating to educational programs and opportunities. The agency's use of technology to provide access to program information and instructional opportunities is key to the efforts of agency administration.

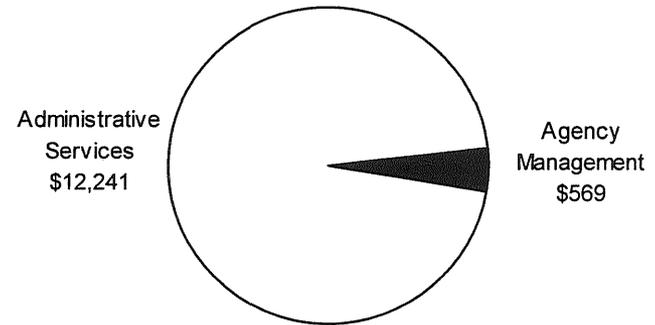
This program is an essential element in ensuring the agency's effectiveness in achieving its mission.

STRATEGIES AND PERFORMANCE:

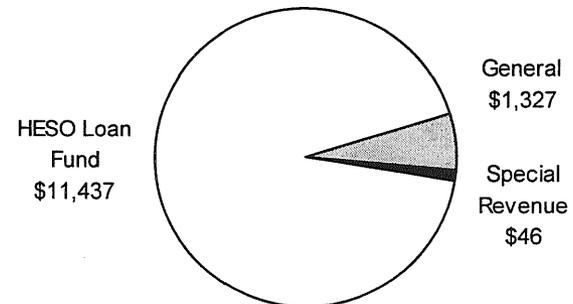
This program activity provides overall administrative support for HESO and fulfillment of its agency responsibilities. The activities provided under this program ensure fiscal integrity, and efficient and effective use of resources through the use of continued process improvement methodologies including measurements and analysis.

FINANCING INFORMATION:

F.Y. 1999 Est. Expenditures by Activity
(Dollars in 000's)



F.Y. 1999 Est. Financing by Fund
(Dollars in 000's)



BUDGET ISSUES:

The HESO will continue to closely monitor its resources to ensure the most cost effective use of its base level funding. However, to ensure that the agency information infrastructure remains technologically efficient, the HESO is requesting an additional \$47,000 each year of the 2000-01 biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: AGENCY & LOAN ADMINISTRATION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY ACTIVITY:									
AGENCY MANAGEMENT	473	544	569	580	622	580	597	639	597
ADMINISTRATIVE SERVICES	6.331	1.305	12.241	12.019	12.066	12.056	12.059	12.106	12.096
Total Expenditures	6.804	1.849	12.810	12.599	12.688	12.636	12.656	12.745	12.693

CHANGE ITEMS:	FUND								
(B) HESO TECHNOLOGY	GEN				47	37		47	37
(B) MN MINORITY EDUCATION PARTNERSHIP	GEN				42			42	
Total Change Items					89	37		89	37

FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	0	0	268	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	942	962	1,059	1,110	1,199	1,147	1,159	1,248	1,196
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	20	25	46	46	46	46	46	46	46
HIGHER EDUCATION SERV OFFICE LOAN FUND	5.842	862	11.437	11.443	11.443	11.443	11.451	11.451	11.451
Total Financing	6.804	1.849	12.810	12.599	12.688	12.636	12.656	12.745	12.693

FTE BY EMPLOYMENT TYPE:									
FULL TIME	22.3	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Total Full-Time Equivalent	22.3	22.6							

2000-01 Biennial Budget

FINANCING INFORMATION:

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

ACTIVITY PROFILE:

The Agency Management Activity includes the Agency Director's Office (2 FTE), which provides overall leadership, direction, and supervision to 63.7 full time equivalent staff; guides activities of the agency; manages an overall budget of \$226 million; and serves the 9-member Higher Education Services Council. The Council appoints the Director of the Services Office, provides advice and review regarding the performance of the Services Office, and communicates with and makes recommendations to the governor and legislature.

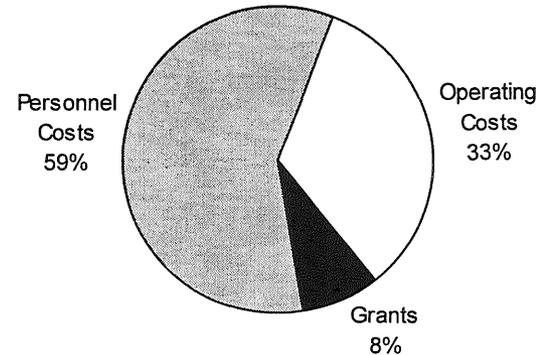
This activity also includes the Communications and Legislative Services Division (13.5 FTE, of which 10.5 FTE handle community outreach responsibilities), which is responsible for development and fulfillment of the agency communication plan, the agency's community out-reach activities, and all activities related to legislative relations and interactions.

STRATEGIES AND PERFORMANCE:

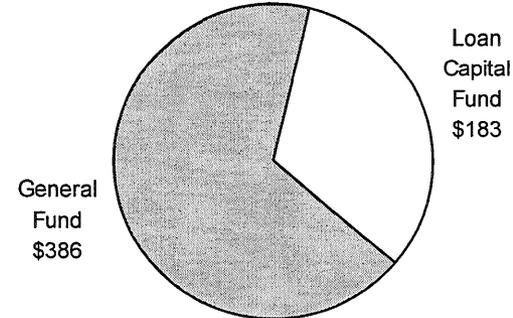
The responsibilities of this Agency Management Activity include:

- Developing and accomplishing the agency's work plan;
- Identifying agency priorities; and
- Communicating the results of agency and council actions and policies to the governor, legislature, and public.

**F.Y. 1999 Est. Expenditures
by Category**



**F.Y. 1999 Est. Financing by Fund
Dollars in Thousands**



BUDGET ISSUES:

HESO anticipates that base level funding is adequate for this budget activity through the 2000-01 biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE

Program: AGENCY & LOAN ADMINISTRATION

Activity: AGENCY MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	295	320	335	340	340	340	349	349	349
OPERATING EXPENSES	130	176	186	192	192	192	200	200	200
SUBTOTAL STATE OPERATIONS	425	496	521	532	532	532	549	549	549
LOCAL ASSISTANCE	48	48	48	48	90	48	48	90	48
Total Expenditures	473	544	569	580	622	580	597	639	597
CHANGE ITEMS:									
(B) MN MINORITY EDUCATION PARTNERSHIP	<u>FUND</u> GEN				42			42	
Total Change Items					42			42	
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	330	375	386	397	439	397	412	454	412
STATUTORY APPROPRIATIONS:									
HIGHER EDUCATION SERV OFFICE LOAN FUND	143	169	183	183	183	183	185	185	185
Total Financing	473	544	569	580	622	580	597	639	597
FTE BY EMPLOYMENT TYPE:									
FULL TIME	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Full-Time Equivalent	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Minnesota Minority Education Partnership

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$42	\$42	\$42	\$42
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends base level appropriations for this grant activity. The Governor does not believe state government should increase its appropriation to the Partnership. Instead, MMEP should ask its institutional partners--the colleges and universities--as well as private sector donors to fund the proposed program improvements they think have value.

RATIONALE:

The Minnesota Minority Education Partnership (MMEP), founded in 1987, is a nonprofit collaborative with the purpose of increasing the success of Minnesota students of color in the state's schools, colleges and universities. MMEP is unique in that it is the only formal collaborative in the state that brings public and private, K-12, and higher education entities together into partnership with community organizations in minority communities for the purpose of addressing unique issues facing students of color.

The context within which this budget request exists is an acute one. Minnesota's student demographics are changing dramatically, driven by the growth of students of color. In 1997, 20% of all Twin Cities students were from minority communities, up from less than 15% just 7 years earlier. That represents growth from 46,000 to 77,000 students, a gain of 67%. No other demographic group is witnessing this type of accelerated growth. Within the next 10 years, Minnesota's high school graduation rates will be driven predominantly by students of color. This historic change has deep implications for Minnesota, including the viability of the state's economy, if we are not successful with this new student base.

FINANCING:

Currently, the state contributes \$48,000 per year to this collaborative effort. New state funds are needed because the work of the Partnership has doubled since MMEP began its mission a decade ago with the same level of state investment that it receives currently.

MMEP's current budget of \$475,000 is supported by fees paid by the partners (including the current state appropriation), grants from private foundations, and individual members. The budget does not include the full value of in-kind services provided by some of the members, notably Augsburg College. Expenses are expected to rise as efforts are broadened to provide information to new racial, ethnic, linguistic and geographic communities of color. State funds support both general operating and program work and will leverage, as in the past, private sources of funding.

OUTCOMES:

The goal of the state's increased funding to the MMEP is to increase the educational success of students of color by providing them with improved information and resources, such as the summer enrichment guide for students of color; to increase community awareness about issues affecting students of color; and to improve data collection in order to more efficiently and effectively use resources to serve such students and contribute to their educational success. The statewide public good that taxpayers can expect from the increased state investment is greater citizen access to information, training, targeted initiatives and participation in communities of color to help minority students succeed. Currently, MMEP works to accomplish this through a variety of collaborative projects ranging from Parent/Teacher training to distributing information about academic enrichment programs through events and printed materials.

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

This activity provides administrative support services in information and technology, financial management, and office and human resources to assist all agency managers in the effective implementation and efficient administration of their programs.

STRATEGIES AND PERFORMANCE:

The Administrative Services activity includes 3 work units within the Higher Education Services Office.

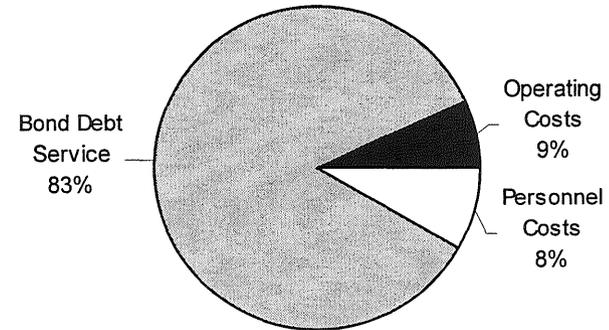
- The Financial Services unit provides services including: accounting, auditing, budgeting, fiscal oversight for agency contracts, financial analysis and reporting, agency administrative policies and procedures, purchasing, travel management, disbursement and receipt of funds administered by the agency, administration of the repayment process for several loan programs, and collection functions for state grant overpayments.
- The Human Resources and Agency Services unit provides services including: all aspects of human resource functions such as hiring, retention, termination, training, employee orientation, and policies and procedures relating to human resource issues; ensuring compliance with affirmative action regulations and efforts relating to the Americans with Disabilities (ADA) Act; provision of agency receptionist duties; fiscal note preparation; agency rule making process; management of agency biennial budget narrative; creation/oversight of contracting process to ensure compliance with state contract regulations and requirements; and application of quality improvement methodology to all services provided by the Office.
- The Information and Technology Services unit provides services including: analysis, design, programming, maintenance, operation, and staff training for application systems; analysis, design, and programming for statistical analysis; research database administration; interfacing with hardware, software, and

service vendors; maintenance of and technical support for minicomputers, personal computers, and communications network; daily computer operations; maintenance, training, and technical support for minicomputer, personal computer, and network office support systems.

FINANCING INFORMATION:

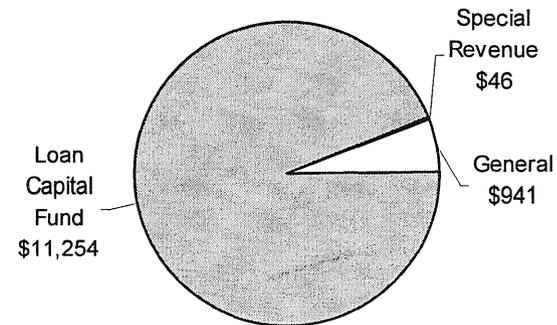
F.Y. 1999 Est. Expenditures by Category

Total \$12,241,000



Financing by Fund

Dollars in Thousands



2000-01 Biennial Budget

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

BUDGET ISSUES:

This activity manages the collection and repayment process for the Minnesota Medical and Osteopathy, Optometry and Osteopathy, and Graduated Repayment Income Protection programs as well as the federal Paul Douglas Teacher Scholarship Program. Recipient tracking and collection activities have become a major part of the administrative process.

During F.Y. 1999, the agency was required to move from a state-owned building, which was determined to be unhealthy, into a privately-owned office building. This move increased lease costs for the 2000-01 biennium, which have been recognized in base adjustments to the agency's operating budget. There may be unanticipated agency costs related to this move, but none have been identified for the 2000-01 biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE
Program: AGENCY & LOAN ADMINISTRATION
Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	813	861	973	995	995	995	1,012	1,012	1,012
OPERATING EXPENSES	485	340	1,068	824	871	861	847	894	884
OTHER EXPENSES	5,033	104	10,200	10,200	10,200	10,200	10,200	10,200	10,200
SUBTOTAL STATE OPERATIONS	6,331	1,305	12,241	12,019	12,066	12,056	12,059	12,106	12,096
Total Expenditures	6,331	1,305	12,241	12,019	12,066	12,056	12,059	12,106	12,096
CHANGE ITEMS:									
(B) HESO TECHNOLOGY					47	37		47	37
Total Change Items					47	37		47	37
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	0	0	268	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	612	587	673	713	760	750	747	794	784
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	20	25	46	46	46	46	46	46	46
HIGHER EDUCATION SERV OFFICE LOAN FUND	5,699	693	11,254	11,260	11,260	11,260	11,266	11,266	11,266
Total Financing	6,331	1,305	12,241	12,019	12,066	12,056	12,059	12,106	12,096
REVENUE COLLECTED:									
DEDICATED									
SPECIAL REVENUE	0	36	50	53	53	53	53	53	53
Total Revenues Collected	0	36	50	53	53	53	53	53	53

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER EDUCATION SVCS OFFICE
 Program: AGENCY & LOAN ADMINISTRATION
 Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	17.3	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6
Total Full-Time Equivalent	17.3	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6

F.Y. 2000-2001 Information Technology New Funding

AGENCY: HIGHER EDUCATION SVCS OFFICE

PROGRAM: AGENCY & LOAN ADMINISTRATION

ACTIVITY: ADMINISTRATIVE SERVICES

IT Change Item: HESO TECHNOLOGY

ITEM DESCRIPTION AND PURPOSE:

Funding is requested to allow the Higher Education Services Office to maintain an up to date technological infrastructure by regularly replacing computers, printers, and network components on a predetermined schedule.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	37	37	37	37	37	37
Personnel	0	0	0	0	0	0
Services	0	0	0	0	0	0
Software	5	5	5	5	5	5
Supplies	0	0	0	0	0	0
Training	5	5	5	5	5	5
Total	47	47	47	47	47	47

The Higher Education Services Office currently allocates \$23,000 a year of its base budget for the replacement of desktop and laptop computers. This allows the agency's personal computers to be replaced on a five year cycle. The \$47,000 in new funding would allow the agency's personal computers to be replaced on a three year cycle. Secondly, it would permit the replacement, or upgrade, of the agency's minicomputer, network, and printers on a predetermined schedule based on manufacturers suggested guidelines. Finally, it would allow the agency to upgrade bandwidth for its web activities.

RATIONALE:

The purpose of this request is to enable the agency to keep its technological infrastructure current and to improve its capacity to provide interactive services to its customers via the web. Staying current with evolving standards and taking advantage of new information technologies will require the Office to routinely modify and upgrade its technological infrastructure. Current base funding is insufficient to support this technology request. The internal and external customers of the agency will benefit from the effectiveness and efficiencies gained through the use of these technologies.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development						
Operations	X	X	X	X	X	X
Modification						
Retirement	X	X	X	X	X	X

OFFICE OF TECHNOLOGY ANALYSIS:

The Office is beginning to implement information resource management and is participating in several major technology collaborations.

OT Master Plan: Goal 2-Efficient and effective government. This project would enable the agency to upgrade hardware and software on a predetermined schedule. Recommendation: Proceed. OT supports this project.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$37,000 in each year for this initiative and that HESO cover the remaining balance through reallocation.

2000-01 Biennial Budget
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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Minnesota State Colleges and Universities (MnSCU)

AGENCY MISSION AND VISION:

The mission of Minnesota State Colleges and Universities is outlined in Minnesota Statutes 135A.052:

- The technical colleges shall offer vocational training and education to prepare students for skilled occupations that do not require a baccalaureate degree;
- The community colleges shall offer lower division instruction in academic programs, occupational programs in which all credits earned will be accepted for transfer to a baccalaureate degree in the same field of study, and remedial studies, for students transferring to baccalaureate institutions and for those seeking associate degrees;
- The state universities shall offer undergraduate and graduate instruction through the master's degree, including specialist certificates, in the liberal arts and sciences and professional education.

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

KEY SERVICE STRATEGIES:

Minnesota State Colleges and Universities is the largest single provider of higher education in the state of Minnesota. The system consists of 36 public colleges and universities in 43 communities throughout Minnesota and one campus in Akita, Japan. (See figures 1a and 1b). Together, these institutions offer more than 3,500 degree programs and produce 30,000 graduates annually, including the largest share of the state's new teachers, accountants, police officers, nurses, computer professionals, business people, firefighters, technicians, tradespeople and others from a broad range of disciplines.

Eighty to 90% of MnSCU graduates stay in Minnesota.

Teaching and learning is the core service strategy for Minnesota State Colleges and Universities. The colleges and universities serve 230,000 students in for-credit courses, 100,000 students and 3,200 businesses through customized training, and 100,000 students in non-credit continuing education programs.

An investment in Minnesota State Colleges and Universities is an investment in the state's economic infrastructure. A recent study by Anton & Associates found that for every \$1 the state invests in a Minnesota State College or University there is an impact on the state's economy of \$5.75.

OPERATING ENVIRONMENT:

The Minnesota State College and University system is affected by a number of changing economic, demographic and social trends. These trends include:

- **A rapidly changing economy.** In the 1990s, Minnesota added 49,000 jobs a year, compared to 26,000 jobs added each year in the 1980s. Between now and 2005, 271,000 more jobs will be created and another 444,000 jobs will come open as Minnesotans retire or move away.
- **A critical shortage of skilled labor.** Dun and Bradstreet recently found that 56% of Minnesota's companies cannot find an adequate number of skilled workers. Minnesota education institutions must broaden the continuum of students they serve to fill the state's labor market needs.
- **Changing demographics.** Institutions will need to serve a growing number of economically and racially diverse students while maintaining access to higher education to students in all areas of the state, including regions experiencing declining populations.
- **Financial uncertainty.** Although state funding for MnSCU has risen only slightly behind inflation over the past decade, recurring funds lag significantly. Over the last 4 years, 88% of state funding growth has occurred as non-recurring appropriations, making long term planning and change difficult.
- **Increasingly competitive environment.** Higher education is a mature industry, facing tremendous opportunities and threats from economic and technological changes. New forums and formats for providing education are quickly emerging, requiring traditional organizations to invest heavily in redefining their structures.

**2000-01 Biennial Budget
Agency Executive Summary**

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

ORGANIZATION/PROGRAM STRUCTURE:

MnSCU's system is governed by a 15-member Board of Trustees. The Board of Trustees provides policy guidance and leadership for the colleges and universities in the system; hires the system chancellor and the presidents of each of the state colleges and universities; and adopts budgets for all campuses.

The colleges and universities operate autonomously, with policy oversight by the Board of Trustees and management oversight by the Chancellor and system office. Each institution has a president, who is responsible for the overall operation of the college or university. College and university presidents play an active role in advising the Board of Trustees and the Chancellor through the Council of Presidents (made up of all 36 presidents) and the Presidential Advisory Committee or PAC, a representative group of 14 presidents. Figure 2 illustrates MnSCU's organizational structure.

MnSCU has a General Fund operating budget of \$842 million in F.Y. 1999. Of this amount, \$548 million is from direct appropriations, \$245 million is expected to be collected in tuition, and \$49 million is expected from other revenue sources.

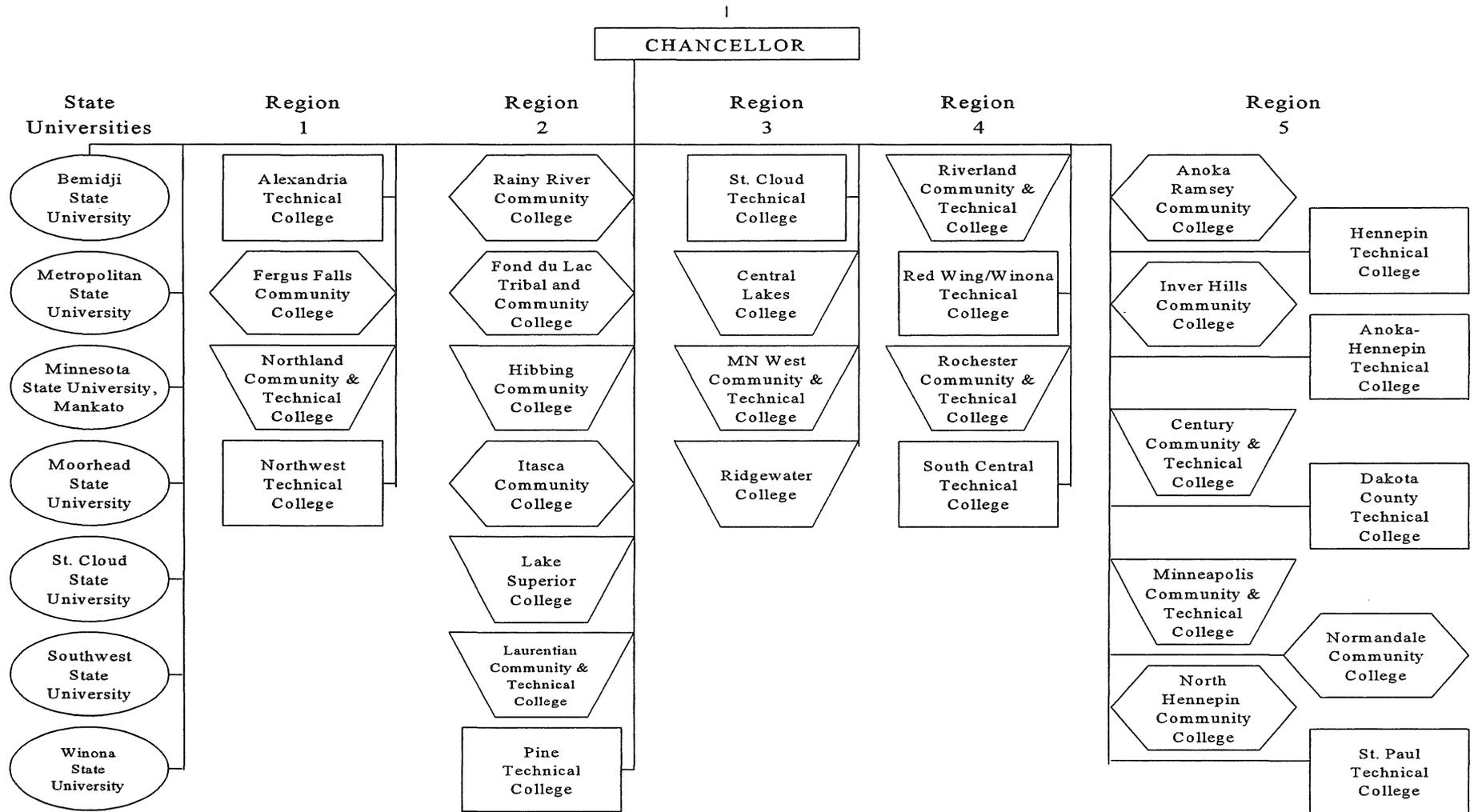
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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Minnesota State Colleges and Universities
(Continuation)

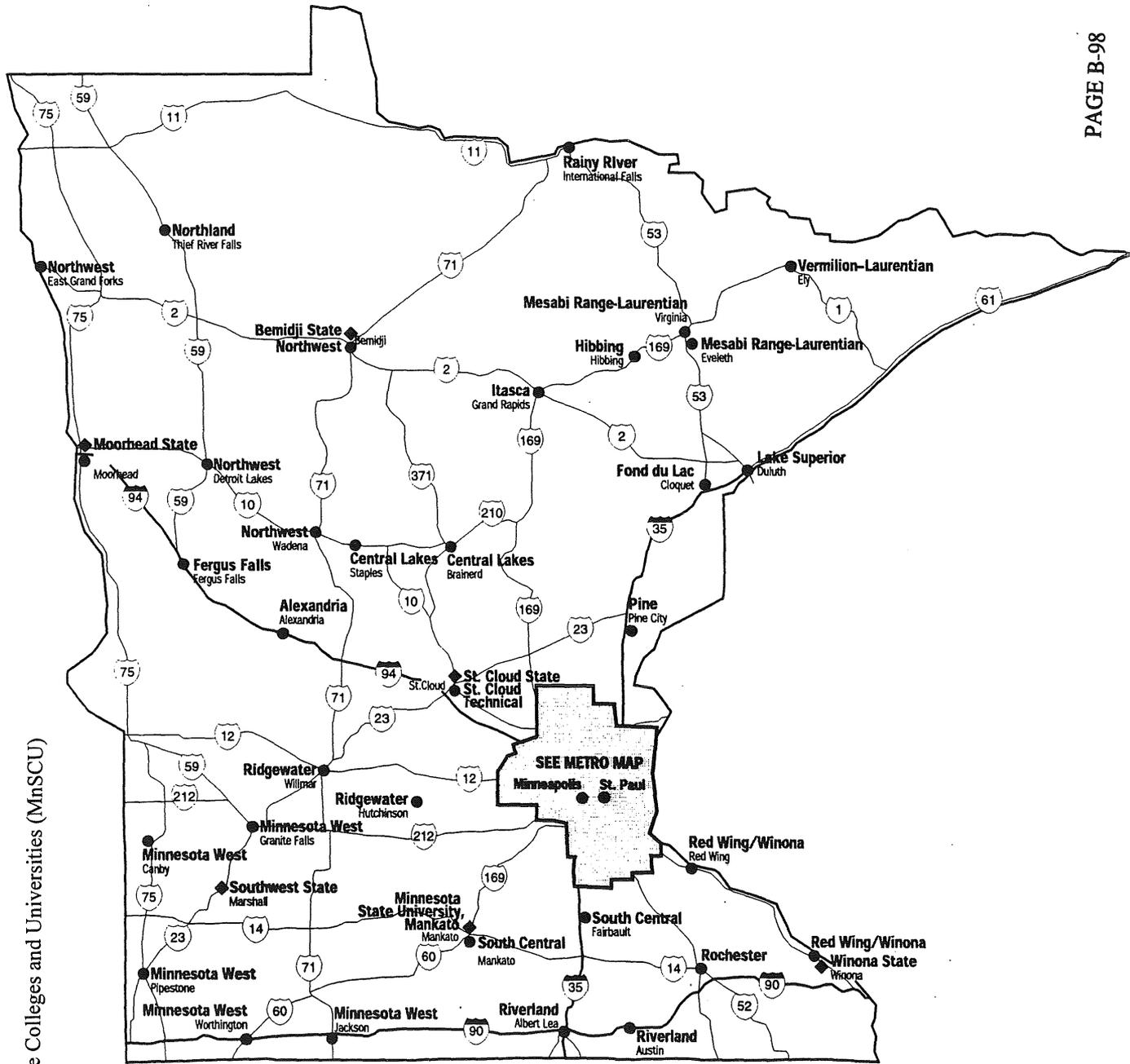
Figure 2

BOARD OF TRUSTEES



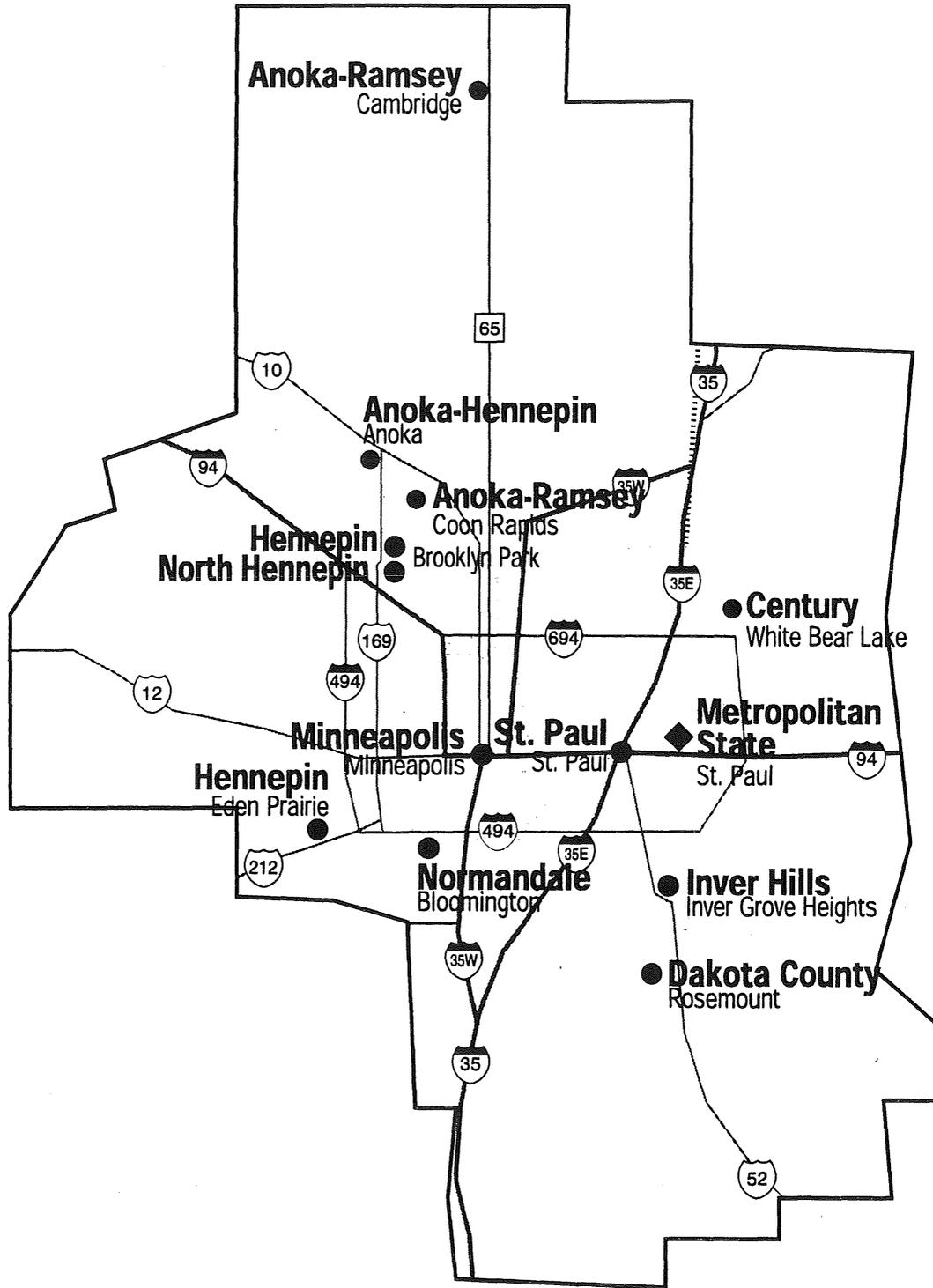
2000-01 Biennial Budget
Agency Executive Summary

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



2000-01 Biennial Budget
Agency Executive Summary

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



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE COLLEGES & UNIVERSITIES

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY PROGRAM:									
MN ST COLL & UNIV OPERATIONS	835.030	862.568	947.682	895.574	1,005.024	948.980	918.167	1,039.317	986.074
FISCAL AGENT-STATE CNCL VOC ED	206	235	203	0	0	0	0	0	0
Total Expenditures	835.236	862.803	947.885	895.574	1,005.024	948.980	918.167	1,039.317	986.074

FINANCING BY FUND:									
CARRY FORWARD:									
ENVIRONMENT & NATURAL RESOURCE	0	0	265	0	0	0	0	0	0
GENERAL	26	2,842	919	0	0	0	0	0	0
SPECIAL REVENUE	127	28	0	0	0	0	0	0	0
FEDERAL	439	43	1,125	0	0	0	0	0	0
ENDOWMENT	4	0	109	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
ENVIRONMENT & NATURAL RESOURCE	0	50	0	0	0	0	0	0	0
GENERAL	463.906	499.642	548.182	497.421	606.871	550.827	514.414	635.564	582.321
STATUTORY APPROPRIATIONS:									
GENERAL	299.322	295.219	323.150	330.470	330.470	330.470	336.070	336.070	336.070
SPECIAL REVENUE	4.260	4.906	4.957	4.957	4.957	4.957	4.957	4.957	4.957
FEDERAL	32.960	37.943	38.636	37.912	37.912	37.912	37.912	37.912	37.912
AGENCY	26.782	13.640	15.440	13.963	13.963	13.963	13.963	13.963	13.963
GIFT	7.406	7.335	11.952	8.617	8.617	8.617	8.617	8.617	8.617
SUB SUPPLEMENTAL & IRA RETIRE	0	1,150	2,982	2,066	2,066	2,066	2,066	2,066	2,066
MNSCU ENTERPRISE ACTIVITIES	0	0	160	160	160	160	160	160	160
ENDOWMENT	4	5	8	8	8	8	8	8	8
Total Financing	835.236	862.803	947.885	895.574	1,005.024	948.980	918.167	1,039.317	986.074

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

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

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$550,154	\$550,154	\$1,100,308
<u>BASE ADJUSTMENT</u>			
Uniform Pension Bill Reduction	(2,036)	(2,036)	(4,072)
Salary Supplement Part-Time Employees	136	152	288
Statewide Administration Systems	656	656	1,312
One-Time Appropriations	(30,281)	(30,288)	(60,569)
Enrollment Formula Adjustment	(21,208)	(4,224)	(25,432)
Debt Service-Pre '79/Local TC	(6)	(13)	(19)
<u>BASE LEVEL (for 2000 and 2001)</u>	\$497,421	\$514,414	\$1,011,835
<u>CHANGE ITEMS</u>			
Student Success	20,600	31,500	52,100
Technology	23,600	16,600	40,200
Economic Development	23,000	23,200	46,200
Institutional Competitiveness	28,450	60,550	89,000
Enrollment Relief	21,200	4,300	25,500
Tuition Plan	(7,400)	(15,000)	(22,400)
AGENCY REQUEST	\$606,871	\$635,564	\$1,242,435
<u>GOVERNOR'S RECOMMENDATION</u>			
Student Success	10,890	19,260	30,150
Technology	2,950	1,750	4,700
Economic Development	4,000	4,000	8,000
Institutional Competitiveness	20,310	39,225	59,535
Enrollment Relief	15,808	4,224	20,032
Sunset: State Council on Voc Ed	(99)	(99)	(198)
Sunset: Firefighter Tuition Discount	(318)	(318)	(636)
Reduction: SW Asian Vets Tuition Assistance	(135)	(135)	(270)
Total	\$550,827	\$582,321	\$1,133,148

Brief Explanation of Budget Decisions:

The Minnesota State Colleges and Universities' budget request is designed to enhance the capacity of the system's 36 institutions to provide high-quality, flexible and accessible educational opportunities to Minnesotans.

