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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

PROGRAM EVALUATION REPORT

The MnSCU Merger

AUGUST 2000

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OLA

Office of the Legislative Auditor

State of Minnesota • **James Nobles, Legislative Auditor**

August 22, 2000

Members
Legislative Audit Commission

In April 1999, the Legislative Audit Commission directed us to conduct a limited study of the Minnesota State Colleges and Universities (MnSCU) system. Legislators expressed interest in learning about the specific steps that MnSCU's Board of Trustees and central office have taken to advance the goals of the 1995 merger of Minnesota's state universities, community colleges, and technical colleges. They also wanted to know whether significant obstacles exist to further progress.

We found that MnSCU has made progress toward the major goals of the 1995 merger. The merger has helped to improve credit transfer, financial oversight of institutions, and working relationships among staff at the various colleges and universities. But significant issues remain. For example, there has been confusion within MnSCU about the system's overall direction and purpose, and conflicts among MnSCU's Board of Trustees, central office, and institution presidents have adversely affected organizational cohesion and morale. We make several recommendations to help MnSCU address the goals of the 1995 merger, and both the Chair of the Board of Trustees and the Chancellor have responded positively.

This report was researched and written by Joel Alter and Jo Vos (project co-managers), Craig Helmstetter, and Carrie Meyerhoff. We received the full cooperation of MnSCU's Board of Trustees, Chancellor Morris Anderson, college and university presidents, and staff from the central office and institutions.

Sincerely,

/s/ James Nobles

James Nobles
Legislative Auditor

/s/ Roger Brooks

Roger Brooks
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- The merger has helped make it easier for students to transfer credits, but MnSCU could take additional steps. (pp. 13-14)
- The merger contributed to improved financial oversight of institutions, the creation of 11 "consolidated" community and technical colleges, and improved working relationships among staff from various colleges and universities. (pp. 28, 35, 19)
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- MnSCU's overall direction and purpose have not been sufficiently clear. (p. 46)
- Poor relationships among MnSCU's board, central office, and institution presidents have adversely affected organizational cohesion and morale. (p. 58)
- MnSCU presidents have divided opinions about whether the net impact of the MnSCU merger has been positive or negative. (p. 50)

Recommendations:

The MnSCU Board of Trustees and central office should:

- Develop a full array of performance measures, including measures that relate to higher education objectives identified in state law (*Minn. Stat.* (1998) §135A.053). (p. 49)
- Conduct periodic reviews of selected academic programs on a statewide basis. (p. 25)
- Clarify the role of the board as a whole compared to that of individual trustees. (p. 55)
- Evaluate options for addressing problems caused by the present faculty bargaining arrangements at two-year colleges. (p. 42)
- Increase their efforts to resolve the curriculum-related barriers to transferring occupational/technical credits to four-year institutions. (p. 21)

Report Summary

In 1991, the Minnesota Legislature passed a law that merged the previously separate state university, community college, and technical college systems—effective on July 1, 1995. Today, the Minnesota State Colleges and Universities (MnSCU) system has 35 institutions on 53 campuses, and it serves about half of all post-secondary education students in Minnesota.

MnSCU's Direction Has Sometimes Been Unclear

MnSCU needs clearer direction and continued progress on academic issues.

State law says that MnSCU's governing board should improve academic opportunities for students, make credit transfer easier, and reduce administrative and program duplication. Not all legislators thought that the merger was necessary to accomplish these goals, and there were several unsuccessful legislative efforts to repeal the merger law between 1991 and 1995. During this time, there was limited progress in preparing for the merger, partly due to the possibility that the merger law might be repealed.

Since the merger, there has been some confusion within MnSCU about the organization's overall direction. Some board members and institution officials think that MnSCU policy makers have paid too little attention to educational issues, and some think the organization needs a clearer long-term vision. Some institution officials have been unclear about what "plan" is guiding the system, and MnSCU leaders have not yet decided whether systemwide plans for academics and facilities should be developed.

MnSCU's central office has done limited measurement of progress toward key goals. MnSCU has not prepared a report on its performance that is required by Minnesota law, and most college and university presidents rate MnSCU's board and chancellor/central office as "fair" or "poor" in setting performance expectations for institutions and monitoring progress. MnSCU officials say they are working to develop better performance measures but that problems with the MnSCU information system have hindered progress.

Credit Transfer Has Improved, But State-Level Program Review Has Not

The MnSCU Board of Trustees and central office have taken several steps to address the goal of easier credit transfer. First, the board has developed a uniform, statewide transfer policy and a student grievance procedure to help resolve individual credit transfer disagreements. Second, the central office encourages MnSCU colleges and universities to jointly develop agreements that set forth how credits transfer between participating institutions. Third, MnSCU's central office is trying to make information more readily available through its transfer website and management information system.

Most MnSCU presidents, board members, institution and central office staff, and student association representatives agree that the merger has resulted in improved credit transfer, especially between MnSCU's two- and four-year institutions. Many presidents and staff also say that much work remains to be done, especially regarding occupational/technical credits. Progress has been slow, partly because MnSCU's board and central office rely largely on the institutions to take the necessary steps—and not all of them have done so.

Another goal of the merger was improved oversight of academic programs. The MnSCU board reviews all institution requests for new programs, considering issues such as duplication with other programs, student demand, and market demand. However, contrary to board policy, MnSCU's central office does not regularly report to the board on the efficiency or effectiveness of existing programs, nor does it have standards for doing so. Thus, review of existing programs is largely left to individual institutions.

Administrative Improvements Have Been Made, But Work Remains

MnSCU has laid the foundation for further administrative improvements.

By many accounts, MnSCU was not ready to meet the merger's significant administrative challenges in 1995. For instance, external audit reports indicate that many MnSCU institutions had significant financial management weaknesses in the years immediately following the merger.

Since the merger, however, MnSCU's governing board and central office have given serious attention to financial and administrative issues. For example, they have set policies to increase institutions' total reserves, monitored institution bank reconciliations, and increased external auditing of MnSCU affairs. In addition, MnSCU conducted systemwide studies of building conditions and space utilization, laying a foundation for improved capital decision making.

The merger of the three systems made possible 11 consolidations of community and technical colleges between 1994 and 1996. Officials at these colleges generally think that the consolidations widened educational options for students, but they have mixed views about whether the consolidations saved money. Also, the consolidated colleges still have two faculty bargaining units with different contract provisions, and this has impeded the full integration of these campuses.

MnSCU's central office assisted in developing a Twin Cities academic plan, which is an important step toward improved coordination of the institutions in the Twin Cities area. Implementing this plan will pose many challenges, but there has been an unprecedented level of cooperation among institution officials.

MnSCU has implemented a new management information system that, for the first time, allows for uniform information on all MnSCU institutions. This could become an important tool for management and accountability purposes. On the other hand, the system still needs work. For example, less than half of MnSCU presidents are satisfied with the information the system provides for managing budgets, personnel, enrollment, and faculty workloads.

MnSCU's central office has annually presented a single budget request to the Legislature for all of its institutions; before the merger, the Legislature received separate requests from the state university, community college, and technical college systems. The merger has not yet resulted in a significant change in the way that operating funds are allocated among MnSCU institutions, although MnSCU is working on a proposed method that it intends to begin implementing in fiscal year 2002.

"Shared Governance" Structure Needs More Cohesion and Support

Continued progress toward merger-related goals would be facilitated by the development of effective working relationships among MnSCU's board, chancellor and central office staff, and college and university presidents. In many cases, however, these relationships have been weak. Participants in this "shared governance" process have many concerns, including inadequate communication, unclear division of responsibilities, and occasional intervention in administrative matters by individual board members. At times, these problems have diverted MnSCU's attention from other matters and have damaged morale.

Changes in leadership have also been an important obstacle to organizational cohesion. For instance, Chancellor Judith Eaton left MnSCU in 1997, less than two years after she was appointed. In 1999, the board decided not to renew Chancellor Morris Anderson's contract, several months after he was selected as permanent chancellor. The board is now conducting a national search for a new chancellor.

MnSCU's board and chancellor rely on the system's institutions to implement the policies they adopt, so the support of these institutions is important to MnSCU's ability to move forward. However, college and university presidents have mixed views about the impact of the MnSCU merger on higher education in Minnesota, with state university presidents expressing particular skepticism. In addition, 35 percent of presidents say that the current governance structure—with one chancellor and one governing board—is the most appropriate one for Minnesota's public two-year colleges and state universities; 44 percent disagree, and 21 percent express no opinion.

MnSCU not only needs stronger internal support, but it also needs support from the Legislature. Many MnSCU officials think that the Legislature has not provided the financial and policy support needed to advance the goals of the merger.

Introduction

We conducted a limited review of MnSCU, not a comprehensive evaluation.

In February 1999, the Legislative Audit Commission directed the Office of the Legislative Auditor (OLA) to develop a research proposal for a possible evaluation of the merger that created the Minnesota State Colleges and Universities (MnSCU) system. MnSCU officials raised concerns about whether it was the right time to conduct an evaluation, given the limited availability of data from MnSCU's new management information system. We recommended postponing a full evaluation of the merger, chiefly "because complete, accurate, and comparable data on students, curricula, courses, and outcomes are not readily available from MnSCU."[1] For example, not all of MnSCU's colleges and universities were using the same management information system to report data that we would have needed to evaluate MnSCU's progress in addressing the merger's goals. Also, institutions were having problems accurately converting historical data from their previous data collection systems into MnSCU's new management information system.

Nevertheless, given the importance of the merger, the Legislative Audit Commission decided that even a limited "status report" on MnSCU would be valuable and directed OLA to conduct a review as soon as staff became available in early 2000. Our review addressed the following questions:

- **What steps have MnSCU's Board of Trustees and central office taken to advance the goals of the 1995 merger of Minnesota's state universities, community colleges, and technical colleges?**

- **Are there significant obstacles to further progress toward the merger's goals?**

We did not conduct a full evaluation of the MnSCU system. Our review focused primarily on identifying the steps MnSCU's Board of Trustees and central office have or have not taken to address the major goals of the merger cited in state law (such as improved student transfer and improved efficiency), as well as the steps taken to address additional key goals defined by MnSCU itself. Because our review focused largely on changes that have occurred as a result of the merger, we did not consider all MnSCU activities and initiatives. Also, because of the lack of detailed and historically comparable data, we were not able to address directly some important merger-related questions, such as the gain or loss in efficiency that resulted from the merger or the percentage change in student transfers among institutions that now make up the MnSCU system. Finally, we examined the extent to which the Legislature, Board of Trustees, chancellor, and central office are perceived as providing clear, cohesive leadership for the new organization.

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1 Office of the Legislative Auditor, *An Assessment of Data Availability for a Proposed Evaluation* (St. Paul, April 21, 1999), 1.

Between March and May 2000, we interviewed nearly 130 people—including current and former MnSCU central office staff, 13 of 14 current board members, selected former board members, college and university officials (presidents, business managers, and academic affairs officials), statewide business organization representatives, legislators, legislative staff, and others. We spoke with representatives from faculty bargaining units and student associations, and reviewed numerous MnSCU documents and summaries of public meetings.

In addition, we sent an opinion survey to all 35 MnSCU college and university presidents.[2] All of the presidents responded to our survey. While we did not assume that the presidents' opinions are more important or objective than other key leaders in the MnSCU system, we concluded that their insights would be valuable because of the unique positions they occupy. Presidents observe and, to some degree, participate in MnSCU's policy making at the highest levels, and they are directly involved in implementing policy—both administrative and educational—at the campus level. We also respect the fact that the presidents, especially when considered as a group, represent years of experience dealing with higher education issues.

Chapter 1 provides background on the merger and the MnSCU system. Chapter 2 assesses progress toward major academic goals of the merger and Chapter 3 examines progress on key financial and administrative issues. Chapter 4 discusses obstacles that may affect MnSCU's progress toward achieving the merger's goals.

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2 Appendix B contains a summary of the presidents' responses.

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Background

SUMMARY

In 1991, the Minnesota Legislature passed a law mandating the merger of the state's community colleges, technical colleges, and state universities into one system on July 1, 1995. The Higher Education Board, which was created to oversee the merger process, made only limited progress in preparing for the merger, partly due to legislative attempts to repeal the merger law and limited financial and human resources. The 35 institutions that make up the MnSCU system currently serve approximately half of all post-secondary education students in Minnesota.

The Legislature mandated the MnSCU merger.

In 1991, the Minnesota Legislature passed a law mandating the merger of the state's community colleges, technical colleges, and state universities into one system on July 1, 1995.[1] Some legislators suspected that, operated separately, the three systems contained duplicate programs, campuses with excess capacity (while others were crowded), and duplicative administrative and student services among schools located in close proximity. In addition, they thought that lack of institutional cooperation created difficulty for some students transferring between systems. More generally, some legislators thought that the way higher education was organized in Minnesota resulted in too much focus on the systems' interests rather than on the higher education needs of the state or its students.

In this chapter, we address the following questions:

- **What factors affected the merger's progress between 1991 and 1995?**
- **What is MnSCU's current organizational structure?**

CREATION OF MnSCU

Prior to 1995, Minnesota had four systems of public higher education: the University of Minnesota, community colleges, technical colleges, and state universities. Each system had its own governance structure and mission. Governance of the technical college system was shared by a state board and local school districts; faculty were employed by school districts and belonged to 18 different local unions. Technical colleges focused on vocational and occupational education and only a limited number were accredited. Community colleges had a strong central office system that was directly involved with campus-level

1 *Minn. Laws* (1991), ch. 356, art. 9. The University of Minnesota was not included in the merger.

administrative decisions and provided services to the campuses. Community colleges focused on two-year academic and occupational programs. State universities were governed by a state board but were allowed considerable independence in administrating their academic programs. State universities focused primarily on four-year baccalaureate programs but also offered some master's degrees.

The University of Minnesota was not included in the merger. The university was established before Minnesota became a state, and it was granted significant autonomy under the state's constitution. In addition, the university's mission focuses a large proportion of its resources on graduate programs and advanced research.

Legislators wanted the merged system to improve education and increase efficiency.

The 1991 law mandating the merger of the public colleges and state universities also created the Higher Education Board to guide the process.[2] The Higher Education Board's mission, as stated in law, suggested that legislators expected the merger to result in improved education and increased efficiency. Specifically, the board was to:

> develop administrative arrangements that make possible the efficient use of the facilities and staff of the former technical colleges, community colleges, and state universities . . . so that students may have the benefit of improved and broader course offerings, ease of transfer among schools and programs, integrated course credit, coordinated degree programs, and coordinated financial aid. In carrying out the merger of the three separate systems, the board shall control administrative costs by eliminating duplicative administrative positions and course offerings.[3]

The Legislature instructed the newly-established board to use the ensuing four-year interim to prepare for the merger. However, according to MnSCU staff and some published accounts of the merger, the Higher Education Board and its staff accomplished little in the four years leading to merger.[4]

There are several possible reasons for the lack of progress leading up to the merger. First, the merger was controversial and did not always have complete legislative support. In at least three legislative sessions subsequent to 1991, the House of Representatives passed bills to repeal the merger law.[5] Although the Senate did not pass these bills, the Legislature did enact several bills that modified the 1991 merger law. For example, the 1993 Legislature passed a bill specifying that the three systems should maintain distinct missions.[6] A later law specified that "the board shall provide autonomy to the campuses while holding them

2 The Higher Education Board was the predecessor to the MnSCU Board of Trustees.

3 *Minn. Laws* (1991), ch. 356, art. 9, sec. 4.

4 Terrence J. MacTaggart, "The Human Side of Restructuring: Minnesota," in Terrence J. MacTaggart and Associates, eds., *Restructuring Higher Education: What Works and What Doesn't in Reorganizing Governing Systems* (San Francisco: Jossey-Bass Publishers, 1996), 132-156; and Steven Wallace, "In Search of Vision and Values: The Minnesota Higher Education Merger," in John Stewart Levin, ed., *Organizational Change in the Community College: A Ripple of a Sea Change?*, New Directions for Community Colleges, no. 102 (San Francisco: Jossey-Bass Publishers, 1998), 5-17.

5 *Minn. House* (1992), H.F. no. 2042; *Minn. Senate* (1993), S.F. no. 1407 (House amendment); and *Minn. House* (1995), H.F. no. 1856.

6 *Minn. Laws* (1Sp1993), ch. 2, art. 9, sec. 3.

accountable."[7] Other laws changed the authority originally granted to the board from "manage, supervise, and control" to "govern," and from prescribing programs to approving them.[8]

During its transition years, the new system had limited resources to implement the merger.

Second, financial resources to facilitate the merger were limited. A $1 million appropriation that was passed with the 1991 merger law was vetoed by Governor Carlson.[9] According to an early report by the Higher Education Board, the Legislative Advisory Commission provided the board with limited funding during fiscal years 1992 and 1993. The board received legislative appropriations of $900,000 for each of fiscal years 1994 and 1995, but an additional $1.26 million appropriation to the board was vetoed, along with a $3 million appropriation to the Department of Finance intended to help the department and board develop a new accounting system.[10]

A third factor affecting early planning efforts was human resources. In its early years, the Higher Education Board experienced turnover in the chancellor position and had a limited staff. The board had three interim chancellors between 1991 and 1995. Initially, the board's staff consisted of one half-time assistant provided by

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7 *Minn. Laws* (1996), ch. 398, sec. 33.

8 *Minn. Laws* (1995), ch. 212, art. 4, sec. 10, and *Minn. Laws* (1996), ch. 398, sec. 33.

9 This was one of several line-item vetoes to the higher education bill. Governor Carlson's veto message said he made the line-item vetoes "in order to bring the higher education budget closer to my original recommendation." (State of Minnesota, *Journal of the House*, 1991 77th Session, vol. 4, 8,795.)

10 These were two of several line-item vetoes to the higher education bill. Governor Carlson's veto message said, "The items deleted…can and should be transacted in a regular budget year…" He also noted that, "Signing the bill does preserve the language authorizing the next steps in the higher education merger process, which I have consistently supported." (State of Minnesota, *Journal of the Senate*, 78th Legislature, vol. 5, 1994 Session and Special Session with Index, 10,485.)

the Higher Education Coordinating Board.[11] A 1993 law said that the Higher Education Board should rely on staff in the existing post-secondary systems and elsewhere in government to the extent possible.[12] A 1994 board report said that the board's budget allowed for "a small core staff of seven full or part-time administrators."[13] When the merger formally occurred in 1995, staff for the merged central office numbered just over 200.[14]

In spite of difficulties, the Higher Education Board and staff did engage in merger-related planning during the 1991-95 period, especially in the latter two years. Staff from the three merging systems participated in task forces that addressed different areas, such as student services, finance, human resources, and information systems.[15] The work of these task forces resulted in recommendations to the Higher Education Board in several policy areas. Prior to and shortly after merger, the board adopted policies for admissions, post-secondary enrollment options, and chancellor-initiated program review, among others. And though there were problems with the new accounting and personnel information systems, they were in place by the time of the merger. In addition, Interim Chancellor Jay Noren and the board had started the process of consolidating some technical and community colleges.

On July 1, 1995, much remained to be done to build a single system of higher education. For example, there was not a systemwide student information system and the board had not adopted a policy on credit transfer, even though enabling legislation directed the board "to place a high priority on the transferability of credit among the institutions it governs."[16] Some people told us that the four-year time lag between the passage of the merger law and the actual merger was an unproductive time, characterized by repeated legislative threats to the merger and too much planning with too little implementation.

THE MnSCU SYSTEM

The MnSCU merger resulted in dramatic organizational changes to Minnesota's systems of higher education. MnSCU now operates under a "shared governance" structure with powers, duties, and responsibilities delegated from the Legislature to the Board of Trustees, the chancellor, and college and university presidents. This section provides a brief description of the current MnSCU board and central office, as well as the size, location, and enrollments of institutions in the MnSCU system.

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11 Higher Education Board, *Preparing for Merger: Preliminary Plan and Timetable*, March 1, 1992, 26.

12 *Minn. Laws* (1Sp1993), ch. 2, art. 1, sec. 8, subd. 3.

13 Higher Education Board, *Administrative Restructuring Issues*, January 1, 1994, 3.

14 Minnesota State Colleges and Universities, *Putting Students First: MnSCU's Plan for Minnesota*, 1997-2000, 7.

15 Higher Education Board, *Preparing for Merger*, March 1, 1992 and Higher Education Board, *Preliminary Merger Plan and Timetable*, September 1, 1993.

16 *Minn. Laws* (1991), ch. 356, art. 9, sec. 5, subd. 6.

The Board of Trustees

The Minnesota State Colleges and Universities system is governed by a 15-member citizen board. Trustees are appointed by the Governor, with the advice and consent of the Senate. The board must include three students and a resident of each congressional district.

The board has five committees: audit, educational policy, executive, finance/facilities policy, and personnel policy. It currently has an ad hoc legislative committee, a subcommittee on futures, and a subcommittee on trustees. The board holds its meetings over two days each month, with committee meetings followed by a full board meeting. The board has its own staff, consisting of an executive director/board secretary, two support staff, and an internal auditing unit that provides the board with information regarding various financial management and other practices of institutions and various operations within MnSCU.

In statute, the board is granted "the authority needed to operate and govern the state colleges and universities unless otherwise directed or prohibited by law."[17] The board has the authority to appoint a chancellor and all presidents, instructors, and employees; prescribe conditions of admission; set tuition and fees; review and approve or disapprove campus proposals for adding, deleting, or substantially changing programs of study; merge, reorganize, or close campuses; and approve institutions' missions.

MnSCU operates under a "shared governance" structure.

In practice, the board delegates much of its authority to the chancellor and college and university presidents. For example, the chancellor directly appoints system administrators below the vice chancellor level without the board's involvement. College and university presidents hire their own administrators. Additionally, the institutions are given the latitude to propose tuition rates, although the rates must be approved by the board before they can be implemented. The board directly oversees the chancellor, and the board makes final decisions on the selection of college and university presidents.

The Chancellor and Central Office

The chancellor serves as MnSCU's chief administrative officer. As shown in Table 1.1, there have been six chancellors since the merger legislation was passed in 1991, including three chancellors who served between 1991 and 1995 and three since the actual merger in 1995.

According to statute, "the chancellor shall possess powers and perform duties as delegated by the board."[18] Under board policy, college and university presidents report directly to the chancellor, who is responsible for conducting their annual reviews and making recommendations for presidential appointments when there are vacancies. The chancellor also has responsibility for a wide range of tasks related to system management, budgeting, and planning. The chancellor is

17 *Minn. Stat*. (1998) §136F.06, subd. 2.

18 *Minn. Stat*. (1998) §136F.07.

Table 1.1: MnSCU Chancellors

Pre-Merger	
1991-1992	Mary Reider
1992-1993	Eric Radke (acting chancellor, December-January)
1993-1995	Jay Noren
Post-Merger	
1995-1995	Harry Peterson (acting chancellor, July-August)
1995-1997	Judith Eaton
1997-2001	Morris Anderson*

*Anderson was appointed as interim chancellor in May 1997 and permanent chancellor in November 1998. Anderson's contract expires in June 2001.

SOURCE: Office of the Legislative Auditor, July 2000.

assisted in these tasks by a presidents advisory council, three vice chancellors (academic and student affairs, finance, and human resources), and a central office staff of 325 employees.[19]

Institutions

MnSCU has 35 colleges and universities located throughout Minnesota.

Prior to the 1995 merger, the technical college, community college, and state university systems operated a total of 45 institutions on 62 campuses, including: 18 technical colleges on 34 campuses, 20 community colleges on 21 campuses, and 7 state universities each on its own campus. As shown in Table 1.2, there are currently 35 institutions in the MnSCU system on 53 campuses.[20]

In 1999, 52 percent of all post-secondary education students in Minnesota attended institutions in the MnSCU system.[21] MnSCU's total enrollment in for-credit courses for the 1999-2000 school year was nearly 150,000 students.[22] Over 40 percent of MnSCU students enrolled in for-credit courses attend part time, including about half of the students at MnSCU's two-year institutions and over a quarter of the students at MnSCU's four-year institutions. When enrollment is standardized by credit hour, the number of "full year equivalent" (FYE) students for fiscal year 2000 is currently estimated to be just under 114,000. This is the highest enrollment since the MnSCU merger. Enrollments for institutions in the MnSCU system peaked at nearly 130,000 FYE in 1991.[23]

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19 This number includes 168 staff members assigned to a "campus service unit," roughly one-third of whom are information technology staff located on four campuses throughout the system.

20 These numbers exclude Winona State University's Rochester Center and the state university program in Akita, Japan, which is scheduled to close in March 2003.

21 Higher Education Services Office, Preliminary Headcount Enrollment; http://www.mheso.state.mn.us/cfdos/webdirectory/Common/Templates/MasterPg.cfm?PageID=426; accessed February 7, 2000.

22 MnSCU also served approximately 250,000 students through non-credit customized training and continuing education.

23 Enrollment levels have fluctuated in large part due to demographic changes in the number of graduating seniors but are also related to changes in the economy, among other factors (see Kerry Kinney Fine, *Higher Education Enrollments: Current Conditions and Recent Trends* (St Paul: Minnesota House of Representatives Research Department, January 1998)).

MnSCU receives revenue from a variety of sources including state appropriations and tuition and fees from students. Federal funding is received largely through need-based Pell grants. MnSCU's total operating budget for fiscal year 2000 is $1.3 billion, with roughly 42 percent coming from state appropriations; 28 percent

Table 1.2: Institutions in the MnSCU System

Institution*	Location	FY99 Enrollment (FYE)
Technical Colleges		
Alexandria Technical College	Alexandria	1,864
Anoka-Hennepin Technical College	Anoka	1,289
Dakota County Technical College	Rosemount	1,592
Hennepin Technical College	Brooklyn Park, Eden Prairie	2,805
Minnesota State College - Southeast Technical	Red Wing, Winona	1,084
Northwest Technical College	Bemidji, Detroit Lakes, East Grand Forks, Moorhead, Wadena	3,415
Pine Technical College	Pine City	367
South Central Technical College	Faribault, Mankato	2,176
St. Cloud Technical College	St. Cloud	1,891
St. Paul Technical College	St. Paul	2,133
Community Colleges		
Anoka-Ramsey Community College	Cambridge, Coon Rapids	3,472
Fergus Falls Community College	Fergus Falls	1,158
Fond du Lac Tribal and Community College	Cloquet	477
Inver Hills Community College	Inver Grove Heights	2,382
Normandale Community College	Bloomington	4,174
North Hennepin Community College	Brooklyn Park	2,881
Rainy River Community College	International Falls	380
Consolidated Colleges		
Central Lakes College	Brainerd, Staples	2,457
Century College	White Bear Lake	4,015
Hibbing Community College	Hibbing	4,176
Lake Superior College	Duluth	2,123
Minneapolis Community and Technical College	Minneapolis	3,921
Minnesota West Community and Technical College	Canby, Granite Falls, Jackson, Pipestone, Worthington	2,079
Northland Community and Technical College	Thief River Falls	1,284
Ridgewater College	Hutchinson, Willmar	3,002
Riverland Community College	Albert Lea, Austin	1,952
Rochester Community and Technical College	Rochester	3,054
State Universities		
Bemidji State University	Bemidji	3,989
Metropolitan State University	St. Paul/Minneapolis	3,314
Minnesota State University, Mankato	Mankato	10,946
Minnesota State University, Moorhead	Moorhead	5,987
Southwest State University	Marshall	2,669
St. Cloud State University	St. Cloud	11,962
Winona State University	Winona, Rochester	6,426
Northeast Higher Education District		
Itasca Community College	Grand Rapids	873
Mesabi Range Community and Technical College	Eveleth, Virginia	1,162
Vermilion Community College	Ely	658

*MnSCU also has a program in Akita, Japan that is scheduled to close in March 2003. In addition to the 43 FYE American student enrollment, approximately 265 Japanese students attend the Akita campus program.

SOURCE: Office of the Legislative Auditor, July 2000.

from student tuition, fees, room, and board; 8 percent from federal grants; and 4 percent from state grants.[24]

State appropriations to MnSCU's operating budget in the current biennium total $1.1 billion.[25] By law appropriations are linked to both inflation and student enrollment.[26] After using the consumer price index (CPI-U) to control for inflation, state appropriations to the institutions that currently make up MnSCU have risen 24 percent since 1981, but they have fallen 1.5 percent since 1991. Enrollments have grown 10 percent since 1981 but fallen 10 percent since 1991. In current dollars, Minnesota appropriated $4,420 per student in both 1981 and 1991, compared with nearly $5,000 for fiscal year 2001.[27]

As a percentage of the state's general fund, current funding levels for higher education in general, and MnSCU in particular, are at a 20-year low. The percentage allocated for higher education increased from 12.4 percent in 1981 to a high of 15.5 percent in 1987, and then decreased to 11.3 percent in 2001. The percentage allocated to MnSCU institutions increased from 5.8 percent in 1981 to a high of 6.7 percent in 1989, and then dropped to 4.8 percent of the total general fund budget in 2001.[28] Nationally, Minnesota ranks relatively high in the appropriation of state dollars to higher education: ninth in terms of higher education appropriations per capita, but seventeenth in terms of appropriations as a percent of personal income in the state.[29]

With over 15,000 employees, MnSCU is the largest employer in state government.

MnSCU is the largest employer in state government, employing over 15,000 people (including 8,531 full-time employees).[30] The 8,577 faculty members are the single largest category of employees within MnSCU. The state universities employ approximately 3,000 faculty members, 14 percent of whom are part time. Two-year institutions employ approximately 5,000 faculty members, of whom 40 percent are employed part time.

24 MnSCU, http://www.budget.mnscu.edu/institution/April%202000%20Board/Current%20Funds%20Budgeted.htm; accessed May 3, 2000. The remaining 18 percent is split among "carryforward" (10 percent), rents and sales (5 percent), private grants (1 percent), and other (2 percent).

25 *Minn. Laws* (1999), ch. 214, art. 1, sec. 3. The amount listed includes $13.2 million appropriated by the 2000 Legislature (*Minn. Laws* (2000), ch.489, art. 11, sec. 2).

26 *Minn. Stat*. (1998) §135A.01.

27 Office of theLegislative Auditor analysis of MnSCU data, http://www.budget.mnscu.edu/Allocation/phase2/studygrps/adequacy/statesum1.htm; accessed March 22, 2000.

28 MnSCU, http://www.budget.mnscu.edu/Allocation/phase2/studygrps/adequacy/statesum1.htm; accessed June 8, 2000.

29 Edward R. Hines, *State Higher Education Appropriations 1997-1998*, State Higher Education Executive Officers (Denver, March 1998). The rankings drop to twelfth and twentieth, respectively, if state *and local* appropriations are considered.

30 Office of the Legislative Auditor, *State Employee Compensation* (St. Paul, February 2000), 7-8. Employee counts were provided by the Minnesota Department of Employee Relations.

2 Academic Affairs

SUMMARY

MnSCU has made progress in addressing the academic goals of the merger, especially as they relate to credit transfer. However, progress has been slow, partly because MnSCU's Board of Trustees and central office have relied heavily on institutions taking the necessary steps to improve credit transfer. The central office has focused on facilitating communication among faculty, staff, and students regarding transfer issues. In addition, MnSCU's central office has established few standards to hold institutions academically accountable to the public or to measure progress toward goals related to easier credit transfer and improved program review.

One of the major goals of the 1995 merger of the community college, technical college, and state university systems was better educational opportunities for students through easier credit transfer and improved program review. This chapter addresses the following questions:

One of the merger's goals was to make it easier for students to transfer course credits from one institution to another.

- **What steps have MnSCU's Board of Trustees and central office taken to address credit transfer issues, especially between two- and four-year institutions?**
- **Has the merger resulted in improved oversight of academic programs, including attention to issues such as efficiency, quality, and duplication?**

CREDIT TRANSFER

Creating a "seamless" higher education system in which students can move between institutions with minimal loss of credit has been a long-standing concern of students, legislators, and higher education officials. The 1991 enabling legislation that created MnSCU specifically listed ease of credit transfer as one of the merger's main goals.[1] Four years later, the Legislature reiterated its concern over transfer issues by again requiring the board to "place a high priority on ensuring the transferability of credit."[2]

Credit transfer problems are often related to the different types of "certificates," "diplomas," and "degrees" that MnSCU institutions award, as described in

1 *Minn. Laws* (1991), ch. 356, art. 9, sec. 4, as codified in *Minn. Stat.* (1998) §136F.05.

2 *Minn. Laws* (1995), ch. 212, art. 4, sec. 26, as codified in *Minn. Stat.* (1998) §136F.130.

Table 2.1. Technical colleges generally offer programs ranging in length from less than a year to two years, leading to certificates, diplomas, or Associate in Applied Science (AAS) degrees. Community colleges offer two-year degrees, including Associate in Arts (AA), Associate in Science (AS), and Associate in Applied Science (AAS) degrees. "Consolidated" colleges offer the same types of programs as technical and community colleges.[3] State universities offer both four-year bachelor's degrees and post-baccalaureate master's degrees.

Different institutions often grant certificates, diplomas, or degrees in the same program areas. This naturally leads to questions about credit transferability. For

Table 2.1: Common Types of Awards Issued by MnSCU Institutions

Certificate
A document issued to students who satisfactorily complete a specific series of technical courses. Certificate programs are generally less than one year in length, ranging from 9 to 30 semester credits.

Diploma
A document given to students who satisfactorily complete a program that is designed to provide students with employment skills. Diploma programs are generally one to two years in length, and range from 30 to 72 semester credits.

Associate in Arts
An academic degree awarded to students who satisfactorily complete a specified number of liberal arts and science courses. The programs, which range from 60 to 64 semester credits, are designed to cover the first two years of a baccalaureate program.

Associate in Science
An academic degree awarded to students who satisfactorily complete a specified number of courses and credits in a specific occupational field. The programs are designed both to prepare students for work and to transfer to a related baccalaureate program. Associate in science programs typically range from 60 to 64 semester credits, 30 of which must be general education credits.

Associate in Applied Science
An academic degree awarded to students who satisfactorily complete a specified number of courses and credits in a specific occupational field. The programs, designed primarily to prepare students for work, range from 60 to 72 semester credits, one-fourth of which must be general education credits.

Bachelor of Arts/Bachelor of Science
An academic degree awarded to students who satisfactorily complete a program of 120 to 180 semester credits. Bachelor of arts degrees cover majors in the liberal or fine/performing arts, such as English, education, music, or psychology. Bachelor of science degrees cover majors in other professional areas, such as nursing or biology.

Master of Arts/Master of Science
A graduate degree awarded to students with baccalaureate degrees who successfully complete 30 to 54 additional semester credits in a specific field of study. Master of arts degrees cover graduate studies in the liberal or fine/performing arts that do not include a professional component. Master of science degrees represent graduate studies in science, business, industry, nursing, or education, or studies in the liberal or fine/performing arts that include a professional component.

SOURCE: Office of the Legislative Auditor, July 2000.

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3 The 11 "consolidated" colleges resulted from the merger of various community college and technical college campuses between 1994 and 1996, as shown in Table 3.4.

example, technical colleges, community colleges, consolidated colleges, and state universities all offer accounting programs. Students who have taken accounting courses or earned an accounting degree from a two-year institution might expect their accounting credits to satisfy lower division accounting requirements at four-year institutions. However, four-year institutions might deny credit because courses with an occupational focus may be taught differently. Also, some officials from four-year institutions are concerned that accreditation can be affected by credit transfer decisions. For example, some program accreditation organizations might require that instructors satisfy certain education requirements before they can teach specific types of courses.

Overall, we found that:

- **MnSCU officials generally think that the system has made progress in addressing credit transfer issues.**

As shown in Table 2.2, 71 percent of MnSCU presidents said that credit transfer between MnSCU's two- and four-year institutions has improved because of the merger and 60 percent said credit transfer among two-year schools has improved. For example, one two-year college president said that "the merger moved us toward the potential of true and full credit transfer." A state university president said that "transfer issues between two-year colleges and state universities have been beneficially addressed. Our transfer admissions are up."

Table 2.2: Presidents' Opinions on the Effects of the 1995 Merger on Credit Transfer

Presidents were asked to indicate the effects of the 1995 merger in easing credit transfer…	Percentage of presidents who responded: Improvements					
	Improvements Major	Improvements Minor	No Change	Deterioration Minor	Deterioration Major	Don't Know
Among MnSCU two-year colleges	14%	46%	23%	6%	0%	11%
Between MnSCU two-year colleges and four-year universities	17	54	23	6	0	0

SOURCE: Office of the Legislative Auditor, March 2000 survey of MnSCU presidents (*N*=35).

Technical college presidents think less progress has been made in addressing credit transfer issues than do other presidents.

Technical college presidents were less satisfied—only 40 percent of them said that credit transfer between two- and four-year institutions improved as a result of the merger. Five of the ten technical college presidents said that the merger did not result in any changes in credit transfer, although they said that changes were needed. According to one technical college president, "Technical college credits still do not transfer to private and four-year colleges." According to another technical college president: "Improvements have occurred, but there is still strong resistance in state university levels, especially in business occupations, health occupations, and teacher education." On the other hand, presidents of the consolidated colleges, which also deliver many occupational/technical programs, were more positive about the merger's impact on credit transferability. All but 1 of the 11 presidents of consolidated colleges said that credit transfer between two- and four-year institutions improved as a result of the merger.

In addition to obtaining the presidents' views, we talked with a number of campus "transfer specialists."[4] Generally these staff told us that MnSCU has made progress regarding credit transfer because the merger has improved communication between staff at two- and four-year institutions about what will and will not transfer. In turn, this has made it easier for staff to help students plan their programs. At the same time, some transfer specialists pointed out that much work remains to be done, especially for occupational/technical credits.

Finally, representatives from the two major student associations told us that the merger has improved credit transfer to the extent that transfer issues are no longer part of their legislative agendas. They attributed most of the progress to better communication between students and staff when students start to plan their programs. They also said that more improvements could be made.