Base Adjustments. MnSCU's current spending levels will be reduced 9.7% in F.Y. 2000 and 6.6% in F.Y. 2001. Adjustments to Minnesota State Colleges and Universities base level funding include:

- A \$4 million estimated reduction in the employer's contribution for the Teachers Retirement Association members and the Minnesota State Retirement Association members.
- A \$60.5 million reduction for non-recurring appropriations.
- A \$25 million reduction in base funding for actual and projected enrollment declines.

Change Items. MnSCU is requesting funds in 5 categories: \$52.1 million to improve student success; \$40.2 million for technology; \$46.2 million for economic development; \$89.0 million for institutional competitiveness; and \$25.5 million for enrollment relief.

MnSCU's most significant need is for stable state funding. This system of 36 diverse institutions needs a strong funding foundation in order to maintain quality programs, recruit and retain quality faculty and better serve students. Like state agencies, state colleges and universities need the ability to plan for the future.

MnSCU is requesting one-time funding of \$25.5 million to offset funding reductions due to an anticipated enrollment drop in F.Y. 1999. The fall 1998 enrollment drop is believed to be temporary, resulting from several factors, including the legislatively-mandated conversion to semesters, an earlier universal school start date and a robust economy.

**2000-01 Biennial Budget
Agency Budget Brief**

Agency: Minnesota State Colleges and Universities
(Continuation)

Fund: General

Other critical components of this request would improve student retention, provide for the continuous improvement of programs and courses, strengthen the system's technological capacity, respond to the needs of the state's employers and workers and enable institutions to recruit and retain a qualified workforce.

MnSCU's budget assumes a tuition revenue increase of 3% in each year. This assumption is for planning purposes only and represents a proportional share of inflationary expenditures. Please note that the MnSCU Board of Trustees approves each institution's tuition recommendations. Institutions may choose to recommend a higher or lower rate of increase depending upon unique regional circumstances. The actual rate increase for any individual student may be more or less than the average rate. Institutions that recommend higher tuition levels may keep the additional resources to improve academic programs and services.

Other Budget Issues. MnSCU is requesting the review of the current state grant program. Despite the program's overall generosity and scope, students may not be receiving the level of funding necessary for them to overcome significant financial barriers. Many of these students attend college on a part-time basis or are independent students. Assuring adequate financial support for these students is of particular concern to MnSCU because they constitute a substantial percentage of its student population.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends a biennial appropriation increase of \$121,313,000 for the Minnesota State Colleges and Universities (MnSCU) system. This recommendation provides an increase of \$53,406,000 in the first year and \$67,907,000 in the second year to cover compensation cost increases for all MnSCU employees; improve faculty salaries; enhance academic advising and disabled student services; increase funding for facilities maintenance and repair; continue MnSCU's efforts to provide training for business and industry; improve MnSCU's technology infrastructure; and to temporarily suspend funding formula budget reductions due to F.Y. 1999 enrollment declines.

**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Minnesota State Colleges and Universities (MnSCU)

REVENUE SOURCES:

MnSCU generates revenue from dedicated sources such as tuition, student fees and state and federal grants. The majority of revenue is generated through tuition from credit-based instruction. MnSCU generates approximately \$40 million per year in revenue from student course fees and student life, health, parking and application fees. Nearly \$67 million is received from other sources, including the federal government, state agencies, local governmental agencies, and private organizations.

FEE STRUCTURE:

During the current year (F. Y. 1999), the Board of Trustees approved individual institutions' per credit tuition rate increases ranging from 0-5%. On average, Minnesota State Colleges and Universities' per credit tuition rates increased by 2.9%.

The Board of Trustees also adopted a new fee policy which outlines mandatory and optional fees and the maximum amount an institution may charge.

RECENT CHANGES:

The Board of Trustees allows colleges and universities the option to consider alternative tuition approaches (i.e., program/course specific, credit banding, etc.). The Board requires that any tuition increase be supported by a plan which provides: 1) a description of the process used in determining a tuition increase; 2) a rationale for the tuition increase; 3) an explanation of how additional revenue will be expended; and 4) documentation of student involvement in the process.

In addition, the new fee policy approved by the Board of Trustees eliminated the course and lab supply fees. Because of this change in the fee structure, the Board of Trustees allowed institutions to merge the financial impact of course and lab fees into overall tuition charges or to charge differential tuition for programs and courses that had previously charged fees.

FORECAST BASIS:

Using Department of Finance guidelines, the attached revenue forecast assumes no tuition rate increases but has been adjusted for changes in revenue that result from projected changes in enrollment. Using this approach, MnSCU projects tuition revenues of \$236 million in F.Y. 2000 and \$243 million in F.Y. 2001. Other revenues assume no change.

MnSCU's biennial request assumes a 3% annual increase in tuition rates to reflect a commitment from students to help fund the request.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE COLLEGES & UNIVERSITIES

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
DEDICATED RECEIPTS:									
GRANTS:									
GENERAL	7,751	8,459	8,459	8,459	8,459	8,459	8,459	0	.0%
SPECIAL REVENUE	3,870	4,849	4,849	4,849	4,849	4,849	4,849	0	.0%
FEDERAL	33,063	37,840	37,809	37,809	37,809	37,809	37,809	(31)	.0%
AGENCY	292	155	155	155	155	155	155	0	.0%
GIFT	7,361	8,280	8,280	8,280	8,280	8,280	8,280	0	.0%
OTHER REVENUES:									
GENERAL	294,342	309,995	304,965	312,285	312,285	317,885	317,885	15,210	2.5%
SPECIAL REVENUE	389	59	108	108	108	108	108	49	29.3%
FEDERAL	285	103	103	103	103	103	103	0	.0%
AGENCY	31	16	16	16	16	16	16	0	.0%
GIFT	353	337	337	337	337	337	337	0	.0%
SUB SUPPLEMENTAL & IRA RETIRE	0	2,066	2,066	2,066	2,066	2,066	2,066	0	.0%
MNSCU ENTERPRISE ACTIVITIES	0	0	160	160	160	160	160	160	100.0%
ENDOWMENT	4	8	8	8	8	8	8	0	.0%
OTHER SOURCES:									
GENERAL	13,337	9,726	9,726	9,726	9,726	9,726	9,726	0	.0%
SPECIAL REVENUE	5	(2)	0	0	0	0	0	2	-100.0%
AGENCY	26,956	13,792	13,792	13,792	13,792	13,792	13,792	0	.0%
GIFT	(5)	(5)	0	0	0	0	0	5	-100.0%
Total Dedicated Receipts	388,034	395,678	390,833	398,153	398,153	403,753	403,753	15,395	2.0%
Agency Total Revenues	388,034	395,678	390,833	398,153	398,153	403,753	403,753		2.0%

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The Minnesota State College and University system is the largest provider of higher education in the state of Minnesota, with more than 30,000 graduates each year. Teaching and learning are MnSCU's core service strategies. Each year MnSCU serves 230,000 students in for-credit programs, 100,000 students and 3,200 businesses through customized training and 100,000 students in non-credit continuing education courses. MnSCU institutions also provide applied research and public service to Minnesota communities.

An investment in MnSCU is an investment in the state's economic infrastructure. A recent study by Anton and Associates (1998) found that every \$1 the state invests in a MnSCU institution generates a \$5.75 impact on Minnesota's economy.

STRATEGIES AND PERFORMANCE:

The MnSCU system has undergone tremendous change. In F.Y. 1995, the former community college, technical college and state university systems merged to become the Minnesota State Colleges and Universities. In the last biennium, the system has:

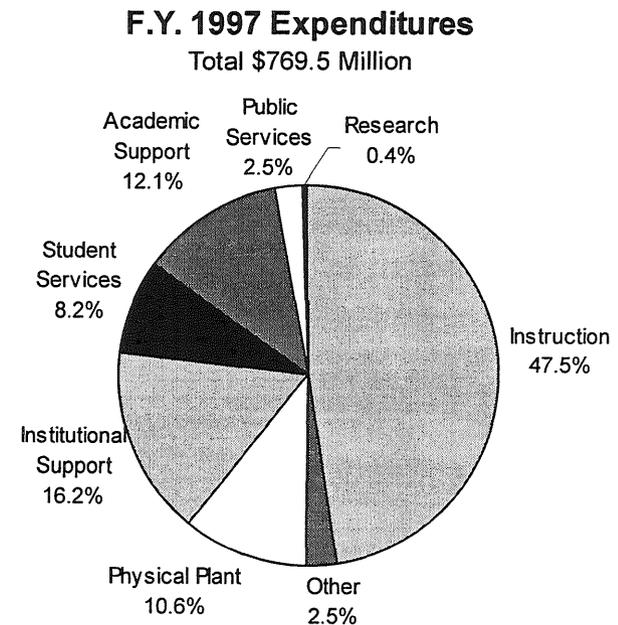
- Continued merging 45 institutions into 36 institutions.
- Changed from a quarter term to a semester term.
- Developed a regional plan for the Twin Cities area.
- Developed an allocation model framework for distributing state funds to the colleges and universities.
- Approved 32 new academic programs, closed 332 programs and suspended 91 programs.
- Greatly improved the colleges' and universities' relationships with business and industry.
- Developed and implemented management information systems.
- Developed a uniform capital budget process and undertaken a facility utilization, capacity and repair survey.

- Empowered college and university presidents with greater decision-making authority.
- Committed to working closely with the University of Minnesota on the educational needs of the state.

FINANCING INFORMATION:

MnSCU's focus is teaching and learning. Revenue is primarily derived from state appropriations and expenditures are primarily for instruction and its support. Based on historical expenditure patterns, the following chart (Figure 1) shows the distribution of general operating expenditures by the Integrated Post-secondary Education Data System (IPEDS) categories.

Figure 1



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE COLLEGES & UNIVERSITIES
 Program: MN ST COLL & UNIV OPERATIONS
 Activity: INSTRUCTION & NON-INSTRUCTION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	758,043	791,285	865,341	821,184	930,634	874,590	843,777	964,927	911,684
Total Expenditures	758,043	791,285	865,341	821,184	930,634	874,590	843,777	964,927	911,684
CHANGE ITEMS:									
	FUND								
(B) STUDENT SUCCESS	GEN				20,600	10,890		31,500	19,260
(B) TECHNOLOGY	GEN				23,600	2,950		16,600	1,750
(B) ECONOMIC DEVELOPMENT	GEN				23,000	4,000		23,200	4,000
(B) INSTITUTIONAL COMPETITIVENESS	GEN				28,450	20,310		60,550	39,225
(B) ENROLLMENT RELIEF	GEN				21,200	15,808		4,300	4,224
(B) TUITION ADJUSTMENT	GEN				(7,400)			(15,000)	
(B) REDUCTION: SW ASIAN VETS TUITION DISCNT	GEN					(135)			(135)
(B) SUNSET: FIREFIGHTER TUITION DISCOUNT	GEN					(318)			(318)
(B) SUNSET: STATE COUNCIL ON VOC ED	GEN					(99)			(99)
Total Change Items					109,450	53,406		121,150	67,907
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	0	2,832	865	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	463,816	499,417	548,033	497,421	606,871	550,827	514,414	635,564	582,321
STATUTORY APPROPRIATIONS:									
GENERAL	294,227	289,036	316,443	323,763	323,763	323,763	329,363	329,363	329,363
Total Financing	758,043	791,285	865,341	821,184	930,634	874,590	843,777	964,927	911,684
REVENUE COLLECTED:									
DEDICATED									
GENERAL	310,073	321,247	316,443	323,763	323,763	323,763	329,363	329,363	329,363

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE COLLEGES & UNIVERSITIES
 Program: MN ST COLL & UNIV OPERATIONS
 Activity: INSTRUCTION & NON-INSTRUCTION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Total Revenues Collected	310.073	321.247	316.443	323.763	323.763	323.763	329.363	329.363	329.363

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Student Success

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$20,600	\$31,500	\$31,100	\$31,100
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ___ No <u>X</u>				
If yes, statutes(s) affected:				
<input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$30,150,000 for MnSCU's initiatives to help students stay in school and to recruit and retain faculty in highly competitive disciplines. \$4,000,000 in each year of the biennium is to strengthen colleges' and universities' student services to improve student retention and graduation rates. These funds may also be used to provide special services for disabled students. \$6,890,000 in the first year and \$15,260,000 in the second year is for a competitive compensation pool, to be targeted to colleges and universities with programs experiencing difficulty in recruitment and retention of faculty. The Governor's recommendation does not include funding for institutional equity; building curricula for tomorrow; or educational partnerships.

RATIONALE:

Student success is at the heart of what higher education is all about. In today's rapidly changing world, students cannot be expected to succeed in an outmoded environment. Teachers must be able to use a wide variety of tools and techniques to meet varied learning styles and must be aware of continuous changes in the workplace.

Supporting today's students requires many things: topnotch teachers, support services and a curriculum that is current and compelling. This initiative has several components that together will reward excellence in teaching, provide up-to-date curriculum and increase student success.

Helping Students Stay in School - Funds will be allocated to all colleges and universities to develop and implement student retention improvement plans. Using data and feedback from current students, each institution will be able to identify what currently works and what changes are needed in order to increase retention. Campuses also will receive funds for hearing interpreters to increase their capacity to assist deaf students. MnSCU institutions currently serve more than 5,000 disabled students.

Competitive Faculty Salaries - This pool, amounting to 2% of current faculty salaries, would be used to recruit nationally and retain faculty in highly competitive disciplines. During F.Y. 1997 (the last year for which MnSCU and national peer group comprehensive data is available), MnSCU's 4-year faculty were at or slightly below the 50th percentile across all professorial ranks when compared against national peers in Category IIA Comprehensive Institutions (AAUP survey). During F.Y. 1997, faculty in 2-year institutions within MnSCU were above the 50th percentile when compared against their national peers. However, there are pockets of academic disciplines, primarily in the technical fields, where recruitment and retention of faculty is a problem.

Institutional Equity - In 1998, MnSCU conducted a cost study that collected data on spending patterns at each college and university. The analysis showed significant differences in spending for academic programs and support. These funds will be directed to those campuses that have been historically underfunded as compared to similar institutions.

Building Curricula for Tomorrow - These funds would enable institutions to develop several new Bachelor of Applied Science (BAS) degrees that would build upon the knowledge and skills of technical college graduates. To meet the changing needs of society and the workplace, many of MnSCU's programs need updating. In the current biennium, 358 programs have been redesigned, 216 programs have been relocated or replicated at other sites, and 32 new programs have been approved by the Board of Trustees. The speed and magnitude of the changes required to keep up-to-date exceed the current capacity. Funds would be available for faculty to devote more time to redesigning the course content or the mode of delivery of programs.

Educational Partnerships - In addition to curricula redesign within MnSCU, cooperative program development with the University of Minnesota in agriculture

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Student Success
 (Continuation)

and program areas needed by the Rochester and metro area communities will be pursued.

Partnerships with K-12 will result in better alignment of the high school graduation standards and the system's general education curriculum. Teams of high school teachers and college faculty will develop a more seamless curriculum to better prepare students graduating from high school for college-level work. College and university staff will work more aggressively with local high school students, parents, teachers and counselors to share information about college and university expectations and opportunities. Funds will also be used to increase opportunities for teacher education students to gain firsthand knowledge and experience in urban school settings and to recruit students of color who aspire to become teachers.

FINANCING:

Initiative	F.Y. 2000	F.Y. 2001	Biennium
Retention	\$4,000	\$4,500	
Disability services	\$2,000	\$2,000	
Helping Students Stay in School	\$6,000	\$6,500	\$12,500
Competitive Faculty Salaries	\$8,100	\$16,500	\$24,600
Institutional Equity	\$4,000	\$6,000	\$10,000
Curriculum development	\$1,450	\$1,450	
BAS degree	\$150	\$150	
Building Curricula for Tomorrow	\$1,600	\$1,600	\$3,200
Expand number of teachers of color	\$125	\$125	
Better articulation of grad standards	\$200	\$200	
Communication with K-12 teachers, parents & students	\$175	\$175	
U of M partnerships	\$400	\$400	
Educational Partnerships	\$900	\$900	\$1,800
Student Success - TOTAL:	\$20,600	\$31,500	\$52,100

OUTCOMES:

Helping students stay in school

- Implementation of retention plans will increase student retention and graduation rates.
- Students with disabilities will have greater access to appropriate services.

Competitive faculty salaries

- Increased retention of faculty in competitive disciplines.

Institutional equity

- Disparities in spending between similar programs will be reduced.
- Institutions will have appropriate funds for programmatic improvement and student support services.

Building curricula for tomorrow

- Teams of faculty members will have created 10 new Bachelor of Applied Science degrees by the end of the biennium.
- Using grants of \$30-50,000, the faculty will have revamped curricula in 60-100 courses or programs.

Educational partnerships

- The number of teacher education students engaged in urban school experiences will double; more MnSCU graduates will be hired by urban school districts.
- There will be an increase in the number of people of color enrolled in teacher education programs at state universities.
- High school students will enter MnSCU institutions better informed about what college requires and more prepared to successfully engage in college and university level work.
- Joint programs with the University of Minnesota in agriculture and in selected fields that meet needs in Rochester and the metro area will be developed.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Technology

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$23,600	\$16,600	\$14,600	\$14,600
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$4,700,000 to support MnSCU's technology initiatives. This appropriation includes \$1,500,000 in the first year and \$1,000,000 in the second year for technology infrastructure and Y2K needs; \$250,000 in each year to operate Minnesota Virtual University and ISEEK; and \$1,200,000 in the first year and \$500,000 in the second year to implement the Degree Audit Reporting System. The following initiatives are not included in the Governor's recommendation: expansion of MnSAT; one stop regional centers; Center for Teaching and Learning; library training; and K-12 teacher training.

RATIONALE:

The primary mission of higher education – the creation, preservation, transmission, and application of knowledge – is not changing but the way in which this occurs is changing dramatically. Rapidly evolving information technologies are changing the way knowledge is collected and transmitted. Higher education must recognize and address: 1) the changing nature of information; 2) the needs of individual learners; and 3) the changing nature of work.

The success of students beyond graduation depends upon their access to and understanding of changing technology. This Technology initiative is being pursued on 3 levels:

Learning Technology

- The tools available to the faculty to deliver instruction are being expanded by providing digital satellite broadcast capability through **MnSAT** in a manner similar to the current usage of interactive television (ITV) and the Internet.
- The faculty will have access to instructional technology expertise and technical support through **one stop regional centers** modeled after a pilot currently being developed with funds appropriated by the 1997 legislature for the Electronic Academy.
- Through MnSCU's **Center for Teaching and Learning**, the faculty will pursue the most promising strategies and theories for employing technology to improve teaching. Faculty will work with peers at other MnSCU campuses and other institutions throughout the region via the Midwest Higher Education Commission.
- Faculty, staff, and students will be trained in the effective use of electronic information resources through the development of comprehensive online **library training**. This program will have 2 components: an information literacy tutorial and a statewide version of the online research aid known as "Research Quickstart" currently being developed at the University of Minnesota and St. Cloud State University.
- **K-12 teachers** must be better prepared to understand the critical role technology will play in teaching and learning. As a result of one-time funds in F.Y. 1999, technology competencies for teacher education have been developed. This initiative will implement those technology competencies.
- All 3 phases of the **Degree Audit Reporting System (DARS)** will be implemented. This system will provide students with comprehensive reports of their progress toward meeting program requirements, understanding credit transfer issues, and serve as a recruitment, counseling, and retention tool.

Networks and Infrastructure

- The ability of state colleges and universities to use technology to teach will increasingly depend upon an adequate **technology infrastructure**. Network activity, particularly Internet-based traffic, has more than doubled over the last year alone. All of the educational initiatives described in this section require the continual enhancement of local and wide area network infrastructure. This project will provide the increased capacity needed to catch up to the growing

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Technology
 (Continuation)

demand for network-delivered information and provide insurance against unforeseen Year 2000 contingencies. This project is also critical to the success of statewide technology partnerships that depend on networked technology, including MnVU (Minnesota Virtual University) and ISEEK (Internet System for Education and Employment Knowledge).

- A system-wide **information resource management (IRM)** strategy and organization will be developed. IRM is an approach that recognizes the key role information plays in achieving an organization's mission. MnSCU's recent hiring of a Chief Information Officer is an important step toward creating an IRM strategy. Much additional work must be performed, including developing strategic and tactical plans, building models of business and information resources, and staff training.
- Resources will be used to explore and implement relevant **emerging software** and hardware technologies, including virtual commerce and point-of-sale to serve distance learners; online software to assist the faculty with administrative duties; expanded smart-card applications; network scholarship applications; touch-tone registration; on-line advising, and new network applications.

Statewide Technology Partnerships

These resources will be used to support Minnesota's Virtual University (MnVU) and Internet System for Education and Employment Knowledge (ISEEK). Both of these initiatives involve collaboration among MnSCU, the University of Minnesota, the Private College Council, and other state agencies, to develop web-based systems of interrelated information on careers, educational opportunities, and employment opportunities. (For more information, please see the web-site at www.iseek.org.)

FINANCING:

Initiative:	F.Y. 2000	F.Y. 2001	Biennium
MnSAT	\$1,200	\$1,000	
One Stop Centers	\$5,000	\$5,000	
Center for Teaching and Learning	\$2,000	\$2,000	
Library Training	\$500	\$0	
K-12 Teacher Training	\$3,000	\$3,000	
Degree Audit System (DARS)	\$1,300	\$500	
Learning Technology	\$13,000	\$11,500	\$24,500
Infrastructure/Y2K	\$7,500	\$2,500	
Information Resource Management (IRM)	\$500	\$0	
Emerging Software	\$1,000	\$1,000	
Networks and Infrastructure	\$9,000	\$3,500	\$12,500
Statewide Partnerships	\$1,600	\$1,600	\$3,200
Technology - TOTAL:	\$23,600	\$16,600	\$40,200

OUTCOMES:

Minnesota State Colleges and Universities' Technology for Learning initiative will:

- Expand the range and diversity of technology tools available to the faculty.
- Prepare all teachers, including K-12 professionals, to understand and effectively use the technology tools that are rapidly becoming available.
- Ensure a state-of-the-art networking and web-based application infrastructure with adequate capacity to meet the demands of interactive learning.
- Facilitate flexible credit transfer across MnSCU institutions and between higher education systems through the use of automated systems for degree audit, transfer course articulation, and electronic exchange of transcripts.
- Deepen and expand statewide technology partnerships designed to serve citizens at all stages of lifelong learning, as well as businesses and industries seeking workers.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Economic Development

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$23,000	\$23,200	\$21,700	\$21,700
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$4,000,000 in each year for this initiative. To ensure that the state's investments in workforce training are coordinated, efficient, and meet employers' needs, the Governor recommends that MnSCU consult with the Job Skills Partnership and the Department of Economic Security before these funds are released. The Governor intends that this appropriation be reviewed in F.Y. 2001 and its outcomes evaluated. To assist in that evaluation, MnSCU shall prepare a report on its customized job training and industry partnership programs, including programs supported by this initiative and those funded from current resources.

RATIONALE:

The success of Minnesota's economy is threatened by a critical labor shortage and economic conditions that require education and training for its workforce. Minnesota employers are increasingly seeking out training for their incumbent workforce. Workers are returning to school in large numbers to update their skills and qualifications.

Minnesota State Colleges and Universities served more than 3,000 employers in 1997 with non-credit employee training programs. Demand is increasing and changing. State colleges and universities are working together to serve entire industries with state of the art programming. Key features of this initiative include:

- Targeted industry partnerships
- Worker training customized for employers
- Leveraged equipment
- Applied research
- A quick response initiative

Business/Industry Partnerships - The governor's and legislature's interest in MnSCU's partnerships with business and industry was indicated by their strong support of initiatives in the 1998 legislative session. With 90% of MnSCU's current programs resulting in occupational or professional outcomes, business/industry partnerships produce substantial benefits for all Minnesotans. Nearly all of the funds to support business/industry partnerships were appropriated by the 1998 legislature on a one-time basis.

To increase the benefits, MnSCU will extend its current initiatives with additional funds to:

- Implement the targeted **industry partnership models** that will emerge from the F.Y. 1998-99 targeted industry partnerships with health care, precision manufacturing, printing/graphics, software, and taconite industries.
- Establish a **system-level business/industry advisory board** to respond to major economic development issues and review system initiatives.
- Support new directions in the development of **innovative services** in response to the need to improve workplace productivity. These services would include: new course and program development based on emerging technologies; enhanced flexibility for faculty to deliver instruction based on employer needs; and educational product design to address large scale employer training needs.
- Develop targeted partnerships with 3 **additional industries** which are experiencing critical workforce development problems: telecommunications, residential/commercial construction, and K-12 education.

Worker Training - The Customized Training Network is the structure institutions use to meet the education and training needs of the workforce in targeted business and industry throughout the state. Instruction and support activities such as job analysis and employee assessment are arranged through contracts for services with employers from industries identified locally or regionally as adding significant economic value to Minnesota.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Economic Development
 (Continuation)

To address the workforce challenges which Minnesota businesses and industries are facing, MnSCU will expand the Customized Training Network with additional funds to implement the following:

- Develop and maintain an **electronic inventory of Minnesota State Colleges and Universities' services** accessible to employers. Support faculty efforts to increase employer access to instruction and related services.
- Establish **regional customized training consortia** to identify critical workforce development needs in each region of the state; and distribute funds to support marketing coordination and delivery of services to employers in each region.
- Increase the number of **employers/employees served** by the Network.

Leveraged Equipment Funding Initiative - What MnSCU institutions teach about technology and technology applications must be able to change as quickly as technology in the workplace changes. This requires up-to-date knowledge, practice, and competence in operating equipment which meets industry standards. MnSCU's current Leveraged Equipment Funding Initiative is a method for acquiring equipment through partnerships with business, industry and other community organizations.

To meet the immediate instructional needs of institutions and to build the capacity of business/industry partnerships, MnSCU will extend its current Leveraged Equipment Funding Initiative with funds to support additional leveraged requests.

Applied Research - The rapidly changing economy requires a rapid translation of theoretical developments and basic research into viable applications for industry, non-profit organizations and government agencies. This request will expand the capacity of state universities to apply research to regional economic development needs. Working in partnership with Minnesota Technology, Inc., faculty will

extend the use of student involvement in manufacturing and technology research for Minnesota's small and mid-sized firms, and will respond to additional research opportunities with organizations critical to Minnesota's ongoing economic development.

Quick Response to Emerging Needs - Of MnSCU's 3,500 programs, approximately 90% are occupational or professional. These programs must respond directly to Minnesota's emerging workforce needs. A booming economy, employment growth outstripping workforce growth and a broad-based mix of industrial job growth have created multiple challenges. Limited resources result in turning away students who are waiting to enroll in high-demand programs which could result in high-wage jobs.

Colleges and universities must more quickly address enrollment increases in programs that serve high demand, high wage industries. MnSCU will create a funding pool from which institutions may request support for adding faculty, course sections, and facilities to accommodate documented enrollment increases. This pool is intended to augment the requesting institution's allocation and external funding sources, and would be for start up costs only.

FINANCING:

Initiative	F.Y. 2000	F.Y. 2001	Biennium
• Targeted Industry Partnership Model Implementation	\$4,000	\$4,000	
• Business/Industry Advisory Board	\$250	\$250	
• Innovative Services	\$5,750	\$4,250	
• Targeted Industry Partnership Development	\$0	\$1,500	
Business/Industry Partnerships	\$10,000	\$10,000	\$20,000
• Electronic Inventory	\$3,600	\$3,600	
• Regional Customized Training Consortia	\$750	\$950	
• Serve More Employees/Employers	\$1,150	\$1,150	
Worker Training	\$5,500	\$5,700	\$11,200
Leveraged Equipment Funding Initiative	\$3,000	\$3,000	\$6,000
Applied Research	\$2,500	2,500	\$5,000
Quick Response to Emerging Needs	\$2,000	\$2,000	\$4,000
Economic Development -TOTAL:	\$23,000	\$23,200	\$46,200

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Economic Development
(Continuation)

OUTCOMES:

- Establishment and maintenance of a complete inventory of MnSCU services available to Minnesota industries and employers, including assessment, instruction, and applied research.
- An increase in the number of faculty participating in outreach efforts with private companies and other organizations.
- Regional accountability for meeting economic development expectations.
- An increase in the number of Minnesota firms and the number of employees served.
- Implementation of service delivery models involving assessment, curriculum and instruction (credit and non-credit, undergraduate and graduate) and recruitment, for 5 targeted industries.
- Development of targeted industry partnerships with 3 additional industries.
- An increase in the number of institutions that employ innovative strategies to leverage external sources of funding to acquire instructional equipment.
- Acquisition of instructional equipment that meets industry standards.
- An increase in the number of course sections in high demand, high wage programs to serve waiting students.
- An increase in access to and application of faculty research expertise to strengthen regional economic development.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Institutional Competitiveness

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund				
- State Operations	\$28,450	\$60,550	\$60,550	\$60,550
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$59,535,000 for this request. The Governor's recommendation includes \$1,950,000 in each year for facilities repair and betterment. This increase is part of a statewide multi-agency initiative to reduce the state's facility repair and replacement needs by at least 5% in each agency. The balance of this recommendation, \$18,360,000 in the first year and \$37,275,000 in the second year, is for a 3% increase in state-supported compensation costs for all MnSCU employees.

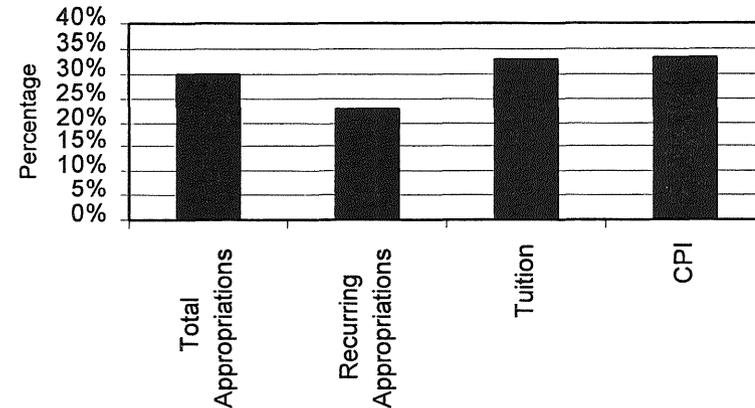
RATIONALE:

Minnesota's State Colleges and Universities are the leading providers of higher education in the state. Over the last 4 years, these institutions and the system as a whole have undergone tremendous change.