Central office staff and board members also told us that MnSCU has made considerable progress in addressing credit transfer issues. Table 2.3 outlines the major ways MnSCU's Board of Trustees and central office have addressed credit transfer issues.[5] Their overall strategy relies heavily on institutions taking the necessary steps to facilitate credit transfer. The central office has focused on improving communication among faculty, staff, and students by (a) developing uniform, statewide transfer policies, (b) encouraging institutional agreements, and (c) making transfer information more readily available. While we discuss each of these activities below, data limitations prevented us from measuring directly whether these activities are, in fact, resolving credit transfer problems. Also, MnSCU's central office does not routinely collect and analyze data on student movement and how credits have transferred.[6]

Table 2.3: MnSCU Tools to Address Credit Transfer Issues

Transfer Policies
- Statewide Transfer Policy
- Student Grievance Policy

Institutional Agreements
- Minnesota General Education Transfer Curriculum
- Articulation Agreements
- Course Equivalency Agreements
- Articulation Councils
- Bachelor of Applied Science

Information Availability
- Transfer Website
- Degree Audit Reporting and Course Applicability Systems

SOURCE: Office of the Legislative Auditor, July 2000.

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4 Transfer specialists coordinate credit transfer activities at individual institutions.

5 Other MnSCU activities that are much broader in scope, such as campus consolidation and regional planning, might also improve credit transfer. These initiatives are discussed in Chapter 3.

6 MnSCU's central office is undertaking a research project that would answer some questions about student movement among MnSCU institutions.

Transfer Policies

When we examined board policies and institution practices, we found that:

- **In some instances, MnSCU's transfer policies, institutions' practices, and state law conflict with one another.**

Minnesota statutes suggest that there should be a "seamless" system for students as they transfer between MnSCU institutions. For example, *Minn. Stat.* (1998) §135A.052, subd. 1 (2) says that community colleges (and consolidated colleges) shall offer ". . . occupational programs in which all credits earned will be accepted for transfer to a baccalaureate degree in the same field of study . . ."[7] However, according to MnSCU policy and institutions' practices, MnSCU's occupational programs only transfer between institutions that have "articulation agreements." Articulation agreements are formal credit transfer agreements between two or more institutions that are established for specific programs. The agreements permit students who successfully complete a specific program in one institution to transfer some or all of those credits toward a related degree in a participating institution.

Institutions have broad discretion to determine which course credits transfer.

Also contrary to the goal of "seamless" transfer is an undergraduate credit transfer policy adopted by the Board of Trustees in 1998 that gives individual institutions broad discretion in determining the extent to which credits transfer among institutions.[8] According to board policies, institutions must accept for transfer individual courses that are equivalent or comparable to specific courses that they offer, but receiving institutions determine whether courses are equivalent or comparable.[9]

Finally, when there are no equivalent courses, board policy sets a ceiling rather than a floor on the number of nonequivalent credits that institutions may accept. Board policy says that institutions can accept, as general or elective credit, up to 16 semester credits from occupational/professional courses that are deemed not equivalent.[10]

Sometimes board policies that seem to advocate a "seamless" transfer system conflict with institution practices. Although board policy allows institutions to accept courses for credit on a course-by-course basis at the discretion of the receiving institution, it requires that some degrees transfer in total. All MnSCU institutions must give lower-level credit for all credits earned by a student as part of a completed AA degree. Board policy also says that if two institutions have an articulation agreement for an AS or AAS degree, all credits earned by a student as part of the completed degree must be accepted by the receiving institution.[11]

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7 Minnesota State Colleges and Universities, *Board Policies*, ch. 1A.1, pt. 2 contained the same language until May 2000, when the Board of Trustees adopted a new mission statement.

8 Minnesota State Colleges and Universities, *Board Policies*, ch. 3.21.

9 *Ibid*., ch. 3.21, subpt. 3.

10 Institutions may accept credits beyond this limit if the credits contribute to an educationally sound program for a student.

11 Minnesota State Colleges and Universities, *Board Policies*, ch. 3.21, subpt. 4.

However, institutions may create articulation agreements for AAS degrees that do not require all credits to transfer. According to MnSCU's model articulation agreement for two- and four-year institutions, only students completing their AS degrees can transfer all of these credits toward a related baccalaureate degree. Students earning an AAS degree can only transfer the number of credits agreed to in individual articulation agreements.

In addition, board policy states that "an Associate in Science degree must have one or more articulation agreement(s) between the institution awarding the Associate in Science degree and an institution awarding a related baccalaureate degree," but not all AS degrees do.[12] While MnSCU's Board of Trustees has required this of all new AS programs, AS programs that predate the merger may not have articulation agreements with a four-year institution. For example, staff at one consolidated college told us that they are trying to develop articulation agreements for their "older" AS programs that do not currently have them, but it is a time-consuming process.

Students can take their concerns about credit transfer to a state-level grievance panel.

In 1998, MnSCU's Board of Trustees established a two-tier appeals process for students having problems satisfactorily transferring credits. Board policy requires that institutions set up an appeals process to consider appeals in a "timely manner."[13] Receiving institutions must include a rationale for their decision on an appeal and advise students of the next step in the appeals process. Students who are not satisfied with a receiving institution's decision may appeal it to the System Academic Appeals Review Panel. Students appealing decisions to the panel must have the support of the sending institution. The system panel makes recommendations to MnSCU's senior vice chancellor for academic affairs, whose decision is binding.

We found that:

- **To date, there have been no student appeals of transfer decisions to the System Academic Appeals Review Panel.**

MnSCU's central office does not collect information on the number of appeals at institutions nor does it monitor local decisions. According to staff, having a uniform policy and procedure available to students has made it easier for students and institutions to resolve disagreements about transfer decisions at the local level.

Institutional Agreements

The 1991 Legislature required the Higher Education Advisory Council to develop a general education transfer curriculum that would satisfy lower division requirements.[14] In December 1991, all four of Minnesota's public higher education systems signed an agreement committing themselves to implementing a general education transfer curriculum by 1994.

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12 Ibid.

13 Ibid., ch. 3.21, pt. 3.

14 Minn. Laws (1991), ch. 356, art. 2, sec. 8. The Higher Education Advisory Council consists of representatives from the state's public and private higher education systems and the Department of Children, Families & Learning.

The Minnesota General Education Transfer Curriculum identifies a specific set of general education courses that students can take in one MnSCU institution that, if successfully completed in total, will satisfy the general education requirements at all other MnSCU institutions.[15] Board policy requires that all MnSCU institutions implement the Minnesota General Education Transfer Curriculum as appropriate to their degrees.[16] This means that they have identified the courses at their institutions that satisfy the general education requirements of other MnSCU institutions, making it easier for students to transfer between MnSCU institutions or to the University of Minnesota.

However, we found that:

- **While all of MnSCU's two-year institutions have formally adopted the Minnesota General Education Transfer Curriculum, only two of its seven four-year institutions have done so.**

The two state universities that have formally adopted the transfer curriculum are Minnesota State University, Mankato, and Southwest State University. A third, Winona State University, is in the process of adopting the transfer curriculum.

The Minnesota General Education Transfer Curriculum functions effectively for students who transfer from one of MnSCU's two-year institutions to one of its four-year institutions. All seven state universities recognize the transfer curriculum as fulfilling the general education requirements of students who transfer into their institutions from two-year institutions. However, because few state universities have formally adopted the Minnesota General Education Transfer Curriculum, it does not function as effectively for students who transfer between MnSCU's four-year institutions.

Many institutions have established agreements about which course credits can be transferred to other institutions.

MnSCU and the University of Minnesota have established the Minnesota Transfer Curriculum Oversight Committee to identify issues with the curriculum and recommend changes. In addition, representatives from the 11 MnSCU institutions in the Twin Cities metropolitan area are discussing whether their institutions should automatically give general education credit to transfer students who successfully complete individual areas of the curriculum rather than the entire curriculum. As presently designed and implemented, students must complete the entire curriculum to automatically receive any general education credit for their courses.

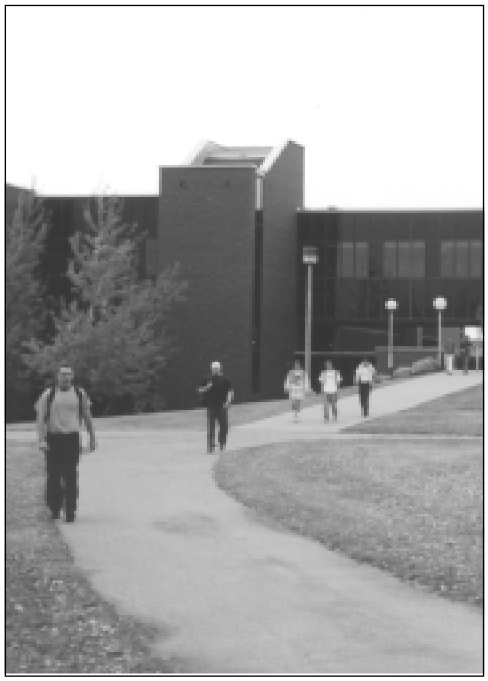
Before both the merger and the adoption of the Minnesota General Education Transfer Curriculum, institutions relied mainly on course equivalency and articulation agreements to address credit transfer problems. Course equivalency agreements identify, on a course-by-course basis, the courses another institution has judged to be the same as its courses and for which it will give full credit. As discussed earlier, articulation agreements are much broader and reflect the extent to which certain two-year degrees, certificates, and diplomas will transfer to other two- and four-year institutions. Historically, most course equivalency and articulation agreements were developed on an ad hoc basis, in response to the needs of particular students or local workforce needs. Without such agreements in

15 The University of Minnesota also recognizes the transfer curriculum, with some modifications.

16 Minnesota State Colleges and Universities, *Board Policies*, ch. 3.21, pt. 2.

place, receiving institutions must decide whether credit will be given for individual courses on a student-by-student basis.

Since 1999, MnSCU's central office has been trying to compile an inventory of all articulation and course equivalency agreements. Staff have asked institutions to submit lists of their agreements as well as the agreements themselves to the central office so that they can be shown on MnSCU's transfer website.[17] Central office staff are currently examining whether the agreements are accurate and up-to-date.



We looked at the number of course and articulation agreements listed on MnSCU's website and found that:

- **The extent to which individual institutions have course or articulation agreements varies considerably and is not necessarily related to the proximity of the participating institutions.**

For example, according to MnSCU's website, there are about 850 articulation agreements for occupational/technical programs between two-year colleges and four-year universities.[18] The number of articulation agreements listed on MnSCU's website per two-year institution range from 1 agreement at both Rainy River and Vermilion community colleges to almost 100 at the Moorhead campus of Northwest Technical College. The majority of the agreements are with Minnesota State University, Moorhead (which has more than 400 agreements) or Bemidji State University (which has about 85 agreements). Almost all of the articulation agreements at these two universities are for their baccalaureate programs in industrial technology. In contrast, St. Cloud, Winona, and Mankato state universities each has 10 or fewer articulation agreements listed on the website, even though there are numerous two-year colleges within easy commuting distance of these campuses.

Most of the articulation agreements are related to technical fields of study, such as computers, drafting, and engineering. There are fewer agreements between technical colleges and four-year institutions in areas such as accounting and business.

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17 As we discuss later, MnSCU's website does not contain any information on articulation agreements at Southwest State University, and not all institutions have submitted a list of their course equivalency agreements to MnSCU's central office. See http://www.minnesotatransfer.org.

18 MnSCU, http://www.minnesotatransfer.org/Agreements/institution; accessed June 13, 2000. As noted earlier, MnSCU does not have a complete list of all agreements. MnSCU updates the website frequently as institutions submit data.

Previous agreements as well as more recent legislation have emphasized using "articulation councils" to help examine credit transfer issues within occupational areas such as accounting or nursing. Articulation councils date back to 1991, when Minnesota's four public higher education systems signed the Minnesota Public Higher Education Transfer Agreement. In it, they agreed to implement faculty articulation councils. In addition, the agreement committed the systems to evaluate the success of transferring students. Six years later, the 1997 Legislature required MnSCU and University of Minnesota to correct transfer problems by convening task forces to address transfer issues.[19]

However, we found that:

- **To date, MnSCU's central office has created few articulation councils to help address issues related to transferring occupational/technical credits to four-year institutions.**

There are few statewide agreements for credit transfer.

Although MnSCU's central office proposed 15 councils, only 6 have been formed, and only 3 articulation agreements have been developed.[20] The most far-reaching articulation agreement addresses how MnSCU's various nursing programs transfer throughout the system. The development of this agreement was facilitated by the existence of well-established national nursing standards. The other two agreements, one in agriculture and another in aviation, are more limited. For example, the aviation agreement focuses on the needs of the aviation industry in the Twin Cities metropolitan area by offering a baccalaureate degree that accepts transfer credits from aviation-related programs in MnSCU's two-year institutions.

According to MnSCU's central office staff, articulation councils are currently "on hold" while the system works on implementing a new degree—the Bachelor of Applied Science (BAS). The degree is designed to help address concerns that officials from four-year institutions have about accepting occupational/technical credits toward their BA or BS degrees. Four-year institutions offering the BAS degree would agree to accept in transfer related AS or AAS degrees or diplomas awarded by technical or community colleges. The BAS degree follows a model that has been used in Moorhead and Bemidji state universities. A supplemental legislative appropriation allowed MnSCU to expand the concept beyond these two schools. To date, MnSCU's central office has funded 16 of the 32 BAS proposals submitted by institutions. Most of these programs are in the early stages of curriculum planning at the institution level.

According to many central office and institution staff that we talked with, solutions to transfer problems, such as articulation and course equivalency agreements and BAS degrees, must be initiated and developed locally to succeed. To help institutions address transfer issues, MnSCU's central office has tried to improve communication among institution staff. According to our survey:

- **Most MnSCU presidents agreed that the 1995 merger improved working relationships among the faculty and staff of the previously separate systems.**

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19 *Minn. Laws* (1997), ch. 183, art. 1, sec. 6.

20 According to MnSCU, its proposal to establish 15 articulation councils was predicated on receiving additional legislative appropriations, which the Legislature did not make.

Many MnSCU presidents told us the merger has improved communication among institutions.

As shown in Table 2.4, 63 percent of MnSCU presidents said that the merger has helped establish effective working relationships among faculty in MnSCU institutions, and 69 percent said that it has helped improve relationships among other staff at MnSCU institutions. Relationships have improved both as a byproduct of sharing an organizational structure and through the efforts of MnSCU leadership throughout the system. Transfer specialists from all MnSCU institutions, the University of Minnesota, and private colleges meet annually to discuss credit transfer issues. MnSCU's central office has also arranged for transfer specialists of four-year institutions to jointly visit community college and consolidated college campuses to answer questions students might have about transferring to a state university. Chief academic officers and chief student affairs officers from MnSCU institutions meet four times a year—twice just with their own groups (academic and student affairs) and twice together.

Table 2.4: Presidents' Opinions on the Effects of the 1995 Merger on Faculty and Non-Faculty Staff Relationships

Presidents were asked to indicate the effects of the 1995 merger in establishing effective working relationships…	Percentage of presidents who responded: Improvements Major	Improvements Minor	No Change	Deterioration Major	Deterioration Minor	Don't Know
Among faculty across the boundaries of the previously separate systems	26%	37%	17%	9%	9%	3%
Among non-faculty staff across the boundaries of the previously separate systems	23	46	23	9	0	0

NOTE: *N*=35. Percentages may not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, March 2000 survey of MnSCU presidents.

While some MnSCU presidents said that transfer issues must be solved at the local level, some also believed that MnSCU could play a more active role. According to one president, "The board has passed policies to transfer credits, however, they have done nothing to facilitate the actual work of curriculum revision/articulation at the college level. They think it just happens."

We agree that the Board of Trustees and the central office could do more to help ensure that institution practices are aligned with the state's transfer policies and that credit transfer issues are addressed consistently across institutions. As we discussed earlier, state law and board policy suggest that MnSCU is a "seamless" system. According to MnSCU officials, legislative expectations as they relate to student transfer are not well-defined and legislators have different views as to what a "seamless" system means. Many MnSCU officials that we talked with—both at the central office and at institutions—said that not all programs or courses should transfer, nor did they believe that the automatic transfer of all courses and programs was intended by the Legislature or the Board of Trustees. At the same time, many officials said that more could be done to address transfer issues, especially for occupational/technical credits. We think that MnSCU's Board of Trustees, central office, and institutions should discuss with legislators the limits and barriers to credit transferability to help determine whether state law and board policies should be revised.

According to central office staff, two major barriers impede greater credit transfer of occupational/technical credit: faculty accreditation and the rigor and appropriateness of the curriculum. Central office staff told us that institutions are trying to resolve faculty accreditation concerns by ensuring that new staff have baccalaureate degrees and by offering additional training to current staff. Addressing curriculum-related barriers, however, is more difficult and requires cooperation and commitment on the part of both faculty members and industry representatives. According to central office staff, successful implementation of the BAS degree may help resolve some of the curriculum-related barriers to credit transfer.

RECOMMENDATION

The MnSCU Board of Trustees and central office should increase their efforts to resolve the curriculum-related barriers to transferring occupational/technical credits to four-year institutions. Also, they should encourage two- and four-year institutions to address curriculum-related barriers as they plan program improvements.

Information Availability

As indicated earlier, central office staff have asked institutions to provide them with lists of their articulation and course equivalency agreements so that central office staff can post the information on MnSCU's transfer website. We think that:

- **MnSCU's transfer website has the potential to provide valuable transfer information to students and educators.**

Transfer information is posted on MnSCU's website.

To date, however, not all institutions have submitted information. While Southwest State University is the only state university that does not have any articulation agreements listed on MnSCU's website, there is no course equivalency information for 22 of MnSCU's 35 institutions.[21] Furthermore, some of the course equivalency information that institutions have submitted is out-of-date. For example, course equivalency data for some institutions are for the 1998-99 school year, not the 1999-2000 school year. Others have only listed course equivalencies as they relate to the Minnesota General Education Transfer Agreement.

MnSCU's central office is currently examining the agreements that institutions have submitted to them. According to its preliminary analysis, many of the articulation agreements that institutions have submitted to the central office are not accurate or up-to-date.

21 MnSCU, http://www.minnesotatransfer.org/Tables/CourseEquivalency.html; accessed June 13, 2000.

We do not know the extent to which students use MnSCU's transfer website. Student representatives that we talked with were not aware of the website, but some indicated that institutions' course catalogs, especially technical college catalogs, now provide students with more credit transfer information than they used to provide.

Currently, MnSCU is working to implement statewide electronic systems, referred to as DARS and CAS, that will permit students and advisors to electronically access information about course and program transferability. DARS (degree audit reporting system) is an institution-based system that tracks student progress toward meeting an individual institution's requirements. In contrast, CAS (course applicability system) is a systemwide tool that will permit students to obtain online evaluations of how their courses or programs will transfer to other MnSCU institutions and the University of Minnesota.

While DARS is currently being used on some campuses, CAS has yet to be implemented. We think that:

- **DARS and CAS have the potential of saving students and advisors time and money, but their success depends on the availability of accurate, statewide information on course equivalencies and articulation agreements.**

As noted earlier, MnSCU's central office staff have not been able to collect course equivalency information from all institutions. In addition, their preliminary analysis indicates that many of the articulation agreements that institutions have submitted to the central office are not accurate or up-to-date. Finally, some campus staff have expressed concerns about their ability to maintain up-to-date transfer information without additional resources.

PROGRAM OVERSIGHT

One of the merger's goals was improved oversight of academic programs.

A second major academic goal of the 1995 merger was improved oversight of academic programs. In our survey of institution presidents, 34 percent said that the merger improved the elimination or restructuring of unneeded or inefficient programs; 11 percent said that the merger made things worse. Fifty-four percent of the presidents said that the merger did not result in any changes.[22]

Program oversight can occur in various ways. For example, individual institutions or departments can review their own programs. In addition, MnSCU's central office can review individual programs or groups of similar programs. We examined the mechanisms that the Board of Trustees and central office have established to review proposed and existing programs. We did not examine program review activities within individual institutions, which would not necessarily have changed as a result of the merger.

22 Of the19 presidents who said that the merger did not change program review, 4 said that changes were not necessary and 11 said that changes could have occurred without the merger.

For proposed programs, MnSCU's central office has developed an *Academic Program Approval Manual* that explains the process for approving new programs and the roles of the institutions, central office, and Board of Trustees in that process. Board policy requires that the Board of Trustees approve all proposals for new programs before implementation.[23] Proposals must specifically address questions regarding duplication, student and occupational demand, mission relevance, and resources. From July 1, 1999 through June 30, 2000, the board approved 21 new programs and approved offering additional degrees in 117 other programs.[24] In recent years, the Board of Trustees has approved all new program requests that have come before it. Central office staff told us that their new program application process helps ensure that only those applications that are fully developed and address documented needs go before the board.

In contrast, we found that:

- **Contrary to board policy, MnSCU's central office does not have a comprehensive program review process for existing programs.**

Board policies adopted and effective in October 1995 require the chancellor to identify, using accountability standards developed through the academic affairs division, academic programs and departments that require examination by institution presidents.[25] In addition, the chancellor is required to report annually on the efficiency and effectiveness of all academic programs and departments and to make formal recommendations to the board for action. Board policy also requires that individual institutions regularly review their academic programs and departments with respect to their performance on system accountability standards.[26]

MnSCU's central office has not developed program review standards.

MnSCU's central office has not developed standards to use in reviewing programs and staff have not made annual reports to the board on existing programs. Some central office staff think that the board's policy concerning centralized program review is too intrusive and that program review should be left to institutions. In addition, central office staff indicated that lack of comparable data has been a major obstacle to developing standards. However, MnSCU's central office has not identified measures to use in reviewing programs, which would seem a necessary first step in determining what common data are needed.

MnSCU's central office has largely left it to individual colleges and universities to establish measures of program effectiveness and efficiency for reviewing their individual programs.[27] According to central office staff, individual institutions have initiated almost all changes to existing programs, including suspensions and

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23 Minnesota State Colleges and Universities, *Board Policies*, ch. 3.14.

24 Minnesota State Colleges and Universities, *Program Activity Report*, July 18, 2000.

25 Minnesota State Colleges and Universities, *Board Policies*, ch. 3.11.

26 *Ibid*., ch. 3.10.

27 In 1996, MnSCU's central office began developing a new graduate follow-up system for all MnSCU institutions. The system collects information on graduates' employment or continuing education status, location of job, job title, and relatedness of their job to the program from which they graduated. The system does not collect data on program satisfaction or wages.

closures, since the merger.[28] As of July 2000, MnSCU institutions offered over 3,500 programs of study.[29] From July 1, 1999 through June 30, 2000, the board closed 27 programs, including 10 associate degree programs, 9 diploma or certificate programs, and 8 bachelor degree programs. Upon the request of individual institutions, central office staff suspended another 113 programs, mostly diploma and certificate programs.[30] Central office staff also approved institutions' requests to redesign over 500 other programs. Program redesigns can include changing an existing program's name, identification code, credit length, options or emphases, or type of award granted.

While institutions' program review activities and standards vary, central office and institution staff told us that institutions routinely examine the financial viability of their programs and courses because it is, in large part, determined by student enrollment. The allocation model that MnSCU's central office is currently developing to distribute funds to individual institutions will use program cost comparisons that will permit officials at each institution to compare the costs of their programs to similar programs in other institutions. MnSCU's central office expects that the model will provide an incentive for institutions to redesign or close unproductive programs. In addition, some institution officials told us that they use the program review indicators contained in a 1997 report by a MnSCU advisory committee on strategic and comprehensive program enhancement (SCOPE).[31] The SCOPE report addressed institutional missions, planning, and

28 MnSCU's central office is currently writing a master academic planning guide to help institutions examine their programs as part of the academic planning process.

29 Minnesota State Colleges and Universities, *Program Activity Report,* July 18, 2000.

30 Central office staff can approve institutions' requests to suspend or redesign programs; such requests do not require the approval of the Board of Trustees.

31 Minnesota State Colleges and Universities, *Advancing Accountability Within MNSCU* (St. Paul, March 19, 1997).

accountability, particularly as they relate to program review. However, the central office has never formally implemented SCOPE's program review recommendations.

We think that the Board of Trustees and central office should pay more attention to state-level program review. First, the board's existing program review policies are not being followed, which suggests a need to either revise the policies or ensure compliance. Second, program review from a statewide perspective can be an important supplement to institution-level review. For example, state-level reviews could focus on whether categories of programs across the MnSCU system adequately meet the state's workforce needs. State-level reviews could also consider whether there is unnecessary program duplication within an academic field or whether selected occupational programs are placing sufficient numbers of their graduates in program-related jobs. MnSCU has worked with business representatives to review the adequacy of programs in some occupational fields such as printing, although some representatives of business groups with whom we spoke said that MnSCU should make further efforts to address employer needs.[32]

RECOMMENDATION

The MnSCU Board of Trustees should require the central office to conduct periodic reviews of selected academic programs on a statewide basis. It should also consider whether there should be standards for identifying programs needing further review, as recommended in its 1997 SCOPE report.

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32 The 1998 Legislature appropriated $4 million to MnSCU to bring together Minnesota business and education representatives to address worker shortages in five rapidly growing industries. One result of this effort is a recent report by the Minnesota Printing and Education Partnership that recommended creating five "centers of excellence" to better meet the workforce needs of the state's printing industries. See Minnesota Printing and Education Partnership, *Recommendations to Improve and Expand Printing Programs in Minnesota* (St. Paul, November 1999).

3

Finance and Administration

SUMMARY

One of the goals of the MnSCU merger was to improve the efficiency and management of public two-year colleges and state universities. The merger has contributed to many improvements in this area, but more work remains. Positive changes have included better oversight of institution finances, more comprehensive information on facility condition and use, and unprecedented cooperation among institutions in the Twin Cities region. The creation of 11 consolidated community and technical colleges was a major byproduct of the merger, although having two faculty unions at these campuses remains an obstacle to their full integration. MnSCU's central office has developed a systemwide information system, but users have encountered many problems. The central office is also working to develop a better method of allocating funds among institutions.

As noted in Chapter 2, improved academic opportunities was one of the Legislature's main goals for the merger of Minnesota's state university, community college, and technical college systems. The other main goal mentioned in statute related to efficiency. MnSCU was to "develop administrative arrangements that make possible the efficient use" of facilities and staff.[1] In addition, state law instructed MnSCU to eliminate "duplicative administrative positions and course offerings," and it set forth a goal of a single accounting system for the institutions governed by MnSCU.[2]

In this chapter, we address the following questions:

- **To what extent has the merger helped to consolidate financial management, budgeting, and other administrative activities? Are these changes perceived as positive? What steps have the MnSCU Board of Trustees and central office taken to improve the management efficiency of MnSCU?**

- **What is the status of the information system that MnSCU's central office designed and implemented? Are users satisfied with the information it provides?**

- **Has the merger contributed to any important labor relations problems?**

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1 *Minn. Stat.* (1998) §136F.05.

2 *Ibid.*, and *Minn. Laws* (1991), ch. 356, art. 9, sec. 8, subd. 8.

GENERAL FINANCIAL MANAGEMENT

The 1995 merger of Minnesota's state universities and two-year public colleges presented many financial management challenges for MnSCU institutions. First, systemwide financial policies and procedures adopted by MnSCU in its early months often varied from those of the three previous higher education systems. Second, all MnSCU institutions implemented a new systemwide accounting system in 1995, but many users of this system thought that it was poorly designed and lacked adequate staff support.[3]

The merger presented many challenges, including the transfer of technical colleges from local to state control.

Another major challenge—unique to MnSCU's technical colleges—was the transition of institutions from local to state control. Before 1995, technical colleges were affiliated with local school districts.[4] The school districts managed budgets, set policies, and negotiated contracts for the colleges. Often, the districts provided business, personnel, and maintenance services to the colleges for a fee. Some small technical colleges relied extensively on school district personnel to manage their affairs. In addition, some colleges received insufficient attention from school districts before the 1995 merger, and financial audits indicated that some of the colleges had deficit fund balances at the time of the merger.[5]

Challenges such as these contributed to various financial management weaknesses in the months following the merger. As shown in Table 3.1, financial audits by the Office of the Legislative Auditor had an average of 12 "findings" per institution audit in the first three-year cycle of audits following the merger; technical colleges alone averaged more than 16 findings per audit. These averages were well above the averages for audits of state agencies, and many of MnSCU's audit findings were serious in nature. MnSCU audit staff noted that the number and severity of audit findings declined over the course of the first full three-year cycle of external audits. However, because the institutions audited vary from year to year, a better measure of MnSCU progress will be the number and severity of audit findings in the second complete three-year cycle of institution audits, compared with the first.

Five years into the merger, we found that:

- **MnSCU has made considerable progress in its efforts to improve financial management, although work remains to be done.**

There was little reliable financial information in the early months of the merged system, and board members often were unsatisfied with the answers to their

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3 In a 1999 report, MnSCU's internal auditors said that the financial systems were implemented in a very short time period with little documentation of user needs and limited testing and training. See Minnesota State Colleges and Universities, *Reliability of MnSCU Financial Data* (St. Paul, May 19, 1999).

4 In most cases, the colleges reported to individual school districts; in several cases, they reported to "intermediate" or "joint" districts, which served multiple individual school districts. Technical colleges statewide received technical assistance and oversight from a system office that reported to the State Board of Technical Colleges, but personnel and fiscal operations were more decentralized in the technical college system than in the community college and state university systems.

5 A summary of issues surrounding the technical colleges can be found in Office of the Legislative Auditor, *Minnesota State Colleges and Universities: Transition of Technical Colleges Into State Government: Selected Scope Financial Audit for the Year Ended June 30, 1996* (St. Paul, August 1996).

Table 3.1: Number of Findings Per External Financial Audit, Fiscal Years 1996-98

	Number of Audits	Number of Findings	Average Number of Findings Per Audit
State universities	7	55	7.9
Community colleges	8	81	10.1
Consolidated colleges	11	140	12.7
Technical colleges	10	162	16.2
TOTAL	36	438	12.2

SOURCE: Office of the Legislative Auditor, Financial Audit Division.

inquiries about financial matters. However, the MnSCU Board of Trustees, central office, and college and university officials have given serious attention to financial issues. Some of the major steps taken by MnSCU to address financial matters have included the following:

MnSCU has taken steps to improve financial management.

- The board has adopted a policy stating that institutions should have a total reserve equal to 5 to 7 percent of the previous year's annual general operating revenues by fiscal year 2001.[6] Total institution reserves grew from 4.4 percent in fiscal year 1996 to 5.9 percent in fiscal year 1999.

- The board created an internal audit office in 1997 to help it evaluate MnSCU's progress on key issues. For example, this office produced reports on MnSCU's "Year 2000" computer preparedness and the reliability of MnSCU financial data. On an ongoing basis, the office has provided the board with information on the status of findings from internal and external audit reports.

- In 1999, the board adopted a plan for audited financial statements of system activities. For fiscal year 2000, the plan required the central office to produce and have audited a systemwide balance sheet. For fiscal year 2001, a balance sheet and additional systemwide financial statements will be prepared and audited. The focus changes to individual institutions for fiscal year 2002, with each college and university required to produce annual audited financial statements for its activities.[7]

- In 1995, MnSCU contracted with the Office of the Legislative Auditor for financial audits of individual institutions' internal controls and selected other issues. MnSCU institutions conduct their business in an unusually complex financial environment, and the enhanced audit review has been an important tool to identify financial management problems, internal control weaknesses, and legal compliance concerns. Key issues identified in some

6 Minnesota State Colleges and Universities, *Board Policies*, ch. 5.10, pt. 2.

7 MnSCU estimates that institution-level audited financial statements will cost a total of $600,000 per year, but the board believes they will enhance financial accountability by providing an external review of institutions' financial management practices.

of the more than 50 audits have included incomplete and untimely recording of financial information, weaknesses in computer systems' security, and inadequate controls over cash transactions and other assets.

- As we discuss later in this chapter, MnSCU institutions now report business transactions in a uniform information system. For instance, institutions use a common general ledger where transactions can be recorded in a standardized way. The ability to look at systemwide financial information across the boundaries of the previous systems has been an important step forward.

Due to these and other steps, most college and university officials perceive that the MnSCU merger has contributed to improved financial management. In our survey of MnSCU presidents, we found that 71 percent said that the merger resulted in improvements in financial accountability among institutions—including 34 percent of presidents who said that the merger contributed to "major improvements." In contrast, only 14 percent said that the merger contributed to a deterioration of financial accountability.[8]

Financial reporting still needs to improve.

Although MnSCU's financial management practices have improved, challenges remain. For instance, as of June 2000, five MnSCU colleges and universities were consistently unable to reconcile their accounting and banking records during the first four months of 2000. This is an improvement from a year earlier, when 13 colleges and universities could not consistently reconcile their balances during the first four months of 1999, but it indicates that some institutions continue to struggle with basic financial management. MnSCU's Board of Trustees asked institutions with reconciliation problems to develop "action plans" that could lead to complete account reconciliation by the end of fiscal year 2000.[9]

In addition, MnSCU's internal audit office concluded in a 1999 report that the MnSCU information system's "financial reporting functionality is inadequate," and it recommended various steps to improve the reporting, integrity, and consistency of financial data.[10] The office recently told the MnSCU board that many of the issues "remain unresolved."[11]

In general, there is room for improvement in the types of management information that MnSCU's central office produces. For example, the central office has worked with institution officials to develop a management reporting tool with 15 indicators. Most of the indicators provide basic descriptive information that can be compared among institutions—such as class size, current expenditures, and enrollment—rather than measures of efficiency or effectiveness. A steering committee of presidents and campus staff oversees this effort and is working to develop additional indicators.

8 *N*=35. Four of the five presidents who said that financial accountability deteriorated described this as "minor" deterioration.

9 MnSCU set a July 30, 1999 deadline for year-end reconciliations for fiscal year 1999, but there was an unexplained difference of $3.7 million in the institutions' June 30, 1999 accounting and bank records as of September 1999.

10 Minnesota State Colleges and Universities, *Reliability of MnSCU Financial Data*.

11 Minnesota State Colleges and Universities, *Follow-up Activity Report: First Quarter 2000* (St. Paul, April 18, 2000), 6.

MANAGEMENT INFORMATION SYSTEM

As we noted in our 1999 assessment of MnSCU data availability, MnSCU has had problems developing and implementing a system for reporting accurate and uniform data on revenues, expenditures, staffing, students, programs, courses, and outcomes. A variety of factors, including short-sighted decisions, poor planning, and inadequate resources, resulted in numerous setbacks as MnSCU's central office, colleges, and universities struggled to implement a common management information system.[12]

However, as of September 1999, all of the MnSCU colleges and universities had implemented the key components of MnSCU's management information system. As described in Table 3.2, the management information system is made up of several different components that are designed to operate as one integrated system.[13] The components cover areas such as accounting, human resources, and class scheduling. We think that:

- **Implementation of an integrated, uniform management information system has been an important accomplishment of the merger.**

Table 3.2: Key Components of MnSCU's Management Information System

Component	Description
Registration	Manages student registration and adding, dropping, and wait-listing classes.
Curriculum	Manages overall course offerings for institutions, including course descriptions and program requirements.
Course	Manages courses for specific term including approval, room assignment, and assignment of instructors.
Grade/Transcript	Allows for entering and publishing student grades.
Financial Aid	Supports awarding and disbursing student financial aid and compliance with state and federal regulations.
Placement	Helps graduates with job searches; collects and analyzes placement data.
Accounting	Manages accounting data for each campus, including revenues by source and expenditures by function.
Human Resources	Manages human resources, payroll and personnel, faculty and staff assignments, and workload.

SOURCES: Minnesota State Colleges and Universities, *Student Information System* (St. Paul, 1999) and interviews with MnSCU central office staff.

12 Office of the Legislative Auditor, *An Assessment of Data Availability*. See also Minnesota State Colleges and Universities, *Student Information Systems* (St. Paul, January 20, 1999).

13 MnSCU is still developing and implementing some optional modules, including the degree audit reporting and course applicability components that we described in Chapter 2.

MnSCU has implemented an integrated information system, but many users question whether it can meet their needs.

The integrated information system has the potential to provide uniform data on all of the MnSCU institutions. Having uniform statewide data can be an important management tool for individual institutions and fulfill information needs of the MnSCU central office, the Board of Trustees, the Legislature, and others. Internal and external users agree that a common information system can make oversight and accountability easier.

Some staff at the colleges and universities with whom we spoke said that the new information system is much better than what they had previously. Some noted that the information system has capabilities, such as the ability to run queries, which could eventually provide them with useful information on a wide array of issues. Also, the information system allows students to register electronically. Central office staff told us that, as financial information has improved, so has the usefulness of MnSCU's annual "cost study."

However, not all users were satisfied with MnSCU's management information system. Based on our interviews and surveys, we concluded that:

- **There are still potential barriers to full utilization of MnSCU's management information system.**

Some users had concerns about the information system's ability to meet institutions' information needs. As shown in Table 3.3, only about 40 percent of the presidents said that they had satisfactory management information in the areas of finance and human resources. Smaller percentages of presidents said that they had useful information on admissions, enrollment, and faculty workload. Generally, presidents of two-year institutions were more satisfied with the management information system than presidents of four-year institutions.

In addition, some business managers that we talked with raised concerns about the complexity of the system. Some users thought that the information system required more expertise and resources than they had available. Furthermore, many business managers at two-year institutions said that they did not receive enough technical assistance from the central office.

Table 3.3: MnSCU Presidents' Satisfaction with Information System

Survey statement: "MnSCU's new information systems (including any any refinements likely in the next year) provide satisfactory management information for the purposes of:"	Percentage of presidents who responded:					
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Don't Know
Budgeting and financial management	15%	29%	12%	32%	12%	0%
Human resources and contract management	3	35	26	26	9	0
Admissions and enrollment management	0	24	9	35	32	0
Faculty workload management	0	18	21	38	21	3

NOTE: *N*=34.

SOURCE: Office of the Legislative Auditor, March 2000 survey of MnSCU presidents.