The demands on the system have been greater than the resources. While inflation has grown nearly 33% over the last decade, system appropriations have grown by

30%. A high percentage of these appropriations have been nonrecurring in nature. Recurring appropriation growth over the same time period was 23%, significantly below the 33% growth in the Consumer Price Index. Over the last 4 years, 88% of new appropriations have been non-recurring.

Change in Revenues F.Y. 1990 to 1999



Cost of living salary increase & inflationary adjustment

Minnesota's State Colleges and Universities can no longer preserve the volume of service nor its ability to respond to a rapidly changing economy without consideration of the inflationary cost of human resources and support services. Minnesota State Colleges and Universities is requesting a 3% annual increase (\$24 million in F.Y. 2000 and an additional \$27 million in F.Y. 2001) to recognize these needs.

Facilities funding

The financial condition of the last decade has resulted in the under-funding of the physical plants of MnSCU institutions. 1998 legislation requires state agencies, including MnSCU, to budget appropriate funding for repairs to state facilities. MnSCU's approach, using 2.86% of the physical plant's replacement value as the target for setting annual recurring maintenance and repair budgets, assumes accomplishing the goals of the first 2 years of a 10-year plan to supplement current repair and maintenance expenditures from the General Fund, while providing a

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Institutional Competitiveness
(Continuation)

corresponding decrease in level of HEAPR funding over a similar period of time. Toward this goal, MnSCU will also allocate additional General Fund resources to facilities' maintenance and repair. This plan also assumes that deferred maintenance will be addressed over a 10-year bonding program at \$53 million a year (\$106 million per biennium). MnSCU needs \$4.5 million in the first year of the biennium and an additional \$5 million in the second year to accomplish these goals. At the end of the planning period, it is estimated all deferred maintenance will have been eliminated and annual spending levels will adequately fund maintenance needs.

FINANCING:

Initiative	F.Y. 2000	F.Y. 2001	Biennium
Cost of living salary increase & non-salary inflation adjustment	\$24,000	\$51,000	\$75,000
Facilities maintenance and repair	\$4,450	\$9,550	\$14,000
Institutional Competitiveness - TOTAL	\$28,450	\$60,550	\$89,000

OUTCOMES:

If this initiative is fully funded, MnSCU will be able to preserve its current level of programs and services and the condition of its state facilities will demonstrably improve.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Enrollment Relief

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$21,200	\$4,300	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statutes(s) affected: 135A.031				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$20,032,000 over the biennium to temporarily suspend reductions in MnSCU's base appropriation resulting from a decline in enrollment, as directed by the statutory funding formula. Unless the legislature changes or repeals the formula in M.S. 135A, MnSCU will pay back this appropriation through a one-time reduction in its base appropriation for the F.Y. 2002-2003 biennium. This reduction would be in addition to a one-time pay back of funds MnSCU received in F.Y. 1999 based upon an estimated enrollment increase that will not be realized. The Governor does not approve MnSCU's request to restore the one-time reduction of \$5,400,000 in F.Y. 2000 for appropriations MnSCU received in F.Y. 1998 based upon a student enrollment forecast that exceeded its actual enrollments.

RATIONALE:

Minnesota's State Colleges and Universities are seeking temporary relief from the statutory enrollment adjustment. This past fall, at the direction of the Minnesota

legislature, MnSCU institutions changed from a quarter calendar to a semester calendar. This change, combined with Minnesota's robust economy, resulted in a projected annual enrollment drop of 4.3% system wide. This enrollment decline is consistent with what other institutions converting to a semester calendar have experienced. MnSCU institutions project this to be a temporary phenomenon and anticipate enrollments will increase over the next 4 years. Therefore, MnSCU requests a temporary adjustment to restore its base level funding by \$21.2 million in F.Y. 2000 and \$4.3 million in F.Y. 2002. These are the amounts deducted from MnSCU's base per M.S. 135A.

In addition, MnSCU would like the legislature to review and modify the current funding formula to meet the educational needs of a new economy. For example, the state formula does not currently recognize the existence of nearly 5,000 full-year equivalent students (FYE) in for-credit programs, including non-resident students from non-reciprocity states, half of non-resident students enrolled under the Midwest Compact Student exchange program, and half of Post-secondary Enrollment Options FYE. Given the state's recent labor and skill shortage, the legislature may want to reconsider this approach.

FINANCING:

**Minnesota State Colleges and Universities
 State Appropriation Base Enrollment Adjustment**

Initiative	F.Y. 2000	F.Y. 2001	Biennium
F.Y. 1995-F.Y. 1998 Clean up	(\$5,400)		(\$5,400)
F.Y. 1995-F.Y. 1999 Revised Estimate	(\$21,600)	(\$21,600)	(\$43,200)
F.Y. 1999-F.Y. 2000 Revised Estimate	\$5,800		\$5,800
F.Y. 1999-F.Y. 2001 Revised Estimate		\$17,300	\$17,300
TOTAL REQUEST:	(\$21,200)	(\$4,300)	(\$25,500)

OUTCOMES:

If this initiative is fully funded, Minnesota State Colleges and Universities will be able to preserve current level of programs and services without temporary disruption and layoffs.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Tuition Plan

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$7,400	\$15,000	\$15,000	\$15,000

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

RATIONALE:

The Minnesota State Colleges and Universities' budget assumes a tuition increase of 3% in each year. This assumption is for planning purposes only and represents a proportional share of inflationary expenditures. Please note that the MnSCU Board of Trustees approves each institution's tuition recommendations. An institution may choose to recommend a higher or lower rate of increase depending upon its regional circumstances. Also, the actual rate of increase for any individual student may be more or less than the average rate. Institutions that recommend higher tuition rates may retain the additional revenue generated to improve academic programs and services.

FINANCING:

A 3% annual tuition rate increase would generate \$7.4 million in revenue above the base forecast tuition in the first year and an additional \$7.6 million in the second year.

OUTCOMES:

A 3% tuition increase in each year of the biennium would help MnSCU maintain current levels of programs and services.

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

General - These funds represent operating revenue, other than tuition and direct appropriations, reported in the General Fund, e.g. intergovernmental grants, donations, and resale income.

Special Revenue - MnSCU's special revenue funds includes monies received from other state agencies such as Displaced Homemaker grants, Private Industry Council funding and indirect costs associated with the administration of federal grants. Also contained in this fund are the MnSCU conference accounts which represent receipts collected from conference participants for conference expenses.

Federal - Federal funds include the federal work study program and various federal grants administered by the campuses. This fund does not include federally-funded campus based financial aid program funds, which are maintained in local bank accounts at each institution.

Eligible MnSCU institutions also receive funds authorized by the Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990. The amount of Perkins funds anticipated for F.Y. 2000 is approximately \$16.6 million. Funds will be split between secondary and post-secondary education according to a formula. In F.Y. 1999 MnSCU's share was approximately 66%.

Another source of federal funds managed by MnSCU are those received through the Job Training Partnership Act (JTPA). Minnesota State Colleges and Universities campuses qualify for funds by offering educational services to students who are defined as economically disadvantaged. JTPA funds are distributed by the Governor's Workforce Development Council which coordinates decisions with the State Department of Economic Security.

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

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

Agency - This serves as the payroll clearing account for staff paid through non-treasury revenue bond and activity funds.

Gift - Gifts include revenues from private donations and estates, corporate and public foundations.

State University Supplemental and IRA Retirement - These funds include monies for supplemental retirement and individual retirement account plans.

Enterprise - These include miscellaneous resale activity.

Endowment - These include revenues from endowments that are dedicated for a specific purpose.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE COLLEGES & UNIVERSITIES

Program: MN ST COLL & UNIV OPERATIONS

Activity: OTHER REVENUE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
OPERATING EXPENSES	0	0	160	160	160	160	160	160	160
SUBTOTAL STATE OPERATIONS	0	0	160	160	160	160	160	160	160
LOCAL ASSISTANCE	76.987	71.283	82.181	74.230	74.230	74.230	74.230	74.230	74.230
Total Expenditures	76.987	71.283	82.341	74.390	74.390	74.390	74.390	74.390	74.390
FINANCING BY FUND:									
CARRY FORWARD:									
ENVIRONMENT & NATURAL RESOURCE	0	0	265	0	0	0	0	0	0
SPECIAL REVENUE	127	28	0	0	0	0	0	0	0
FEDERAL	439	43	1,125	0	0	0	0	0	0
ENDOWMENT	4	0	109	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
ENVIRONMENT & NATURAL RESOURCE	0	50	0	0	0	0	0	0	0
STATUTORY APPROPRIATIONS:									
GENERAL	5.095	6.183	6.707	6.707	6.707	6.707	6.707	6.707	6.707
SPECIAL REVENUE	4.260	4.906	4.957	4.957	4.957	4.957	4.957	4.957	4.957
FEDERAL	32.870	37.943	38.636	37.912	37.912	37.912	37.912	37.912	37.912
AGENCY	26.782	13.640	15,440	13,963	13,963	13,963	13,963	13,963	13,963
GIFT	7.406	7.335	11,952	8,617	8,617	8,617	8,617	8,617	8,617
SUB SUPPLEMENTAL & IRA RETIRE	0	1,150	2,982	2,066	2,066	2,066	2,066	2,066	2,066
MNSCU ENTERPRISE ACTIVITIES	0	0	160	160	160	160	160	160	160
ENDOWMENT	4	5	8	8	8	8	8	8	8
Total Financing	76.987	71.283	82.341	74.390	74.390	74.390	74.390	74.390	74.390
REVENUE COLLECTED:									

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE COLLEGES & UNIVERSITIES

Program: MN ST COLL & UNIV OPERATIONS

Activity: OTHER REVENUE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
DEDICATED									
GENERAL	5,357	6,933	6,707	6,707	6,707	6,707	6,707	6,707	6,707
SPECIAL REVENUE	4,264	4,906	4,957	4,957	4,957	4,957	4,957	4,957	4,957
FEDERAL	33,258	37,943	37,912	37,912	37,912	37,912	37,912	37,912	37,912
AGENCY	27,279	13,963	13,963	13,963	13,963	13,963	13,963	13,963	13,963
GIFT	7,709	8,612	8,617	8,617	8,617	8,617	8,617	8,617	8,617
SUB SUPPLEMENTAL & IRA RETIRE	0	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066
MNSCU ENTERPRISE ACTIVITIES	0	0	160	160	160	160	160	160	160
ENDOWMENT	4	8	8	8	8	8	8	8	8
Total Revenues Collected	77,871	74,431	74,390	74,390	74,390	74,390	74,390	74,390	74,390

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2000-01 Biennial Budget

PROGRAM: Fiscal Agent
AGENCY: Minnesota State Colleges and Universities (MnSCU)

PROGRAM PROFILE:

State appropriations for the State Council for Vocational Technical Education will sunset 6-30-99. The Council was initially established in 1969 as a condition for receiving federal funds under the Vocational Education Amendments of 1968. The Minnesota legislature established the State Council as a state agency in 1985 and charged it to carry out the duties as prescribed by the Carl D. Perkins Vocational Education Act of 1984 and "such other purposes as may be necessary to improve vocational technical education." At the same time, the legislature directed the State Board of Technical Colleges to serve as the Council's fiscal agent. The Minnesota State Colleges and Universities became the council's fiscal agent on 7-1-95, upon the merger of the 3 state post-secondary education systems.

STRATEGIES AND PERFORMANCE:

In the 1998-99 biennium, the Council worked in an advisory role with several state agencies, the governor's workforce development council and Minnesota school districts.

FINANCING INFORMATION:

The appropriation for the State Council on Vocational Technical Education (SCVTE) was made directly to the Minnesota State Colleges and Universities, which acted as a fiscal agent for these funds. The Council is included in MnSCU's audit. MnSCU exercises fiscal oversight but does not manage the Council's activities.

BUDGET ISSUES:

Federal requirements to maintain the Council have been repealed. The Council will sunset 6-30-99.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE COLLEGES & UNIVERSITIES
 Program: FISCAL AGENT-STATE CNCL VOC ED
 Activity: ST COUNCIL ON VOC EDUC

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	206	235	203	0	0	0	0	0	0
Total Expenditures	206	235	203	0	0	0	0	0	0
FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	26	10	54	0	0	0	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	90	225	149	0	0	0	0	0	0
STATUTORY APPROPRIATIONS:									
FEDERAL	90	0	0	0	0	0	0	0	0
Total Financing	206	235	203	0	0	0	0	0	0
REVENUE COLLECTED:									
DEDICATED									
FEDERAL	90	0	0	0	0	0	0	0	0
Total Revenues Collected	90	0	0	0	0	0	0	0	0

Appendix

ALLOCATION OF SUPPORT EXPENDITURES TO PRIMARY PROGRAMS
2000-2001 BIENNIAL BUDGET
(Dollars in Thousands)

MINNESOTA STATE COLLEGES AND UNIVERSITIES - F.Y. 1997

	[----- PRIMARY PROGRAMS -----]				[----- SUPPORT PROGRAMS -----]				Total
	Instruction & Dept. Research	Separately Budgeted Research	Public Service	Other	Academic Support	Student Support	Institution Support	Physical Plant	
TOTAL - Direct Costs	365,675	3,124	19,409	19,441	93,360	63,064	124,404	81,066	769,542
=====									
Support Cost Allocations									
Physical Plant Sub-total	43,057	368	2,285	2,289	10,993	7,426	14,648	(81,066)	0
	408,732	3,492	21,694	21,730	104,353	70,489	139,052	0	769,542
Institutional Support Sub-total	90,144	770	4,784	4,792	23,015	15,546	(139,052)		0
	498,876	4,262	26,478	26,522	127,368	86,035	0	0	769,542
Student Support Sub-total	62,795	536	3,333	3,338	16,032	(86,035)			0
	561,671	4,798	29,811	29,861	143,400	0	0	0	769,542
Academic Support	128,635	1,099	6,827	6,839	(143,400)				0
FULLY ALLOCATED COSTS	690,306	5,897	36,639	36,700	0	0	0	0	769,542
=====									

Minnesota State Colleges and Universities
FY1997 Fully Allocated Instructional Costs
(Dollars in Thousands)

Level of Instruction	EXPENDITURES			Full-Year Equivalent Enrollment
	Direct	Indirect	Total	
Undergraduate:				
Lower Division	\$281,859	\$263,314	\$545,173	90,398
Upper Division	68,652	49,539	118,191	16,101
Graduate	15,164	11,778	26,942	3,828
TOTAL	\$365,675	\$324,631	\$690,306	110,327

Level of Instruction	EXPENDITURES PER FYE STUDENT		
	Direct	Indirect	Total
Undergraduate:			
Lower Division	\$3,118	\$2,942	\$6,060
Upper Division	4,264	2,942	7,206
Graduate	3,961	2,942	6,904
TOTAL	\$3,314	\$2,942	\$6,257

2000-01 Biennial Budget

Agency: Minnesota State Colleges and Universities

**FULL YEAR EQUIVALENT (FYE) STUDENT ENROLLMENT BY
CATEGORY OF INSTRUCTION/APPROPRIATION**

	Actual FY1995	Actual FY1996	Actual FY1997	Actual FY1998	Estimated FY1999	Estimated FY2000	Estimated FY2001
UNDERGRADUATE							
Regular	106,374	102,290	100,423	100,197	94,794	97,984	100,313
Non Resident/Non Reciprocity	3,101	2,422	2,486	2,909	3,500	3,569	3,617
Post Secondary Enrollment Option	2,587	3,090	3,482	3,983	3,794	3,888	3,902
Midwest Compact	76	81	102	62	143	147	148
TOTAL UNDERGRADUATE	112,138	107,883	106,493	107,151	102,231	105,588	107,980
GRADUATE							
Regular	3,622	3,719	3,832	4,163	3,729	3,748	3,789
Midwest Compact	3	2	2	16	14	15	15
TOTAL GRADUATE	3,625	3,721	3,834	4,179	3,743	3,763	3,804
SYSTEM TOTAL FYE	115,763	111,604	110,327	111,330	105,974	109,351	111,784

Minnesota State Colleges and Universities
 FY 1999 Reconciliation to FY 2000 and FY 2001
 \$'s in 000's

FY 1999

	Total	Instruction Appropriation	Tuition	Total	Noninstruction Appropriation	Est. Revenue	Total	Instruction + Noninstruction Appropriation	Tuition, Rev.
FY 99 SPENDING AUTHORITY									
Base 1997 Session	664,765	470,213	194,552	43,741	43,741	0	708,506	513,954	194,552
1998 Session Special Appropriations	<u>35,000</u>	<u>35,000</u>	<u>0</u>	<u>1,200</u>	<u>1,200</u>	<u>0</u>	<u>36,200</u>	<u>36,200</u>	<u>0</u>
Sub-Total Laws of 1997 & 1998	699,765	505,213	194,552	44,941	44,941	0	744,706	550,154	194,552
Adjust Intent Tuition to Actual	41,589	0	41,589	0	0	0	41,589	0	41,589
SST 1999 Salary Supplement Transfer	64	64	0	0	0	0	64	64	0
Uniform Pension Bill Reduction	(1,832)	(1,832)	0	(204)	(204)	0	(2,036)	(2,036)	0
Instruction to Non Instruction Adjustment	(10,132)	(10,132)	0	10,132	10,132	0	0	0	0
Adjusted Other Revenue	0	0	0	87,009	0	87,009	87,009	0	87,009
FY 1998 Carryforward	<u>0</u>	<u>0</u>	<u>0</u>	<u>126,801</u>	<u>0</u>	<u>126,801</u>	<u>126,801</u>	<u>0</u>	<u>126,801</u>
RECONCILIATION & Base Adjustments	729,454	493,313	236,141	268,679	54,869	213,810	998,133	548,182	449,951
Adjust out Carryforward	0	0	0	(126,801)	0	(126,801)	(126,801)	0	(126,801)
One-Time Funding	(26,883)	(26,883)	0	(3,393)	(3,393)	0	(30,275)	(30,275)	0
FY 1999 Estimated Enrollment Correction	(21,599)	(21,599)	0	0	0	0	(21,599)	(21,599)	0
SST 1999 Salary Supplement Transfer	(64)	(64)	0	0	0	0	(64)	(64)	0
Adjust out Excess Tuition	(41,589)	0	(41,589)	0	0	0	(41,589)	0	(41,589)
TOTAL ADJUSTED BASE SPENDING	639,319	444,767	194,552	138,486	51,477	87,009	777,805	496,244	281,561

Minnesota State Colleges and Universities
 FY 1999 Reconciliation to FY 2000 and FY 2001
 \$'s in 000's

FY 2000

M.S. 135A FORMULA ADJUSTMENTS

FULL YEAR EQUIVALENT ENROLLMENT	FYE FY 1999	FYE FY 2000
Regular		
Undergraduate	94,794	97,984
Graduate	<u>3,729</u>	<u>3,748</u>
Sub-Total Regular	98,523	101,732
Marginal/Weighted		
Post-Secondary Enrollment Options	3,794	3,888
Midwest Compact	<u>157</u>	<u>162</u>
Sub-Total Marginal	3,951	4,050
Weighted @ 50%	1,976	2,025
Total Formula Enrollment	100,499	103,757
Enrollment Base	100,499	100,499
FYE Change from Base		3,259
Per Cent Change from Base		3.24%
Formula Adjustment Factor		2.00%

	Instruction			Noninstruction			Instruction + Noninstruction		
	Total	Appropriation	Tuition	Total	Appropriation	Est. Revenue	Total	Appropriation	Tuition, Rev.
ADJUST SPENDING FOR INFLATION, FIXED & VARIABLE									
FY 1997 Adjusted Base Spending	639,319	444,767	194,552	138,486	51,477	87,009	777,805	496,244	281,561
Salary Supplement	136	136	0	0	0	0	136	136	0
Debt Service - Local TC Bonds	0	0	0	(6)	(6)	0	(6)	(6)	0
Statewide Administrative Systems	<u>590</u>	<u>590</u>	<u>0</u>	<u>66</u>	<u>66</u>	<u>0</u>	656	656	0
Subtotal, Base Spending	640,046	445,494	194,552	138,546	51,537	87,009	778,591	497,030	281,561
Fixed Base Spending, 35%	224,016	155,923	68,093	0	0	0	224,016	155,923	68,093
Variable Base Spending, 65%	416,030	289,571	126,459	0	0	0	416,030	289,571	126,459
ADJUST VARIABLE SPENDING FOR ENROLLMENT									
Adjustment for Enrollment - Bands	<u>8,321</u>	<u>5,791</u>	<u>2,529</u>	<u>0</u>	<u>0</u>	<u>0</u>	8,320	5,790	2,529
Total Spending Base	648,366	451,285	197,081	138,546	51,537	87,009			
PERFORMANCE & FYE ADJUSTMENT									
1% Adjustment	0	0	0	0	0	0	0	0	0
FY 1998 Estimated/Actual Enrollment Correction	(5,400)	(5,400)	0	0	0	0	(5,400)	(5,400)	0
SUB TOTAL ADJUSTED FY 00 BASE SPENDING	642,966	445,885	197,081	138,546	51,537	87,009	781,512	497,421	284,090
Excess Tuition	<u>46,380</u>	<u>0</u>	<u>46,380</u>				<u>46,380</u>	<u>0</u>	<u>46,380</u>
TOTAL ADJUSTED FY 00 BASE SPENDING	689,346	445,885	243,461				827,891	497,421	330,470

Minnesota State Colleges and Universities
 FY 1999 Reconciliation to FY 2000 and FY 2001
 \$'s in 000's

FY 2001

M.S. 135A FORMULA ADJUSTMENTS

FULL YEAR EQUIVALENT ENROLLMENT	FYE FY 1999	FYE FY 2001
Regular		
Undergraduate	94,794	100,313
Graduate	3,729	3,789
Sub-Total Regular	98,523	104,102
Marginal/Weighted		
Post-Secondary Enrollment Options	3,794	3,902
Midwest Compact	157	1,163
Sub-Total Marginal	3,951	5,065
Weighted @ 50%	1,976	2,533
Total Formula Enrollment	100,499	106,635
Enrollment Base	100,499	100,499
FYE Change from Base		6,136
Per Cent Change from Base		6.11%
Formula Adjustment Factor		6.00%

	Instruction			Noninstruction			Instruction + Noninstruction		
	Total	Appropriation	Tuition	Total	Appropriation	Est. Revenue	Total	Appropriation	Tuition, Rev.
ADJUST SPENDING FOR INFLATION, FIXED & VARIABLE									
FY 1997 Adjusted Base Spending Less Debt Service	639,319	444,767	194,552	138,486	51,477	87,009	777,805	496,244	281,561
Salary Supplement	152	152	0	0	0	0	152	152	0
Debt Service - Local TC Bonds	0	0	0	(13)	(13)	0	(13)	(13)	0
Statewide Administrative Systems	590	590	0	66	66	0	656	656	0
Subtotal, Base Spending	640,062	445,510	194,552	138,539	51,530	87,009	778,600	497,039	281,561
Fixed Base Spending, 35%	224,022	155,928	68,093	0	0	0	224,022	155,928	68,093
Variable Base Spending, 65%	416,040	289,581	126,459	0	0	0	416,040	289,581	126,459
ADJUST VARIABLE SPENDING FOR ENROLLMENT									
Adjustment for Enrollment - Bands	24,962	17,375	7,588	0	0	0	24,962	17,375	7,588
Total Spending Base	665,024	462,884	202,140	138,539	51,530	87,009	803,562	514,414	289,149
PERFORMANCE ADJUSTMENT									
1% Adjustment	0	0	0	0	0	0	0	0	0
SUB TOTAL ADJUSTED FY 01 BASE SPENDING	665,024	462,884	202,140	138,539	51,530	87,009	803,562	514,414	289,149
Excess Tuition	46,921	0	46,921	0	0	0	46,921	0	46,921
TOTAL ADJUSTED FY 01 BASE SPENDING	711,945	462,884	249,061	138,539	51,530	87,009	850,484	514,414	336,070

**2000-01 Biennial Budget
Legislative Reports**

Agency: Minnesota State Colleges and Universities (MnSCU)

TITLE: Allocation Model

LEGAL CITATION: 1998 Laws of Minnesota
Chapter 384, Section 3b

In November 1998, the Minnesota State Colleges and Universities Board of Trustees approved an Allocation Model Framework and Transition Plan to serve as a basis for allocating state appropriations to MnSCU institutions. The Framework outlines a philosophy of allocations based upon comparisons of programmatic and administrative spending patterns across the institutions, and recognizes the fixed cost nature of an institution's physical plant.

The Transition Plan outlines a series of issues that need further study, data improvements, a time line for completion of work, the appointment of working groups and a decision-making structure. The allocation model is not expected to be fully implemented until F.Y. 2002.

2000-01 Biennial Budget Legislative Reports

Agency: Minnesota State Colleges and Universities (MnSCU)

TITLE: Credit Transfer

LEGAL CITATION: 1997 Laws of Minnesota,
Chapter 183, Article 1, Section 6

The Minnesota legislature requested each public post-secondary system to report on its progress and make recommendations relating to technical college credit transfer problems. The Minnesota State College and University System has made consistent progress on these issues. MnSCU's accomplishments include:

Transfer policy - The Board of Trustees has implemented an undergraduate credit transfer policy governing the transfer of credits among MnSCU institutions and is establishing an appeals process to address student transfer issues.

Articulation councils - Three articulation councils have reached agreement on the transfer of technical college credits in 3 programs: nursing, which addresses transfer among LPN, associate degree RN, and baccalaureate RN programs; aviation, which creates a new degree out of existing university offerings focused on the needs of the aviation industry in the metro area, transferring technical and community college course work; and agriculture, which has approached the issue through regional agreements resulting in transfer from technical and community colleges to state universities and the University of Minnesota.

Nine additional articulation councils continue their work in examining issues related to their disciplines.

Bachelor of applied science degree - An articulation committee has recommended that MnSCU research the potential of offering a new degree. The bachelor of applied science, would recognize the transfer of technical and community college course work as a part of the design of the degree. MnSCU is currently implementing this recommendation by awarding grants to institutions to research and develop new B.A.S. degrees. In response to a request for proposal, faculty have identified 34 new potential B.A.S. degrees.

Electronic transfer handbook - MnSCU, in cooperation with the University of Minnesota, is currently developing a handbook to provide transfer information to students. It will include policies, procedures, transfer and articulation agreements, students rights and responsibilities, system expectations and, eventually, an interactive, on-line program allowing students to determine how their credits will transfer to any Minnesota public college or university.

Minnesota transfer curriculum - MnSCU and the University of Minnesota are reviewing and revising the Minnesota transfer curriculum (the lower division general education articulation agreement) to reflect the conversion to semesters, changing high school graduation standards, and a variety of changes in higher education agreements.

Articulation agreements - There are several hundred institution to institution articulation agreements in Minnesota. All of these articulation agreements are being revised to reflect semester credits. An articulation committee has developed a template to guide the revision of existing agreements and the development of new agreements. Each articulation agreement will be publicized on the credit transfer web site to inform students of their options.

MnSCU is making 2 recommendations to the legislature that will assist students with transfer of credit. First, MnSCU is asking for resources to develop Bachelor of Applied Science degrees to serve as academic pathways for students with occupational degrees. Second, MnSCU is requesting funds to implement the Degree Audit Reporting System (DARS) to electronically assist students in understanding the academic requirements needed to complete a degree.

**2000-01 Biennial Budget
Legislative Reports**

Agency: Minnesota State Colleges and Universities (MnSCU)

TITLE: Evaluation of Infant Child Care Project

LEGAL CITATION: 1997 Laws of Minnesota
Chapter 183, Article 1, Section 3

As directed by the 1997 legislature, MnSCU established infant child care pilot programs at one community college, one technical college, and one consolidated community technical college. The purpose of the legislation was to evaluate the feasibility of expanding existing child care programs to provide additional care for infants. Infant child care is more expensive and labor intensive. The board selected programs at Itasca Community College, Ridgewater College (a consolidated community and technical college), and St. Cloud Technical College.

Itasca Community College Program

The Itasca program was a partnership with Kootasca Community Action, Inc., which supports a Head Start program within the college's child care center. Kootasca Community Action provided a \$56,000 match. The grant to Itasca Community College supported remodeling and expansion to accommodate 8 new infant care slots. Child care is available Monday through Friday from early morning to midnight. Initial bid estimates for the remodeling far exceeded the resources available. The project will be re-bid in January 1999, when the local construction market is expected to be more favorable.

Ridgewater College Program

The Ridgewater program will expand child care at the college's Willmar and Hutchinson campuses and is a joint venture with major area employers and local agencies. Matching funds were furnished by 3M (\$5,000) and Child Care Resource and Referral (\$10,867). In order to accommodate some of the labor intensive aspects of the program, Ridgewater will employ the frequent use of work-study students and retired senior volunteers. The grant will fund 12 new infant child care slots at the new Hutchinson site.

St. Cloud Technical College Program

The St. Cloud program is a collaboration with the local Abuse Prevention Council and Early Childhood Family Education Program on parent education. Extensive use of student interns in the Child Development Careers program will help keep costs down. The grant will fund 15 new infant slots.

Campus	Grant + Local Match	Expenditures To Date	Additional Infant Slots
Itasca	\$50,000 + \$56,000	\$11,860	8
Ridgewater	\$50,000 + \$15,867	\$41,100	12
St. Cloud	\$50,000 + 0	\$45,000	15

**2000-01 Biennial Budget
Legislative Reports**

Agency: Minnesota State Colleges and Universities (MnSCU)

TITLE: Practitioner-Oriented Doctoral Degrees

LEGAL CITATION: 1998 Laws of Minnesota
Chapter 384, Section 5

The 1998 legislature instructed the Minnesota State Colleges and Universities Board of Trustees and the University of Minnesota Board of Regents to "evaluate the costs and benefits and need throughout the state for practitioner-oriented doctoral degree opportunities" and to report their recommendations as part of their 2000-2001 biennial budget requests.

It appears from the initial findings of a study commissioned by the MnSCU Graduate Council that there is an interest in public practitioner-oriented doctoral education in Minnesota and that rural Minnesota sees itself as the least well-served in this regard.

It would be possible for MnSCU universities, with careful planning, to offer such programs, either on their own or in collaboration with other Minnesota institutions.

MnSCU staff recommend that a joint MnSCU/University of Minnesota study group be established to fully document the need for new applied doctoral degrees; to explore both the short-term and long-term costs of designing and implementing the programs; to document the potential public benefit in each case; and to analyze the viability of collaborative options. The joint council would allow administrators and faculty in potential areas of discussion to elaborate concerns and address solutions.

A more detailed report is available from the MnSCU system office.

**2000-01 Biennial Budget
Legislative Reports**

Agency: Minnesota State Colleges and Universities (MnSCU)

TITLE: Review of Aviation Maintenance Program

LEGAL CITATION: 1998 Laws of Minnesota,
Chapter 384, Section 3

The legislature provided an appropriation of \$450,000 for additional equipment necessary to meet changing program needs and licensure requirements of the Federal Aviation Administration (FAA). Meetings with representatives of MnSCU aviation programs resulted in a recommendation to allocate the \$450,000 as follows: Red Wing/Winona Technical College, \$130,000; Northland Community and Technical College, \$128,000; Minneapolis Community and Technical College, \$150,000; Alexandria Technical College, \$30,000. The colleges suggested the Board retain \$12,000 to study the changes in FAA licensure and curriculum needs.

Aviation programs in the MnSCU system are coordinated through the Academic and Student Affairs Division in the System Office. These programs are also approved by the FAA, and curriculum must conform to the requirements designated by the federal agency. The ability to create additional programs is limited by FAA approval and no additional aviation programs are anticipated in the system. However, courses and customized training for aviation industries, including Northwest Airlines, are provided by the existing FAA approved programs. These programs, which do not lead to FAA licensure or certification, are done under contract between the college and a particular industry partner.

**2000-01 Biennial Budget
Legislative Reports**

Agency: Minnesota State Colleges and Universities (MnSCU)

TITLE: Facilities Repair and Replacement

LEGAL CITATION: None

PURPOSE/DESCRIPTION:

The Minnesota State Colleges and Universities spend a portion of their annual operating funds on facilities repair and replacement.