Finally, some users and central office staff raised concerns about the quality of the data in the information system. Some users thought that the system lacked adequate safeguards against entering incorrect data. A May 1999 report by MnSCU's office of internal auditing noted the inconsistency with which institutions record financial data in the system.[14]

MnSCU's central office recently created an information technology (IT) division and a strategic plan that may help address the management information concerns expressed by users. The IT division has all information system staff reporting to one associate vice chancellor, who in turn reports to the chancellor. The prior structure had some information staff reporting to institution presidents.[15] The IT division has adopted a "continuous improvement" approach to improve its customer service and work more closely with institutions. Also, the division is creating two types of advisory groups. First, a technology roundtable will help develop future information technology strategies, priorities, and policies. This group, which will meet quarterly, will include students, faculty, presidential and chancellor appointees, administrative users, external stakeholders, and campus information officers. Second, five steering committees, focusing on information security, academic systems, administrative systems, data management, and infrastructure, will develop and sponsor systemwide technology proposals in these areas. In addition, MnSCU plans to hire outside consultants to evaluate its management information system, with special attention to the longevity of the components that make up the information system and alternatives.

BUDGETING

Before the merger, the Legislature received separate budget requests from the technical college, community college, and state university systems. Consequently, the systems competed with each other for state funding at the Legislature. When the 1991 Legislature authorized the merger, it required the new governing board to prepare one consolidated budget request.[16] Subsequent to the 1995 merger,

- **MnSCU's central office has annually presented a single budget request to the Legislature for all of its institutions.**

This budget consolidation would not have occurred without the MnSCU merger. Staff involved in the executive and legislative branch budget processes told us that it is somewhat easier to deal with a consolidated budget request—one for which MnSCU officials have already debated priorities. Some staff commented that the early MnSCU budget requests mostly aggregated the requests of the separate systems, while more recent requests show evidence of a more integrated, systemwide perspective.

Legislative staff told us that MnSCU's budget requests (and the resulting legislative appropriations) have been less detailed than those prior to the merger. Some staff said that the reduced detail has occasionally left legislators unclear

14 Minnesota State Colleges and Universities, *Reliability of MnSCU Financial Data*, 25.

15 Institutions still employ some information technology staff to respond to institutions' needs.

16 *Minn. Laws* (1991), ch. 356, art. 9, sec. 5, subd. 3.

about the specific purposes for which the budgets would be used. On the other hand, staff said that legislators sometimes welcome the chance to make MnSCU responsible for difficult decisions that might previously have been made legislatively.

It is unclear whether the consolidation of MnSCU's budget process has resulted in different or better budget decisions than would otherwise have occurred. Legislators still inquire about the impact of MnSCU budget initiatives on certain categories of institutions or certain parts of the state—as they did before the merger. In some cases, the priorities established in the legislative budget process are different than those set forth by MnSCU.

The Legislature no longer makes separate appropriations for the state university, community college, and technical college systems. Because the Legislature appropriates funds to MnSCU instead of the three previous systems, the method used by MnSCU to allocate funds among institutions has taken on increased importance. So far,

- **The merger has not significantly changed the way operating funds are allocated among MnSCU institutions, although the central office is preparing a proposal that would affect fund allocations starting in fiscal year 2002.**

The 1997 Legislature rejected MnSCU's first proposed allocation model, mandated an alternative approach based largely on historical funding levels and enrollment changes, and required MnSCU to develop a new allocation model.[17] The MnSCU board approved a basic framework for a new allocation model in late 1998. Since that time, 11 study groups of MnSCU's institution and central office staff have been developing further details of this model. The MnSCU board will consider approval of the final design in Fall 2000 and will then discuss "implementation rules" for the model. MnSCU expects to begin using the allocation model in fiscal year 2002, with implementation phased in over three to five years. According to MnSCU officials, the new model should give institutions flexibility to offer the programs they wish, as long as they meet certain "bottom line" cost standards.[18]

MnSCU will soon propose a new method of allocating funds among its colleges and universities.

Most of the institution business managers that we interviewed spoke positively about MnSCU's efforts to develop a new allocation model. But many important decisions remain. Until the final design is developed and there is further discussion of systemwide standards, it is difficult to gauge the impact of the model and how it will be received by institutions and legislators.

In the capital budgeting process, MnSCU has started to lay the foundation for improved decision making. Most notably,

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17 *Minn. Laws* (1997), ch. 183, art. 1, sec. 3. Also, see Representative Joe Opatz, *The Policy and Politics of the MnSCU Allocation Process* (St. Paul, January 1998).

18 MnSCU officials identified two main differences between the model rejected by the Legislature in 1997 and the model being developed now. First, the current model evaluates how institution costs compare with other MnSCU institutions; the previous model used national data for purposes of cost comparisons. Second, the current model treats instructional and non-instructional costs separately, which officials believe is a fairer way to fund low-enrollment institutions that tend to devote a larger proportion of costs to physical plant maintenance.

- **The central office recently conducted a systemwide study of the condition of MnSCU facilities—the first comprehensive study of this type ever conducted.**

MnSCU has started to lay the foundation for improved capital decision making.

This study should provide an objective basis for assessing systemwide capital investment needs. MnSCU used the facilities condition study as a basis for many of its deferred maintenance funding requests to the 2000 Legislature.

In addition, MnSCU's board and central office have taken steps to link capital bonding requests to its institution planning process. Staff told us that most bonding requests in 2000 were based on institution "master plans," and the MnSCU board recently approved guidelines to establish this linkage for all capital projects in 2002. MnSCU's central office also has encouraged institutions to fund their own "pre-design" plans with firm estimates of cost and project scope before proposing projects for state bonding.

Institution presidents expressed split opinions about whether the merger has contributed to a better capital budgeting process than would otherwise exist. In our survey, 51 percent of the presidents said that the merger resulted in improvements in capital budgeting, while 37 percent said that the capital budgeting process deteriorated as a result of the merger.[19] In the 2000 legislative session, some legislators questioned the credibility of the MnSCU planning process when the capital request list approved by the MnSCU board in January 2000 differed from a preliminary list that MnSCU had provided to state budget officials in Fall 1999 (before public hearings had been conducted and internal discussions were completed). Nevertheless, MnSCU officials were generally pleased with the percentage of the capital funding bill that the 2000 Legislature dedicated to MnSCU projects, and they thought that the projects authorized were, in most cases, consistent with MnSCU's priorities.

ADMINISTRATIVE CONSOLIDATION AND COOPERATION

Consolidated Colleges

We found that:

- **The creation of 11 "consolidated" community and technical colleges was one of the important results of the MnSCU merger.**

Prior to consolidation, the community and technical colleges shown in Table 3.4 were administered separately, although several were located in the same

19 Five of seven state university presidents said they perceived merger-related deterioration in the capital budgeting process, while one state university president reported improvement. Eight of 28 two-year college presidents said they perceived deterioration in the capital budget process, while 17 two-year presidents reported improvement.

city—often on adjacent property and sometimes in the same building.[20] Some of these "co-located" campuses developed cooperative relationships in recruiting, advertising, and the delivery of general education courses.[21] However, there were also instances of unnecessary instructional and administrative duplication.[22]

Table 3.4: Consolidated Colleges

Current Institutions (location)	Previous Institutions
Central Lakes College (Brainerd, Staples)	• Brainerd Community College • Brainerd/Staples Technical College
Century College (White Bear Lake)	• Lakewood Community College • Northeast Metro Technical College
Hibbing Community College (Hibbing)	• Hibbing Community College • Hibbing/Eveleth Technical College (Hibbing campus)
Lake Superior College (Duluth)	• Duluth Community College Center • Duluth Technical College
Mesabi Range Community and Technical College (Eveleth, Virginia)*	• Mesabi Community College (Virginia) • Hibbing/Eveleth Technical College (Eveleth campus)
Minneapolis Community and Technical College (Minneapolis)	• Minneapolis Community College • Minneapolis Technical College
Minnesota West Community and Technical College (Canby, Granite Falls, Jackson, Pipestone, Worthington)	• Worthington Community College • Southwestern Technical College (Canby, Granite Falls, Jackson, Pipestone)
Northland Community and Technical College (Thief River Falls)	• Northland Community College • Northwestern Technical College (Thief River Falls campus)
Ridgewater College (Hutchinson, Willmar)	• Willmar Community College • Hutchinson/Willmar Technical College (Hutchinson, Willmar)
Riverland Community College (Albert Lea, Austin)	• Austin Community College • Riverland Technical College (Austin campus) • Mankato/Albert Lea Technical College (Albert Lea campus)
Rochester Community and Technical College (Rochester)	• Rochester Community College • Riverland Technical College (Rochester campus)

*Mesabi Range was further "consolidated" with Vermilion Community College (Ely) in 1996 to form the Laurentian District. However, the Laurentian District was recently replaced by the Northeast Higher Education District, which also includes Itasca Community College.

SOURCE: Office of the Legislative Auditor, July 2000.

20 Office of the Legislative Auditor, *Higher Education Administrative and Student Services Spending: Technical Colleges, Community Colleges, and State Universities* (St. Paul, March 1992), 142.

21 *Ibid*., 143.

22 *Ibid*., and Office of the Legislative Auditor, *Higher Education Programs* (St. Paul, February 1993), 64-66.

The merger made possible the consolidation of some technical and community colleges in nearby locations.

Before the 1995 MnSCU merger, there were legislative efforts to encourage co-located community and technical colleges to cooperate and even consolidate personnel.[23] However, the presence of separate governing boards for the community college and technical college systems hindered the administrative consolidation of these colleges, as did "cultural differences" among staff at the institutions.[24] Co-located community and technical colleges made little progress toward consolidation in the early years after the merger legislation passed in 1991. The 1993 Legislature required institution-level planning for consolidation, and a 1994 report indicated that only the co-located institutions at Brainerd and Thief River Falls had reached a "broad-based commitment to total college merger," complete with timetables.[25] As the system merger approached, the MnSCU board and Interim Chancellor Jay Noren took a more active role by designating single presidents for the consolidated institutions and allocating some additional funding to campuses for consolidation-related costs. With considerable staff effort at the affected colleges, all 11 consolidated community and technical colleges were established by July 1996.

In our interviews and surveys of institution officials, the consolidation of community and technical colleges was among the most frequently cited benefits of the MnSCU merger. For example, we asked institution presidents to list the most important steps that have been taken toward the goals of the MnSCU merger, and their survey responses included the following:

> "[The merger] mandated technical colleges and community colleges in the same city to [consolidate]. This should have been done 30 years ago and would not have occurred without legislation."

> "In my opinion, the co-located colleges are the greatest example of success regarding merger."

> "Minnesota taxpayers have benefited by the consolidation of institutions and the efficiencies created on the campuses."

It is unclear whether (or to what extent) the consolidations resulted in net savings. In 1997, MnSCU's central office estimated that the consolidations initially resulted in a one-time additional cost of $3.8 million. This estimate included additional costs such as remodeling, marketing related to institution name changes, and changes in institution signage and telephone systems. MnSCU also estimated that the consolidations produced annual "savings" of about $4.0 million, based largely on staffing reductions. MnSCU no longer has detailed documentation on the components of these estimates, and its financial information system cannot be used to reliably analyze institutional administrative costs before and after the consolidations.[26]

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23 *Minn. Laws* (1983), ch. 258, sec. 64; and *Minn. Laws* (1991), ch. 356, art. 2, sec. 3.

24 Office of the Legislative Auditor, *Higher Education Administrative and Student Services Spending*, 144.

25 *Minn. Laws* (1Sp 1993), ch. 2, art. 3, sec. 12; and Higher Education Board, *Co-Located Campuses* (St. Paul, February 15, 1994).

26 This partly reflects changes in information systems that have occurred since the MnSCU merger. In addition, it would be difficult to precisely determine administrative costs for campuses that were formerly part of multi-campus technical or community colleges.

The net fiscal impact of college consolidations is unclear.

Consolidated college administrative officials whom we interviewed were divided on whether the consolidations have resulted in net savings or efficiency gains so far. Officials noted that savings from consolidation-related staffing reductions were partly offset by initial consolidation costs and by increased costs that resulted from the broader MnSCU merger (notably, increased salaries for some technical college administrative staff). Most officials also said there were less tangible "costs" of the consolidations, such as the difficulties created by having two separate faculty bargaining agreements and the stress on staff that resulted from organizational and personnel changes.

Whatever the net fiscal impact of the consolidations, several institution officials told us that the consolidations immediately benefited students. For example, consolidations allowed students to more easily access a wider range of coursework than was previously available.

Regional Coordination

There may be additional opportunities for more efficient, effective services through improved cooperation among institutions. We found that:

- **Although MnSCU's early efforts to encourage institutional collaboration on a regional basis started slowly, there has been important progress recently toward institutional coordination in the Twin Cities area.**

For many years, policy makers have discussed the potential for improved cooperation among the two-year colleges and the state university in the Twin Cities area. In 1994, the Higher Education Board asked these institutions to develop a plan outlining ways that they could collaborate on academic, administrative, and student services matters.[27] There was little progress, and the 1996 Legislature mandated MnSCU to develop a "master academic plan" for the Twin Cities area by February 1997.[28] The resulting plan to consolidate Metropolitan State University with Minneapolis Community and Technical College met with legislative skepticism, and the MnSCU board asked the chancellor to develop a new plan with no prejudgment about institutional consolidation.[29]

In late 1999, a revised Twin Cities master academic plan received a more positive reception from legislators.[30] Many of the desired outcomes outlined in the plan reflect the broad legislative goals of the MnSCU merger and the goals in MnSCU's 1996 strategic plan, such as "seamless" credit transfer, elimination of

27 *Report to the Chancellor from the Special Advisory Group on Governance and Support Services*, 8.

28 *Minn. Laws* (1996), ch. 395, sec. 3 (e). The plan was to consider demographic and enrollment projections, physical plant capacity, and the need for program coordination.

29 In 1998, MnSCU's "preliminary report" on the Twin Cities plan recommended against the consolidation of the two institutions proposed by the MnSCU board the previous year—see Hazel Reinhardt Consulting Services, *Preliminary Report: Metro Area Master Academic Pl*an (Minneapolis, January 1998), 35. The report said that, "Because of insufficient numbers of students, pursuing the idea of a comprehensive urban university is not recommended."

30 Minnesota State Colleges and Universities, *Crosstown Connections: Academic Plan for the Twin Cities Metropolitan Area* (St. Paul, November 1999).

unnecessary course/program duplication, coordinated facility usage, and improved linkages with the K-12 school system. Overall, staff we spoke with said that the plan was developed with an unprecedented level of cooperation among institutions in the metropolitan area, although numerous implementation challenges remain. Various staff from the Twin Cities institutions, including presidents, chief academic officials, and chief financial officers, have formed work groups to address implementation details.

The Twin Cities academic plan was the first regional plan developed within MnSCU.

Some MnSCU officials envision developing similar regional plans in other parts of Minnesota, although they acknowledge that there are mixed levels of interest in regional planning among institutions. The most likely candidate for the next regional plan appears to be northeastern Minnesota. In 1999, the MnSCU board created a “northeast higher education district” with a single president for three MnSCU institutions. Officials in this district have expressed interest in developing a regional plan, although they are working first to complete plans for individual institutions in the region.

Central Office Administration

Before the 1995 MnSCU merger, the state universities, community colleges, and technical colleges all had central offices that provided system leadership, centralized services to campuses, and support services for their respective chancellors and governing boards. A 1991 estimate suggested that a merger might save up to $1 million annually in central office costs.[31] Shortly after the merger, Chancellor Judith Eaton reduced the size of MnSCU’s central office through a combination of staff cuts and relocation of functions to campuses. Some of the reductions, such as those in facilities management, were widely considered

31 April 1991 estimate of the Higher Education Coordinating Board, cited in Office of the Legislative Auditor, *Higher Education Administrative and Student Services Spending*, 140.

excessive, and staffing levels were later increased. Currently, MnSCU's central office has a staff of 325 employees.

For this review, we did not try to determine whether central office costs are higher or lower than they were before the merger. First, because of changes in MnSCU's information system in the past five years, it is difficult to compare pre- and post-merger spending. Second, the location of many central administrative services has shifted over the years between campuses and the central office. A review of central administrative cost trends would require a closer examination of these service arrangements (and how they have changed over time) than we were able to conduct in the time frame of this study.[32]

However, we think that it is worth noting that:

Large and small campuses have had different expectations about the role of MnSCU's central office.

- **There are unresolved questions about the proper size and function of MnSCU's central office staff.**

As a recent MnSCU report concluded, larger institutions have generally preferred to operate quite independently with limited central support while smaller institutions have often preferred to get more assistance from the central office.[33] These sentiments were also reflected in comments we heard from institution staff in interviews and surveys. Some staff—particularly in state universities—complained that the central office is too big, requires too much paperwork, responds slowly to requests, or is indifferent to unique institutional needs. Staff from smaller institutions were more likely to express concerns that centralized services are less extensive than they were before the merger or that institutions have not had the staff to deliver services that used to be provided centrally.

MnSCU's report also recommends that the MnSCU board define a core set of services that the central office should provide. It recommends that campuses should be allowed to purchase centralized services beyond these core services if they wish, and that large campuses should be authorized to provide services "with appropriate accountability [that are] within their operational capacity." A plan for implementing the report's recommendations has not yet been developed.

Efficient Use of Facilities

State law requires that the MnSCU board "develop administrative arrangements that make possible the efficient use of [institutions'] facilities and staff."[34] MnSCU has about 19.5 million square feet of space, and policy makers have hoped that increased cooperation among MnSCU institutions might result in more facility sharing or more efficient use of existing facilities. Some important first steps have been taken. For example,

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32 Recently, MnSCU staff analyzed cumulative staffing levels in the MnSCU system office and "campus services unit" as of May 2000 and as reported in a MnSCU memo to the Legislature before the merger. They concluded that the number of positions declined from 354.5 in July 1993 to 325 in May 2000. (Laura M. King, MnSCU Vice Chancellor and Chief Financial Officer, to Joel Alter, Office of the Legislative Auditor, May 15, 2000, memorandum.)

33 Minnesota State Colleges and Universities, *System Office Task Force Report/Recommendations* (St. Paul, January 2000).

34 *Minn. Stat.* (1998) §136F.05.

- **MnSCU recently conducted its first systemwide study of classroom and laboratory space utilization.**

The study documented the average number of hours per week that classrooms were used, as well as the average percentage of seats that were filled.[35] In the next two years, MnSCU expects to develop systemwide space utilization standards.

Our survey of MnSCU presidents indicated that 29 percent thought that the merger has resulted in more efficient use of instructional space—generally "minor" improvements. In addition, 34 percent said that the merger resulted in more efficient use of non-instructional space, such as office and administrative space. More than half of the presidents said that no merger-related changes in space utilization have occurred—either because no improvements were needed or because any of the needed improvements could have occurred without the merger. Presidents of consolidated colleges were more likely to indicate merger-related improvement in the efficient use of space; 6 of 11 consolidated college presidents said that the merger resulted in more efficient use of instructional and non-instructional space.

LABOR RELATIONS

The merger of the technical college, community college, and state university systems significantly changed the previous labor-management relationships. This was particularly true in technical colleges, where 18 faculty bargaining units previously negotiated separate contracts with the school districts where the colleges were located. Under the merger law, technical college faculty were reassigned to a single statewide bargaining unit.