FUNDING DETAIL:

Annual expenditures for F.Y. 1996 through F.Y. 1999 are listed below:

F.Y. 1996	\$7,553,014	actual
F.Y. 1997	\$8,615,069	actual
F.Y. 1998	\$11,160,404	actual
F.Y. 1999	\$11,500,000	<i>estimated</i>

**2000-01 Biennial Budget
Legislative Reports**

Agency: Minnesota State Colleges and Universities (MnSCU)

TITLE: Instructional Equipment Expenditures
LEGAL CITATION: None

TOTAL INSTRUCTIONAL EQUIPMENT EXPENDITURES:

	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y.1999(est)
General Equipment	\$24,666,440	\$25,878,900	\$24,603,983	\$32,103,983
Principal & Interest Payments on Equipment	\$1,470,236	\$4,113,927	\$3,996,259	\$3,996,258
TOTAL:	\$26,136,676	\$29,992,827	\$28,600,242	\$36,100,241

PURPOSE/DESCRIPTION:

The 1989 legislature recognized that the quality and condition of equipment had been eroding throughout the higher education systems and attempted to provide some limited assistance. Again, in the 1991 session, the legislature set aside a portion of appropriations for instructional equipment. In 1993, the legislature directed that “in each year of the [1994-95] biennium, each post secondary system shall spend no less on instructional equipment than in [each year of] the previous biennium” (Laws 1993 First Special Session, Chapter 2, Article 1, Sec. 9; Subd. 1). This requirement was removed from the 1995 and 1997 budget bills but legislative staff have requested that the higher education systems continue to report on instructional equipment expenditures.

FUNDING DETAIL:

Because MnSCU’s accounting system does not separately identify equipment expenditures, the amount is estimated from total expenditures for equipment, multiplied by the percentage of MnSCU’s total budget spent on student instruction.

The following table shows actual expenditures for equipment during the last 3 years and estimated expenditures for F.Y. 1999, broken out between direct purchase and lease payments made for principal and interest. It is estimated that F.Y. 1999 expenditures will increase substantially as a result of supplemental appropriations received in the 1998 session.

**2000-01 Biennial Budget
Legislative Reports**

Agency: Minnesota State Colleges and Universities (MnSCU)

TITLE: Library/Media Acquisitions

LEGAL CITATION: None

PURPOSE/DESCRIPTION:

The 1991 legislature recognized that library acquisitions had been eroding throughout the public higher education systems and intended to assure that library expenditures would not fall. In 1993, the legislature again required that “in each year of the [1994-95] biennium, each post-secondary system shall spend no less on libraries than in [each year of] the previous biennium” (Laws 1993 First Special Session, Chapter 2, Article 1, Sec. 9, Subd. 1). In the 1995 and 1997 legislative sessions, this requirement was removed but legislative staff have requested that the higher education systems continue to report on library expenditures.

FUNDING DETAIL:

For purposes of this report, legislative staff have requested an analysis of library acquisitions reported in the accounting system as books, magazines, publications, subscriptions, training aids and devices, and training films or tapes. The following table shows actual expenditures for library acquisitions during the last 3 years and estimates for F.Y. 1999.

F.Y. 1996	\$3,604,629	actual
F.Y. 1997	\$4,496,443	actual
F.Y. 1998	\$4,682,204	actual
F.Y. 1999	\$7,682,204	<i>estimated</i>

2000-01 Biennial Budget
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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: University of Minnesota (U of M)

AGENCY MISSION AND VISION:

The University of Minnesota, founded in the belief that all people are enriched by understanding, is dedicated to the creation of knowledge and the advancement of learning and artistic activity; to the sharing of this knowledge through education for a diverse community; and to the application of this knowledge to benefit the people of the state, the nation, and the world. The University's mission is threefold.

- *Research and Discovery.* Generate and preserve knowledge, understanding, and creativity by conducting high quality research, scholarship, and artistic activity that benefits students, scholars, and communities across the state, the nation, and the world.
- *Teaching and Learning.* Share that knowledge, understanding, and creativity by providing a broad range of educational programs, in a strong and diverse community of learners and educators, and prepare a graduate, professional, and undergraduate student body for active roles in a multiracial and multicultural world.
- *Outreach and Public Service.* Extend, apply, and exchange knowledge between the University and society by applying scholarly expertise to community problems, by assisting organizations and individuals to respond to their changing environments, and by making the knowledge and resources created and preserved here accessible to the citizens of the state, the nation, and the world.

The University of Minnesota was created by the territorial legislature in 1851 by passage of the University Charter, Minnesota Laws 1851, Chapter 3 (University Charter) and was perpetuated by the Constitution of the state of Minnesota (Minnesota Constitution, Article 13, Section 3).

The University's contributions to the state over the last half of the 19th century and throughout the 20th century are well documented. The University's objective is to sustain and enhance this level of service to the state into the 21st century and to maintain its strength as one of the nation's leading research and land-grant universities.

KEY SERVICE STRATEGIES:

The 3 primary programs of the University of Minnesota are encompassed in its tripartite mission: 1) research and discovery; 2) teaching and learning; and 3) outreach and public service. Each of the 3 components of the University's mission is important to the state and its citizens as carried out by the University's campuses and colleges.

Research and Discovery

The University of Minnesota plays a critical role in the state's economy and is a major stimulus of economic activity, of long-term economic development and of advancing our educational and cultural life. Major components of the state's economy and quality of life are the result of research conducted at the University over the past 50 years. As a public land-grant university, the University of Minnesota is charged not only to *pursue* knowledge through research, but also to help *apply* knowledge for the common good through excellence in teaching and research.

Faculty involvement in research activities benefits all educational programs and contributes to the strength of the University. All of the University's faculty members contribute to its research and discovery activities. Many of these activities are supported by sponsored program funds, the level of which is an important measure of faculty productivity.

Teaching and Learning

The University of Minnesota awards more than 10,000 degrees per year. The number of degrees awarded by the University each year is always among the most of any of the nation's higher education institutions. Recruiting students who are prepared and motivated to take best advantage of the University's programs and maintaining access to these programs for all such students, regardless of their financial circumstances, are 2 of the most important University objectives.

The University of Minnesota offers undergraduate, graduate, and professional programs in a rich array of disciplines. The core of the University's teaching and learning activities is its degree programs and curriculum. The University of Minnesota currently offers 650 degree programs in more than 300 program areas at 6 degree levels on its 4 campuses. The University's day school enrollment for fall 1998 is 51,835, as detailed in the table below. Enrollment has increased in each of the last 4 years.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: University of Minnesota (U of M)
(Continuation)

Fall 1998 Head Count Enrollment (Day School)

	<u>Twin Cities</u>	<u>Duluth</u>	<u>Morris</u>	<u>Crookston</u>	<u>Total</u>
Undergraduate	25,903	7,208	1,917	2,492	37,520
Graduate	9,426	388	0	0	9,814
Professional	4,266	235	0	0	4,501
Total	39,595	7,831	1,917	2,492	51,835

Outreach and Public Service

The objectives of the University's outreach and public service programs is to make the knowledge and information generated by the University's faculty available to the state and its citizens in ways that go beyond the formalized instruction of its teaching and learning activities. Outreach and public service take place throughout the University.

University College (UC) is an important locus of outreach activities. Its mission is the development and delivery of credit and noncredit courses, programs, and services that represent and support the academic resources of the University and that respond to the continuing higher education needs of the people of Minnesota.

The core of the University's outreach activities is the University of Minnesota Extension Service. The Extension Service extends the University to the people by: 1) utilizing a network of faculty in every county, providing fast, easy access, expedited by a statewide computer and satellite down-link system; 2) providing practical, research-based information and education; 3) providing preventive information that helps people address underlying causes of problems through awareness of alternatives and teaching the skills needed to make informed choices.

OPERATING ENVIRONMENT:

Many social trends will affect the future directions of the University of Minnesota. These include:

- Increasing diversity of the state's population in both urban and rural settings, including increased racial/ethnic diversity and increases in both the elementary and secondary school populations, as well as the state's older population;

- A changing economy and an increasingly high-technology world, requiring workers who are flexible, adaptable, and able to respond effectively to changing economic and technological circumstances;
- Increasing interaction across national boundaries, requiring all citizens to have a better understanding of the history, customs, and cultures of other nations;
- Increasingly complex technology, changing the delivery of educational programs from being highly site specific to being more market sensitive and oriented toward lifelong learning, and requiring the University to have technology development and application integrated into all of its mission activities;
- Dramatic changes in the health care sector, resulting from a longer living populace, increasingly costly technology, changing modes of delivering and financing services, and exponential growth in research and information;
- Rural changes, requiring strengthened leadership in small communities; use of new agricultural techniques; increased understanding of the use of biological materials and their interactions with natural and human environments; increased use of technology; and responsiveness to a rapidly diversifying ethnic, economic, and vocational base;
- Urban area opportunities and challenges that call for cooperative projects with the private and nonprofit sectors and for application of the knowledge and expertise of faculty and staff to educate students from urban areas, work with communities to find new solutions to urban problems, and develop resources and activities to better serve the rapidly changing K-12 system;
- Greater oversight and accountability expectations in all areas of public service, including higher education, requiring increased responsiveness and reporting of results; and
- Opportunities for greater cooperation in higher education by working more effectively with MnSCU through partnership programs, and regionally, with other public and private higher education institutions.

ORGANIZATION/PROGRAM STRUCTURE:

As a comprehensive, research land-grant institution, the University of Minnesota carries out its mission on four campuses, at one collaborative center, and through statewide outreach as follows:

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: University of Minnesota (U of M)
(Continuation)

Crookston Campus. The Crookston campus provides career-oriented education at the baccalaureate level primarily in technical disciplines. Lifelong learning opportunities and outreach activities are an integral part of the Crookston mission.

Duluth Campus. The Duluth campus is a comprehensive regional university that provides extensive undergraduate, graduate, and professional educational programs. Focused research efforts, lifelong learning opportunities, and outreach activities are part of the Duluth mandate.

Morris Campus. The Morris campus provides an innovative and high quality residential undergraduate liberal arts education to a very selective student body, and lifelong learning and outreach activities.

University Center Rochester. The University of Minnesota, Winona State University, and Rochester Community College collaborate in offering a number of specialized graduate and professional programs and select undergraduate programs through the University Center Rochester.

Statewide Outreach. In keeping with its land-grant mission, the collegiate and administrative units of the University engage in outreach activities throughout the state that support the economic, social, and cultural development of the state.

Twin Cities Campus. The Twin Cities campus builds upon its comprehensive research endeavors to provide extensive professional, graduate, and undergraduate educational programs and lifelong learning opportunities and outreach activities. The University of Minnesota, Twin Cities, is one of the nation's top 30 research universities in any ranking of public and private institutions.

The campus and collegiate structure of the University of Minnesota is detailed below.
Board of Regents
President

Executive Vice President and Provost
Agricultural Experiment Station
College of Architecture and Landscape Architecture
College of Biological Sciences
College of Education and Human Development
College of Human Ecology
College of Liberal Arts
College of Natural Resources
College of Agricultural, Food, and Environmental Sciences
Curtis L. Carlson School of Management
General College
Humphrey Institute of Public Affairs
Institute of Technology
Law School
University Libraries
University of Minnesota Extension Service
University College
Senior Vice President, Health Sciences
Duluth School of Medicine
School of Dentistry
Medical School
School of Nursing
College of Pharmacy
School of Public Health
College of Veterinary Medicine
Vice President, Research and Dean, Graduate School
Vice President, Student Development and Athletics
Vice President, Human Resources
Vice President, Institutional Relations
Vice President, University Services
General Counsel
Controller
Treasurer
Chancellor, University of Minnesota, Duluth
UMD College of Education and Human Service Professionals
UMD College of Liberal Arts
UMD College of Science and Engineering
UMD Natural Resources and Research Institute
UMD School of Business and Economics
UMD School of Fine Arts
Chancellor, University of Minnesota, Morris
Chancellor, University of Minnesota, Crookston

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY PROGRAM:									
MAINTENANCE & OPERATIONS	605.150	692.911	729.888	695.019	767.282	738.574	699.849	821.870	774.054
UNIVERSITY SPECIALS	88.203	69.834	70.483	69.483	71.613	71.479	69.483	71.843	71.509
OTHER APPROPRIATIONS	17.479	9.407	4.467	4.762	8.185	358.109	6.303	8.456	8.301
Total Expenditures	710.832	772.152	804.838	769.264	847.080	1,168.162	775.635	902.169	853.864

FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT & NATURAL RESOURCE	0	2.573	0	0	1,997	1,997	0	1,998	1,998
GENERAL	493.124	540.769	570.923	539.447	613.840	584.998	542.610	666.991	618.841
MINNESOTA RESOURCES	0	1,724	0	0	1,150	1,150	0	0	0
HEALTH CARE ACCESS	2,482	2,537	2,537	2,537	2,613	2,537	2,537	2,692	2,537
SPECIAL REVENUE	0	120	0	0	200	200	0	0	0
TOBACCO SETTLEMENT	0	0	0	0	0	350,000	0	0	0
STATUTORY APPROPRIATIONS:									
GENERAL	209,729	221,976	229,740	225,055	225,055	225,055	226,722	226,722	226,722
AGENCY	5,497	2,453	1,638	2,225	2,225	2,225	3,766	3,766	3,766
Total Financing	710.832	772.152	804.838	769.264	847.080	1,168.162	775.635	902.169	853.864

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: University of Minnesota (U of M)

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$570,706	\$570,706	\$1,141,412
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(28,021)	(28,021)	(56,042)
Uniform Pension Bill Reduction	(75)	(75)	150
Enrollment Formula Adjustment	<u>(3,163)</u>	<u>0</u>	<u>(3,163)</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$539,447	\$542,610	\$1,082,057
<u>CHANGE ITEMS</u>			
Enriching the Undergraduate Experience	8,130	24,470	32,600
Financing Health Professional Education	16,940	20,060	37,000
Connecting the University to the Community	9,230	11,310	20,540
Excellence Through Quality Services	8,660	15,930	24,590
Competitive Compensation	33,000	62,900	95,900
Tuition Revenue Model	<u>(1,567)</u>	<u>(10,289)</u>	<u>(11,856)</u>
<u>AGENCY REQUEST</u>	\$613,840	\$666,991	\$1,280,831
<u>GOVERNOR'S RECOMMENDATION</u>			
Competitive Compensation	25,900	44,275	70,175
Enriching the Undergraduate Experience	5,340	14,705	20,045
Financing Health Professional Education	2,500	2,500	5,000
Connecting the U to the Community	5,520	5,020	10,540
Excellence Through Quality Services	6,625	10,065	16,690
Sunset: County Papers Special	<u>(334)</u>	<u>(334)</u>	<u>(668)</u>
TOTAL	\$584,998	\$618,841	\$1,203,839

Brief Explanation of Budget Decisions:

The University of Minnesota's 2000-2001 Biennial Budget Proposal is designed to increase the strength of the University as it enters a new century and a new millennium.

The University's 2000-2001 biennial budget proposal provides resources to:

- Provide competitive compensation for all employee groups with a 3% base compensation increase and a 2% compensation strategy pool;
- Enrich the undergraduate experience using strategies including expanded freshmen seminar offerings, enhanced academic advising, increased undergraduate research opportunities, expanded use of technology enhanced learning, further investments in libraries, increased student study abroad opportunities, and classroom enhancements;
- Address changes in the design, delivery, and financing of health professional education to assure that the State of Minnesota has the right types and numbers of health professionals, with the rights skills and training, practicing in the right locations, and serving the right populations of Minnesotans;
- Connect the University to the community at large by building efficient and effective technology transfer processes to support economic growth, link research from all areas of the University to solve important state problems and address important needs, and expand on University initiatives that promote further access to education and research; and
- Provide a climate of quality University services by improving preventive maintenance, upgrading and preserving facilities, and increasing training and recognition programs for employees.

The University's 2000-2001 Biennial Budget Proposal represents an increase of \$198,774,000 over adjusted base level funding. The total biennial appropriation request is \$1,280,831,000. The University's F.Y. 1998-99 biennial appropriation base is \$1,141,412,000. The adjusted base or starting point for F.Y. 2000-01 is \$1,082,057,000. The University's requested increase in funding has been calculated from this adjusted base funding level, arrived at by removing \$56 million of non-recurring funds and a one-time enrollment adjustment of \$3.1 million from the University's F.Y. 1999 appropriation.

**2000-01 Biennial Budget
Agency Budget Brief**

Agency: University of Minnesota (U of M)
(Continuation)

Fund: General

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends a biennial appropriation of \$1,203,839,000 for the University of Minnesota. This recommendation provides an increase of \$45,551,000 in the first year and \$76,231,000 in the second year to maintain the University's current operations and to support new investments that will improve the quality of undergraduate education and strengthen the University's graduate and professional education, research and public service programs.

In addition, the Governor recommends that \$350 million of one-time proceeds from the Tobacco Settlement be appropriated to the Minnesota Medical Foundation at the University for an endowment to support the education of health professionals and medical research. Earnings from the endowment would provide an estimated income stream of \$39 million over the F.Y. 2000-2001 biennium. The University, with input from a public advisory committee, would distribute funds annually to education programs of the Academic Health Center. The endowment would be sunset in F.Y. 2010.

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2000-01 Biennial Budget

PROGRAM: Operations and Maintenance

AGENCY: University of Minnesota (U of M)

PROGRAM PROFILE:

For nearly 150 years, Minnesotans have built and invested in the University of Minnesota, creating a resource that is unmatched within the state. This resource includes:

- The expertise of a world-class faculty;
- Academic programs that are offered nowhere else in the state;
- Four campuses and the Rochester Center, including one of the nation's largest campuses in the Twin Cities;
- Very extensive and specialized library holdings;
- Branch agricultural experiment stations; and
- Research facilities.

This investment makes it possible for the University today to:

- Conduct research in nearly every area of human inquiry that is supported annually by \$350 million in sponsored funds from federal agencies and private companies and businesses throughout the state and nation;
- Provide extension and outreach programs so that the ideas and technology created by the University are shared with the entire state;
- Serve nearly 50,000 students each year through regular academic programs and many thousand students more in continuing education programs; and
- Graduate more than 10,000 students per year, including most of the state's doctors and dentists, many of its scientists and engineers, musicians and artists whose talents will contribute to the state's cultural life, and journalists, economists, educators, and others from a broad range of disciplines who will help lead the state into a new era.

Information and knowledge are the bellwethers of our economic future. The future of plant and animal genetics, molecular and cellular biology, digital technology, agronomy, manufacturing, computer software, finance, medical devices, publishing, mass media, retail trade -- all areas of economic activity -- depend upon the intellectual capital of the state. For this reason, the University's importance to the state has never been greater. Indeed, the state and its citizens will depend on the University to a much greater extent than at any time in the past because their

well-being in the future will be based even more on new ideas, new technologies, new inventions, continuous learning, and the ability to succeed in a multi cultural society and an international economy. Put succinctly, the University is preeminent in the state in knowledge creation and transmission in an era in which intellectual property will be the driving force of the economy.

As the University enters the 21st century, its objectives are to promote economic growth and employment in the state; prepare students for 21st century jobs; improve the health of our people; facilitate the creation of new technologies and knowledge, along with their prompt transfer to the public and private sectors; and to ensure that children of all races, genders, and family income live as well or better than their parents.

STRATEGIES AND PERFORMANCE:

Based on extensive discussions with citizens of Minnesota, the Board of Regents, in 1994, approved a mission, vision, strategic directions, and performance statement. The resolution called for the development of critical measures for assessing institutional, campus, and unit performance in realizing goals in the areas of research; graduate and professional education; undergraduate education; access and outreach; user-friendliness; and diversity. The measures became a key element in the development of an annual performance report that has as its purpose to:

- Publicly confirm the University's success in reaching its stated goals and objectives;
- Guide and facilitate institutional, collegiate, and support unit self-improvement;
- Serve as an important link between planning, performance, evaluation, and resource allocation; and
- Provide a means for comparison with other similar institutions, in search of best practices for the accomplishment of institutional goals.

The University's 4 most recent capital and budget requests to the state are highly complementary in that they have been squarely directed at these goals and at improving overall performance:

- The 1998-1999 Biennial Budget Proposal emphasized programmatic investments, technology, compensation, financial aid, and price level increases to advance institutional performance in the areas of the characteristics of incoming students, investment per student, student experience, faculty and staff experience, diversity, and research and outreach.
- The 1998-1999 Capital Request focused on facilities infrastructure in support of critical academic investments in research, teaching, and outreach.

2000-01 Biennial Budget

PROGRAM: Operations and Maintenance
AGENCY: University of Minnesota (U of M)
(Continuation)

- The 1998-1999 Supplemental Request focused on strategic initiatives in 5 areas--digital technology, molecular and cellular biology, design, new media, and agricultural research--to advance goals in the area of scholarship, research, and artistic achievement.
- The 5 themes of the 2000-2001 biennial budget proposal address all aspects of undergraduate education, diversity, the post graduation experience of health professionals, the overall satisfaction of the community, and the quality of university services.

In the fall of 1998, the University of Minnesota launched substantial changes in its strategic planning process and the tools used for University management. The University moved to a system of agreements, or compacts, between the administration and each of the campuses, colleges, and many of the University's support units.

The compact process is designed to align the goals, direction and overall investment strategy established by the President and Board of Regents with the academic priorities established within each unit by deans, directors, faculty, and staff. Through this process, the goal of decentralization of authority and responsibility to campuses and colleges is achieved, yet these decentralized efforts and investment strategies are organized through the compact process around broader University themes such as those established by Board and the President through the capital request, the academic supplemental request, and the biennial request. Furthermore, unit and University accountability is stressed, as the compacts contain specific outcome measures and indicators of progress (linked to the University's critical measures), emphasizing quality, efficiency, effectiveness, and service.

FINANCING INFORMATION:

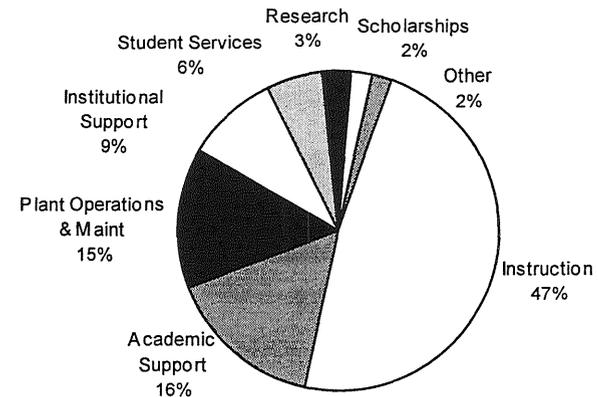
The General Fund state appropriation to the University of Minnesota for the Maintenance and Operations program totaled \$470,935,000 for F.Y. 1998. The total University revenues for F.Y. 1998 totaled \$1,683,908,000. The Maintenance and Operations state appropriation provides a significant share of the general operating dollars for the University to support the missions of teaching and learning, research and discovery, and outreach and public service.

BUDGET ISSUES:

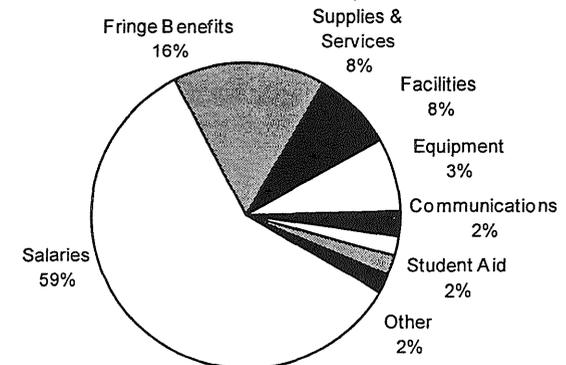
The 1998-99 biennial state appropriation for Maintenance and Operations totals \$971,083,000. This appropriation supports academic, academic support, and management units across all campuses of the University.

The F.Y. 1998 Maintenance and Operations appropriation of \$470,935,000, combined with tuition revenue of \$221,867,288 was expended throughout the University in the following manner:

Expenditures by Function Type



Expenditures by Object Class



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA
Program: OPERATIONS & MAINTENANCE

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY ACTIVITY:									
OPERATIONS & MAINTENANCE	601,150	692,911	698,038	675,344	747,607	718,899	680,174	802,195	754,379
PERFORMANCE INCENTIVES	4,000	0	0	0	0	0	0	0	0
SUPPLEMENTAL - 1998	0	0	31,850	19,675	19,675	19,675	19,675	19,675	19,675
Total Expenditures	605,150	692,911	729,888	695,019	767,282	738,574	699,849	821,870	774,054
CHANGE ITEMS:									
	<u>FUND</u>								
(B) ENRICHING THE UNDERGRADUATE EXPERIENCE	GEN			8,130	5,340		24,470	14,705	
(B) FINANCING HEALTH PROFESSIONAL EDUCATION	GEN			16,940	2,500		20,060	2,500	
(A) CONNECTING THE U TO THE COMMUNITY	GEN			7,100	3,190		8,950	2,660	
(B) EXCELLENCE THROUGH QUALITY SERVICES	GEN			8,660	6,625		15,930	10,065	
(B) COMPETITIVE COMPENSATION	GEN			33,000	25,900		62,900	44,275	
(B) TUITION REVENUE MODEL	GEN			(1,567)			(10,289)		
Total Change Items				72,263	43,555		122,021	74,205	
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	395,421	470,935	500,148	469,964	542,227	513,519	473,127	595,148	547,332
STATUTORY APPROPRIATIONS:									
GENERAL	209,729	221,976	229,740	225,055	225,055	225,055	226,722	226,722	226,722
Total Financing	605,150	692,911	729,888	695,019	767,282	738,574	699,849	821,870	774,054

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Enriching the Undergraduate Experience

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$8,130	\$24,470	\$24,470	\$24,470
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$20,045,000 for the F.Y. 2000-2001 biennium to strengthen the quality of undergraduate instruction and student services at the University. Together with tuition revenue, these funds will expand the number of freshmen seminars taught through the hiring of 100 new faculty; provide new resources to improve academic advising and career development services for students; improve library resources and classrooms; strengthen technology-enhanced learning; and expand opportunities for undergraduate students to engage in research and study abroad. Along with this recommendation, the Governor requests that the University and the University Board of Regents reconsider whether to close General College. The state should evaluate whether General College is compatible with the mission of a top-ranked research university or whether its students and programs would more appropriately be located within the Minnesota State Colleges and Universities system.

RATIONALE:

The University of Minnesota seeks to be at the forefront of undergraduate education among major research universities. This is an effort that is led by the University's faculty members. The University's objective is to provide the state's most talented students with an undergraduate experience that is second to none.

The University has done much to improve undergraduate education over the past decade. Past investments to improve the University's undergraduate programs have resulted in:

- A student body that is characterized by its better preparation, higher ability, and greater diversity;
- A higher degree of student satisfaction with the undergraduate experience; and
- Improved retention and graduation rates.

The University of Minnesota is a large, public, land-grant, research institution with an uniquely broad range of academic programs at all student levels. These characteristics can be impediments to the delivery of a quality undergraduate experience for students. But these very same characteristics can be used to make a student's undergraduate experience at the University challenging, rich, exciting, and rewarding. The University's objective is to capture in its undergraduate programs all of the value that can be added by drawing on the resources of a great research institution.

Improving the undergraduate experience for students on each University campus will involve a number of different strategies, which vary by campus, with an expansion of the freshmen seminar program serving as the core strategy. Among the other strategies are a highly integrated academic advising initiative; an expansion of the Undergraduate Research Opportunities Program; effective use of technology enhanced learning methods, increased investments in University libraries systemwide; a significant expansion of international study abroad opportunities, including internship programs with Minnesota companies located in other countries; and enhanced classrooms.

Freshmen Seminars

Increasing the opportunity for sustained, close contact with faculty members at the very beginning of a student's collegiate career would significantly improve the undergraduate experience. It would also improve student academic progress and preparation for careers.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Enriching the Undergraduate Experience
(Continuation)

The University's core strategy for achieving this improvement is a major expansion of freshmen seminars. An expansion of the freshmen seminar program would bring nearly all new students together with faculty in a small class environment and treat each student as an honors student. Seminars provide students close contact with faculty and give faculty the opportunity to mentor new students. Experience with similar classes already offered at Minnesota and other universities indicates that the links between faculty and students forged in these seminars last over a student's entire academic career.

In these seminars, students would work closely with the faculty in developing their analytical capacity and writing skills, including serious engagement with ideas, marshaling of evidence, and the careful development of reasoned arguments. The seminars would help students become serious learners, provide students with a stronger sense of community, and provide essential faculty mentoring to new students. For students, the seminar would be the first step toward taking full advantage of the educational opportunities offered by the University, which make it such an important economic and cultural asset for the state. These opportunities reach beyond classrooms into research laboratories, archives, and studios.

The opportunity to work with small groups of eager and well-prepared students has attracted not only dozens of faculty to this year's pilot seminars, but also 2 emeritus professors, 2 distinguished alumni, a dean, an associate vice president, the general counsel, the provost, and the University President. The University continues to make major efforts in the areas of small seminar offerings. Seventy percent of the small seminars offered this school year are being offered for the first time. Despite these extraordinary efforts, there remains a significant gap.

Academic Advising

The University offers national-award-winning academic advising, from orientation

through graduation. With Web applications for advising, information, and registration, the University has set a national standard that is emulated by peer institutions. However, there continues to exist a need to offer more proactive advising by improving student-to-advisor ratios and integrating academic advising, career development, international study, internships, and service learning.

In recent years, the University offered all new freshmen in liberal arts 4 advising meetings in their first year, getting them off to a solid start. Current resources for central advising of new students are no longer sufficient to support 4 meetings with freshmen. Under a system of 4 meetings for freshmen, University retention studies show that our freshmen retention rates are good. But students begin to fall off the 4-year pace or fail to choose appropriate majors during their middle years of college -- the years when comprehensive central advising support is unavailable, and before students enter majors and find departmental advisors.

This proposal will provide 17 new full-time academic advisers. This addition will significantly lower the current student-to-advisor ratio in the lower division, once again allow for 4 freshmen advising meetings, and make comprehensive advising for second year students more attainable.

In addition, an enhanced staff of professional advisors will allow the University to proceed with the full integration of career development services across the 4 years of college. The University advising staff has developed effective models for 4-year career development, but cannot responsibly implement these when students' need for basic academic advising are not being met due to a shortage of resources.

Undergraduate Research Opportunities Program (UROP)

There are a variety of structured and informal mechanisms on campus for undergraduates to enter into faculty members' research and creative endeavors. The best known and largest single model is the Undergraduate Research Opportunities Program (UROP). The program provides a stipend and expense money to each student while they conduct research. These students develop well-documented research experience and skills that support future success in graduate and professional study, as well as in their career life.

Each year, the UROP budget of \$500,000 supports over 400 undergraduates in research projects. The University seeks to double the program, by increasing the amount of the stipend to each student (both to adjust for semester conversion, and also to reflect cost-of-education increases since program began) and by increasing the number of participating undergraduates to 800.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Enriching the Undergraduate Experience
(Continuation)

Technology Enhanced Learning

The demand for technology-enhanced learning exists at all educational levels, in all disciplines, and in all professions. This initiative focuses primarily on the need for this type of technologically-based delivery system at the undergraduate level, understanding that what is done for undergraduates will afford benefits to all other levels of study.

Students - To ensure that students will be able to use the fast, convenient connections present in the University's technology-ready classrooms to their fullest potential, funding will provide instruction that will guarantee all incoming University students attain basic computer and networking literacy by the end of their first semester.

Faculty - This initiative will support release time, training sessions, and workshops for faculty focusing on the use of advanced wired and wireless information technologies in the classroom, library, and laboratory and on ways to deliver instruction to non-traditional students via distance learning networks. Approximately 200 faculty members each year will participate in these training activities, and these faculty members will use a variety of technologies to enrich an estimated 400 courses per year--with greatest emphasis placed upon the reformation of courses which reach the most students and those offerings which serve as critical gateway or capstone courses for undergraduate programs of study. In addition, these faculty will receive technical support as they redesign their courses, evaluate their efficacy, and refine the use of technology in the classroom, library, and laboratory.

Network Connections and Desktop Computers - Network connections and desktop computers are capital investments in existing infrastructure that do not currently have adequate replacement and maintenance planning. The University seeks to

help colleges migrate to the standard network connection and desktop configuration by providing matching funds as colleges build capital replacement and maintenance costs into their budgets over a 2-year period.

Libraries

Investments in the University Libraries on all campuses result in better services and increased access to collections for University students and for students at MnSCU institutions and the state's private colleges. Anyone can come to the Libraries and use the collections on site.

The University Libraries provide information resources to all citizens of Minnesota. Last year, the Twin Cities Campus Libraries provided more than 200,000 books and periodical articles to library users in all types of libraries across Minnesota. The University of Wisconsin libraries delivered just 90,000 items to its citizens during that period. University libraries on campuses in Crookston, Duluth, and Morris, as well as those on the Twin Cities Campus, serve high school and college students in their respective regions -- students who have no affiliation with the University of Minnesota.

Investments in the University's innovative online library services are being shared with the MnSCU Libraries. Thus far, the Libraries have invested more than \$250,000 in developing an online, information-finding tutorial called Research QuickStudy and an online term paper assistant called Research QuickStart, available to MnSCU without charge.

The Libraries aim to make online access to library services and collections as hassle-free as possible. Linking online library services and digital collections to the University's Web-based online registration system will provide seamless, convenient access for all University students. Distance learners throughout Minnesota will have access to important library resources, depending on campus or institutional affiliation. Students will have access to specialized assistance and special collections with a single service point and "one-stop information shopping," to be called InfoPoint.

Budgetary support has not kept pace with increasing statewide responsibilities and rising costs for the University Libraries. No area of the University's budget has been under greater pressure from these 2 forces. Finally, the growing dependence upon technology in providing library services on our campuses and to the state requires expanded investments.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Enriching the Undergraduate Experience
 (Continuation)

Student Study Abroad Opportunities

The study abroad programs throughout the University serve to:

- Ensure that our students are prepared to successfully participate in an increasingly global economy and culture;
- Strategically establish ties in world areas and with universities and departments that fit the intellectual directions and objectives of the University, its colleges, and departments as well as support the further economic development of the state;
- Establish exchanges with foreign universities on a collegiate and departmental basis to ensure stronger linkages to our academic programs and to promote exchange of faculty as well as students; and
- Encourage greater participation in multi-national research, business, and technical assistance activities through overseas internship programs.

During the 1997-98 school year, over 1,200 students applied to University study abroad programs. The University seeks to increase this number significantly by allocating new funds to scholarships, travel grants, and support for faculty who work on projects abroad and involve students with them. The proposed increased investment in study abroad programs will allow the University to:

- Move from 17th among all research universities in total number of students studying abroad to first among all public research universities and third nationally;
- Increase the number of overseas internships available to students in their areas of interest;
- Lead in the placement of students in study abroad programs in non-western societies; and
- Lead in the placement of students of color in study abroad programs.

Classroom Enhancements

After the latest round of facilities construction, the University will have approximately 400 centrally scheduled classrooms system-wide (300 on the Twin Cities Campus, 60 in Duluth, and 20 each at Morris and Crookston). Additionally, there are approximately over 200 departmentally scheduled classrooms. Last May, the University community was asked to nominate classrooms for potential technology upgrades. 134 rooms were identified system-wide.

A group of knowledgeable faculty and staff worked together to come up with cost estimates for equipment and maintenance of a “basic package” technology enhanced room. Based on this analysis, the University proposes to support the development of 75 to 100 electronic classrooms each year over 4 years. Although each classroom will be equipped with the most basic elements--a network connection, a computer, and a multimedia display--each will also be specially designed to accommodate the learning strategies and needs of the students who most often use the facilities. To this end, some of the new facilities will support lecture formats, while others will be designed for teamwork activities or equipped to support mentoring.

FINANCING:

	<u>Dollars in Thousands</u>		
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennial Total</u>
Freshmen Seminars	\$1,630	\$14,170	\$15,800
Academic Advising	500	500	1,000
Undergraduate Research Opportunities Program	500	500	1,000
Technology Enhanced Learning	1,800	3,000	4,800
Libraries	1,200	2,800	4,000
Student Study Abroad Opportunities	500	1,000	1,500
Classroom Enhancements	<u>2,000</u>	<u>2,500</u>	<u>4,500</u>
TOTAL	\$8,130	\$24,470	\$32,600

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Financing Health Professional Education

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$16,940	\$20,060	\$20,060	\$20,060
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$2,500,000 in each year for Objective 2 of this Change Item, to support and respond to the shift of health professional education and care to a more community- and population-based system. In addition, the Governor recommends \$350 million from Tobacco Settlement proceeds be transferred to the University for an endowment to fund health professional education and medical research at the Academic Health Center. The Governor recommends that University be allowed to draw up to \$14 million of endowment income in the first year and \$16 million in the second year for Objective 1 of this initiative.

For further information, see the Governor's Change Item on page B-193.

RATIONALE:

The University of Minnesota Academic Health Center (AHC) is one of the state's most important resources. AHC faculty and staff:

- Educate two-thirds Minnesota's health professionals;
- Prepare more primary care physicians (290) than any university in the nation;
- Conduct world-class research;
- Facilitate research and technology transfer through the AHC's Research Services Office;
- Find cures for diseases;
- Develop new devices and drugs;
- Advocate for and support preventative medicine and complementary care;
- Support agriculture by educating veterinarians and finding solutions to serious animal health problems
- Provide leadership in research and discussion of major health policy issues; and
- Provide the highest quality patient care at Fairview-University Medical Center and in other hospitals and clinics across the state.

The total Academic Health Center F.Y. 1998 revenue of \$435 million includes:

- \$70 million from state appropriations (16%)
- \$26 million from tuition (6%)
- \$190 million from gifts and grants (43%)
- \$102 million from generated and patient care revenue (24%)
- \$29 million from the hospital (7%)
- \$17 million from indirect cost recovery (4%)

The University is making this request because federal funding and patient care revenues are declining, and health care is shifting into the community. These and other external forces are jeopardizing the University's ability to educate the right numbers and the right kinds of health professionals for Minnesota:

- *The health care environment has radically changed.* The setting for educating health professionals is shifting from hospital settings into the community, as pressure for hospital cost-containment reduces patient stays and more patient care is now delivered outside the traditional hospital setting. This generates new educational costs.
- *The expectations for health sciences students and faculty are increasing.* Health sciences students must know more than they did a generation ago. They must understand federal and state laws, business practices, managed care, information technology, government programs, ethics, preventive health, wellness, complementary medicine, team care, recent scientific discoveries, new products and devices, gene therapies, and new drugs and treatments. Expectations for faculty are also increasing. As the environment changes, they must develop new skills and acquire knowledge necessary to teach students topics unheard of in health professional curricula even a decade ago.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Financing Health Professional Education
 (Continuation)

- *The demand for health professionals is growing as the population ages and becomes more diverse.*
- *The traditional sources of financial support for health professional education are eroding. The Balanced Budget Act of 1997 reduced Medicare support (GME) to support the training of medical residents. Over the next 5 years, Minnesota will lose \$100 million in cumulative GME support from Medicare by the year 2001. Thereafter, the annual loss is predicted to be a minimum of \$30 million per year.*

Managed care cost-containment strategies have adversely affected the University by reducing patient care income, which has traditionally subsidized medical education and research. Total clinical revenue from University physicians is anticipated to decline 3% per year over the next several years. This translates into an \$8 million annual loss to the Medical School's education and research enterprise during the next biennium.

- *The University and the state are already responding to these challenges, but it is not enough.*

FINANCING:

The Financing Health Professional Education initiative includes the following funding for the University's Academic Health Center:

- Objective 1 - \$30 million to support health professional education. This funding will expand the University's ability to educate students in non-hospital settings and strengthen curriculum and interdisciplinary programs.

- Objective 2 - \$7 million to support and respond to the shift of health professional education and care to a more community-based and population-based system. This funding will be used for special initiatives in the 7 AHC schools and colleges to create models for community and population based education and care.

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Health Professional Education	\$14,000	\$16,000	\$30,000
Community/Population-based Services	2,940	4,060	7,000
Prevention Models	1,760	2,220	3,980
Outcomes Research	600	840	1,440
Improving Access to Cancer Information	375	600	975
Health Science and Agriculture Connection	<u>205</u>	<u>400</u>	<u>605</u>
TOTAL	\$16,940	\$20,060	\$37,000
Items not included in the change item total:			
Allocation from Tobacco Settlement	\$10,000	\$10,000	\$20,000
Increase to MERC through State Department of Health	\$60,000	\$60,000	\$120,000

OUTCOMES:

Objective 1: To ensure an adequate supply of highly skilled health professionals in Minnesota by strengthening health professional education - \$30 million:

A. Replace patient care revenue \$8,600,000

These funds will be used to support education and research in the Medical School that was formerly financed by patient care revenues generated by faculty physicians.

B. Implementing interdisciplinary education \$7,050,000

The University will develop team care models to implement new interdisciplinary educational programs funded during the last biennium.

C. Shifting to community-based education \$10,130,000

The University will manage educational programs in clinics, offices, surgical centers, homes, and other care sites. Curriculum and course content will be developed to teach care delivery in community settings and population-based health care, prevention, and wellness. Funds will also be used to cover the costs of model development, test sites, program evaluation, and cost analysis.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Financing Health Professional Education
(Continuation)

D. Utilizing technology-enhanced education \$2,900,000

The University will enhance education for students and faculty located in training sites around Minnesota and on the 3 campuses with AHC schools-Minneapolis, St. Paul and Duluth. For example, the Rural Health School has 5 sites and the Rural Physician Associate Program has students in 40 towns. Academic programs will increase the use of online capacity, distance technology, and electronic self-study in such fields as anatomy and histology. Student will learn more about medical information systems, electronic medical records, and how to access web-based data.

E. Teaching broader skills and knowledge \$1,320,000

The University will expand course content and student learning in medical information technology and financial systems to build business skills, such as office administration, risk management, health care finance, and care delivery. Curricular priorities across the health sciences will include preventive health and wellness, population-based health care, evidence-based medicine, outcomes assessment and management, productivity evaluation, and quality management.

Objective 2: To support and respond to the shift of health professional education and care to a more community and population-based system - \$7 million

A. Develop and expand successful health care and illness prevention models across Minnesota \$3,980,000

The University will strengthen education, enhance community-based care, and expand attention to underserved populations in rural Minnesota and the Twin Cities. Funds will increase access to pharmacy and nursing practitioner-oriented programs and create 2 dental education clinics. (Funds for expansion of the Rural

Health School, the Rural Physician Associates Program and the Community-University Health Care Clinic in Minneapolis are included under Objective 1.)

B. Conducting health services and health outcomes research \$1,440,000

The University will expand its support for community health by establishing an electronic system to monitor health professional demand and supply; developing successful disease prevention and health promotion programs and partnerships; creating new nursing strategies and community care models for chronic disease prevention and treatment; and working with health care providers to evaluate the effectiveness of clinical treatments and care models.

C. Improving access to cancer information \$975,000

The University will improve access to knowledge about cancer, its prevention and treatment by extending the expertise and service of the University Cancer Center to physicians, health professionals, community organizations, and citizens across Minnesota.

D. Strengthening the connection between health and agriculture \$605,000

The University College of Veterinary Medicine will enhance the integration of veterinary research and the investigation of human disease, whereby benefiting both animal and human treatment and care.

- In addition to this budget initiative, the University supports the following initiatives related to health professional education and research:

Stabilizing funding for graduate health education for State Department of Health \$120,000,000

The University supports the Minnesota Department of Health's request to replace decreased patient care revenue collections and lost federal medicare support to graduate medical training sites. It is expected that approximately 40% of the funds will be allocated to clinical sites where University students and residents are trained. The University currently has 1,195 medical residents.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Financing Health Professional Education
(Continuation)

Conducting research and developing care and prevention models for chronic and addictive conditions, especially those related to tobacco **\$20,000,000**

The University supports the use of funds from the 1998 tobacco settlement for health related purposes, including attention to chronic and addictive conditions as well as smoking prevention, cessation and care initiatives.

The partnership between the University of Minnesota Academic Health Center and the Minnesota Legislature will avert a crisis that could affect every citizen who depends on hometown health professionals. Without the additional funding, the University will continue to reduce health professional class sizes, which restricts its ability to serve both students and patients. Communities across Minnesota would begin to feel the effect in a few short years. By working together, however, the crisis can be managed, and the University will continue to deliver the same level of care to new generations of Minnesotans.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Connecting the University to the Community

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$9,230	\$11,310	\$11,310	\$11,310
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial increase of \$5,850,000 for the Operations and Maintenance appropriation and \$4,690,000 for the University Specials to support this initiative. The increase for the Agriculture Special includes a one-time appropriation of \$200,000 in F.Y. 2000 to the Extension Service to assist farmers in negotiating contracts with processors; funding for Extension Service salaries, the rapid response fund, and regional partnerships. The Governor's recommendation also includes funding for the commercialization of technology; animal health and food safety; Minnesota Virtual University (MnVU); University Center Rochester; digital library resources; wireless technology pilot; and inflation adjustments for the Health Science, Technology, and System Special appropriations. The Governor's recommendation does not include funding for the following initiatives: Rosemount experiment station; law school clinic; academic outreach; or the children, youth, and schools initiative.

The Governor's K-12 budget recommendations include \$900,000 in one-time funds to support a joint effort by the University, MnSCU, and the K-12 system to address the issues raised in the University's children, youth and schools initiative.

RATIONALE:

As a public, land-grant university, the University of Minnesota is charged not only to pursue knowledge through research, but also to help apply knowledge for the common good through teaching and outreach.

For almost 150 years the University has been in the knowledge and information business. Whether in devising new methods to process taconite, inventing new health treatments like pacemakers and replacement heart valves, or developing disease-resistant crops, the University's contribution has resided in conceiving and implementing ideas to improve our economy and quality of life. Now, more than at any time in the history of Minnesota, the fortunes of the state depend upon its only land-grant research university.

The University must more effectively link its research to solving important state problems. The University must work more effectively with both the private and public sectors to shape its research agenda, build complimentary research capacities, and ease the transfer of new technologies from the marketplace of ideas into the marketplace of goods and services.

The University's proposal provides important support for:

- Strengthening commercialization of technology;
- Strengthening agricultural and extension programs;
- Expanding statewide access to educational opportunities and partnerships through Minnesota Virtual U and University Center Rochester;
- Expanding digital library resources and wireless technology;
- Providing greater capacity to support the improvement of K-12 schools and legal services; and
- Providing outreach initiatives that address serious needs related to economic and community development in metropolitan areas and in greater Minnesota.

Commercialization of Technology

Commercialization of technologies and inventions based on work performed by University of Minnesota researchers provides an important, additional vehicle for assisting the state.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Connecting the University to the Community
(Continuation)

Investments will be made in two primary University organizations to build a bridge between research and technologies with clear commercial potential. The first is the Duluth Technology Village/Soft Center, a collaborative project between the University of Minnesota Duluth and the City of Duluth to stimulate an emerging software and related technologies industry. The second is an organization, to be developed in the Twin Cities, focussed on working with university researchers to identify those research results and directions in their earliest stages that have significant commercial potential. This organization will have the business acumen to work with university researchers and their research partners to create both funding and technology development strategies leading to commercialization.

Both organizations are designed to assist the University of Minnesota in finding new ways of communicating the results of research to the public.

Rapid Response Fund

The state and the University provided resources to expand research and knowledge transfer related to significant challenges facing Minnesota's agricultural and natural resource-based industries. State funds for F.Y. 1999 were largely one-time. The current proposal seeks support to add a more substantial and permanent investment in addressing these important challenges to the state's economy.

The Rapid Response Fund would provide a readily accessible source of funds for faculty to:

- Support and sustain Minnesota's agricultural and related natural resource-based industries;
- Provide a means for the Minnesota Agricultural Experiment Station and the University of Minnesota Extension Service to accelerate "problem-oriented" research, demonstration, and outreach programs; and

- Produce rapid and targeted, systematic response to contemporary agricultural and natural resource concerns.

Project funds would be non-recurring and intended for short- and intermediate-term (1 to 3 years) response to contemporary and emerging agricultural and environmental concerns and to enhance existing capacity. The fund is managed to accelerate or fund projects for a specific time frame, to maintain maximum flexibility for future issues. Identification and clarification of issues and the development of response proposals will involve appropriate external stakeholders.

Examples of potential issues for the Rapid Response Fund include:

- Alternative/Improved Agronomic and Forest Plants and Plant Products
- Plant, Livestock Disease Control and Resistance
- Livestock Production Issues/Concerns (odor and waste, building systems, etc.)
- Water Quality Initiatives (run-off, septic systems, riparian zones, etc.)
- Distance Education/Digital Technology (precision agriculture, GIS modeling)

(For ease of discussion, this item is included here rather than in the section of this document dedicated to State Specials. Funding for this piece of this initiative is proposed as an increase to the Agriculture Specials.)

Regional Partnerships

The concept of connecting citizens to their land-grant university is as old as the land-grant philosophy itself. This particular approach to active citizen engagement and partnership with the University was developed by a number of University faculty and citizens working through the Minnesota Institute of Sustainable Agriculture over the course of the past 5 years. This proposal builds upon pilot project funding provided to the University in the 1997 legislative session with support to expand the project to additional Minnesota regions.

The purpose of this initiative is to sustain Minnesota's natural resource-based industries by addressing community-identified issues on an ongoing, long-term basis. This will be accomplished in regional/community partnerships with the College of Agricultural, Food, and Environmental Sciences, the College of Natural Resources, and the University of Minnesota Extension Service. This program was established to address locally identified agricultural and natural resource issues in a manner consistent with sustainable development principles. Citizens engaged in an active citizenship participation process will drive this program.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Connecting the University to the Community
(Continuation)

(For ease of discussion, this item is included here rather than in the section of this document dedicated to State Specials. Funding for this piece of this initiative is proposed as an increase to the Agriculture Specials.)

Rosemount

This proposal will provide support for the planning and development of the Rosemount/Empire land use, research, and educational programs. The University's property at Rosemount/Empire, a 7,500 acre contiguous land area in Dakota County, was acquired as a public trust from the federal government in 1947 for agricultural research and education purposes.

In the spring of 1998, President Yudof declared the property not for sale and appointed a task force to develop a planning framework to synthesize the ideas of the community with those of faculty and staff that could be approved by the Regents and implemented by the University. The planning process was organized to include the communities surrounding the Rosemount/Empire property through a series of open meetings that built upon the planning efforts of the Rosemount/Empire Advisory Council. Discussions were ongoing with the Metropolitan Council, Minnesota Department of Natural Resources, Dakota County, Vermillion River Watershed Management Organization, and Minnesota Pollution Control Agency on the idea of working with natural systems as a framework. Other meetings were held with elected county and city officials to clarify their issues and concerns for the property.

Under direction from the Rosemount/Empire Task Force, and with citizen input, the Center for Rural Design has taken a comprehensive approach to the planning effort that considers the University's current and proposed operations and research activities, unique setting, physical constraints, and current development patterns in the area.

The University's goals for the Rosemount/Empire property and educational programs include:

- Preserve University ownership of the total 7500 acres for uses that reflect the University's academic mission while allowing for innovative and creative, as well as necessary, ways to use the land in partnership with the surrounding communities;
- Create opportunities for research and education linked directly to University collegiate or departmental programs that illustrate innovative ways to accommodate institutional, business, and community interests;
- Use integrated management approach to land use that promotes partnerships in research and education and balances financial return on future investment with social benefits and environmental health;
- Encourage land uses that protect and enhance the area's natural systems;
- Recognize long term land uses while phasing in new uses and ensuring capacity to respond to changing critical research needs; and
- Provide an opportunity for citizen and public agency participation in on-going planning for the property.

(For ease of discussion, this item is included here rather than in the section of this document dedicated to State Specials. Funding for this piece of this initiative is proposed as an increase to the Agriculture Specials.)

Animal Health and Food Safety

The University seeks funding to advance the state's goals of protecting public health, enhancing animal health, and increasing the profitable production of farm products. By increasing its support for Minnesota's animal and food industries, the University will help to assure high quality, wholesome food at a price competitive in the global market. It will also build on the University's strong commitment to agriculture.

Specifically, the Center for Food Animal Health, Productivity, and Food Safety will bring together the College of Veterinary Medicine, the College of Agricultural, Food, and Environmental Sciences, and the School of Public Health to address issues of animal health and food safety from the farm through packing and processing to the consumer's table. It will also enhance veterinary education as a means to strengthen the competitive position of animal agriculture.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Connecting the University to the Community
(Continuation)

University of Minnesota Extension Service

The University of Minnesota Extension Service is Minnesota's major outreach program. Its programs are funded through a partnership involving federal, state, county and University resources. In recent years, Congress has decreased federal support for Extension programs. The University has been forced to address these challenges through budgetary reductions and increased internal reallocations.

These changes have produced 2 major consequences: 1) reduced program support to address community needs; and 2) increased market problems in providing competitive salaries to recruit and retain extension educators at the state and local level. This proposal would provide funding to upgrade salaries to more competitive levels and to provide expanded support to address the declining level of federal support for local extension programs in greater Minnesota.

(For ease of discussion, this item is included here rather than in the section of this document dedicated to State Specials. Funding for this piece of this initiative is proposed as an increase to the Agriculture Specials.)

Minnesota Virtual University (MnVU)

Minnesota Virtual University is a collaborative initiative to promote access to education through expanding partnerships and strategic program development.

Our digital environment with its emerging information and networking technologies has enabled people to communicate, conduct business, and learn nearly anywhere in the world in mere seconds. These new opportunities have increased global competition and consequently have increased the demand for affordable, accessible, just-in-time, and customized lifelong learning. Approximately 65% of the U.S. workforce currently need to understand and work with new technologies,

and this number is expected to rise to 95% by the year 2000. Access to affordable, barrier-free lifelong learning is crucial.

In October 1996, Governor Carlson announced the Minnesota Virtual University (MnVU) initiative. MnVU is defined as a system to provide the uniform delivery of higher education administrative services and program offerings to students through the electronic medium of the Internet. During 1997-98, a coordinating board and 3 committees met to begin the design and development of MnVU.

MnVU is a student/learner driven gateway to Minnesota higher education and opportunities for lifelong learning. MnVU's principle resources include its faculty and staff, specialized software, corporate and community partners, and the direct cooperation of the Minnesota State Colleges and Universities, the University of Minnesota, and the Private Colleges.

To date, MnVU funds have supported the development of 2 online resources for students: an Internet System for Education and Employment Knowledge (ISEEK, <http://www.iseek.org>), and a common course catalog (available early 1999 at <http://www.mnvu.org>). ISEEK targets high school students, potential enrollees in post-secondary programs, and employed and unemployed individuals who wish to access information linking educational and training opportunities with information about employment opportunities.

The development of these resources provides improved access to Minnesota higher education. The University now seeks funding to sustain this effort, and more important, to provide expansion of opportunities for collaborative projects that meet crucial needs in our state and that provide learners with expanded and more flexible means of receiving learning opportunities.

The University proposes funding to:

- Maintain and increase access to courses and programs (MnVU online catalog) and employment and education knowledge (ISEEK, Internet System for Employment and Education Knowledge);
- Provide expansion of opportunities for collaborative academic programs that meet crucial needs in our state; facilitate inter-system partnerships for professional development; and
- Build ongoing capacity at regional centers to use technology to develop distance education programs.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Connecting the University to the Community
(Continuation)

(The Minnesota State Colleges and Universities system will submit a similar request to support the MnVU initiative.)

University Center Rochester

Rochester and southeastern Minnesota have a strong and growing need for a broad array of accessible higher education opportunities. The demands of professional careers, long-distance commuting, and a tight labor supply make it imperative for higher education to be offered in more fields of study and in venues and media that better suit the community's learning needs.

For years, the University of Minnesota has offered nearly 20 degree and certificate programs in the Rochester area. Now, by forging a new level of partnership and collaboration with MnSCU, the University is helping to expand the range of upper-level, graduate, and professional degrees and certificates available to the Rochester community. These new programs will be offered at or through the University Center Rochester (UCR).

This year, new programs are starting in Scientific and Technical Communication (bachelor's), Management of Technology (master's), and Educational Policy and Administration (doctorate).

Next year, new programs will be launched in Clinical Audiology, Applied Allied Health careers, Applied Business, and Social Work.

The University and MnSCU are consulting now about offering future programs in Public Policy, Information Technology and Communication, Agricultural Industries and Marketing, Medical Technology, and Veterinary Technology.

A cornerstone of the University's plans is to place additional faculty and program staff in Rochester on an ongoing basis. This initiative will provide funding for the University to:

- Hire community-based faculty and program staff to teach and support new degree programs;
- Continue the melding of 3 separate student service systems, and facilities, into 1 seamless operation;
- Continue to update and expand distance education and learning technology capacity at UCR;
- Invest in training faculty and staff to use the newest instructional technologies to deliver "anytime, anywhere" instruction; and
- Build the capacity to make all the programs available known to the community.

Digital Library Resources

The libraries of the University of Minnesota are at a pivotal point in their history. They must transform themselves into The Digital Library in order to meet the increasingly complex challenges of an information-rich twenty-first century and, in doing so, become more efficient, more cost-effective, and more accessible to the people of Minnesota. The legislatively mandated and funded new statewide, state-of-the-art library system, MnLINK, as well as capital investments in the Minnesota Library Access and Archives Center, the new library on the Duluth campus, and the renovation of the Walter Library building, offer the libraries an historic opportunity to assume a position of leadership in creating the digital library for the University and for Minnesota.

This proposal will provide funding in 3 major areas:

Purchase and Production of Digital Information - With regard to digital information, the goal of the libraries is two-fold: to acquire digital resources produced by scholarly societies, government, and commercial publishers (now increasing at an exponential rate), and to provide for the digitization of local resources and collections as a way of both preserving important collections and contributing to the national digitized information base.

Professional Staff - As the work of the libraries turns from supporting print to supporting digital collections, the need to maintain and expand a robust and diverse technical infrastructure also increases the requirements for appropriate professional staff. Accordingly, the key to achieving the vision of The Digital Library is the recruitment of professional and support staff who possess the requisite technological competencies.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Connecting the University to the Community
(Continuation)

Equipment and Software - Digital scanners and cameras, high-end computers and printers, CD-ROM duplicating equipment, servers, video display projectors, 2-way video cameras and equipment, and digital management capacities will be necessary for the digital library and will enable it to re-engineer work processes to be more effective and efficient.

Wireless Technology / Testbed

Given the fact that telecommunications and associated networking are the lifeline of modern society and the indispensable enabler of the digital information age, the overall health and effectiveness of the University's programs depends heavily upon maintaining a sophisticated technological infrastructure.

The University seeks funding to upgrade facilities in the Electrical Engineering/Computer Science (EE/CS) Building. These facilities--which are the experimental testbed and incubator of new ideas in wireless and wired telecommunications, digital technologies, and computing at the University--serve as the University's primary educational and research hub in these fields. They are critical to the long-term success and sustainability of the initiatives proposed here. The University proposes to update these out-dated facilities by upgrading the wired communication infrastructure of the EE/CS Building and establishing wireless networking to support untethered access to computing and communications networks. Doing so will provide high-speed access to the many laboratories, offices, and classrooms in the building, and will allow 100 researchers and other professionals and 1,500 students gain experience with emerging networking paradigms.

Children, Youth, and Schools

The goal of Minnesota's state educational policies is to assure that all children develop to be successful learners, workers, citizens, and parents. State policy

makers in Minnesota have shown remarkable leadership during the past several years in creating policies to improve educational outcomes for students in K-12 schools. A current challenge in schools today is to connect every teacher, school administrator, and related service provider to a professional support network that will implement tested approaches to improve the learning and performance of all students.

This proposal would establish a network of regional partnership centers, located at the several campuses of the University of Minnesota, to connect University research and resources to improve the achievement of students and the performance of elementary and secondary schools.

At each of its campuses, the University will develop a K-12 partnership center that will address important state educational priorities established by state policy makers. The regional centers will provide interaction among faculty researchers, teachers, family and community service providers, and school and agency administrators. State and community leaders plus school, family, and community service providers and consumers will advise each regional center. The centers will connect and build on existing local/regional partnerships such as the Graduation Standards initiative, Family Service Collaboratives, and School-to-Work Partnerships to assure use of effective practices based on local and regional needs. Most important, each center will be informed by validated research-based knowledge, backed by evaluation services and state, national, and international education resource networks.

The initial emphasis of the University's K-12 partnership centers will be placed upon 2 critical areas: 1) enhancing early (grades K-3) literacy skills; and 2) promoting school retention and improved high school transition to work and post secondary education. The priorities cited below would be implemented and researched at model demonstration sites, including the new laboratory schools.

Early Childhood Basic Literacy Programs - Today, there are several nationally recognized, successful models for improving early language skills, including models developed and studied at the University of Minnesota. Using these models, the University has initiated an intercollegiate Early Literacy Tutoring Project at the Twin Cities campus that last year involved 500 trained college tutors. Through the regional centers, in collaboration with the Campus Compact and Minnesota Literacy Council, an expanded, coordinated effort will address the needs of low-achieving students throughout the state using state-of-the-art practices, training for teachers, and valuable service-learning experiences for undergraduate students.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Connecting the University to the Community
 (Continuation)

School Retention and Transition - Too many youth leave school prematurely or fail to achieve critical academic and technical skills to secure challenging jobs or pursue post-secondary education. There are many tested models to address these growing educational concerns, including interventions such as the University's Check-and-Connect program, as well as promising school-to-work partnerships involving schools, employers, and higher education. The regional partnership centers will help communities and schools interact with higher education and the workplace to maximize school retention, career opportunities, and ease school-to-career transitions.

The Law School Clinic

The existing Law School clinics provide over 20,000 hours of free legal services each year to Minnesota residents in a variety of fields, including child welfare, criminal prosecution, criminal defense, representation in civil matters, immigration and tax appeals. However, the clinics are unable fully to meet the educational needs of all students or the service needs of the community. In addition to providing service to the community, these clinics provide needed supervised practical education for aspiring lawyers in negotiation, advocacy, and trial practice.

The requested funding will provide a real opportunity for the Law School to expand clinical opportunities so that every law student may have access to one or more clinical experiences. Such continued funding will permit the Law School to be the first in the United States to offer a clinical experience to each student. At the same time, it will further extend the services that the Law School clinics make available to the people of Minnesota.

Academic Outreach Investments

The University of Minnesota has implemented centers to address issues related to the economic development and quality of life in Minnesota communities. These

centers, including the Natural Resources Research Institute, the Center for Economic Development, the Center for Urban and Regional Affairs, the Industrial Relations Center, and the Veterinary Diagnostic Laboratory, all seek to expand the connection of research to advancing economic and community development in Minnesota. A major challenge of the University is to leverage these resources in response to needs that arise from Minnesota communities. Similar to the agriculture and natural resource-based industry Rapid Response Fund proposal, this proposal seeks support for flexible resources to improve the responsiveness of University research centers, in combination with resources of the University of Minnesota Extension Service, in addressing community needs.

State Specials

The 1989 legislature combined 26 State Special appropriations into 4: Agriculture, Health Sciences, Technology, and System Specials. Beginning in F.Y. 1998, numerous components of each of these 4 Specials were moved from State Special funding to Operations and Maintenance funding. Of the remaining 16 components, 12 have received no increase, either programmatic or inflationary, since F.Y. 1996. This initiative includes an inflationary increase of 3% for each year of the biennium for these 12 components of the State Specials. This additional funding will provide much needed resources to continue the work intended by the state when the Specials were established.

(For ease of discussion, this item is included here rather than in the section of this document dedicated to State Specials. Funding for this piece of this initiative is proposed as an increase to the 4 State Specials.)

FINANCING:

	<u>Dollars in Thousands</u>		
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennial Total</u>
Commercialization of Technology	\$1,000	\$1,000	\$2,000
Rapid Response Fund	1,000	1,000	2,000
Regional Partnerships	600	600	1,200
Rosemount	100	100	200
Animal Health and Food Safety	500	500	1,000
U of M Extension Service	300	300	600
Minnesota Virtual University	1,250	1,250	2,500
University Center Rochester	200	300	500
Digital Library Resources	2,000	3,000	5,000
Wireless Technology/Testbed	600	1,000	1,600
Children, Youth, and Schools	650	850	1,500
Law Clinic	250	250	500
Academic Outreach Investments	550	700	1,250
State Specials/3% Inflation	230	460	690
TOTAL	\$9,230	\$11,310	\$20,540

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Delivering Excellence Through Quality Services

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$8,660	\$15,930	\$15,930	\$15,930
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$16,690,000 for the F.Y. 2000-2001 biennium for this initiative. This appropriation includes \$8,340,000 to support the increased operating costs of state-financed new and newly-renovated facilities; and \$8,350,000 for facilities repair and betterment, part of a statewide multi-agency initiative to reduce the state's facility repair and replacement needs by at least 5% in each agency. The Governor does not recommend increased funds for the University's "Classroom and Public Spaces Maintenance" or "Technical Infrastructure" requests.

RATIONALE:

To provide students, faculty, and staff with a supportive environment and the resources they need to do their jobs and achieve their educational objectives, this proposal addresses building maintenance and operations needs and expands technical infrastructure.

The University needs to promote a climate of service on each campus that is characterized by the following values:

- An ethos of providing quality service to all constituent groups;
- Community and a sense of social obligation that transcends self-interest;
- Respect for individuals in the community;
- Integrity that permeates every aspect of the University;
- Fairness in providing access to the University for students, in how the University treats individuals and groups, in tenure decisions, in the working conditions and compensation of faculty and staff, in allocating funds, and fairness in the governance structure;
- Embracing the values of continuous improvement and growth and adaptation;
- Diversity: the positive value of bringing people of different genders, races, religions, ethnic backgrounds, geographic areas, economic classes, experiences, and more to the faculty, staff, and student body; and
- Efficiency in University operations.