At the time of the 1995 merger, the Minnesota Department of Employee Relations was authorized by law to negotiate contracts with all MnSCU bargaining units. However, the Legislature transferred this authority to the MnSCU Board of Trustees for state university, community college, and technical college faculty bargaining units, as well as the state university administrative bargaining unit—effective for negotiation of contracts beginning July 1, 1999.[36] MnSCU officials told us that this transfer was desirable because of the large number of education-specific issues that are addressed in higher education contracts.

The changes in labor-management relations have been one of the most significant challenges under the merger. MnSCU officials and labor representatives told us that tensions among the faculty unions increased following the merger—apparently due to increased competition for the same funding. In addition, faculty bargaining units resented some of the bargaining positions taken by MnSCU management following the merger, and faculty representatives told us that this led to reduced faculty morale and increased faculty

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35 Paulien & Associates, Inc., *Minnesota State Colleges and Universities Classroom/Laboratory Utilization Study and Academic Space Guidelines* (Denver, CO, July 1999).

36 *Minn. Laws* (1996), ch. 398, sec. 23. The Department of Employee Relations still negotiates health and other insurance benefits with these bargaining units.

turnover.[37] The changes negotiated in the contracts—including changes in faculty workload provisions and management flexibility—have been fairly modest in the opinion of the faculty representatives and central office staff with whom we spoke.

Perhaps the most difficult labor relations problem occurred at the sites where technical and community colleges merged into single institutions. Specifically,

- **Many MnSCU officials view the existence of two faculty bargaining units in the consolidated two-year colleges as a serious barrier to the complete integration of these campuses.**

MnSCU should consider ways to address labor issues at two-year colleges.

At the consolidated colleges, faculty in the community and technical college bargaining units work in one institution—sometimes teaching similar courses—but under different contract provisions. These colleges have had difficulties establishing common calendars because of differences in contract requirements for the number of faculty work days per year.[38] In addition, there are differences in the contracts' salary schedules, maximum number of weekly student "contact hours," and various other requirements.[39] Staff we interviewed at the consolidated colleges often said that the presence of two unions contributed to an "us versus them" mentality. As one MnSCU consolidated college president said:

> "As long as legislators and MnSCU allow for two faculty unions at one [consolidated] college there will never be improved education and efficiency at the desired level. At this point in time, the dual union concept impedes effective learning."

Various MnSCU board members and central office officials also expressed concern to us about having two faculty bargaining units at two-year colleges, but there has been little analysis within MnSCU of possible solutions. Recently, the two bargaining units started to explore the possibility of a merger, which would require a change in state law. MnSCU officials told us they will participate in these discussions with the bargaining units. We think MnSCU should be prepared to address questions from legislators and others about the potential costs, benefits, and legal issues surrounding various options—such as legislation to establish a single two-year college bargaining unit, increased efforts to standardize key contract provisions of the existing bargaining units, or others.

RECOMMENDATION

The MnSCU Board of Trustees and central office should evaluate options for addressing the problems caused by the present faculty bargaining arrangements of two-year colleges.

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37 In the first biennium following the merger, the faculty contracts took nearly two years to negotiate. In contrast, the most recent negotiations took several months.

38 In the 1999-2001 contracts, members of the technical college bargaining unit are required to have 166 "student contact days" per year, while members of the community college faculty are required to have 161.

39 In the 1999-2001 contracts, members of the technical college bargaining unit may have up to 27 contact hours per week; community college faculty may have up to 20 (or 25 with approval of the president, under certain circumstances).

4

Strategic Direction and Key Relationships

SUMMARY

Five years after the merger, MnSCU is still a "work in progress," moving in the right direction on many fronts but not as far along as it could have been. MnSCU presidents have mixed views about the merger's impact on higher education, with state university presidents expressing particular skepticism. To make further progress, MnSCU's board and central office should address important, overarching problems that have adversely affected organizational cohesion and morale. Specifically, MnSCU's leaders need to provide the organization with a clearer sense of direction and systematically measure progress toward strategic goals.

In Chapters 2 and 3, we discussed progress that MnSCU has made toward the goals of the 1995 merger. To a large extent, MnSCU's progress (or lack of progress) has depended on the specific actions taken by its decision makers. However, the ability of MnSCU to overcome obstacles also depends on its capacity to function as an effective, cohesive organization. In this chapter, we address the following questions:

- **Overall, how much progress has MnSCU made toward the merger's goals? Are there important obstacles to further progress?**

- **Have MnSCU's board and central office clearly defined the organization's direction? Has MnSCU received adequate direction and support from the Legislature?**

- **What are MnSCU presidents' perceptions about the overall effects of the MnSCU merger? According to close observers of MnSCU's decision-making process, how effectively have MnSCU's Board of Trustees, chancellor, and central office performed key duties?**

- **To what extent do the board, chancellor, central office, and institution presidents have constructive working relationships?**

As we discussed in Chapter 1, MnSCU operates under a "shared governance" approach in which responsibility for important decisions is divided among several groups or individuals. First, MnSCU is a creation of state law, and the Legislature provides policy direction and financial support for the system. Second, state law grants to the 15-member MnSCU Board of Trustees "all powers necessary to govern the state colleges and universities and all related property."[1] Third, the

1 *Minn. Stat.* (1998) §136F.06, subd. 1.

MnSCU chancellor serves as chief administrator for the system and has the "powers and. . . duties as delegated by the board."[2] Fourth, the presidents of individual colleges and universities have traditionally had considerable responsibility to make decisions affecting their institutions. In fact, state law says that, "To the extent practicable in protecting statewide interests, the board shall provide autonomy to the campuses while holding them accountable for their decisions."[3]

PROGRESS TOWARD THE GOALS OF THE MERGER

As we noted in the Introduction, data that would have enabled a comprehensive assessment of progress toward the merger's goals are not available from MnSCU's information system. Nevertheless, interviews, surveys, and document reviews allowed us to draw conclusions in earlier chapters about areas in which the MnSCU merger appears to have resulted in important progress. For example, by most accounts, the merger has contributed to improved financial accountability, working relationships among staff, and transfer of student credits. In addition, the merger enabled the creation of 11 consolidated technical and community colleges, and it fostered the development of systemwide assessments of facility conditions and use.

In many areas in which MnSCU has made progress, there is still more work to be done. For instance, it is an important achievement that Twin Cities institutions have worked cooperatively on academic planning in the past two years, but this planning cannot be termed a complete success until the details are implemented. Likewise, financial management appears to have improved among MnSCU institutions, but some institutions remain unable to regularly reconcile their accounting and bank records. In general,

- **MnSCU is still a "work in progress," moving in the right direction on many fronts but not as far along as it could have been.**

The scope of the MnSCU merger was significant.

Some people told us that any organization undergoing a MnSCU-scale merger could be reasonably expected to have a difficult first five years. The scope of the merger was significant—involving three separate educational "cultures," more than 50 campuses, thousands of employees, hundreds of programs, and multiple information systems. In addition, large projects not directly related to the merger have consumed MnSCU staff time during recent years—such as addressing possible "Year 2000" computer problems and implementing the legislatively-mandated conversion of the academic calendar from quarters to semesters. We agree that five years is not enough time to "complete" a merger of this size and complexity.

On the other hand, there were missed opportunities for progress during MnSCU's early history—some within MnSCU's control, and some that were dependent on

2 *Minn. Stat.* (1998) §136F.07.

3 *Minn. Stat.* (1998) §136F.06, subd. 1.

MnSCU's early history consisted of important steps toward merger goals but also missed opportunities for further progress.

the Legislature and others. Despite a four-year planning period before the merger, by 1995 MnSCU was not ready for the administrative and governance challenges it faced—partly due to ongoing efforts by some legislators to repeal the merger law. By many accounts, MnSCU was ill-prepared to handle basic financial management tasks in the months following the merger, and its new management information system had considerable problems. MnSCU's first post-merger chancellor (Judith Eaton) resigned less than two years after her hiring, and the board's relationship with the current chancellor (Morris Anderson) has sometimes been contentious. MnSCU's initial efforts to develop an allocation model and a Twin Cities regional academic plan did not meet legislators' expectations. Overall, while it is true that a MnSCU-sized merger takes time to succeed, there are widespread perceptions that missteps, leadership changes, and a lack of external support have slowed MnSCU's progress.

In previous chapters, we offered recommendations to help MnSCU address specific concerns related to credit transfer, academic program review, and labor relations. In the following sections, we discuss obstacles that could affect MnSCU's progress more generally.

SYSTEM DIRECTION

Advocates of the MnSCU merger hoped that having one board direct most of the state's public two- and four-year higher education institutions would encourage staff to work together to meet Minnesota's higher education needs. They thought that this broad perspective might help identify efficiencies that were less visible when institutions were working within different systems. Also, such a perspective might help identify unmet needs for academic programs. However, to realize these benefits, system leaders must work together to set the system's vision, mission, and goals and measure progress toward them.

The statutory mission of the MnSCU Board of Trustees is, in general, to provide programs that meet the needs of students in a cost-effective manner. In Chapter 1, we discussed the mission that the Legislature established for the Higher Education Board, MnSCU's predecessor, which remains in effect today. In addition, the 1996 Legislature declared the following statewide objectives for higher education: ensuring quality, fostering student success, promoting democratic values, maintaining access, and enhancing the economy.[4] Within these broad legislative

4 *Minn. Stat.* (1998) §135A.053.

directions, MnSCU's board, chancellor, and central office have tried to clarify the organization's purposes—through "vision statements," "mission statements," and strategic plans. However, we found that:

- **MnSCU's overall direction and purpose have not been sufficiently clear.**

For example:

- Some top MnSCU officials told us that legislators never reached agreement about what the MnSCU merger was supposed to accomplish. They also said that early legislative efforts to repeal the merger made it difficult to effectively plan for the organization's future.

Throughout its history, there have been questions about MnSCU's purpose and direction.

- MnSCU's first strategic plan, developed by Chancellor Judith Eaton and approved by the board, was not well received by legislators in 1997, and some of its main strategies were not pursued by MnSCU leaders.[5] For example, there was little effort by MnSCU's board or central office to implement "skill-based transfer" or expanded student assessment, which were major strategies proposed in the plan.[6] Some MnSCU central office staff told us that certain aspects of the plan were hard to understand.

- MnSCU Chancellor Morris Anderson initiated a strategic planning process that resulted in a new set of goals in 1998. Many of these goals built upon the work done in Chancellor Eaton's earlier planning process, and the board formally adopted these goals in May 2000. Although there is much continuity in the overarching goals set forth by the two chancellors, some of the strategies differ. Central office staff told us that some institution officials have been confused about which of these "plans" was guiding the system.[7]

- Some board members and institution officials told us that MnSCU needs a clear, systemwide educational vision—for example, reflecting how MnSCU should serve students over the next 10 to 20 years. However, there is disagreement among top MnSCU officials and board members about how an educational vision should be articulated. Some favor systemwide academic and facilities plans to provide overarching direction for institution-level plans; others favor regional plans rather than systemwide plans.

- It has been difficult for MnSCU officials to articulate concisely MnSCU's unique purpose, given the system's size and the diverse educational missions of its institutions. As officials have focused on one part of the

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5 Chancellor Eaton left MnSCU several months after the plan's December 1996 adoption by the Board of Trustees.

6 The plan suggested that the ability of students to transfer between institutions should be based on their skills as much as their credits. It also proposed improved assessment of student achievement in the areas of general skills, general education, and occupational or discipline-based programs.

7 For instance, institution presidents are supposed to develop goals for their institutions that align with system goals, and some presidents have been unclear about the system's goals.

system (such as workforce training), people in other parts of the system have sometimes felt slighted.

In a March 2000 survey, we asked institution presidents for their perceptions about the performance of the board and chancellor/central office in developing a mission, goals, and implementation strategies. As shown in Table 4.1, 56 percent of the presidents rated the chancellor and central office as "excellent" or "good" in setting goals for achieving MnSCU's mission, while 42 percent gave the board these same ratings.

Table 4.1: Presidents' Views on Development of Mission, Goals, and Strategies by the Board and Chancellor/Central Office

Presidents were asked to assess the performance of the board and chancellor/central office in each of the following areas:	Percentage of presidents who responded:					
	Excellent	Good	Fair	Poor	Not Part of Role	Don't Know
Defining MnSCU's mission						
Board of Trustees (*N*=34)	6%	41%	32%	18%	0%	3%
Chancellor and central office (*N*=34)	9	50	18	18	6	0
Setting goals for achieving MnSCU's mission						
Board of Trustees (*N*=33)	3	39	30	24	0	3
Chancellor and central office (*N*=34)	6	50	24	18	3	0
Setting strategies and timelines for achieving MnSCU's goals						
Board of Trustees (*N*=34)	3	26	32	26	6	6
Chancellor and central office (*N*=34)	9	50	26	15	0	0

SOURCE: Office of the Legislative Auditor, March 2000 survey of MnSCU presidents.

Table 4.2 shows the vision, mission, and goals that the MnSCU Board of Trustees adopted in May 2000. Whether these statements clarify MnSCU's direction will depend partly on whether decisions within MnSCU reflect and advance the system's stated goals. There are some indications that future decisions may be made with these new goals in mind. For example, MnSCU plans to score institutions' capital requests partly on the basis of "the link between the project request and MnSCU's four strategic goals," according to MnSCU's fiscal year 2002-07 capital budget guidelines.[8]

Many successful organizations not only have clear, coherent direction, but they also measure progress toward their goals. The Minnesota Legislature requires higher education systems and campuses to measure and report on their performance.[9] However, we found that:

- **MnSCU has not systematically tracked and reported progress toward its strategic goals.**

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8 Minnesota State Colleges and Universities, "FY 2002-2007 Capital Budget Guidelines," in *May 2000 Board Meeting Materials*, 35.

9 *Minn. Stat.* (1998) §135A.053, subd. 2. In addition, the law allows up to a 1 percent increase in higher education systems' base appropriations for meeting performance standards they have set for themselves (*Minn. Stat.* (1998) §§135A.031, subd. 5, 135A.032, subd. 2, and 135A.033).

Table 4.2: MnSCU's Vision, Mission, and Goals: May 2000

Vision

MnSCU will be the preferred pathway to higher education opportunities and a valued partner in statewide economic development and community building. The uniqueness and diversity of the Minnesota State Colleges and Universities and the power of a unified system will enable MnSCU to excel as the most accessible, highest-quality, and innovative education provider in the region.

Mission

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

The MnSCU system of diverse institutions offers unequaled breadth, variety, and quality of educational opportunities across the state. Collectively, and in partnership, we offer learning opportunities for a technologically sophisticated world that result in:

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

Goals

Student Success

Students at Minnesota State Colleges and Universities will have the opportunity to achieve their educational and career goals through high-quality learning and support services matched to their talents and abilities.

Institutional Excellence and Quality

Minnesota State Colleges and Universities will provide programs and services that are nationally and internationally competitive, high-quality, future-oriented, and focused on and accountable to the needs of students, employers, and the community.

Community Collaboration and Partnerships

Minnesota State Colleges and Universities will work in partnership with a wide variety of organizations to provide programs and services to meet community needs.

MnSCU System Leadership

The MnSCU Board of Trustees and System Office will provide system leadership that recognizes and capitalizes on the diversity and accessibility of its colleges and universities and creates and sustains a system that excels in providing higher education for Minnesota's future.

SOURCE: Minnesota State Colleges and Universities, *May 2000 Board Meeting Materials*, 165-166.

For example, MnSCU has not prepared the required comprehensive performance reports for the Legislature, and its biennial budgets have had limited information on performance. MnSCU's problems with its information system hindered its ability to produce reliable performance information in its early years, but it should be increasingly able to produce useful information in the future. In addition, MnSCU staff told us that the board and central office have had difficulty deciding which measures best reflect system progress or appropriately reflect institutions' diverse missions.[10]

10 A January 1999 MnSCU update on Chancellor Anderson's strategic goals included proposed outcome measures, such as the number and percent of students who transfer successfully and employee satisfaction with customized training. However, these were not included in subsequent updates.

As shown in Table 4.3, fewer than 30 percent of MnSCU's college and university presidents said that the board has done an "excellent" or "good" job in setting performance expectations and measuring progress. The chancellor and central office were judged somewhat better, but they still received "excellent" or "good" ratings from fewer than 50 percent of the presidents.

MnSCU should improve its measurement of the organization's performance.

Table 4.3: Presidents' Views on How Well the Board and Chancellor/Central Office Have Guided and Monitored System Progress

Presidents were asked to assess the performance of the board and chancellor/central office in each of the following areas:	Percentage of presidents who responded:					
	Excellent	Good	Fair	Poor	Not Part of Role	Don't Know
Setting expectations for performance for MnSCU institutions						
Board of Trustees	3%	23%	41%	29%	3%	0%
Chancellor and central office	9	32	32	24	0	3
Monitoring progress toward MnSCU's goals						
Board of Trustees	0	26	38	32	0	3
Chancellor and central office	6	32	26	26	3	6

NOTE: *N*=34.

SOURCE: Office of the Legislative Auditor, March 2000 survey of MnSCU presidents.

MnSCU central office officials acknowledged that there is room for improvement in measuring of the organization's performance, and they said they are taking steps in this direction. For example, a chancellor-appointed accountability task force has been preparing recommendations for the board. Also, as noted in Chapter 3, central office and institution staff are working on improved indicators that can be used for management purposes.

RECOMMENDATION

The MnSCU Board of Trustees and central office should develop measures of MnSCU's efficiency and effectiveness, including measures that relate to statewide higher education objectives identified in Minn. Stat. (1998) §135A.053. As required by law, the board should periodically present summaries of system performance to the Legislature.

INTERNAL SUPPORT

The MnSCU merger created a new governance structure for Minnesota's state universities and public two-year colleges. Naturally, MnSCU's Board of Trustees and chancellor have a strong interest in making this structure work and in moving the organization forward. But most of MnSCU's business functions, and all of its education activities, occur on its college and university campuses. Thus, it is important to consider how the leaders of these institutions view the merger and the current governance structure. In addition, it is instructive to consider how the Board of Trustees is viewed by the institution presidents and central office administrators, and how the chancellor and central office are viewed by the presidents and the board.

Presidents' Support for the Merger

Our survey of MnSCU presidents asked questions about a variety of specific issues related to the merger, but it also asked about the merger's broader impact. We found that:

- **At this point, institution presidents have mixed views about whether the MnSCU merger has had a positive or negative impact on higher education in Minnesota—with particular skepticism expressed by state university presidents.**

As shown in Table 4.4, 42 percent of MnSCU presidents said that the net impact of the merger has been "very positive" or "somewhat positive." Another 48 percent said that the net impact has been "very negative" or "somewhat negative."

The following quotes reflect some of the divergent views of the merger and its aftermath expressed by the presidents:

> "The merger had to happen! The former three separate boards and systems were competing in the Legislature for limited resources, and there was too much duplication and competition."

> "Setting expectations too high for a five-year-old organization that has only begun to function as a new system in the past two or three years ends up with negative PR and public perception. . . . This system has laid the foundation to become the best higher education system in the world."

Table 4.4: MnSCU Presidents' Perceptions About the Overall Impact of the Merger

Survey statement: "So far, on balance, the impact of the MnSCU merger on higher education in Minnesota has been:"	Percentage of Presidents				
	Technical Colleges (*N*=10)	Community Colleges (*N*=7)	Consolidated Colleges (*N*=10)	State Universities (*N*=6)	All Institutions (*N*=33)
Very positive	0%	14%	40%	0%	15%
Somewhat positive	50	29	10	17	27
Neither positive nor negative	10	14	10	0	9
Somewhat negative	40	43	40	17	36
Very negative	0	0	0	67	12

NOTE: Percentages may not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, March 2000 survey of MnSCU presidents.

> "The cost of merger is reflected in the loss of opportunities systemwide. We invested too much time, talent, and money into merger rather than investing in new, promising initiatives like virtual learning. The result is essentially a lost decade."
>
> "I think we have lost ground to the private colleges, U of M, and neighboring states. We are becoming very mediocre institutions."

State university presidents generally expressed more concerns about the merger than two-year college presidents.

Of the six state university presidents who answered the question about the merger's overall impact, one said that it was positive and five said that it was negative. For nearly all survey questions that asked presidents to evaluate the impact of the merger or the performance of the central office or governing board, state university presidents expressed greater dissatisfaction (or cited less progress) than presidents from MnSCU's two-year institutions. Our surveys and interviews with state university officials indicated that they do not think they have experienced the same level of merger-related benefits as the two-year institutions, and they think that their mission has not received adequate attention from system administrators. For instance, only one of seven state university presidents said that the distinct missions of the colleges and universities have been maintained since the merger; in contrast, almost two-thirds of the presidents of two-year colleges said that the distinct missions have been maintained.

It is possible that the dissatisfaction of state university officials could adversely affect progress toward the goals of the merger. As noted in Chapter 2, for example, most of the state universities have not formally adopted the Minnesota General Education Transfer Curriculum—contrary to board policy. An important challenge for the MnSCU board and chancellor will be to identify ways to get state university "buy-in" into the direction of the organization.

In addition, our survey indicated that:

- **Presidents are ambivalent about the governance structure under which their institutions have operated since 1995.**

We asked presidents to indicate whether the current governance structure—with one chancellor and one governing board—is the "most appropriate" governance structure for Minnesota's public two-year colleges and state universities. Thirty-five percent agreed, 44 percent disagreed, and 21 percent neither agreed nor disagreed, as shown in Table 4.5.[11]

We do not know whether the opinions of institution officials about the merger and the MnSCU governance structure have changed in recent years. Undoubtedly, many institution leaders had concerns at the time the merger law passed and later when the merger was implemented. Still, we think that the presidents' present level of ambivalence about the merger is important because it presents a continuing challenge to MnSCU as the organization aims to make further progress toward the merger's goals.

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11 We found that respondents with positive views of the merger's impact tended to think that the current governance structure for state universities and public two-year institutions is the most appropriate one; respondents with negative views of the merger tended to think that the current structure is not the most appropriate. It is unclear whether respondents' views on the appropriateness of the governance structure colored their views on the merger's impact or vice versa.

Table 4.5: MnSCU Presidents' Perceptions About the Current Governance Structure

Survey statement: "A consolidated governance structure—with one chancellor and one board of trustees—is the most appropriate governance structure for Minnesota's public two-year colleges and state universities."	Percentage of Presidents				
	Technical Colleges (*N*=10)	Community Colleges (*N*=7)	Consolidated Colleges (*N*=11)	State Universities (*N*=6)	All Institutions (*N*=34)
Strongly agree	20%	0%	36%	0%	18%
Agree	20	43	9	0	18
Neither agree nor disagree	30	29	9	17	21
Disagree	30	29	27	67	35
Strongly disagree	0	0	18	17	9

NOTE: Percentages may not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, March 2000 survey of MnSCU presidents.

Perceptions About the Board's Performance

As noted earlier, state law gives the Board of Trustees primary authority to govern MnSCU, although it may delegate authority to the chancellor and institutions. In April 2000, a consultant to the board reported the following observations, based on his interviews:

A consultant hired by MnSCU gave the board mixed reviews in early 2000.

> The [board] has evolved into a clearly committed and knowledgeable board. Board members take their responsibilities very seriously and commit extensive time to understanding the issues presented by staff. . . .
>
> The board of trustees is widely perceived as dysfunctional. Allegations of micro-management, poor inter-personal relationships, and hidden personal agendas are widespread. Whether such allegations are accurate or not is simply irrelevant. They clearly contribute to instability, low central office morale, legislative anger, and national puzzlement about MnSCU's future. . . .
>
> The board has demonstrated a clear willingness to listen to the public. Open hearings on controversial topics, such as closing Anoka-Hennepin Technical College, are a consistent board practice. The board has also held numerous public hearings on college and university outlay plan management, operational budgets, and proposed tuition levels.[12]

For our review, we surveyed MnSCU presidents about the board's performance in key areas, and we talked with board members, central office staff, and others about the board's overall performance. We found that:

- **MnSCU presidents and central office staff said that there is room for improvement in the board's performance.**

12 Lee R. Kerschner, *The Minnesota State Colleges and Universities: An Environmental Scan* (St. Paul, April 2000), 1, 2, 11.

We asked presidents to systematically assess the board's performance as "excellent," "good," "fair," or "poor" in the ten categories shown in Table 4.6. In all ten areas, at least half of the presidents rated the board's performance as "fair" or "poor." The presidents gave their most positive ratings to the board's efforts to define MnSCU's mission; 47 percent rated the board's actions in this area as "excellent" or "good." The next highest ratings were for goal-setting (42 percent), letting institutions make decisions best addressed at the local level (41 percent), and attending to issues of broad or strategic importance (38 percent). In contrast, only 26 percent of presidents gave the board "excellent" or "good" ratings in the areas of setting performance expectations for institutions, monitoring progress toward goals, communicating with the Legislature and Governor, and communicating with MnSCU institutions.[13]

Table 4.6: Categories for Which Presidents Rated Board and Chancellor/Central Office Performance

Defining MnSCU's mission

Setting goals for achieving MnSCU's mission

Setting strategies and timelines for achieving MnSCU's goals

Setting expectations for performance for MnSCU institutions

Monitoring progress toward MnSCU's goals

Attending to issues of broad or strategic importance

Allowing individual institutions to decide issues that are best addressed at the local level

Considering the needs and priorities of individual institutions

Communicating with the Legislature and Governor

Communicating with member institutions

SOURCE: Office of the Legislative Auditor, March 2000 survey of MnSCU presidents.

In our survey of presidents, as in the consultant's report cited earlier, concerns were expressed about "micromanagement" by the board. The term "micromanagement" is commonly used to describe inappropriate intervention in management decisions best decided at a lower level. We discussed the issue with many presidents, central office staff, and board members.

For the most part, central office staff that we interviewed did not think that the board has collectively intervened in decisions better left to the central office. Also, institution presidents cited a limited number of instances in which they thought that the board has, by collective action, intervened inappropriately in decisions better left to the institutions. For example, some presidents objected to the board's "one-size-fits-all" preferences governing the names that institutions

13 As a group, state university presidents had slightly less favorable impressions of both the board and central office than presidents of the two-year colleges.

can have—which resulted in the rejection of at least one institution's proposal for a name change.[14] Also, some institution officials thought that the annual audited financial statements that the board is requiring for each MnSCU institution are unnecessary and too expensive. In general, however, we heard few allegations of specific instances in which the board collectively made decisions that presidents thought should have been made locally.

Most concerns about board "micromanage-ment" relate to the board's overall focus, its information requests, and the actions of individual trustees.

The most common concerns cited by central office staff and institution officials as examples of board "micromanagement" fell into three categories. First, some staff told us that the board has micromanaged by spending too much time on fiscal and personnel matters, relative to the amount of time spent discussing education policy issues or the overall direction of MnSCU. Other staff told us that the board was simply meeting its fiduciary responsibilities by giving careful attention to financial issues, especially given MnSCU's history of difficulties with basic financial management.

Second, some central office and institution staff told us that the board's requests for information have, in some cases, been unreasonable. They cited cases in which individual board members have demanded large amounts of information, sometimes with specific instructions about how the information should be presented. Also, some institution officials expressed concern about the time required to collect information for MnSCU's internal auditors on the board's behalf. They said that campus staff have not had time to prepare this information without neglecting other duties, and they thought that some of the information could have been obtained centrally. In contrast, some institution officials praised the role played by the internal audit staff and did not express concerns about its information requests.

Third, some officials said that individual board members have, on their own, intervened in administrative or policy matters—for example, requesting staff to make organizational or personnel changes. No one told us that this behavior was widespread or frequent among MnSCU board members, but staff considered even isolated instances to be serious violations of proper board behavior.

We think that the MnSCU board should be concerned about allegations we heard that individual board members have, on occasion, intervened in administrative or policy matters inappropriately or have made unreasonable requests for information. Whatever the validity of these claims, it makes sense for MnSCU's board (like any board) to have clear policies about its members' roles. In our view, it is appropriate for trustees to pursue their concerns vigorously. However, these concerns should be shared with fellow trustees in public meetings, and solutions should be explored through the collective decision-making procedures of the board and its committees. When individual trustees give directives to staff, this limits the ability of other trustees to participate in the policy-making process, and it may result in unclear or inconsistent direction to staff. The University of Minnesota encountered this problem in the late 1980s and its Board of Regents adopted policies to address it. MnSCU central office staff told us that the board is

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14 Staff told us that the board has expressed a preference for institutions to have names that parallel those of "Minnesota State University, Mankato" and "Minnesota State College—Southeast Technical," although this is not reflected in the board's policy on institution names.

considering adopting such policies and that this issue is discussed during orientation for new board members.

The board should adopt a formal policy on the role of trustees.

RECOMMENDATION

MnSCU's Board of Trustees should adopt policies that: (1) clarify that the authority of the board resides with the board as a whole and not with its individual members (except when specifically delegated), and (2) delineate specific responsibilities of the board as a whole and of individual trustees.

Central office staff, institution presidents, and some individual board members expressed several other concerns about the board. These included concerns that: (1) a small number of past and present board members have focused too much on ways to benefit institutions in their local areas, rather than considering issues from a statewide perspective; (2) individual board members have sometimes not treated staff with respect in public meetings; (3) board members have focused too much on the image of the board—for example, by purchasing robes for board members, selecting a board logo, and hiring a public relations firm for the board; (4) the board has not provided the current chancellor with effective feedback on his performance; and (5) the board meets too frequently.[15]

Most board members whom we interviewed said that the board operates in a very functional manner—asking important questions, making difficult decisions, effectively soliciting public input, and helping the organization advance toward its goals. Some board members and other MnSCU officials said that the current board compares favorably with previous MnSCU boards.[16] A small number of board members agreed with some of the board-related concerns cited above and said that these occasionally have limited the board's effectiveness.

The board recently established a "subcommittee on trustees" to consider ways to improve the board's performance. The subcommittee is working on ways to improve orientation of new board members and is considering hiring a consultant to evaluate the board. In addition, the 2000 Legislature required the Minnesota Department of Administration to prepare a report with recommendations about the board's span of authority and need for independent staff, as well as other board-related management issues.[17]

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15 Regarding the concern about the board's meeting schedule, some people believe that the board's interest in administrative detail is reflected in the number of meetings the board has had. In 1999, there were board or board committee meetings on 54 days, although attendance at some of these meetings was limited to members of particular board committees. One former board member told us that this meeting schedule was a factor in his decision to leave the board; most current board members did not think that the schedule has been excessive. One current board member and some central office staff also expressed concern about the amount of time that staff spend attending and preparing for these meetings.

16 For example, one president said: "The initial board was awkward in action, at best, and ugly (even painful) to observe, at worst. In contrast, the board has improved greatly in sophistication and effect in the last couple years." This president said that the current board and chancellor are both capable, but "regrettably, these two parties do not work well together."

17 Minn. Laws (2000), ch. 489, art. 11, sec. 7.

Perceptions About the Performance of the Chancellor and Central Office

The chancellor is the chief administrative officer for the MnSCU system. According to MnSCU policy, the chancellor's responsibilities include: implementing board policy; providing for educational leadership; recommending operating and capital budgets; recommending allocation of resources; planning; oversight of collective bargaining; providing information systems; managing personnel resources; and establishing committees, including a presidents advisory council.[18] The chancellor also plays the leading role in MnSCU's external relations—for example, relations with the Legislature, Governor, and other educational institutions, such as the University of Minnesota. The current chancellor, Morris Anderson, was former Governor Arne Carlson's chief of staff and a MnSCU board member when the board selected him as interim chancellor in May 1997. The board then hired Chancellor Anderson for a two-year contract as permanent chancellor in November 1998.[19] The chancellor is assisted in his responsibilities by MnSCU's central office staff.

In our surveys and interviews,

- **The performance of the chancellor and central office staff received mixed reviews from MnSCU presidents and board members.**

We asked MnSCU presidents to assess the performance of the chancellor and central office in ten areas, shown in Table 4.6. Presidents report directly to the chancellor, so they have traditionally had more direct contact with the chancellor than with the board. In most areas, presidents gave the chancellor and central office more ratings of "excellent" or "good" than "fair" or "poor," but the survey results indicated that presidents perceive room for improvement.[20]

The presidents rated the chancellor and central office highest for respecting local autonomy and lowest for performance measurement.

Presidents (as a group) gave the chancellor and central office higher ratings than they gave the Board of Trustees in each of the ten areas of performance for which we asked identical questions. The chancellor and central office received their highest ratings for respecting local institutions' autonomy. For instance, 71 percent of presidents rated the chancellor and central office as "excellent" or "good" for attending to issues of broad or strategic importance, and 71 percent rated the chancellor and central office as "excellent" or "good" for allowing institutions to decide issues that are best addressed locally. The other ratings above 60 percent were for communications with the Legislature and Governor and communications with member institutions.

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18 Minnesota State Colleges and Universities, *Board Policies*, ch. 1A.3, pt. 1.

19 The board chose not to follow its written policy that says that an interim chancellor shall be ineligible to become permanent chancellor. The board later extended the chancellor's contract to mid-2001.

20 The current MnSCU chancellor initiated a survey of his own performance in 1998 (he was interim chancellor at the time). Survey respondents, including MnSCU presidents, gave the chancellor favorable ratings on all measures. The chancellor arranged for responses to be sent to an outside agency for tabulation, with anonymity guaranteed; still, some board members questioned whether this process resulted in a truly independent assessment of the chancellor's performance.

In contrast, the lowest ratings for the chancellor and central office were in the area of accountability. Only 41 percent of presidents rated the chancellor and central office as “excellent” or “good” in setting performance expectations for institutions, and 38 percent rated the chancellor and central office as “excellent” or “good” for monitoring progress toward MnSCU’s goals.

In addition, we asked presidents to rate the performance of the chancellor and central office in one area (support services for institutions) for which we did not ask them to rate the board’s performance. Fifty percent of presidents gave the chancellor and central office “excellent” or “good” ratings for providing support services, while 47 percent gave “fair” or “poor” ratings.

Two-year institutions were consistently more favorable in their ratings of the chancellor/central office’s performance than were state universities. The percentage of two-year college presidents who rated the chancellor/central office as “excellent” or “good” on the various questions ranged from 44 to 85 percent; in contrast, the ratings by state university presidents ranged from 14 to 43 percent.[21]

MnSCU is currently recruiting a new chancellor.

The Board of Trustees is the ultimate judge of the chancellor’s performance. The board voted unanimously in July 1999 not to renew Chancellor Anderson’s contract and is now conducting a national search for a new chancellor. Most trustees told us that they were frustrated by what they perceived to be the chancellor’s inadequate communication with the board, and some told us that they wanted a chancellor who could articulate a clearer vision for MnSCU. (In the next section, we further discuss the board-chancellor relationship.)

21 One of the specific concerns expressed by state university officials is their belief that the chancellor has placed too much emphasis on promoting MnSCU’s role in workforce development, while neglecting the broader roles played by four-year institutions.

Despite the board's vote not to renew Chancellor Anderson's contract, various members told us that he has helped MnSCU move forward in important ways. For instance, they credited him with building a stronger and more effective senior staff within the central office, building stronger external relationships with business organizations and the University of Minnesota, and playing a major part in bringing together leaders of Twin Cities institutions for cooperative ventures.

RELATIONSHIPS AMONG THE BOARD, CENTRAL OFFICE, AND PRESIDENTS

There has been significant change in MnSCU's organizational structure and leadership since the 1995 merger. The first post-merger chancellor (Judith Eaton) hired by the MnSCU board served less than two years—from September 1995 to June 1997. Several months after the board hired its second chancellor (Morris Anderson) to a two-year contract, it decided not to renew his contract. Also, administrative consolidations affected more than 20 campuses, and there was considerable turnover in MnSCU's senior central office staff during the early years of the merged system.

MnSCU officials told us that the merger itself caused some staff turnover and dissatisfaction—both among people who opposed the concept of the merger and among people frustrated by the way the merger was administered. In addition,

- **Poor relationships among the Board of Trustees, central office, and presidents have adversely affected organizational cohesion and morale, according to many people we interviewed and surveyed.**

One board member told us that the "imperfectly formed relationships" among MnSCU's top officials are the main obstacle to further progress by the organization. Likewise, a recent consultant's report said that MnSCU's staff and trustees are skilled and dedicated, but, "The [MnSCU] central office staff does not trust the board leaders. The board leadership does not trust staff."[22] In addition, presidents expressed widespread concern about their relationship with the board in an August 1999 board meeting devoted to discussing MnSCU's future. Earlier in this chapter, we presented survey results that showed that institution presidents gave low marks to the board in a variety of leadership areas and somewhat higher marks to the chancellor and central office.

We did not try to assess whether all of the concerns expressed to us were well-founded, and in many instances it would be impossible to do so conclusively. However, we think that the poor relationships among the board, central office, and presidents relate largely to several specific areas of concern.

First, many MnSCU officials cited concerns about **communication** problems. Most trustees expressed frustration to us that the current chancellor has not effectively communicated with them individually or as a group about some important issues. On the other hand, some trustees said that the board has not

22 Kerschner, *An Environmental Scan*, 11.

adequately reviewed Chancellor Anderson's performance with him. In addition, presidents complained about inadequate communication by the board or central office, despite various efforts by the board and central office to solicit the opinions and involvement of institution officials in the decision-making process.[23] For example, some presidents were concerned that they were not consulted about the board's decision not to renew the chancellor's contract. Some other presidents said that the chancellor's annual evaluations of their performance have provided insufficient feedback about their institutions' goals and progress. In addition, some presidents told us that the board or central office do not have a sufficient grasp of the needs of their campuses.

Trustees, presidents, and central office staff have expressed concern about internal communication and the division of responsibilities.