Addressing Building Maintenance and Operations

Last year, President Yudof made clear his intent to make the University one of the top 5 public research institutions in the nation. He stated that "I have a goal of entering the new millennium with world class programs, faculty and campuses." Central to this vision is the need to recruit and retain exceptional faculty and staff. That, in turn, depends upon providing facilities and equipment that meet their teaching and research needs.

The University maintains nearly 26 million gross square feet of facilities with a replacement value over \$3 billion, making it the state's largest steward of state institutions (over 35% of all the state's facilities measured by square footage).

As was highlighted in the 1998 Legislative Auditor's report on "State Building Maintenance", state institutions face significant financial challenges in properly providing for the of their facilities. The University believes that these stewardship issues break into 2 primary components: 1) operating issues, the scheduled custodial, preventive and repair maintenance of facilities and their components within their expected useful life; and 2) capital issues, the replacement of building systems beyond their expected useful life and the adaptation of facilities to meet current standards and programmatic needs.

The objective of the operating issues is to provide faculty, students and staff with

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Delivering Excellence Through Quality Services
(Continuation)

pleasant and effective facilities while extending the useful life of existing buildings with proper preventive and repair maintenance. Failure to make these investments will result in poor working environments and building components wearing out before they should. However, even facilities that are given regular quality maintenance require capital investments to replace building components that have exceeded their useful life, as well as to adapt the facilities to current code requirements and changing programmatic needs.

This principle can be illustrated by using car maintenance as an example. By following a scheduled program of preventive maintenance, the life and performance of a car can be maximized. Such actions as changing the oil, replacing filters, checking belts, and cleaning the interior are predictable and recurring activities which are comparable to the custodial and maintenance tasks for a building (the operating issues). No matter how well the maintenance schedule is followed, the car systems will eventually wear out and a new car will be required (building replacement) or a major overhaul/replacement of the cars systems will be necessary (building renewal). Finally, if it was necessary to use the car to tow a boat, adjustments may be required to the engine, a hitch would need to be added, and wiring would need to be extended for the rear lights (building adaptation for building code and programmatic needs).

The University has seen the value of establishing a formal preventive maintenance program, including developing written schedules for building components, regularly following these schedules, and keeping records of the preventive and corrective maintenance performed. Over the last 5 years, the University has aggressively implemented a formal preventive maintenance program that has now been refined to the special needs of each of its facilities.

This effort made it possible for the University to achieve the benefits from implementing a computerized maintenance management system (CMMS).

Consistent work plans, standards, documentation, maintenance program analysis, trending, and benchmarking are positive outcomes the University has seen since implementing a CMMS 5 years ago. The University has used these improvements in quality and quantity of maintenance practices and made reallocation of resources and productivity gains, which have resulted in increased maintenance and custodial standards valued at more than \$20 million annually. In addition, the University has initiated a program called "Beautiful U," an effort to improve the physical appearance of the Twin Cities campus. The first year of this program resulted in cleaning up tons of debris, painting the Washington Avenue Bridge, and making significant improvements in campus signage.

This request provides for both maintaining the existing University maintenance standards for existing and new buildings as well as increasing the level of stewardship. In order to properly maintain University facilities and to maximize the useful life of these facilities, the focus of this request is to first address the ongoing operating issues. In addition, the University supports the efforts of the Minnesota Department of Finance to improve support for routine replacement of building components beyond their useful lives.

The following sections identify the University's building maintenance and operation needs in these categories:

- Utility Inflation and Consumption
- New/Renovated Buildings
- Meeting Routine Preventive and Maintenance Standards
- Meeting Custodial Standards
- Classroom and Public Spaces Maintenance

Utility Inflation and Consumption

One of the unavoidable costs the University faces is the ongoing cost of providing electricity, steam heat, and water to its facilities. The University faces both increases in the cost of purchasing its utilities externally, in electricity and water, as well as minor increases in the consumption of electricity for existing buildings as the use of computers continues to rise and there is greater use of technology in building operations. Offsetting these increases in F.Y. 2000 is substantial financial savings due to the efficiencies of the University's renovated steam plant (beginning operation in F.Y. 2000) and the operation of the plant's co-generation capabilities. After the baseline facility costs are reduced in F.Y. 2000 by the opening of the new plant, costs will again begin to rise in line with the cost of fuels and purchased utilities. The rates for these increases vary from 2.75% for the production of steam

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Delivering Excellence Through Quality Services
(Continuation)

to 5.46% for the purchase of water.

The University has benchmarked its utility use relative to selected other universities and to private sector energy use. These reviews show that the University is more efficient in the utilization of steam and electricity than comparable private sector consumers. Private sector (.215 million BTUs per gross square foot [gsf] for the University vs. the private sector benchmark of .235 million BTUs/gsf.)

New/Renovated Buildings

During F.Y. 2000 and F.Y. 2001 the University will re-occupy renovated buildings, including Ford, Murphy, Architecture, Walter, Peters, Gortner, Snyder, and Jackson Hall. It will also open replacement buildings such as Mechanical Engineering and open several new facilities such as Morris Science and Math, Duluth Library, Dance Center, and the Minnesota Library Access Center. Though the first phase of the Molecular and Cellular Biology buildings will be completed in this time, the building will not begin operations until the fall of 2001 (F.Y. 2002). The debt costs related to these buildings are not included in this request, but rather are being managed within the University internal budgeting process.

For new buildings, the increased costs to the University include the need for additional utility use, custodial staff, and maintenance services. For replacement and renovated buildings, there are cost savings in the overall energy efficiency of the building (such as energy efficient windows) and cost increases due to adding air conditioning to all buildings (where many were formerly without), increasing air exchanges resulting in heating new air in a building more often even if heated more efficiently each time, improved custodial and maintenance standards, and increased maintenance costs for sophisticated building systems (eg. fire alarms, fire suppression systems, elevator systems, air conditioning). These increased costs reflect actual University experience in renovated and new building operating costs.

Biennial budget instructions allow state agencies to adjust their base appropriations for one-time or ongoing building, program, and operating expenses associated with capital projects that were authorized in past capital budgets. This base adjustment does not apply to the University of Minnesota. Therefore, the University requests this funding as an increase over and above the base appropriation.

Meeting Routine Preventative Maintenance Standards

The University has developed preventative maintenance standards by utilizing nationally identified standards, state and national building codes for health and safety, manufacturer's maintenance requirements for equipment, and specific experience with University buildings. These standards have for the last 5 years been integrated into a computerized maintenance management system (CMMS) which the University uses to create consistent work plans, documentation, maintenance program analysis, and trending. Although it still faces significant maintenance needs, among state institutions, the University most often met the minimum standards recommended by the Legislative Auditor's Building Maintenance Report.

The University maintains approximately 70,000 gross square foot per maintenance employee and a routine preventative and repair budget of \$24 million for the Twin Cities campus. This budget includes fire and life safety, building systems, specialty equipment, building shell, and emergency repairs. Through its maintenance management system, the University is able to establish the time required to perform each maintenance activity and the number of preventative activities needed to meet its standards. These pieces of information establish the necessary funding to meet the University standards. This request is what is necessary for the University to meet this standard.

By properly funding these maintenance standards, emergency repairs will be reduced, building safety and operation will be maximized, and the life cycle of facility building components can be extended, which will in turn reduce repair and replacement costs.

Meeting Custodial Standards

As with preventive building maintenance efforts, the University benchmarks its custodial services and has established a standard for services and productivity for its employees. As a standard, the University seeks to clean its buildings to "Class B" office buildings or to APPA II (Big 10) levels. In recent years, the University has worked with its custodial staff and invested in proper equipment (such as

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Delivering Excellence Through Quality Services
(Continuation)

mechanical scrubbers and walk-on mats) in order to increase the amount of space cleaned per employee (20% in F.Y. 1998). In addition, the University has added routine window washing to the cleaning services provided to all buildings.

For F.Y. 1999, the Twin Cities campus has 9.4 million cleanable square feet, which is cleaned at a standard of 22,760 sf per employee or 3,650sf/employee/hour.

This request would allow the University to provide the desired custodial service levels to all the buildings, funding both additional custodians and routinely purchasing proper equipment for the staff to maintain their efficiency.

Classroom and Public Spaces Maintenance

The University has made the improvement of its classrooms and public spaces a high priority. Recent initiatives include implementing a routine 3 year painting cycle for all public spaces such as atriums and hallways and a one-time \$3.5 million investment (from non-recurring 1998 supplemental appropriations) to make cosmetic and comfort improvements to classrooms, including painting, carpets, and seating.

This proposal would add classroom cleaning crews to provide custodial services to classrooms between classes and during breaks in the schedule. Currently classrooms are cleaned only at night. Secondary responsibilities of this crew would include snow shoveling, public area cleaning and other building cleaning while classes are meeting. Services would occur in the 15 minutes between classes and include chalkboard cleaning, picking up garbage, organizing the room, and emptying trash.

Technical Infrastructure

Reflecting the increasingly central role played by digital and communications technologies in higher education, colleges and universities across the nation are now routinely ranked on the basis of the strength of their technological infrastructure. Used strategically, technology significantly enhances student learning experiences and provides cost effective alternatives for the delivery of a wide variety of educational services. This component of the University's request seeks funding to build on the strengths of the University's technological infrastructure while addressing important deficits and the need for responsible future maintenance of that infrastructure:

Global Network Connections and Internet 2 Applications - A high performance, high capacity network is a critical prerequisite for the use of new technologies to support academic programs, research, and outreach in the university of the twenty-first century. Internet 2 (I2) is a university-led, cooperative effort involving government and industry partners to accelerate the next generation of the Internet for use by academic communities.

Security in an Electronic Commerce Environment - The computing and information environment at the University is changing dramatically and growing significantly in scope, complexity, and importance. It has evolved from a few mainframe-based research and administrative systems serving hundreds of users to dozens of open, distributed systems serving tens-of-thousands of users. In order to function properly, the University needs to provide for security in the use of these resources. Traditional security practices and mechanisms (often transmitting user identifications and passwords over the network) are no longer adequate to protect the confidentiality, integrity, and availability of University information assets. External trends in the areas of secure computing and electronic commerce point to a Public Key Infrastructure (PKI)--a security strategy and infrastructure which is appropriate for a modern, open, distributed computing environment. It is aligned with technology trends, will provide for current security needs, and will provide the flexibility and scalability to meet future needs.

State Building Life Cycle Cost Study

In the 1998 State Capital Improvement Bill (Chapter 404, Section 30), the Legislature directed that detailed operating budgets be developed to include "amounts necessary to maintain state buildings," defined to be 2.0% of the costs of buildings, unless otherwise provided by the Department of Finance. The Department of Finance was instructed to establish budget guidelines for building

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:
ITEM TITLE: Delivering Excellence Through Quality Services
 (Continuation)

maintenance appropriations in consultation with the Commissioner of Administration, MnSCU, and the University.

The Statewide Facilities Management Group has been meeting to develop such guidelines and at the time of this submittal, the Department of Finance is still waiting the first draft of a report by this committee. Discussions with committee members and Finance suggest that the guidelines will recommend a Building Life Cycle Cost program. This program would apply industry standards of useful life expectations for buildings and their major components to categories of building types by use and complexity. This program would be utilized to develop a standard for building renewal investment annually needed to maintain buildings at a constant utility without the need to seek state bonding for asset preservation. The formula discussed is:

Building Replacement Value/Weighted Building Expected Life =
 Annual Maintenance Cost

Depending how such a Life Cycle Cost program is developed, the University's annual need for asset preservation of building components beyond their useful life would be \$70 to \$100 million annually. Currently the University spends \$10 million annually from its operating funds for these needs through a Repair and Replacement program. In addition, the University has made special investments in roof and window replacement and targeted State Capital funds to these needs as a part of overall building renewal.

FINANCING:

	<u>Dollars in Thousands</u>		
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennial Total</u>
Addressing Bldg. Maintenance & Operations	<u>\$8,160</u>	<u>\$14,430</u>	<u>\$22,590</u>
Utility Inflation	(560)	930	370
New/Renovated Buildings	2,450	5,890	8,340
Meeting Maintenance Standards	2,350	3,690	6,040
Meeting Custodial Standards and Equipment	2,120	2,120	4,240
Classrooms and Public Spaces	1,800	1,800	3,600
Technical Infrastructure	<u>500</u>	<u>1,500</u>	<u>2,000</u>
TOTAL	\$8,660	\$15,930	\$24,590

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Competitive Compensation

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$33,000	\$62,900	\$62,900	\$62,900
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$70,175,000 for the F.Y. 2000-2001 biennium to support increases in compensation costs for state-funded University faculty and staff. Together with tuition revenue, this recommendation will support an annual compensation cost increase of 3% for all University employees. In addition, the Governor's recommendation supports the proposed compensation strategy pool, to provide an additional 2% merit-based increase in compensation for faculty to increase the University's competitive position among its peers.

RATIONALE:

The University of Minnesota's strength is directly related to the quality of its workforce. To attract and retain a high quality and diverse workforce, the University's compensation for all employee groups must be competitive. Implementing the University's programmatic initiatives, providing strong educational programs for undergraduate, graduate, and professional students, and providing the highest level of service to all of the University's constituencies requires a highly motivated and extraordinarily capable faculty and staff.

A world-class university is first and foremost known for the quality and reputation of its faculty, who carry out the University's mission in teaching, research, and outreach. The University's faculty salaries are not yet nationally competitive. While there has been improvement, faculty salaries on the Twin Cities campus still remain in the lowest tier of the top 30 research universities, as shown in the table below.

1997-98 Faculty Salaries for Top 30 Research Universities

	<u>Full Prof</u>	<u>Assoc Prof</u>	<u>Asst Prof</u>
Minnesota Salaries	\$81,000	\$57,500	\$48,600
Mean Salaries	\$94,500	\$62,900	\$53,200
Deviation from Mean \$	\$13,500	\$5,400	\$4,600
Deviation from Mean %	14.3%	8.5%	8.7%
Rank	26th	24th	25th

NOTE: The University anticipates improvement in the rank of Twin Cities faculty salaries because of 1998-99 salary plan, but will not have comparative information until the spring of 1999.

The most talented faculty, academic professionals, and technical employees move to institutions with the best employment and compensation policies and infrastructure support. The best young faculty the University seeks to recruit generally have several offers from peer institutions. Established faculty and staff are often recruited by competing institutions. Institutions with competitive compensation policies can increase their quality by recruiting and retaining highly talented and productive people, while other institutions fall behind.

In order to recruit the best graduate students, who contribute immeasurably to the University's teaching and research programs as teaching assistants and research assistants, the University's salaries and benefits for graduate assistants must also be highly competitive and provide a level of fundamental fairness in their quality of life. Salaries for teaching assistants and research assistants currently rank 9th among the Big 10 public institutions and are 13% below the mean.

The compensation situation is no different than for any business that relies on the talents and energies of a professional staff at all levels and in all employee classifications and that competes nationally against similar businesses for the best employees. Like any business, the University needs resources to compete with its peer institutions in the recruitment and retention of the most talented people in the country. Without these resources, the University will slip behind.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Competitive Compensation
 (Continuation)

The University's national standing in successfully competing for sponsored research funds, in patenting research, and in developing commercial applications for its inventions is linked to the creative scholarship of its faculty. The University must improve its competitive position among the nation's top universities in the recruitment and retention of a diverse faculty and staff.

FINANCING:

The costs of compensation increases reflected in the table below are calculated based on the O&M and State Specials salary budgets for F.Y. 1999. To arrive at the increased costs of compensation over, the F.Y. 1999 salary budgets (in these funds) for all employee groups were first inflated 3% annually. The appropriate estimated fringe rates were then applied to the inflated salaries to estimate total compensation costs for F.Y. 2000 and F.Y. 2001. Finally, the F.Y. 1999 budgeted salaries plus fringe were subtracted from the estimated compensation costs for F.Y. 2000 and F.Y. 2001 to arrive at the overall projected 3.0% base compensation cost for the biennium. For the additional compensation strategy pool of 2.0%, the process outlined above was repeated with an inflation factor of 5.0%. The overall cost of the 2.0% compensation strategy pool can be described as the difference between the cost of the 5.0% model and the cost of the 3.0% model.

The Biennial Budget Instructions from the Minnesota Department of Finance instruct state agencies to increase their base appropriation for compensation by 3.0% each year of the biennium. This base adjustment does not apply to the University. Therefore, the University requests this funding as an increase over and above the base appropriation.

	<u>Dollars in Thousands</u>		
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennial Total</u>
3% of Base Compensation	\$22,700	\$41,400	\$64,100
2% Compensation Strategy Pool	<u>10,300</u>	<u>21,500</u>	<u>31,800</u>
TOTAL	\$33,000	\$62,900	\$95,900

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Operations and Maintenance
ACTIVITY:

ITEM TITLE: Tuition Revenue Model

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$1,567	\$10,289	\$10,289	\$10,289

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

RATIONALE:

The University's projected tuition revenue increases for F.Y. 2000 and F.Y. 2001 are modeled on average tuition increases for students of 3%, with adjustments made for semester enrollment phenomena. In academic year 1999-2000, the University will change to a semester-based academic calendar. This will affect head count and full year equivalent (FYE) enrollments in 1998-99 and 1999-2000 in 2 ways.

First, in 1998-99, the University's last year on a quarter-based calendar, it will experience an increase in average student credit loads as students try to complete their degrees before the change in calendars. This is a common change-to-semester phenomenon. Any additional tuition revenue resulting from this increase will be used to meet the additional instructional demand. In 1999-2000, the University will experience a drop in head count enrollment, because of the large number of students who completed their degrees in 1998-99 (another common change-to-semester phenomenon.)

Second, the average credit load for undergraduate students is projected to drop in 1999-2000, the first year on semesters. The most common course in the University's quarter-based curriculum is a 4-credit course, and students are accustomed to taking either 3 or 4 courses for a credit load of 12-16 credits. The most common course in the University's semester-based curriculum is a 3-credit course, and if a significant number of students continue to take 3 or 4 courses, rather than 4 or 5, then overall credit loads will drop.

Both semester enrollment phenomena will reduce tuition revenue in F.Y. 2000 and F.Y. 2001. The University is assuming a 7% increase in undergraduate degrees granted in F.Y. 1999, resulting in an approximate 1% drop in head count enrollment and a drop in student credit loads of .25 credits in F.Y. 2000. For these reasons, the University projects only a 1.5% increase in tuition revenue over the biennium, even though the tuition increase for students, for planning purposes, will average 3%.

It should be explicitly noted that, although tuition revenue projections are modeled on an average increase in tuition rates of 3%, the actual rate increase for any individual student may be more or less than the average, because of possible changes in the University's tuition structure that would be designed to provide incentives for students to keep their credit loads up.

FINANCING:

Under the semesters' scenario, the total increase in tuition revenue for the 2000-2001 biennium is estimated to be \$11,856,000. Without factoring in the semester phenomena, a 3% tuition revenue increase would yield an additional \$20,800,000 for the 2000-01 biennium. Therefore, the semester phenomena creates an estimated loss of approximately \$10,000,000 over the biennium.

2000-01 Biennial Budget

BUDGET ACTIVITY: Agriculture Specials
PROGRAM: University Specials
AGENCY: University of Minnesota (U of M)

ACTIVITY PROFILE:

Through the unique land-grant partnership with federal, state, and local funding, the Minnesota Agricultural Experiment Station (MAES) and the University of Minnesota Extension Service conduct research and research-based informal education focused on issues facing Minnesotans where they live and work.

Minnesota Agricultural Experiment Station (MAES)

The Minnesota Agricultural Experiment Station organizes and supports research that provides the science and technology to support a highly diversified production, processing, marketing, and distribution system that produces an abundant supply of high-quality biological products, including food, fiber, and forest products. Significant research focuses on family and community life, human nutrition and interactions, recreation and tourism, sustainable management and protection of our natural resource base, and enhancement of overall environmental quality in Minnesota. Consistent with the University of Minnesota's land-grant mission, the research conducted by MAES scientists is integrated with academic programs and the extension delivery program.

This legislative special provides core funding support for scientists in over 30 departments across the colleges of Agricultural, Food, and Environmental Sciences, Human Ecology, Natural Resources, Veterinary Medicine, and Biological Sciences. Station scientists conduct applied research on the St. Paul campus, the branch stations at Grand Rapids, Crookston, Morris, Lamberton, and Waseca, the Cloquet Forestry Center, the Minnesota Landscape Arboretum, the Horticultural Research Center, and numerous cooperative "off-station" sites.

New demands and exciting new challenges do not lessen the necessity of ongoing maintenance research. Agriculture and natural resources involve biological and, consequently, dynamic processes. Continued research and development is necessary even for well-established commodities such as trees, corn, and cattle. However, opportunities exist for expanded basic and applied research in many areas such as biological controls, alternative crops, value-added products,

utilization, sustainability, economic development, youth and families, biodiversity, resource assessment, recycling, water quality, and public policy.

The economic returns from in these research efforts are substantial. For example, the investment in research and extension efforts to develop and release 2 varieties of barley, Morex and Robust, totaled \$9.2 million. The return was \$297 million, based on increased grain yield and malt extract, faster malting germination, and superior performance. The result is a benefit-to-cost ratio of 32:1. Stated as an annual rate of return, the payback to the Minnesota economy is in the neighborhood of 91%.

Agriculture and related natural resource industries will continue to be the backbone of Minnesota's economy. Continuing support for basic and applied research in support of profitable production, processing, and distribution in an environmentally and socially acceptable manner is critical to maintaining Minnesota's competitive advantage. Additionally, significant issues, such as aging, youth and families, human nutrition and health, housing, aquaculture, recycling, economic vitality of communities, integrated resource management, environmental concerns, and other issues facing Minnesotans require research conducted by MAES-supported scientists.

University of Minnesota Extension Service

Established in 1909, the University of Minnesota Extension Service's mission is "to involve people in improving the quality of life and enhancing the economy and the environment through education, applied research and the resources of the University of Minnesota." Extension is integral to the University's overall outreach program, extending the University to the people by: 1) utilizing a network of faculty in every county, providing fast, easy access, expedited by a state-wide computer and satellite down-link system; 2) providing practical, research-based information and education; and 3) providing preventive education that helps people address underlying causes of problems through awareness of alternatives and teaching the skills needed to make informed choices. This educational system is further extended by over 30,000 volunteers with other agencies and organizations--schools, human services, religious organizations, local governments--to insure that individual and community needs are identified, prioritized, and met. Extension reaches over 1 million Minnesotans each year with educational programs and information.

The state's citizens recognize the University of Minnesota Extension Service as a hardworking partner in their pursuit of economic stability, enriched family and

2000-01 Biennial Budget

BUDGET ACTIVITY: Agriculture Specials
PROGRAM: University Specials
AGENCY: University of Minnesota (U of M)
(Continuation)

community life, and a healthy environment. Extension is an educational bridge. Both the University and the people of the state appreciate its role in transforming research-based knowledge into practical guidance for everyday living. In setting its research agenda, the University community relies on Extension for insights garnered from daily contact with its many publics.

Extension is a catalyst in an increasingly diverse and disjointed society. It helps government, education, the private sector, communities, and individuals to work fruitfully together.

Extension is both traditional and progressive. It is a key player in Minnesota's international leadership in agriculture and supports those who choose farming as their way of life. It works to enrich youth and families while maintaining sensitivity and respect for the increasing diversity of contemporary society. It is at the leading edge of efforts to enhance and preserve the quality of communities and the environment.

Extension is a responsive organization. It listens and observes to discern the needs of its public, and then applies research-based knowledge to resolve them. It exists, not because it always has, but because Minnesotans recognize that it serves the indispensable role of connecting them with the knowledge generated by the University, and, in the process, with each other.

Extension programs of the future will continue to be directed and defined by the changing issues facing Minnesotans and the role they expect their land-grant university to play in helping them address those issues.

FINANCING INFORMATION:

The Agriculture special appropriation is the result of the action taken by the 1989 legislature to combine the specials for the Minnesota Agricultural Experiment Station (MAES) and the University of Minnesota Extension Service. The F.Y. 1998-99 biennial appropriation for the Agriculture Special is \$105,727,000.

BUDGET ISSUES:

For ease of discussion and reading, the Agency Budget Brief discusses the University Biennial Budget response at the Agency Plan level. The Change Item pages discuss the University's biennial budget proposal in greater detail and reference budget issues concerning the Agriculture Specials.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA

Program: UNIVERSITY SPECIALS

Activity: AGRICULTURE SPECIALS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	47,297	51,039	54,688	54,688	56,588	56,788	54,688	56,588	56,588
Total Expenditures	47,297	51,039	54,688	54,688	56,588	56,788	54,688	56,588	56,588
CHANGE ITEMS:									
	<u>FUND</u>								
(A) CONNECTING THE U TO THE COMMUNITY	GEN				1,900	2,100		1,900	1,900
Total Change Items					1,900	2,100		1,900	1,900
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	47,297	51,039	54,688	54,688	56,588	56,788	54,688	56,588	56,588
Total Financing	47,297	51,039	54,688	54,688	56,588	56,788	54,688	56,588	56,588

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2000-01 Biennial Budget

BUDGET ACTIVITY: Health Sciences Specials
PROGRAM: University Specials
AGENCY: University of Minnesota (U of M)

ACTIVITY PROFILE:

Taken together, the Health Sciences Specials complement the undergraduate, graduate, and professional training of some 4,000 students each year at various levels. The basic and applied research and resulting innovations financed by the Health Science Specials, together with other health science programs, help to insure that Minnesotans will have the best possible chance for a healthy life. In addition, research in the Health Sciences results in innovative techniques and, through technology transfer and licensing of patents, new businesses and industries that contribute toward an economy that creates and shares wealth.

County Papers / Indigent Care

The purpose of this appropriation is to assist counties in paying for medical care for indigent patients. Its origins go back to the early 1900s when University Hospital was the only tertiary care referral facility for the state. Over the years, with the emergence of a variety of federal and state supported social assistance programs, there has been a decline in the number of patients referred and treated under this program.

The need to provide medical care to the indigent patients who do not qualify under other programs continues. This is made possible by the County Papers program.

Rural Physicians Associate Program (RPAP)

The Rural Physicians Associate Program was established by the 1970 Legislature in response to a shortage of family physicians in greater Minnesota. Its purpose is to provide third-year medical students an opportunity to spend 9 months of their clinical training living, learning, and working in a non-metropolitan medical practice.

Since its inception, the Rural Physicians Associate Program has enrolled more than 700 medical students for outstate Minnesota practices. Of these, more than 60% have returned to practices in Minnesota with more than 70% going into Family

Practice and nearly 80% going to communities of 50,000 population or less. More than half practice in towns of 15,000 or less.

Efforts will continue to increase enrollment in the Rural Physicians Associate Program and to increase the numbers of non-metropolitan community faculty who serve as hosts for the students.

Veterinary Diagnostic Laboratory

The Veterinary Diagnostic Laboratory was instituted to help prevent loss from disease in the state's livestock, poultry, companion animals, and wildlife by identifying the cause of animal disease. The Laboratory also helps to protect human health by identifying animal diseases transmissible to humans through animal contact or through foods of animal origin. As the official laboratory of the Minnesota Board of Animal Health, it is very important in the state's animal disease control and eradication program.

The Veterinary Diagnostic Laboratory will continue to provide services related to the food animal industries, companion animals, and wildlife, utilizing current and emerging technology. With direction from the Minnesota Board of Health, we will also continue to identify and monitor health hazards to humans, a major responsibility.

Biomedical Engineering Center

The Biomedical Engineering Center is an interdisciplinary focal point for education, research and technology transfer in biomedical engineering that seeks to continue Minnesota's long tradition of excellence in the field and to cooperate with Minnesota's large and vibrant medical device industry.

The Biomedical Engineering Center is pursuing further development of a wealth of technologies including cardiac pacemakers, artificial heart valves, intraocular lens implants for cataract surgery, vascular grafts, and orthopedic implants. The center's technology transfer program involves 300 biomedical engineering companies nationwide.

The Biomedical Engineering Center's objectives include an increase in medical implant evaluations, additional tracking for medical implants, greater interaction with industry, additional patenting and licensing of peptide-based hybrid materials, and revision of the graduate curriculum to include tissue engineering, biomaterials and biointerfacial science, and biomedical imaging.

2000-01 Biennial Budget

BUDGET ACTIVITY: Health Sciences Specials
PROGRAM: University Specials
AGENCY: University of Minnesota (U of M)
(Continuation)

FINANCING INFORMATION:

The 1989 legislature consolidated the State Specials administered by the University of Minnesota Academic Health Center into a single program appropriation. The F.Y. 1998-99 biennial appropriation for the Health Sciences Special is \$17,130,000.

BUDGET ISSUES:

For ease of discussion and reading, the Agency Budget Brief discusses the University Biennial Budget response at the Agency Plan level. The Change Item pages discuss the University's biennial budget proposal in greater detail and reference budget issues concerning the Health Sciences Specials.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA
Program: UNIVERSITY SPECIALS
Activity: HEALTH SCIENCES SPECIALS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	17,758	10,065	7,065	6,065	6,123	5,789	6,065	6,180	5,846
Total Expenditures	17,758	10,065	7,065	6,065	6,123	5,789	6,065	6,180	5,846
CHANGE ITEMS:									
	<u>FUND</u>								
(A) CONNECTING THE U TO THE COMMUNITY	GEN				58	58		115	115
(B) SUNSET: COUNTY PAPERS SPECIAL	GEN					(334)			(334)
Total Change Items					58	(276)		115	(219)
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	17,758	10,065	7,065	6,065	6,123	5,789	6,065	6,180	5,846
Total Financing	17,758	10,065	7,065	6,065	6,123	5,789	6,065	6,180	5,846

2000-01 Biennial Budget

BUDGET ACTIVITY: Technology Specials
PROGRAM: University Specials
AGENCY: University of Minnesota (U of M)

ACTIVITY PROFILE:

Minnesota Geological Survey (MGS)

The Minnesota Geological Survey is the state's primary geological center, conducting basic and applied research on Minnesota's geology, providing outreach services to the public, and training undergraduate and graduate students for professional careers in the earth sciences. The Survey's fundamental tasks are geological mapping to elucidate the state's 3-dimensional geologic framework and its evolution in geologic time and to translate mapping results into practical applications for the public. The main users of MGS maps and reports are local and state decision makers, land-use planners, well drillers, geological and engineering consultants, the mining and mineral exploration industry, and educators.

The Minnesota Geological Survey is the University's outreach unit devoted to supplying earth sciences research for growing state needs in water management, environmental geology and economic development of natural resources. Minnesota's commitment to maintaining environmental quality, protecting groundwater supplies, and sustaining urban and rural development demand sound, unbiased geotechnical information. In addition to conducting applied research pertinent to environmental and economic concerns, MGS personnel answer public inquiries about geology and water wells, help people to interpret and use geological information in their local areas, and produce and distribute popular and technical maps and publications about the geological features and phenomena of our state.

Talented Youth Mathematics Program (UMTYMP)

The University of Minnesota School of Mathematics' Talented Youth Mathematics Program is an intense and accelerated program for very talented mathematics students in grades 5-12. Talented students in grades 4-8, identified by the home schools, are invited to participate in a qualifying examination. Of 1,400-1,750 students who test annually, 120-130 are invited to participate in the Twin Cities program, and 40-50 are invited to the various outreach sites.

The Talented Youth Mathematics Program offers the advanced education and training necessary to make the state a leader in the global economy. UMTYMP fosters a positive learning environment and encourages acquisition of the skills necessary to compete internationally for highly talented young students.

The Talented Youth Mathematics Program will continue working to increase the participation of females in UMTYMP calculus and increase participation of students of color/economically disadvantaged in UMTYMP. The state special is critical in providing core support, which will enable UMTYMP to acquire funding from other sources.

FINANCING INFORMATION:

The 1989 legislature consolidated the State Specials administered by the Institute of Technology into a single program appropriation in support of special technological purposes deemed of great interest to the state. The F.Y. 1998-99 biennial appropriation for the Technology Special is \$3,104,000.

BUDGET ISSUES:

For ease of discussion and reading, the Agency Budget Brief discusses the University Biennial Budget response at the Agency Plan level. The Change Item pages discuss the University's biennial budget proposal in greater detail and reference budget issues concerning the Technology Specials.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA

Program: UNIVERSITY SPECIALS

Activity: TECHNOLOGY SPECIALS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	3,067	1,552	1,552	1,552	1,600	1,600	1,552	1,645	1,645
Total Expenditures	3,067	1,552	1,552	1,552	1,600	1,600	1,552	1,645	1,645
CHANGE ITEMS:									
	<u>FUND</u>								
(A) CONNECTING THE U TO THE COMMUNITY	GEN				48	48		93	93
Total Change Items					48	48		93	93
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	3,067	1,552	1,552	1,552	1,600	1,600	1,552	1,645	1,645
Total Financing	3,067	1,552	1,552	1,552	1,600	1,600	1,552	1,645	1,645

2000-01 Biennial Budget

BUDGET ACTIVITY: System Specials
PROGRAM: University Specials
AGENCY: University of Minnesota (U of M)

ACTIVITY PROFILE:

*Bureau of Business and Economic Research (BEER)
University of Minnesota, Duluth*

Established in 1968, the Bureau of Business and Economic Research has 3 major missions. First, it serves the region and the state in collection and dissemination of information regarding Duluth, northeastern Minnesota, and the state economy. Second, it acts as the research arm of the Center for Economic Development to identify and address important business and economic problems and opportunities in the region. Third, the BEER is a catalyst to generate research activity of the faculty, staff, and students of the University of Minnesota, Duluth, School of Business and Economics.

BEER works to develop research on the regional economy to promote regional growth and diversity. The Bureau's publications include: Duluth Business Indicators (DBI); Selected Economic Data for Duluth and Northeastern Minnesota, an annual forecast issue of the DBI; a quarterly construction report; a monthly Duluth Tourist Index, Retail Sales Report, and the Bank Deposit Report

The Bureau will continue to focus its efforts on helping the region expand and diversify its economy. This effort will require the development of new economic data on new and expanding industries .

*Bureau of Business and Economic Research (BEER)
University of Minnesota, Twin Cities*

The Twin Cities Bureau of Business and Economic Research was established in the 1950s and supports research in business and economics. The Bureau generates knowledge useful to the organizations and economy of the Twin Cities region and the state of Minnesota. Projects supported by Bureau funds have addressed, for example, labor-management relations, the management of innovation and change, and customer satisfaction. The findings have direct implications for regional businesses. The inclusion of non-profit organizations serving the community's

special needs in the scope of topics addressed by the Bureau extends its contributions.

Bureau funds play an important role as "seed money" to attract external funding from federal agencies and private sources. These funds also serve as the basis for matching money in the public-private partnership between the Carlson School of Management and private organizations. Bureau funds are an important source of support to young faculty members in helping them establish their research programs and, therefore, play an important role in recruiting and retaining talented faculty members.

Funding from public and private agencies/organizations increasingly requires evidence of preliminary progress on a research project as a basis for a favorable funding decision. The "seed money" role of the Bureau is more important than ever.

Two imperatives of the Carlson School's strategic plan are: 1) to conduct high quality research that addresses problems of the management profession and advances scientific knowledge; and 2) to establish closer linkages with the management community and to be a visible force for change within the management community. State special funds provided to the Bureau on the Twin Cities campus will directly support both objectives.

General Research

The General Research Fund was initiated by a legislative appropriation over 50 years ago to support and encourage the research, scholarship, and artistic productivity of the University's faculty. It is as an investment by the state in the vitality of the faculty, helping them to initiate new projects and bridge gaps in external funding. In these areas, the General Research Fund is the most important source of University support to the faculty and is one of the programs most appreciated for the encouragement of scholarship and research. It is successful in leveraging funding from external sources. A faculty committee awards grants-in-aid of Research, Artistry and Scholarship each year. This is a competitive process. The likelihood of receiving future external funding is a primary criterion used in making these awards.

Humphrey Forum

The Humphrey Forum is a teaching program and exhibit of 20th century history and politics at the Hubert H. Humphrey Institute of Public Affairs. Its purpose is

2000-01 Biennial Budget

BUDGET ACTIVITY: System Specials
PROGRAM: University Specials
AGENCY: University of Minnesota (U of M)
(Continuation)

groups, and individuals in promoting active and thoughtful citizenship. The Forum's program of public events, workshops, and publications emphasizes the importance and effectiveness of citizen participation in government and public life.

The Humphrey Forum's audience has grown in number and diversity each year since it opened in November 1989. The forum now attracts more than 20,000 visitors each year. The Forum has formed partnerships with organizations to sponsor community service projects, adult education programs, and civic activities. Program evaluations remain enthusiastic.

The Humphrey Forum will continue to work to increase school group visits and the number of adult visitors. It will also continue to develop and strengthen partnerships with the Minnesota cable television networks, newspapers (including neighborhood and rural weeklies), and public affairs radio programming.

Industrial Relations Education Fund (IREF)

The Industrial Relations Education Fund supports a broad range of research and training outreach activities servicing diverse groups in industrial, employee, and labor relations: employers, union leaders and activists, arbitrators, mediators, academics, and public officials.

Programs and initiatives supported by the IREF provide consistent and up-to-date information, approaches, and technical support in labor-management, employment and labor law, policy, and practice. Educational activities funded by the IREF cover a wide variety of traditional and emerging subjects, reflecting the changing landscape of employer-employee relations in the state.

Specific objectives of the Industrial Relations Education Fund will reflect a commitment to remain on the cutting edge of issues and changes in industrial, employment and labor relations. Outreach plans anticipate new developments in relation to the changing demographics of the workforce, the pressures of globalization, and the need to expand the delivery of information and ideas.

James Ford Bell Museum of Natural History

The Bell Museum of Natural History (MNH) has 2 subdivisions, Comparative Biology and Public Programs. The mission of Public Programs, which includes Public Education and Public Exhibits, is to provide education to all sectors of the public regarding nature, its values to humankind, and an understanding of biological processes and the scientific method.

Through its educational programs, the James Ford Bell Museum of Natural History helps the public understand issues of environmental quality and policy including wise habitat management and what constitutes a healthy natural environment and helps the public appreciate the complexities of natural communities, the interdependencies of all species in a community, and the need to conserve natural habitats so as to save both common and rare species. The museum's research is focused on systematic and evolutionary relationships, including the use of modern methods of molecular biology to examine the evolutionary relationships among species through the study of their genes. The identification of species and their evolutionary relationships provides the essential baseline data for studies in conservation biology.

The principal measure of outcomes of the James Ford Bell Museum of Natural History's public programs is the size of its membership and the attendance figures for each of its functions and programs. The MNH has more than 700,000 contacts per year. Comparative Biology outcomes will be measured by scientific papers and books published, number of specimens added to the computerized records of the museum's collections, scientific specimens prepared and acquired through exchanges, grants awarded, research projects completed, and the number of graduate students receiving advanced degrees.

Natural Resources Research Institute (NRRI)

Several factors led to establishment of the Natural Resources Research Institute almost a decade ago, including: 1) loss of jobs in northeastern Minnesota, due to the decline of the taconite industry; 2) realization that economic diversification was needed in natural resource dependent regions of Minnesota; and 3) recognition that quality of life was also dependent on understanding and maintaining Minnesota's unique natural environment. Thus, from its inception, NRRI's mission has been: "to foster economic development of Minnesota's natural resources in an environmentally sound manner to promote private sector employment."

2000-01 Biennial Budget

BUDGET ACTIVITY: System Specials
PROGRAM: University Specials
AGENCY: University of Minnesota (U of M)
(Continuation)

The Natural Resources Research Institute's services have resulted in a number of prospects including: the opportunity to use its wood facilities to help industry, the challenge of helping the taconite industry remain competitive, the growing opportunity for developing environmental businesses, the opportunity to obtain federal grants for research to improve our knowledge of wetlands, upland forests, lakes and streams, and the prospect of continuing its business development role to assist start-up and expansions for small companies.

The Natural Resources Research Institute will carry out a full slate of projects focused on its 3 major goals: 1) near-term economic development efforts to promote private sector job creation and retention; 2) applied research in focused natural resource areas to develop products, processes, and services that will benefit Minnesota; and 3) research that will improve the knowledge base required for sound future economic and environmental decisions.

Student Loan Matching Program

The University of Minnesota provides matching funds for 5 federal student assistance programs. Included are the U.S. Department of Education's Federal Supplemental Education Opportunity Grant (SEOG), the Federal Perkins Loan Program, the Community Service Learning portion of the Federal College Work Study (CWS) program, and the U.S. Department of Health and Human Services' Nursing Student Loan Program (NSL) and Loans for Disadvantaged Students (LDS) program.

In order to be eligible for these federal financial aid programs the University must provide matching funds from the Student Loan Matching Program.

The objective of the Student Loan Matching Program will continue to be to maximize the amount of federal funding available to the University of Minnesota for student financial aid and to maintain a base of money available to the most needy students.

Urban and Regional Affairs, Center for (CURA)

The Center for Urban and Regional Affairs was established to help focus University attention on the broad range of urban-related issues and problems confronting the people and communities of Minnesota. CURA encourages and supports University faculty and graduate students who work on basic and applied research projects and applied technical assistance programs growing out of the major issues in the state. CURA's projects are carried out in conjunction with and frequently with matching support from persons, agencies or community groups outside the University, often from the public sector. The emphases of CURA's programs change as community problems and needs change. Most CURA projects result in reports, many in widely-circulated publications, including the "CURA Reporter."

The Center will continue to encourage and support research projects and technical assistance programs by University faculty and graduate students that are focused on the major urban-related issues facing the people and communities of Minnesota.

FINANCING INFORMATION:

The 1989 legislature combined 26 State Special appropriations into 4. The System Special is an aggregation of those special appropriations that could not reasonably be assigned to the Agricultural, Health Sciences, or Technology Specials. The F.Y. 1998-99 biennial appropriation for the System Specials is \$14,356,000.

BUDGET ISSUES:

For ease of discussion and reading, the Agency Budget Brief discusses the University Biennial Budget response at the Agency Plan level. The Change Item pages discuss the University's biennial budget proposal in greater detail and reference budget issues concerning the System Specials

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA

Program: UNIVERSITY SPECIALS

Activity: SYSTEM SPECIALS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	20,081	7,178	7,178	7,178	7,302	7,302	7,178	7,430	7,430
Total Expenditures	20,081	7,178	7,178	7,178	7,302	7,302	7,178	7,430	7,430
CHANGE ITEMS:									
	<u>FUND</u>								
(A) CONNECTING THE U TO THE COMMUNITY	GEN				124	124		252	252
Total Change Items					124	124		252	252
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	20,081	7,178	7,178	7,178	7,302	7,302	7,178	7,430	7,430
Total Financing	20,081	7,178	7,178	7,178	7,302	7,302	7,178	7,430	7,430

2000-01 Biennial Budget

PROGRAM: Other Appropriations
AGENCY: University of Minnesota (U of M)

PROGRAM PROFILE:

The Other Appropriations Program includes those activities that occur as a result of special funding provided to the University to initiate and carry out a specific initiative. Included in this program are the following activities: Special Projects; Legislative Commission of Minnesota Resources; and MinnesotaCare.

Special Projects

Projects funded under the Special Projects activity include, for F.Y. 1997:

(Dollars in 000's)

- Wheat Scab Research \$500
- Academic Health Center Duluth \$660
- Academic Health Center Information Technology \$2,000
- Academic Health Center Tenure \$5,940
- Joint Project / Distance Learning \$400

Projects funded under the Special Projects activity include, for F.Y. 1999:

- Alternative Swine Facilities and Programs \$292

Legislative Commission on Minnesota Resources

Projects funded by the Legislative Commission on Minnesota Resources (LCMR) provide research and public service in the areas of recreation, water, education, agriculture, forestry, fisheries, wildlife, land management, minerals, waste, and energy.

MinnesotaCare

The state has provided the University of Minnesota funding through MinnesotaCare since 1993 to increase Medical School primary care residency graduates and to encourage these physicians to establish practices in medically underserved areas in rural and urban Minnesota.

The University has developed medical student and primary care resident educational programs to improve geographic distribution of primary care physicians in Minnesota who are better equipped to provide high-quality and cost effective care to consumers. To date, there has been a substantial increase in the proportion of pediatric and medicine residents selecting generalist careers; a number of general pediatric and medicine resident graduates locating in rural Minnesota; and implementation of the Waseca-Mankato Rural Family Practice Residency Program.

BUDGET ISSUES:

Legislative Commission on Minnesota Resources

The Legislative Commission on Minnesota Resources' project recommendations for the University of Minnesota in the 2000-01 biennium include the following:

Accelerated Transfer of New Forest-Research Findings \$115,000

This appropriation is from the Environmental Trust fund to the University of Minnesota to accelerate educational programming by the sustainable forests education cooperative on the practical application of landscape-level analysis in site-level forest management.

Diversifying Agriculture for Environmental, Economic, and Social Benefits \$600,000

This appropriation is from the Environmental Trust fund to the University of Minnesota to research new plant materials and crop management systems for diversification.

Non-Wood Agricultural Fibers and Industrial Hemp for Pulp and Paper Manufacture \$200,000

This appropriation is from the Future Resources fund to the University of Minnesota to investigate the feasibility of various agricultural pulps markets in the development of small scale pulp mills in the agricultural regions of the state.

Measuring Children's Exposures to Environmental Health Hazards \$500,000

This appropriation is from the Environmental Trust fund to the University of

2000-01 Biennial Budget

PROGRAM: Other Appropriations
AGENCY: University of Minnesota (U of M)
 (Continuation)

Minnesota in cooperation with the Department of Health to augment a federal study of exposure of children to multiple environmental hazards, evaluate comparative health risks, and design intervention strategies.

Improved Minnesota Fungus Collection and Database \$70,000

This appropriation is from the Environmental Trust fund to the University of Minnesota to consolidate and preserve fungus specimen collections and computerize the data for use in agriculture, forestry and recreation management.

Arboretum Land Acquisition and Wetlands Restoration-Continuation \$700,000

This appropriation is from the Environmental Trust fund to the University of Minnesota for an agreement with the University of Minnesota Landscape Arboretum Foundation for the third biennium for land acquisition. The priority is to acquire approximately 40 acres of land within the Arboretum boundary before completing the Spring Peeper Meadow wetland restoration. This appropriation must be matched by at least \$700,000 of nonstate money.

Climate Variability and Change Impacts on Minnesota Resources \$350,000

This appropriation is from the Environmental Trust fund for an agreement with the University of Minnesota to develop a database of climate measures relevant to recreation, tourism, agriculture, and forestry and construct climate scenarios for Minnesota over the next 50 years.

Uncommon Ground: An Educational Television Series \$400,000

This appropriation is from the Environmental Trust fund to the University of Minnesota for matching funding to produce a televised series of natural landscapes chronicling 2 centuries of change in Minnesota.

Development and Assessment of Oak Wilt Biological Control Technologies-Continuation \$200,000

This appropriation is from the Environmental Trust fund to the University of Minnesota to evaluate biocontrol efficacy, spore mat production and root graft barrier guidelines for oak wilt, in cooperation with the department of agriculture.

Urban Corridor Design \$600,000

This appropriation is from the Future Resources fund to the University of Minnesota to develop sustainability designs for selected urban corridors.

Tracking Sources of Fecal Pollution Using DNA Techniques \$300,000

This appropriation is from the Environmental Trust fund to the University of Minnesota to define sources of fecal pollution in waters.

Groundwater Flow in the Prairie du Chien Aquifer \$110,000

This appropriation is from the Environmental Trust fund to the University of Minnesota to characterize groundwater flow within the Prairie du Chien Formation.

Erosion Impacts on the Cannon Valley Big Woods \$150,000

This appropriation is from the Environmental Trust fund to the University of Minnesota in cooperation with the Big Woods Project to determine historical soil erosion levels, predict future effects of land practices and develop land management tools in the big woods ecosystem in Rice County.

Sustainable Farming Systems-Continuation \$350,000

This appropriation is from the Future Resources fund to the University of Minnesota for the Minnesota Institute for Sustainable Agriculture, for on-farm and experiment station research, documentation and dissemination of information on alternative farm practices in order to integrate recent scientific advances, improve farm efficiencies, promote profitability, and to enhance environmental quality.

Assessing Lake Superior Waters Off the North Shore \$400,000

This appropriation is from the Environmental Trust fund to the University of Minnesota for a pilot program at Duluth to establish benchmark data for Lake

2000-01 Biennial Budget

PROGRAM: Other Appropriations

AGENCY: University of Minnesota (U of M)
(Continuation)

Superior. Expenses may not include capital cost for a research vessel. This appropriation is available until 6-30-2002, at which time the project must be completed and final products delivered, unless an earlier date is specified in the work program.

Predicting Water and Forest Resources Health and Sustainability \$300,000

This appropriation is from the Environmental Trust fund to the University of Minnesota for the Natural Resources Research Institute to assess ecosystem health using indicators and to develop models that incorporate landscape composition change.

AGENCY TOTAL \$5,345,000

GOVERNOR'S RECOMENDATION

The Governor makes no recommendation regarding the LCMR projects put forward by the University of Minnesota.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA

Program: OTHER APPROPRIATIONS

Activity: SPECIAL PROJECTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	9.500	0	292	0	0	350.000	0	0	0
Total Expenditures	9.500	0	292	0	0	350.000	0	0	0
CHANGE ITEMS:									
(B) HEALTH PROF ED & RESEARCH ENDOWMENT						350.000			
Total Change Items						350.000			
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	9.500	0	292	0	0	0	0	0	0
TOBACCO SETTLEMENT	0	0	0	0	0	350.000	0	0	0
Total Financing	9.500	0	292	0	0	350.000	0	0	0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota
PROGRAM: Other Appropriations
ACTIVITY: Special Projects

ITEM TITLE: Health Professional Education and Medical Research Endowment

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
Tobacco Settlement Fund				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$350,000	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of 350 million in F.Y. 2000 from the Tobacco Settlement fund to the University of Minnesota to establish the Health Professional and Medical Research Endowment Fund. The endowment will be managed by the University's Minnesota Medical Foundation and will generate income to support health professional education at the University Academic Health Center (AMC) and medical research at the University and Mayo Foundation.

The Governor recommends that the University be allowed to draw an annual return of up to 5%, with 75% of that income budgeted for the instruction costs of health professional education programs at the AHC. The remaining 25% will be available for medical research if matched dollar for dollar with non-state funds. The Funds for research will be divided into 3 equal portions: 1/3 for the University; 1/3 for the Mayo Foundation; and 1/3 for collaborative research between the University and Mayo.

The University would be required to submit an annual report to the governor and legislature describing how the endowment earnings have been spent--including an independent financial audit of the fund--and to include endowment income and expenditures in the biennial budget document. The endowment would be subject to review and sunset in F.Y. 2010.

RATIONALE:

Raising costs and declining revenue could create a projected \$70 million to \$80 million budget gap in the instructional programs of the AHC. The endowment would provide a stable source of income to support the education programs of the AHC. Medical research is a vital component of Minnesota's health care system and contributes significantly to the health of the population.

FINANCING:

Assuming the Foundation realizes an average annual rate of return of 8%, a 5% draw would provide \$17.5 million in the first year and \$18 million in the second year, for a total of \$35.5 million over the biennium.

OUTCOMES:

Together with the Governor's recommendation providing funding for compensation increases, income from the Health Professional Education Endowment will provide the University Academic Health Center with resources sufficient to close its projected budget gap with modest internal reallocations and restructuring. Funds for medical research will foster collaboration between the University and Mayo and enhance opportunities to develop new treatments and technologies that will improve the health and life expectancy of the population.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA

Program: OTHER APPROPRIATIONS

Activity: LCMR

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001			
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.	
EXPENDITURES BY CATEGORY:										
LOCAL ASSISTANCE	0	4,417	0	0	3,347	3,347	0	1,998	1,998	
Total Expenditures	0	4,417	0	0	3,347	3,347	0	1,998	1,998	
CHANGE ITEMS:										
	FUND									
(B) ARBORETUM LAND AQUISITIONS	EVT				350	350		350	350	
(B) ASSESSMENT OF OAK WILT CONTROL	EVT				100	100		100	100	
(B) CLIMATE VARIABILITY & CHANGE	EVT				175	175		175	175	
(B) DIVERSIFYING AG FOR ENV. ECN AND	EVT				300	300		300	300	
(B) EROSION-CANNON VALLEY	EVT				75	75		75	75	
(B) GROUNDWATER FLOW-PCD AQUIFER	EVT				55	55		55	55	
(B) LAKE SUPERIOR WTR-NORTH SHORE	EVT				100	100		100	100	
(B) LAKE SUPERIOR WTR-NORTH SHORE	SR				200	200				
(B) MEASURING CHILDREN'S EXPOSURE	EVT				250	250		250	250	
(B) MINNESOTA FUNGUS COLLECTIONS	EVT				35	35		35	35	
(B) NEW FOREST- RESEARCH FINDINGS	EVT				57	57		58	58	
(B) NON-WOOD AG FIBERS & IND HEMP	MNR				200	200				
(B) SUSTAINABLE FARMING SYSTEMS	MNR				350	350				
(B) TRACKING FECAL POLLUTION	EVT				150	150		150	150	
(B) UNCOMMON GROUND-EDUCATION TV	EVT				200	200		200	200	
(B) URBAN CORRIDOR DESIGN	MNR				600	600				
(B) WATER & FOREST RESOURCES HEALTH	EVT				150	150		150	150	
Total Change Items					3,347	3,347		1,998	1,998	
FINANCING BY FUND:										
DIRECT APPROPRIATIONS:										
ENVIRONMENT & NATURAL RESOURCE		0	2,573	0	0	1,997	1,997	0	1,998	1,998
MINNESOTA RESOURCES		0	1,724	0	0	1,150	1,150	0	0	0
SPECIAL REVENUE		0	120	0	0	200	200	0	0	0
Total Financing		0	4,417	0	0	3,347	3,347	0	1,998	1,998

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA
Program: OTHER APPROPRIATIONS
Activity: MINNCARE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
LOCAL ASSISTANCE	2,482	2,537	2,537	2,537	2,613	2,537	2,537	2,692	2,537
Total Expenditures	2,482	2,537	2,537	2,537	2,613	2,537	2,537	2,692	2,537
<u>CHANGE ITEMS:</u>									
	<u>FUND</u>								
(B) MINNESOTA CARE INFLATION	HCA				76			155	
Total Change Items					76			155	
<u>FINANCING BY FUND:</u>									
<u>DIRECT APPROPRIATIONS:</u>									
HEALTH CARE ACCESS	2,482	2,537	2,537	2,537	2,613	2,537	2,537	2,692	2,537
Total Financing	2,482	2,537	2,537	2,537	2,613	2,537	2,537	2,692	2,537

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: University of Minnesota (U of M)
PROGRAM: Other Appropriations
ACTIVITY: MinnesotaCare

ITEM TITLE: MinnesotaCare Inflation

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
Health Care Access				
- State Operations	\$76	\$155	\$155	\$155
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not approve the University's request for an increase in its appropriation from the Health Care Access fund. Instead, the Governor recommends that the University cover any cost increases in programs supported by this appropriation through income to be earned from the Health Professional Education Endowment Fund. For further information, see the Governor's recommendation on page B-193.

RATIONALE:

This initiative proposes a 3% annual inflationary increase for the University's MinnesotaCare initiative. This additional funding will provide much needed resources to continue the work intended by the state when the appropriation was first established in 1993.

FINANCING:

The annual appropriation from the Health Care Access fund to the University is \$2,537,000. Using an inflationary increase of 3% each year will provide \$76,000 in additional funding for F.Y. 2000 and \$155,000 in additional funding for F.Y. 2001. These amounts will help maintain a current level of effort for the University programs funded under MinnesotaCare.

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State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: UNIVERSITY OF MINNESOTA
 Program: OTHER APPROPRIATIONS
 Activity: PERMANENT UNIVERSITY FUND

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	5,497	2,453	1,638	2,225	2,225	2,225	3,766	3,766	3,766
Total Expenditures	5,497	2,453	1,638	2,225	2,225	2,225	3,766	3,766	3,766
FINANCING BY FUND:									
STATUTORY APPROPRIATIONS:									
AGENCY	5,497	2,453	1,638	2,225	2,225	2,225	3,766	3,766	3,766
Total Financing	5,497	2,453	1,638	2,225	2,225	2,225	3,766	3,766	3,766

APPENDIX

AGENCY: Minnesota, University of
PROGRAM: Operations & Maintenance - University Specials

2000-01 Biennial Budget

RECONCILIATION OF F.Y. 1999 TO BASE LEVEL
HIGHER EDUCATION BILL (GENERAL FUND)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	2000-01 BIENNIUM
	-----	-----	-----	-----
INSTRUCTION:				
APPROPRIATION -- O & M	321,563	290,085	290,085	580,170
COST STUDY ADJUSTMENT (EST.)	(31,478)			
INCOME	229,740	225,055	226,722	451,777
INTENT TUITION	171,542	171,542	171,542	
ADDITIONAL TUITION	58,198	58,198	58,198	
ENROLLMENT CHANGES		(4,685)	(3,018)	
FORMULA ADJUSTMENTS (non-recurring)				
APPROPRIATION		(3,163)		(3,163)
TUITION				
NON RECURRING		(17,548)	(17,548)	(35,096)
PENSION BILL REDUCTION		(42)	(42)	(84)
CURRENT SPENDING	519,825	494,387	499,259	993,604
NON-INSTRUCTION:				
APPROPRIATION -- O & M (1)	178,649	210,127	210,127	420,254
COST STUDY ADJUSTMENT (EST.)	31,478			
NON RECURRING		(9,473)	(9,473)	(18,946)
PENSION BILL REDUCTION		(22)	(22)	(44)
APPROPRIATION -- SPECIALS	70,494	70,494	70,494	140,988
FORMULA ADJUSTMENTS				
NON RECURRING		(1,000)	(1,000)	(2,000)
PENSION BILL REDUCTION		(11)	(11)	(22)
CURRENT SPENDING	280,621	270,115	270,115	540,230
BASE LEVEL SPENDING	800,446	764,502	769,374	1,533,834
DIRECT APPROPRIATIONS SUMMARY:				
BASE LEVEL TOTALS	570,706 (2)	539,447	542,610	1,082,057

(1) per conference committee budget (1997 session).

(2) Excludes \$292,000 of Swine Research (non recurring) general fund support and \$75,000 transfer out of F.Y. 1999 pension reduction funding.

INSTRUCTIONAL BASE CALCULATIONS
Per M.S. 135A
ACTUAL

Enrollment Summary (FYE Students) :

	Actual F.Y. 1995	Actual F.Y. 1996	Actual F.Y. 1997	Actual F.Y. 1998	Projected F.Y. 1999
Undergraduate					
Lower Division	17,743	17,704	17,806	18,008	18,722
Upper Division	17,391	17,327	17,487	18,085	18,940
Subtotal	35,134	35,031	35,293	36,093	37,662
Less: NRNR & MFS (1)	2,245	2,524	2,465	2,266	2,312
Total UG	32,889	32,507	32,828	33,827	35,350
Graduate	8,515	8,492	8,150	8,041	8,728
Professional	7,012	6,886	6,755	6,609	6,668
Marginally Funded Students					
PSEO	437	550	562	411	419
Midwest Compact	52	190	178	189	193
Subtotal	489	740	740	600	612
Weight @ .5	245	247	370	300	306
Total Formula Enrollment	48,661	48,132	48,103	48,777	51,052
Enrollment Base	48,661	48,661	48,661	48,661	48,661
Percent Change From Base		-1.1%	-1.1%	0.2%	4.9%
Allowable Adjustment Factor				0.0%	4.0%

Adjustment Summary:

F.Y. 1998	Adjusted (2) Appropriation	Tuition @ 33%	Legislative Calculated Spending
F.Y. 1997 Instruction (recurring only)	243,272	119,821	363,093
Fixed Base @ 35%	85,145	41,937	127,082
Variable Base @ 65%	158,127	77,883	236,010
Applicable Adjustment Factor 0.0%	0	0	0
Adjusted Instructional Base	243,272	119,821	363,093
F.Y. 1999			
F.Y. 1997 Instruction (recurring only)	243,272	119,821	363,093
Fixed Base @ 35%	85,145	41,937	127,082
Variable Base @ 65%	158,127	77,883	236,010
Applicable Adjustment Factor 4.0%	6,325	3,115	9,440
Adjusted Instructional Base	249,597	122,936	372,533

(1) NRNR = "Non-resident Non-reciprocity"; MFS = "Marginally Funded Students"

(2) Reflects transfer of instructional appropriation to non-instruction; \$21,123,000.

CLEAN UP ADJUSTMENT:

Adjustment factor F.Y. 1998 Actual	0
Adjustment factor F.Y. 1998 Estimated	3,163
Non-recurring correction in F.Y. 2000	(3,163)

AGENCY: Minnesota, University of
PROGRAM: Maintenance & Operations

2000-01 Biennial Budget

INSTRUCTIONAL BASE CALCULATIONS
Per M.S. 135A

Enrollment Summary (FYE Students) :

Adjustment Summary:

	Actual F.Y. 1997	Actual F.Y. 1998	Estimated F.Y. 1999	Projected F.Y. 2000	Projected F.Y. 2001	F.Y. 2000	Adjusted (2) Appropriation	Tuition @ 33%	Legislative Calculated Spending
Undergraduate						F.Y. 1999 Instruction (recurring only)	269,332	132,656	401,988
Lower Division	17,806	18,008	18,722	18,486	18,455				
Upper Division	17,487	18,085	18,940	18,699	19,210	Fixed Base @ 35%	94,266	46,430	140,696
Subtotal	35,293	36,093	37,662	37,185	37,665				
Less: NRNR & MFS (1)	2,465	2,266	2,312	2,322	2,330	Variable Base @ 65%	175,066	86,226	261,292
Total UG	32,828	33,827	35,350	34,863	35,335				
Graduate	8,150	8,041	8,728	8,730	8,920	Applicable Adjustment Factor 0.0%	0	0	0
Professional	6,755	6,609	6,668	6,660	6,160	Adjusted Instructional Base	269,332	132,656	401,988
Marginally Funded Students						F.Y. 2001			
PSEOA	562	411	419	428	429	F.Y. 1999 Instruction (recurring only)	269,332	132,656	401,988
Midwest Compact	178	189	193	194	194				
Subtotal	740	600	612	622	623	Fixed Base @ 35%	94,266	46,430	140,696
Weight @ .5	370	300	306	311	312				
Total Formula Enrollment	48,103	48,777	51,052	50,564	50,727	Variable Base @ 65%	175,066	86,226	261,292
Enrollment Base									
Percent Change From Base				-1.0%	-0.6%	Applicable Adjustment Factor 0.0%	0	0	0
Allowable Adjustment Factor				0.0%	0.0%	Adjusted Instructional Base	269,332	132,656	401,988

(1) NRNR = "Non-resident Non-reciprocity"; MFS = "Marginally Funded Students"

AGENCY: Minnesota, University of
PROGRAM: Operation & Maintenance - University Specials

2000-01 Biennial Budget

FULLY ALLOCATED EXPENDITURES
F.Y. 1998 (1)

Campus	Primary Programs				Support Programs				Total
	Instruction	Research	Public Service	Other	Academic Support	Student Support	Institutional Support	Physical Plant	
Twin Citites	266,158	83,859	55,736	5,761	48,211	26,064	39,206	51,394	576,389
Duluth	33,867	5,144	633	1,263	3,556	4,021	5,575	8,212	62,271
Morris	7,548	93	37	5	1,685	2,054	2,067	2,813	16,302
Crookston	2,996	2	240	1,245	1,437	1,108	1,562	1,743	10,333
System				11,106					11,106
Total	310,569	89,098	56,646	19,380	54,889	33,247	48,410	64,162	676,401
Physical Plant	26,711	22,664	3,109	0	6,467	820	4,391	(64,162)	
Institutional Support	17,158	15,302	12,421	5,746	1,148	1,026	(52,801)		
Student Support	33,088	2,005	0	0	0	(35,093)			
Academic Support	51,786	5,625	5,093	0	(62,504)				
Total	439,312	134,694	77,269	25,126	0	0	0	0	676,401

(1) Instructional Cost Study -- F.Y. 1998 (short form)

AGENCY: Minnesota, University of

2000-01 Biennial Budget

FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION

	F.Y. 1997 Actual	F.Y. 1998 Actual	F.Y. 1999 Estimate	F.Y. 2000 Target	F.Y. 2001 Target
Twin Cities					
Agriculture					
Lower Division	355	348	377	375	380
Upper Division	451	448	485	485	490
Graduate	293	268	290	290	295
Total	1,099	1,064	1,152	1,150	1,165
Architecture & Landscape Architecture					
Lower Division	89	80	80	75	75
Upper Division	186	191	191	190	180
Graduate	215	217	217	220	235
Total	490	488	488	485	490
Biological Sciences					
Lower Division	501	538	655	655	660
Upper Division	465	465	566	565	570
Graduate	202	206	251	250	255
Total	1,168	1,209	1,472	1,470	1,485
Dentistry					
Lower Division	24	24	25	25	25
Upper Division	53	53	54	54	555
Prof. & Grad. Prof.	577	579	592	591	90
Total	654	656	671	670	670
Education					
Lower Division	401	414	501	500	495
Upper Division	1,055	1,071	1,296	1,295	1,295
Graduate	1,748	1,813	2,194	2,195	2,200
Total	3,204	3,298	3,991	3,990	3,990
General College					
Lower Division	722	833	870	870	870
Upper Division					
Graduate					
Total	722	833	870	870	870
Human Ecology					
Lower Division	120	130	141	140	145
Upper Division	300	279	302	300	305
Graduate	226	197	213	215	215
Total	646	606	656	655	665

FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION

	F.Y. 1997 Actual	F.Y. 1998 Actual	F.Y. 1999 Estimate	F.Y. 2000 Target	F.Y. 2001 Target
Twin Cities					
Public Affairs					
Upper Division	14	15	15	15	15
Graduate	191	174	174	175	175
Total	205	189	189	190	190
Law					
Upper Division					
Prof. & Grad. Prof.	810	776	776	775	775
Total	810	776	776	775	775
Liberal Arts					
Lower Division	4,901	5,099	5,290	5,290	5,300
Upper Division	5,072	5,455	5,660	5,660	5,690
Graduate	1,710	1,517	1,574	1,575	1,660
Total	11,683	12,071	12,524	12,525	12,650
Management					
Lower Division	177	161	175	175	185
Upper Division	580	680	741	740	750
Graduate	1,258	1,301	1,418	1,420	1,425
Total	2,015	2,142	2,335	2,335	2,360
Medicine					
Lower Division	21	19	19	20	20
Upper Division					
Prof. & Grad. Prof.	3,809	3,702	3,702	3,700	3,700
Total	3,830	3,721	3,721	3,720	3,720
Natural Resources					
Lower Division	36	40	41	40	45
Upper Division	167	185	191	190	190
Graduate	81	75	77	75	75
Total	284	300	309	305	310
Nursing					
Lower Division	4	5	5	5	5
Upper Division	188	191	194	190	190
Graduate	190	212	215	220	220
Total	382	408	414	415	415

AGENCY: Minnesota, University of

2000-01 Biennial Budget

FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION

	F.Y. 1997 Actual	F.Y. 1998 Actual	F.Y. 1999 Estimate	F.Y. 2000 Target	F.Y. 2001 Target
Twin Cities					
Pharmacy					
Lower Division	1	1	1	1	
Upper Division					
Prof. & Grad. Prof.	342	380	426	424	425
Total	343	381	427	425	425
Public Health					
Lower Division					
Upper Division	115	123	123	120	120
Prof. & Grad. Prof.	403	344	344	345	345
Total	518	467	467	465	465
Technology					
Lower Division	2,391	2,442	2,497	2,495	2,500
Upper Division	2,648	2,758	2,820	2,820	2,830
Graduate	1,374	1,429	1,461	1,460	1,515
Total	6,413	6,629	6,778	6,775	6,845
Veterinary Medicine					
Lower Division	1				
Upper Division					
Prof. & Grad. Prof.	560	566	566	565	565
Total	561	566	566	565	565
Twin Cities Unattached					
Lower Division	15	21	21	20	20
Upper Division	16	19	19	20	20
Graduate					
Total	31	40	40	40	40
Duluth					
Business and Economics					
Lower Division	296	300	323	320	325
Upper Division	346	379	407	405	410
Graduate	22	18	19	20	20
Total	664	697	749	745	755
Education & Human Service Professions					
Lower Division	388	469	494	490	495
Upper Division	680	705	742	740	745
Graduate	180	151	159	165	170
Total	1,248	1,325	1,395	1,395	1,410

AGENCY: Minnesota, University of

2000-01 Biennial Budget

FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION

	F.Y. 1997 Actual	F.Y. 1998 Actual	F.Y. 1999 Estimate	F.Y. 2000 Target	F.Y. 2001 Target
Duluth					
Fine Arts					
Lower Division	478	466	487	485	490
Upper Division	180	174	182	180	185
Graduate	8	2	2	5	5
Total	666	642	671	670	680
Liberal Arts					
Lower Division	1,191	1,230	1,267	1,265	1,275
Upper Division	759	787	811	810	820
Graduate	20	21	22	20	25
Total	1,970	2,038	2,099	2,095	2,120
Medicine					
Lower Division					
Upper Division					
Prof. & Grad. Prof.	254	262	262	260	260
Total	254	262	262	260	260
Science and Engineering					
Lower Division	1,099	1,093	1,109	1,105	1,110
Upper Division	708	731	742	740	750
Graduate	89	119	121	125	130
Total	1,896	1,943	1,972	1,970	1,990
Duluth Unattached					
Lower Division	22	25	25	25	25
Upper Division	12	12	12	10	10
Total	34	37	37	35	35
Morris					
Lower Division	1,188	1,155	1,181	1,180	1,190
Upper Division	752	752	769	770	780
Total	1,940	1,907	1,950	1,950	1,970
Crookston					
Lower Division	1,046	1,012	1,035	1,030	1,020
Upper Division	263	291	298	300	310
Total	1,309	1,303	1,332	1,330	1,330

AGENCY: Minnesota, University of

2000-01 Biennial Budget

**FULL YEAR EQUIVALENT STUDENTS
BY INSTRUCTIONAL UNIT AND LEVEL OF INSTRUCTION**

	F.Y. 1997 Actual	F.Y. 1998 Actual	F.Y. 1999 Estimate	F.Y. 2000 Target	F.Y. 2001 Target
System					
University College (includes Extension and Summer Session)					
Lower Division	2,339	2,103	2,103	1,900	1,800
Upper Division	2,477	2,321	2,321	2,100	2,000
Graduate	343	321	321	300	300
Total	5,159	4,745	4,745	4,300	4,100
Grand Total	50,198	50,743	53,057	52,575	52,745
Summary by Campus					
Twin Cities	35,058	35,844	37,845	37,825	38,095
Duluth	6,732	6,944	7,185	7,170	7,250
Morris	1,940	1,907	1,950	1,950	1,970
Crookston	1,309	1,303	1,332	1,330	1,330
Continuing Education and Extension	5,159	4,745	4,745	4,300	4,100
Total	50,198	50,743	53,057	52,575	52,745
Summary by Level					
Lower Division	17,806	18,008	18,722	18,486	18,455
Upper Division	17,487	18,085	18,940	18,699	19,210
Graduate	8,150	8,041	8,728	8,730	8,920
Prof. & Grad. Prof.	6,755	6,609	6,668	6,660	6,160
Total	50,198	50,743	53,057	52,575	52,745

AGENCY: Minnesota, University of

2000-01 Biennial Budget

EXPENDITURES PER STUDENT
F.Y. 1998

	FYE Students -----	(1) Instructional Expenditures -----	Expenditures per Student -----
System Wide Enrollments			
Lower Division	18,008	107,732,558	5,982
Upper Division	18,085	153,898,606	8,510
Graduate	8,041	74,165,057	9,223
Professional & Grad Prof	6,609	103,515,779	15,663
Total	50,743	439,312,000	8,658

(1) Per estimate from Short Form Instructional Cost Study, F.Y. 1998.

AGENCY: Minnesota, University of

2000-01 Biennial Budget

STATE FUNDED LIBRARY PURCHASES
(Dollars in Thousands)

	F.Y. 1998 Actual -----	F.Y. 1999 Estimate -----
Campus		
Crookston		40
Duluth	982	1,000
Morris	297	300
Twin Cities	6,179	6,200
Total	7,458	7,540

Includes books, periodicals and subscriptions.

**EQUIPMENT PURCHASES
BY CATEGORY AND FUNCTION
(Dollars in Thousands)**

Equipment Category	Primary Programs				Support Programs				F.Y. 1998 Total	F.Y. 1999 Estimate
	Instruction	Research	Public Service	Other	Academic Support	Student Support	Institutional Support	Physical Plant		
Computers	3,704	2,527	498	60	739	567	1,095	555	9,745	10,086
Office & Furniture	537	134	133	8	233	151	96	87	1,379	1,427
Scientific, Instructional	894	1,797	3	21	0	0	0	0	2,715	2,810
Telecommunications	105	8	3	0	0	0	1	1	118	122
Transportation	42	37	17	1	0	0	0	126	223	231
Other	79	36	1	21	41	6	33	553	770	797
Total	5,361	4,539	655	111	1,013	724	1,225	1,322	14,950	15,473
Physical Plant	550	467	64	0	133	17	90	(1,322)		
Institutional Support	427	381	309	143	29	26	(1,315)			
Student Support	723	44	0	0	0	(766)				
Academic Support	973	106	96	0	(1,175)					
F.Y. 1998 Total	8,035	5,537	1,124	254					14,950	
F.Y. 1999 Estimate	8,316	5,731	1,164	263						15,473

REPAIRS AND REPLACEMENTS SUMMARY
(Dollars in Thousands)

	Actuals FY 1997	Actuals FY 1998	Estimates FY 1999
Projects in Process and Balances Forward			
Twin Cities	\$ 12,665	\$ 11,049	\$ 9,472
Crookston	\$ 95	\$ 172	\$ 134
Duluth	\$ 328	\$ 765	\$ 408
Morris	\$ 215	\$ 212	\$ 159
Experiment Stations	\$ -	\$ -	\$ -
Total	\$ 13,303	\$ 12,198	\$ 10,173
Base Funding			
Twin Cities	\$ 8,547	\$ 8,740	\$ 8,932
Crookston	\$ 141	\$ 141	\$ 141
Duluth	\$ 2,090	\$ 1,228	\$ 1,228
Morris	\$ 277	\$ 277	\$ 277
Experiment Stations	\$ 170	\$ 170	\$ 170
Total	\$ 11,225	\$ 10,556	\$ 10,748
Expenditures			
Twin Cities	\$ (10,142)	\$ (10,316)	\$ (15,404)
Crookston	\$ (64)	\$ (179)	\$ (275)
Duluth	\$ (1,653)	\$ (1,585)	\$ (1,636)
Morris	\$ (280)	\$ (330)	\$ (350)
Experiment Stations	\$ (170)	\$ (170)	\$ (170)
Total	\$ (12,309)	\$ (12,580)	\$ (17,835)
Balance Forward			
Twin Cities	\$ 11,049	\$ 9,472	\$ 3,000
Crookston	\$ 172	\$ 134	\$ -
Duluth	\$ 765	\$ 408	\$ -
Morris	\$ 212	\$ 159	\$ 86
Experiment Stations	\$ -	\$ -	\$ -
Total	\$ 12,198	\$ 10,173	\$ 3,086

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2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Mayo Foundation

AGENCY MISSION AND VISION:

Mayo aspires to provide the highest quality, compassionate patient care at a reasonable cost through a physician-led team of diverse people working together in clinical practice, education and research in a unified multi-campus system.

Mayo Foundation is a nonprofit, charitable corporation best described as a private trust for public purposes. Mayo pledges to conduct its interdependent programs of medical care, research and education in keeping with the highest standards of ethics and quality. Fundamental to this pledge is the absolute need to combine the science and art of medicine and technology with personalized care. Excellence in all endeavors with respect for the individual--both patient and employee--is the primary goal.

KEY SERVICE STRATEGIES:

The state provides grants for 3 Mayo foundation programs: Mayo Medical School, the Mayo Family Practice Residency Program, and the St. Cloud Hospital Family Medicine Residency Program.

Mayo Medical School is an undergraduate medical school preparing students to enter graduate training and residency programs. The Mayo Family Medicine Residency Program trains family physicians who provide comprehensive medical care to patients of all ages. Resident physicians serve patient populations in Kasson, Rochester, and St. Cloud. The state provides grants to offset tuition for medical school students who are from Minnesota and to partially fund the stipends of the Family Medicine residents.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the request of the Mayo Foundation and recommends a biennial appropriation of \$3,183,000. This appropriation will maintain the percentage of tuition paid by the state on behalf of Minnesotans enrolled in Mayo Medical School and increase state capitation grants supporting stipends for medical residents in family practice residencies at Mayo and at St. Cloud Hospital.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MAYO FOUNDATION

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY PROGRAM:									
MAYO MEDICAL SCHOOL	408	453	429	455	554	554	455	605	605
MAYO FAMILY MEDICINE RESIDENCY	356	408	389	467	601	601	467	625	625
ST. CLOUD HOSPITAL RESIDENCY	120	270	360	360	391	391	360	407	407
Total Expenditures	884	1,131	1,178	1,282	1,546	1,546	1,282	1,637	1,637
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	884	1,131	1,178	1,282	1,546	1,546	1,282	1,637	1,637
Total Financing	884	1,131	1,178	1,282	1,546	1,546	1,282	1,637	1,637

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **MAYO FOUNDATION**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	1,270	1,270	1,270	1,270	0	0	0	0
BASE ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	12	12	12	12	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	12	12	12	12	0	0	0	0
BASE BUDGET	1,282	1,282	1,282	1,282	0	0	0	0

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2000-01 Biennial Budget

PROGRAM: Mayo Medical School (MMS)

AGENCY: Mayo Foundation

PROGRAM PROFILE:

Mayo Medical School (MMS) was founded in 1972. The small class size, 42 students per class, facilitates a personalized course of instruction characterized by extensive clinical interaction and the integration of basic and clinical sciences throughout all segments of the curriculum. The mission of MMS is:

- To enroll outstanding students and to offer them a curriculum designed to foster their individual strengths and talents and to take full advantage of the unique integrated research, education, and practice resources of Mayo Foundation.
- To provide an intellectually stimulating environment where the small class size and large faculty of practicing physicians, scientific investigators, and educators unite to promote the scientific and humanitarian practice of medicine.
- To produce knowledgeable and compassionate physicians and scientists who have the skills and desire for lifelong learning.

A balance is sought to produce physicians interested in medical subspecialties, as well as the primary care disciplines of general internal medicine, family medicine, pediatrics, and obstetrics/gynecology. Of those graduating in 1998, 49% chose a residency program in one of those 4 areas. As part of their education, each MMS student lives with a family practice physician in private practice in a rural Minnesota community, to experience first-hand the challenges and rewards of primary care medicine.

STRATEGIES AND PERFORMANCE:

Mayo Medical School has graduated 908 physicians since 1976. Of those, 363 (40%) currently practice in Minnesota. Of the 600 graduates who were originally from Minnesota (and received capitation grants), 286 (79%) have stayed to practice in Minnesota.

FINANCING INFORMATION:

Since 1972, the legislature has provided grants to Mayo medical students who are Minnesota residents. Capitation provided by the state is used to offset tuition paid by Minnesota medical school students. In other words, all state monies are directly given to Minnesota students to reduce their tuition payment. Tuition for 1997-98 was \$19,800 and for 1998-99 is \$22,440. The F.Y. 1999 state appropriation supports grants of \$11,378 for up to 40 students.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MAYO FOUNDATION
Program: MAYO MEDICAL SCHOOL
Activity: MAYO MEDICAL SCHOOL

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	408	453	429	455	554	554	455	605	605
Total Expenditures	408	453	429	455	554	554	455	605	605
CHANGE ITEMS:									
(B) MAYO MEDICAL SCHOOL CAPITATION GRANTS	<u>FUND</u> GEN				99	99		150	150
Total Change Items					99	99		150	150
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	408	453	429	455	554	554	455	605	605
Total Financing	408	453	429	455	554	554	455	605	605

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Mayo Foundation
PROGRAM: Mayo Medical School (MMS)
ACTIVITY: Mayo Medical School (MMS)

ITEM TITLE: Capitation Grants for Minnesota Medical Students

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$99	\$150	\$150	\$150
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$99,000 in F.Y. 2000 and \$150,000 in F.Y. 2001 for Medical School capitation grants. The increase will maintain at 50% the percentage of tuition paid by the state on behalf of Minnesota residents enrolled in Mayo Medical School. It will also support the enrollment of 2 additional Minnesotans in the coming biennium.

RATIONALE:

The cost to educate a Mayo medical student has risen dramatically over the last biennium. From F.Y. 1998 to F.Y. 1999, the cost per student rose from \$51,000 to \$60,000, an increase of 18%. Costs are expected to rise 9% in F.Y. 2000, to \$65,500. As costs have risen, so has tuition. During F.Y. 1998, tuition rose from \$19,800 to \$22,400, an increase of 13%. In F.Y. 2000 tuition will rise to \$26,400, a 17% increase. Projections show tuition during F.Y. 2001 to be \$28,810, a 9% increase.

FINANCING:

Mayo requests that the capitation grant be increased from \$11,378 to \$13,200 in F.Y. 2000 and \$14,405 in F.Y. 2001. This would provide a grant for each Minnesota student equal to 50% of projected tuition charges. The estimated tuition for the F.Y. 2000-01 biennium is \$26,400 in the first year and \$28,810 in the second year. Mayo also requests grants for 2 additional Minnesota medical students, for a total of 42 grants. All grants are directly passed on to Minnesota students as a tuition reduction.

OUTCOMES:

Capitation grants keep Mayo competitive with other medical schools and help keep Minnesotans here for their medical education. A low tuition philosophy meets the following goals of Mayo Medical School:

- Mayo Medical School is able to recruit the "best and brightest" having the lowest private school tuition available.
- Students graduating with lower debt have more freedom to choose careers which historically are paid a lower salary, such as family medicine.
- Medical students are encouraged to keep their debt load as low as possible.

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2000-01 Biennial Budget

PROGRAM: Mayo Family Medicine Residency Program

AGENCY: Mayo Foundation

PROGRAM PROFILE:

The Mayo Graduate School of Medicine established its 3-year graduate medical residency program in the specialty of family medicine in 1978. The mission of the Mayo Foundation Family Medicine Residency is to train family physicians who will provide high quality, personal and comprehensive care for persons of all ages. The training program prepares the prospective family physician for primary care medicine in all settings, with special emphasis on rural or smaller communities. The capitation program has supported residents' salaries since 1978/79, with the original appropriation support grant of \$12,000 per resident.

The Mayo Family Medicine Clinic is located in Kasson, Minnesota, a rural community of approximately 3,500 people in Dodge County. Mayo's Family Medicine Clinic is a vital element in the resident's training. Residents spend a major portion of their training providing ambulatory primary care in this environment, which stresses prevention and continuity of care. The clinic delivers primary care services to a rural area with a drawing population of nearly 18,000.

STRATEGIES AND PERFORMANCE:

The residency has been extremely successful in recruiting excellent medical school graduates.

- All positions in the training program have been filled for the past 20 years.
- Forty-nine percent of physicians who have graduated from the program are currently practicing in Minnesota, 25% in Olmsted and Dodge counties and 24% in other areas of Minnesota, primarily in rural areas.
- From 1993 to 1996, 27% of the Family Medicine residents have gone to practice in medically under-served areas.
- Mayo Family Medicine residents have scored well above the national average on the American Board of Family Medicine In-Training Examination.

The department's goal is to have 60% of its graduating residents remain in Minnesota and, of those, to have 35% practice in rural Minnesota.

The Mayo Family Medicine Residency Program is currently establishing a Rural Training Track (RTT) in Fairmont, MN, in which one resident will be placed

starting in 2000. The resident will spend the first year in Kasson and Rochester and the last 2 years in Fairmont. The RTT will provide special preparation in areas such as advanced obstetrics, neonatal life support, trauma care, and behavioral and community medicine. In addition, the resident will gain extended exposure to rural medicine and life in a rural community.

Mayo Foundation has been committed to supporting the training of physicians who can assist in serving rural and under-served practice areas. The Foundation has an affiliated family medicine program at St. Francis Hospital in La Crosse, WI, and also sponsors programs in St. Cloud, MN, and Des Moines, IA. Mayo Foundation provides financial and educational support for these programs.

FINANCING INFORMATION:

The F.Y. 1999 appropriation supports grants of \$15,560 for up to 30 residents. State grants pay a portion—roughly 38%—of resident stipends, which averaged \$39,674 in 1998. In F.Y. 1998, the state provided a grant of \$15,107 per resident.

BUDGET ISSUES:

The Family Medicine Department strives to maintain a strong residency training program that will attract excellent candidates and graduate a significant number of residents who will remain in Minnesota to practice. The increases in the cost of providing an excellent training program have been and remain challenging. The primary cost drivers include the following:

- Increases in resident stipends.
- Residency Review Committee requirements for increased faculty time per resident. Changes in July 1997 require one full-time faculty member for every 6 residents. This is separate from the patient care teaching time faculty provide for residents.
- Increases in secretarial FTE for Residency Review Committee record-keeping requirements for resident clinical experiences.
- Increases in resident travel costs related to expansion of rural training sites for orthopedic and cardiovascular services.
- Increases in technology costs for electronic medical record equipment and training.
- Costs to increase resident participation in research and education, including publications, presentations, and related travel.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MAYO FOUNDATION
 Program: MAYO FAMILY MEDICINE RESIDENCY
 Activity: MAYO FAMILY PRACTICE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	356	408	389	467	601	601	467	625	625
Total Expenditures	356	408	389	467	601	601	467	625	625
CHANGE ITEMS:									
(B) MAYO MEDICAL FAMILY PRACTICE RESIDENCY	<u>FUND</u> GEN				134	134		158	158
Total Change Items					134	134		158	158
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	356	408	389	467	601	601	467	625	625
Total Financing	356	408	389	467	601	601	467	625	625

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Mayo Foundation
PROGRAM: Mayo Family Medicine Residency Program
ACTIVITY: Mayo Family Medicine Residency Program

ITEM TITLE: Capitation Grants for Family Medicine Residents

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$134	\$158	\$158	\$158
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$134,000 in F.Y. 2000 and \$158,000 in F.Y. 2001 for Family Medicine Residency capitation grants. The appropriation will support an increase in the percentage of residents' stipends paid by capitation, from 38% to 50%, and provide capitation covering 100% of the stipend for one resident at Mayo's new rural training program.

RATIONALE:

State support is needed because Mayo faces continued cost increases for both resident stipends, to keep up with inflation and increases at competing programs, and for program requirements. At the same time, the federal government is reducing reimbursements for direct and indirect medical education costs by 39% from 1997-2000. The percentage of residents' stipends covered by state capitation has also declined, from 57% in F.Y. 1989 to 38% in 1999.

The initiation of a new Rural Training Track in Fairmont, MN will increase Mayo's

emphasis on and commitment to training residents for rural practice. The site has been selected because it offers an additional opportunity for residents in an area that is surrounded by rural, under-served communities that are designated Health Professional shortage areas.

Mayo is only seeking state grant funding for resident stipends. Mayo will continue to be responsible for all other program costs.

FINANCING:

The state currently provides a base budget of \$467,000 for 30 residents. The \$134,000 increase for F.Y. 2000 includes a grant of \$21,455 (50% of the \$42,911 average stipend) for 26 residents, plus \$42,911 (100% of one resident position) for the new rural training program. The \$158,000 increase for F.Y. 2001 includes a grant of \$22,313 (50% of the \$44,627 average stipend) for 26 residents, plus \$44,627 (100% of one resident position) for the new rural training program. The projected resident stipends in F.Y. 2000 and 2001 are based on a 4% increase. The total funding request for 27 residents is \$601,000 in F.Y. 2000 and \$625,000 in F.Y. 2001.

OUTCOMES:

- Provide some relief for increased costs of resident stipends.
- Support a new rural training track initiative in a rural under-served area of Minnesota.
- Keep Mayo competitive, with a strong residency training program for high quality applicants.
- Increase the number of physicians who will practice in Minnesota, especially under-served rural or small communities.

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2000-01 Biennial Budget

PROGRAM: Mayo Foundation Residency Program

AGENCY: St. Cloud Hospital/Mayo Family Medicine Residency

PROGRAM PROFILE:

Launched in 1997 with help from a \$120,000 state appropriation, the St. Cloud Hospital/Mayo Family Medicine Residency Program offers a 3-year residency program in Family Medicine. The program focuses on developing caring, competent physicians for primary care medicine in rural communities of central Minnesota. The legislature intends that "the program shall prepare doctors to practice primary care medicine in the rural areas of the state and will improve health care in rural communities, provide affordable access to appropriate medical care, and manage the treatment of patients in a more cost-effective manner."

This program is the only residency at St. Cloud Hospital (SCH). The 3-year residency enrolls a total of 12 residents, 4 in each class. Our academic sponsor is the Mayo Graduate School of Medicine. The program completed its Residency Review Committee (RRC) site visit in May 1998 and was granted "continued provisional accreditation" until August 2000, at which time a RRC accreditation visit will be completed.

The St. Cloud program is a response to a growing need for primary care physicians in rural communities of central Minnesota and other parts of the state. Access to medical care is an important determinant of quality of life in rural areas, and many central Minnesotans currently lack access to medical care in their own communities. Practicing medicine in rural communities offers unique challenges and opportunities for a physician. Family physicians must possess the training and expertise to provide definitive care for the vast majority of patients in their communities. The St. Cloud Family Medicine Residency also prepares rural physicians to adapt to the leadership roles that are often part of practicing in smaller communities.

STRATEGIES AND PERFORMANCE:

The St. Cloud Hospital/Mayo Family Medicine Residency Program is entering its 3rd year of operation. Each year the program recruits, and fills 4 openings in the 3-year residency program. The program's goal is to have 75% of its first 3 cohorts of graduating residents (9 physicians) remain in practice in Minnesota. Of those,

it is hoped that 50% (4 to 5 physicians) will practice medicine in rural Minnesota. Because the program grew faster than originally planned, with the addition of two second-year residents during the program's first year of operation, the program has already graduated 2 residents. One of the graduates is already practicing in a small, rural Minnesota community. The other graduate has returned to military service to complete his commitment before returning to a civilian practice.

FINANCING INFORMATION:

The F.Y. 1999 state appropriation of \$360,000 supported grants of \$30,000 for up to 12 residents. State grants pay a portion--roughly 76%--of resident stipends. Resident stipends averaged \$39,674 per resident in 1998.

BUDGET ISSUES:

Capitation provided by the state is used to support a significant portion of resident stipends for the program. The St. Cloud-Mayo Family Residency program has incurred program cost increases primarily related to an increase in resident stipends. St. Cloud Hospital supports approximately \$1,900,000 of residency program costs. The program plans to maintain 12 resident positions in 1999-2001.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MAYO FOUNDATION
Program: ST. CLOUD HOSPITAL RESIDENCY
Activity: ST. CLOUD HOSPITAL RESIDENCY

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	120	270	360	360	391	391	360	407	407
Total Expenditures	120	270	360	360	391	391	360	407	407
CHANGE ITEMS:									
(B) ST. CLOUD HOSPITAL FAMILY PRACTICE RES.					31	31		47	47
Total Change Items					31	31		47	47
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	120	270	360	360	391	391	360	407	407
Total Financing	120	270	360	360	391	391	360	407	407

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Mayo Foundation
PROGRAM: St. Cloud Family Medicine Residency
ACTIVITY: St. Cloud Family Medicine Residency

ITEM TITLE: Capitation Grants for St. Cloud FMRP

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$31	\$47	\$47	\$47
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ___ No <u>X</u>				
If yes, statutes(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$31,000 in F.Y. 2000 and \$47,000 in F.Y. 2001 for Family Medicine capitation grants. The appropriation will maintain the percentage of residents' stipends supported by capitation at 76%.

RATIONALE:

These increases are needed to remain competitive in attracting qualified residents to the program. Stipends paid to residents at the St. Cloud Hospital/Mayo Family Medicine Residency Program are similar to those paid to medical residents at other Mayo residencies because Mayo is the academic sponsor of this program.

Funding from the state is used to support a significant portion of the stipends paid to residents in the program. In F.Y. 1999, the state provides \$30,000 per resident, covering approximately 76% of the average resident stipend of \$39,674. In order to maintain that same level of support, the level of funding from the state would need to be increased to \$32,612 in F.Y. 2000 and \$33,917 in F.Y. 2001. This

relates to projected stipends of \$42,911 in F.Y. 2000 and \$44,627 in F.Y. 2001. The 8% increase in stipends planned for F.Y. 2000 is largely an attempt to become more competitive in attracting and retaining qualified residents. A more modest increase of 4% is planned for F.Y. 2001 to remain competitive.

FINANCING:

The total funding requested from the state to support 12 residents is \$391,000 in F.Y. 2000 and \$407,000 in F.Y. 2001, a total of \$798,000 for the biennium. The amount requested represents a per-resident grant of \$32,612 in F.Y. 2000 and \$33,919 in F.Y. 2001, compared to the current grant of \$30,000 per resident.

OUTCOMES:

- Provide support for residency program cost increases.
- Remain competitive with a strong residency training program for high quality applicants.
- Maintain commitment to prepare physicians who will remain in Minnesota to practice in rural and under-served areas.

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2000-01 Biennial Budget

AGENCY: Higher Education Facilities Authority (HEFA)

AGENCY DESCRIPTION:

The Higher Education Facilities Authority (or the Authority) was created to assist Minnesota nonprofit, nonsectarian institutions of higher education in the construction, financing and refinancing of facilities at a lower interest rate than might otherwise be available. Beginning in F.Y. 1988, the legislature also asked that the Authority finance limited types of projects at certain public higher education institutions.

The Authority has access to capital improvement funds only through borrowing. The facilities built with the assistance of the Authority are financed from tax-exempt revenue bonds sold by the Authority. In turn, the Authority enters into agreements whereby an institution pays an amount needed to retire the incurred debt.

Since the Authority is an agency of the state, the interest paid by the Authority to the bondholders is tax-exempt. The use of the financing arrangements made possible by the existence of the Authority is entirely voluntary. Currently, the Authority has \$500 million of bonding authority.

PERFORMANCE SUMMARY:

Decisions regarding the Authority's policies, procedures and regulations and the approval of bonding projects are made by a board composed of 10 members, 8 of whom are appointed by the Governor. The remaining 2 ex-officio members are a representative of the Higher Education Services Office and a representative of the Minnesota Private College Council. The Authority provides the following services to the institutions for which it finances projects:

- Planning assistance in a project's early stages;
- Investigating a project's eligibility for financing;
- Managing the debt issuance process, including coordinating the development of legal and financial documents necessary for a bond issue with the institution, the Authority's bond counsel and financial consultants; and
- Maintaining records of each financing, and hiring a public accounting firm to conduct an annual audit of the Authority's books and records.

EXPLANATION OF AGENCY'S BUDGET PLAN:

This activity receives no state appropriation. The Authority has been self-supporting since its inception in 1971, and intends to continue in that manner. The dollars shown on the activity fiscal summary reflect only salaries and benefits for the Authority's 3 staff positions. The Authority pays its salaries and benefits through the state payroll system. It is this portion (i.e., the payroll portion) of the Authority's budget that appears in the biennial budget.

It is increasingly important that academic institutions have access to affordable financing for capital improvements. For Minnesota to stay in the forefront of academic excellence, it is vital that institutions seek to meet the changing needs of students with facilities that offer the technological advances that are currently available.

ISSUES AFFECTING AGENCY'S OPERATIONS:

It is evident that colleges and universities in Minnesota will need financing programs, such as the Authority's program, for financing building projects and purchasing new equipment.

- **Technological Advances:** Advanced technology is dramatically changing the way information is disseminated, stored and retrieved. This technology has forever changed college libraries, business offices, development offices, and admissions and records offices. The computer has become an invaluable tool for teaching in most academic disciplines, and telecommunication systems are rapidly transforming campus instructional and administrative systems.
- **Obsolete Building Replacement:** Any major renovation requires the entire building to be brought up to the standards of local building codes. Replacement rather than renovation is often the best solution when the building contains asbestos, obsolete or worn out electrical and plumbing systems, or if the building is not energy efficient or not accessible to the handicapped.
- **Deferred Maintenance:** Nationwide studies show that higher education institutions have a large amount of accumulated deferred maintenance. Minnesota private colleges are proportionately facing this problem.
- **Refinancing Options:** The recent economic climate, which has lowered interest rates, has made refinancing of existing debt attractive to many institutions. Debt that was issued previously, at comparably high interest rates, is being refinanced at lower rates to save on interest.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HIGHER ED FACILITIES AUTHORITY

Program: HIGHER EDUC FAC AUTHR

Activity: HIGHER EDUC FAC AUTHR

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	189	197	210	212	212	212	218	218	218
SUBTOTAL STATE OPERATIONS	189	197	210	212	212	212	218	218	218
Total Expenditures	189	197	210	212	212	212	218	218	218
FINANCING BY FUND:									
STATUTORY APPROPRIATIONS:									
AGENCY	189	197	210	212	212	212	218	218	218
Total Financing	189	197	210	212	212	212	218	218	218
REVENUE COLLECTED:									
DEDICATED									
AGENCY	189	197	210	212	212	212	218	218	218
Total Revenues Collected	189	197	210	212	212	212	218	218	218
FTE BY EMPLOYMENT TYPE:									
FULL TIME	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Total Full-Time Equivalent	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9