Second, we heard concerns about the **division of responsibilities** among the board, chancellor, and institution presidents. These roles have been a topic of discussion at board retreats and other meetings, and some people told us that they are now well understood. For instance, one step toward spelling out responsibilities more clearly was the board's adoption of a contract with Chancellor Anderson that specified goals by which the chancellor would be evaluated. However, many MnSCU officials suggested to us that there are unresolved problems with the division of responsibilities. For example, some board members and others we interviewed said that some central office staff have not accepted the legitimacy of the board's authority. Also, a top MnSCU official told us that central office staff have had varying expectations about who should take the lead on certain issues—the chancellor or the board. Some central office officials expressed discomfort about the board's authority to hire and fire institution presidents because the board plays no direct role in the presidents' supervision. As noted in Chapter 3, questions about the proper size and function of the MnSCU central office (and the respective roles of campuses in delivery of administrative services) have been debated considerably but not yet resolved.[24] And, as noted earlier in this chapter, some campus officials are concerned about "micromanagement" by system-level decision makers, and others would like clearer performance expectations set by the central office or board.

Third, some officials told us that MnSCU has lacked a sufficiently **clear direction**—one that could galvanize the energies of the trustees, central office staff, and presidents and get all parts of the "shared governance" structure working together. We discussed this issue earlier in this chapter.

In our view, it may be difficult for MnSCU to make significant further progress toward its goals if it cannot improve its level of organizational cohesion. There may be specific steps that MnSCU could take to accomplish this—such as policies clarifying roles and responsibilities, the implementation of regular (perhaps once or twice yearly) meetings of the trustees, the chancellor, and all institution presidents, or the establishment of an annual MnSCU conference on higher education issues.

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23 For example, presidents participate on board committees and an advisory committee to the chancellor. Also, the central office facilitates regular meetings with campus officials in areas such as academic affairs, financial management, and facilities management.

24 A recent MnSCU task force recommended that the board clarify "a framework of functions, services and programs that [it intends] the central office to perform"—with mechanisms for allowing campuses to purchase additional centralized services if they wish (MnSCU, *System Office Task Force Report/Recommendations* (St. Paul, January 2000)).

The board, central office, and presidents need to work together more effectively.

But improving relationships among the board, chancellor, central office, and presidents will depend on much more than simple changes in policies and procedures—and, for this reason, we offer no simple recommendations. Ultimately, improved organizational cohesion will require a stronger commitment by all of these parties to work together, and it will also require consensus about how the success of the organization should be judged. Improvement in these areas will be especially important when a new chancellor assumes duties in 2001, but any progress that can occur in the meantime will undoubtedly serve MnSCU and the state well.

SUPPORT BY THE LEGISLATURE AND GOVERNOR

Although the Board of Trustees, chancellor, and institution presidents are responsible for day-to-day governance of MnSCU, other state government officials also play important roles. The Legislature passed the law that created MnSCU and has provided state funding and general policy direction for MnSCU since its creation.

Following passage of the 1991 merger law and before implementation of the merger in 1995, there were many legislative proposals to repeal the merger law. In fact, it is general knowledge that legislators had divided opinions about the wisdom of the merger throughout most of the four-year planning period leading up to the July 1995 merger. We interviewed and surveyed MnSCU officials about their perceptions of legislative support in the period following the merger's implementation, and we found that:

- **Many MnSCU officials think that there has not been sufficient legislative support for the merger and its goals since 1995.**

Table 4.7 shows that 91 percent of MnSCU presidents said that the Legislature has not provided the financial support necessary to advance the merger's goals. In addition, 54 percent of the presidents surveyed said that the Legislature has not provided clear policy direction, 46 percent said that it has not supported policy initiatives that advance the merger's goals, and 51 percent said that it has not shown support for the present governance structure. Some MnSCU officials expressed concern that the 2000 Legislature approved $12.5 million in capital funds for Anoka-Hennepin Technical College, contrary to the MnSCU board's January 2000 recommendation to close the institution.[25]

Some of the comments made by presidents included the following:

> "Vast amounts of human resources and operating capital have been consumed in establishing MnSCU as a system. The Legislature and Governor have not been willing or committed partners in this process. Too much of the added cost has been met through tuition increases."

25 The board had considered various options for the current facility but concluded that further investment in the facility would not be cost-effective.

Most presidents think that the Legislature has not provided sufficient funding.

Table 4.7: MnSCU Presidents' Views on Legislative Support

Survey statement: "Since the MnSCU merger occurred in1995, the Minnesota Legislature has:"	Percentage of presidents who responded: Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Don't Know
Provided clear direction for MnSCU	0%	17%	20%	37%	17%	9%
Supported policy initiatives that advance the merger's goals	3	29	20	29	17	3
Provided the financial support necessary to advance the merger's goals	0	3	6	37	54	0
Shown support for the present governance structure	3	23	20	31	20	3

NOTE: *N*=35. Percentages may not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, March 2000 survey of MnSCU presidents.

> "[The] Legislature should fund us for the goals it has established. Creative delivery, new programs, [and] assessment take resources and they do not generate income the way course delivery does."

Also, some present and former MnSCU officials told us that the merger did not receive sufficient support from the Governor during its early years. For instance, they noted that former Governor Carlson vetoed a $1 million merger-related appropriation in 1991 and asked MnSCU's chancellor in 1995 to reduce staffing in the system office.

We think that there is every reason to believe that MnSCU will receive considerable attention as it competes for state funds. MnSCU enrolls half of the post-secondary students in Minnesota, and many of its institutions have long histories and strong community support. But, as a relatively new organization, MnSCU is still working to earn the respect of legislative and executive branch officials. MnSCU will have to continue trying to win the confidence of the Legislature and Governor—by carefully implementing legislative initiatives, presenting sound information in the budget and policy making process, and proposing actions that have the unified support of trustees, the chancellor, the institutions, and representatives of student and faculty groups. At the same time, the Legislature and Governor should work with the Board of Trustees, chancellor, and presidents to help ensure that the goals of the 1995 merger can be realized.

MnSCU Board of Trustees, (Fiscal Year 2000)

APPENDIX A

Andrew Boss, Congressional District #4

Nancy Brataas, Treasurer, At Large

Kathleen Caffey*, Community College Student

Brent Calhoun, State University Student, Congressional District #8

Mary Choate, Congressional District #3

Daniel C. Coborn, Congressional District #7

Dennis Dotson, Congressional District #1

David Erickson*, Congressional District #6

Robert Erickson, Vice Chair, At Large

Christine Fritsche*, Congressional District #2

Jim Luoma, At Large

Joann Splonskowski*, Technical College Student

Michael Vekich, Chair, Congressional District #5

James Wafler*, At Large

*Term ended June 30, 2000. One position was left open during Fiscal Year 2000.

Survey of MnSCU Presidents

APPENDIX B

In March 2000, the Office of the Legislative Auditor sent questionnaires to all college and university presidents in the MnSCU system.[1] Presidents observe and, to some degree, participate in MnSCU's policy making at the highest levels, and they are directly involved in the implementation of policy—both administrative and educational—at the campus level. The purpose of the survey was to document the presidents' perceptions about the MnSCU system, including important advances made toward the goals of the MnSCU merger and remaining obstacles, and the presidents' impressions of systemwide leadership and governance.

All 35 MnSCU presidents responded to the survey. However, in some cases one or two presidents chose not to answer a given question or set of questions. The total number of responses (*N*), as well as the number of presidents selecting each answer, are represented on the copy of the questionnaire that follows. We made only small modifications to the questionnaire format for purposes of presentation (for example, more space was left for open-ended responses in the original questionnaire).

1 The two presidents that were appointed in May 2000 were not surveyed. Interim presidents were surveyed in all cases where no permanent president was appointed.

Minnesota Office of the Legislative Auditor

Survey of MnSCU Presidents

March 2000

Please complete this questionnaire and return it as soon as possible. We will not make public the identify of individual respondents (either by name or institution).

Institution: ______________________________

Name and phone number of respondent: ______________________________

____

Length of time (including pre-merger) that you have:

Worked for a MnSCU institution: __________ years

Been president of a MnSCU institution: __________ years

1. For items A through P, please indicate what effects, if any, you think the 1995 merger of the state university, community college, and technical college systems has had in each of the areas listed. *(Please base your responses only on changes that you or your staff think have resulted directly from the merger and would likely not have occurred in its absence. Unless otherwise indicated, the following items pertain to the merger's effects among institutions that now comprise MnSCU.)* (*N*=35)

If you selected "No change", please circle one of the four additional responses below.

	Major improvements have resulted from the merger	Minor improvements have resulted from the merger	No change has resulted from the merger	Minor deterioration has resulted from the merger	Major deterioration has resulted from the merger	Don't know	No changes were needed	Changes were needed, but most could have occurred without the merger	Changes were needed, and most could not have occurred without the merger	Don't know
A. Easing credit transfer among MnSCU two-year colleges	5	16	8	2	0	4	1	4	2	0
B. Easing credit transfer between MnSCU two-year colleges and four-year universities	6	19	8	2	0	0	2	5	1	0
C. Easing credit transfer between MnSCU institutions and the University of Minnesota	2	10	16	2	0	5	5	7	2	1
D. Coordinating program content in instructional fields offered by MnSCU institutions	2	17	12	4	0	0	4	5	0	1
E. Coordinating administration of financial aid among MnSCU institutions	3	13	9	3	2	5	3	3	0	0
F. Assessing and prioritizing capital budget needs among MnSCU institutions	11	7	3	6	7	1	0	3	0	0
G. Ensuring financial accountability among MnSCU institutions	12	13	5	4	1	0	2	3	0	0
H. Eliminating or restructuring unneeded or inefficient programs/courses	3	9	19	2	2	0	4	11	0	1
I. Eliminating unnecessary duplication in non-instructional staffing	3	15	9	4	3	1	3	5	0	0

Question 1, continued …

If you selected "No change", please circle one of the four additional responses below.

		Major improvements have resulted from the merger	Minor improvements have resulted from the merger	No change has resulted from the merger	Minor deterioration has resulted from the merger	Major deterioration has resulted from the merger	Don't know	No changes were needed	Changes were needed, but most could have occurred without the merger	Changes were needed, and most could not have occurred without the merger	Don't know
J.	Using classroom space efficiently	1	9	20	3	1	1	7	12	0	0
K.	Using instructional space other than classrooms (such as labs) efficiently	1	9	21	2	1	1	8	11	0	0
L.	Using non-instructional space (such as office and administrative space) efficiently	1	11	19	1	2	1	6	11	0	0
M.	Establishing effective working relationships among faculty across the boundaries of the previously separate systems (technical colleges, community colleges, and state universities)	9	13	6	3	3	1	1	3	1	0
N.	Establishing effective working relationships among non-faculty staff across the boundaries of the previously separate systems	8	16	8	3	0	0	2	4	1	0
O.	Providing course offerings that meet the needs of students and/or employers	3	16	13	2	0	1	5	5	1	0
P.	Measuring student success	1	13	16	3	0	2	5	9	1	0

2. **Please assess how well you think the MnSCU board of trustees has performed in each of the following areas.** *(Please offer specific comments or examples in cases where you select a "fair" or "poor" rating.)*

(*N*=34, except where noted)

(Circle one) **Comments:**

		Excellent	Good	Fair	Poor	Not Part of Role	Don't Know	Comments:
A.	Defining MnSCU's mission (*N*=33)	2	14	11	6	0	1	
B.	Setting goals for achieving MnSCU's mission (*N*=33)	1	13	10	8	0	1	
C.	Setting strategies and timelines for achieving MnSCU's goals	1	9	11	9	2	2	
D.	Setting expectations for performance for MnSCU institutions	1	8	14	10	1	0	
E.	Monitoring progress toward MnSCU's goals	0	9	13	11	0	1	
F.	Attending to issues of broad or strategic importance	1	12	7	14	0	0	

Question 2, continued …

(Circle one) **Comments:**

		Excellent	Good	Fair	Poor	Not Part of Role	Don't Know	Comments
G.	Allowing individual institutions to decide issues that are best addressed at the local level	6	8	8	9	1	2	
H.	Considering the needs and priorities of individual institutions (*N*=33)	1	11	7	11	1	2	
I.	Communicating with the Legislature and Governor	1	8	7	13	1	4	
J.	Communicating with member institutions	1	8	10	12	2	1	

3. **Please assess how well you think the MnSCU chancellor and system office staff have performed in each of the following areas.** *(Please offer specific comments or examples in cases where you select a "fair" or "poor" rating.)* (*N*=34)

(Circle one) **Comments:**

		Excellent	Good	Fair	Poor	Not Part of Role	Don't Know	Comments
A.	Defining MnSCU's mission	3	17	6	6	2	0	
B.	Setting goals for achieving MnSCU's mission	2	17	8	6	1	0	
C.	Setting strategies and timelines for achieving MnSCU's goals	3	17	9	5	0	0	
D.	Setting expectations for performance for MnSCU institutions	3	11	11	8	0	1	
E.	Monitoring progress toward MnSCU's goals	2	11	9	9	1	2	
F.	Attending to issues of broad or strategic importance	5	19	3	7	0	0	
G.	Allowing individual institutions to decide issues that are best addressed at the local level	13	11	5	4	1	0	
H.	Considering the needs and priorities of individual institutions	7	11	8	7	1	0	
I.	Communicating with the Legislature and Governor	8	14	5	5	0	2	
J.	Communicating with member institutions	6	16	3	6	1	2	
K.	Providing support services to institutions	6	11	9	7	1	0	

For Questions 4 through 7, please circle what you consider to be the most appropriate response for each statement.

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Don't Know
4. Since the MnSCU merger occurred in 1995, the Minnesota Legislature has: (*N*=35)						
A. Provided clear direction for MnSCU	0	6	7	13	6	3
B. Supported policy initiatives that advance the merger's goals	1	10	7	10	6	1
C. Provided the financial support necessary to advance the merger's goals	0	1	2	13	19	0
D. Shown support for the present governance structure	1	8	7	11	7	1
5. As called for in state law, distinct missions for Minnesota's state universities, community colleges, and technical colleges have been maintained since the MnSCU merger. (*N*=35)	3	16	5	8	3	0

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Don't Know
6. MnSCU's new information systems (including any refinements likely in the next year) provide satisfactory management information for the purposes of: (*N*=34)						
A. Budgeting and financial management	5	10	4	11	4	0
B. Human resources and contract management	1	12	9	9	3	0
C. Admissions and enrollment management	0	8	3	12	11	0
D. Faculty workload management	0	6	7	13	7	1
7. A consolidated governance structure—with one chancellor and one board of trustees—is the most appropriate governance structure for Minnesota's public two-year colleges and state universities. (*N*=34)	6	6	7	12	3	0

8. According to state law, the MnSCU merger was intended to improve education and efficiency in Minnesota's system of technical colleges, community colleges, and state universities. Please identify the most important steps (up to three) toward these goals that MnSCU has taken since the merger that, in your opinion, <u>would not have occurred without the merger</u>.

A.

B.

C.

9. Please indicate up to three ways in which you think the MnSCU system has been <u>least</u> successful in accomplishing the merger's statutory goals.

A.

B.

C.

10. In your opinion, what are the biggest remaining obstacles to achieving the merger's goals of improved education and efficiency?

11. Please describe any specific steps that you think the Legislature, MnSCU board of trustees, or system office should take to achieve the merger's statutory goals.

12. So far, on balance, the impact of the MnSCU merger on higher education in Minnesota has been: *(Please check one.)* (*N*=33)

Number		
5	A.	Very positive
9	B.	Somewhat positive
3	C.	Neither positive nor negative
12	D.	Somewhat negative
4	E.	Very negative
0	F.	Don’t know

Please feel free to use the space below to offer additional comments on Question 12 or other questions.

Thank you for completing this questionnaire.
Please return it in the enclosed envelope as soon as possible to:
The Office of the Legislative Auditor
Program Evaluation Division
Centennial Building - Room 140
658 Cedar Street - St. Paul, MN 55155
(Phone: 651/296-4708) (FAX: 651/296-4712)

MnSCU

Minnesota State Colleges & Universities

August 4, 2000

Mr. James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
100 Centennial Office Building
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to your evaluation report, "The MnSCU Merger." We agree with the direction of the five recommendations. The report correctly indicates that MnSCU already has taken actions that will address these recommendations.

We appreciate the Legislative Auditor highlighting many of the MnSCU successes: greatly improved transfer, merger of several institutions, enhanced financial oversight and reporting, the development of a uniform information management system, comprehensive facility use and condition data, and the regional planning of the Metro Alliance. The Alliance is a model for other regions in the state and is consistent with the legislative intent of the merger. The merger has resulted in increased access, quality and efficiency for public higher education in Minnesota. Wide-ranging revamping of the curriculum has occurred with more than 800 programs being redesigned in fiscal year 2000 alone. MnSCU campuses have improved educational delivery and increased efficiency through linkages with secondary education and numerous business and industry partnerships.

The challenge of achieving success while faced with the complexity of the merger, as indicated in the report, should not be underestimated. Incompatible financial and information management systems had to be replaced and new systems created. New governance conventions had to be adopted, differing cultures had to be recognized, and new leadership styles had to evolve. Curriculum, procedures and protocol had to be examined and revised, where necessary, to fit in with the merged system. Conversion to semesters and Y2K computing problems were added challenges that MnSCU had to address. All of these tasks had to be done quickly and without disrupting the learning of the 200,000-plus students served by Minnesota State Colleges and Universities, whose interests are paramount to the system.

Furthermore, it is essential for MnSCU to balance centralization with campus autonomy. As the report notes, the Minnesota Legislature has directed the Board to "provide autonomy to the campuses, while holding them accountable." Higher education operates in a "shared governance" environment in which the faculty has responsibility for many curriculum decisions.

Recommendation 1: Develop a full array of performance measures, including measures that relate to higher education objectives identified in state law.

We are implementing the recommendations of the Chancellor's Taskforce on Institutional Accountability and developing meaningful indicators to measure accomplishments of the MnSCU Mission Statement. The Chancellor's Taskforce cited M.S.135A.053, Statewide Objectives, as an important source for its work. The Board of Trustees' Mission Statement, formally adopted in May 2000 includes these statewide objectives. As the report notes, our capacity to collect reliable uniform data did not occur as soon as we would have liked. Over the past year we have significantly increased our ability to collect data and create information on finances, students, facilities and human resources for use by the Board, system office and the institutions. In 1999, MnSCU produced an Annual Report outlining its accomplishments; legislators received that report.

Recommendation 2: Conduct periodic reviews of selected academic programs on a statewide basis.

Periodic statewide review of selected programs is an approach that has merit. It is also consistent with a national pattern of less centralized review of all programs, yet retains the role of the Board of Trustees for programmatic oversight. Our approach to program review including both system office and institutional responsibilities has been successful. People on the campuses most often are in a better position to decide what programs meet the needs of their communities. Our proposed allocation model will provide incentives to eliminate or redesign less productive programs. In fact, some program modifications have occurred as a result of the plan to implement the model.

Recommendation 3: Clarify the role of the Board as a whole compared to that of individual trustees.

As stated in the report, the Board of Trustees will adopt a formal policy on the roles and responsibilities of the trustees. The Sub-committee on Trustees has been leading this effort. There have been discussions during orientation sessions and board retreats on topics such as code of conduct, legal issues, conflict of interest and fiduciary duties of Board members. The Sub-committee on Trustees will research policies implemented by other boards, and obtain broad-based input from trustees and other interested stakeholders before drafting a final policy on the roles and responsibilities of the trustees. Implementation of the final policy is expected by the end of the calendar year.

Recommendation 4: Evaluate options for addressing problems caused by the present faculty bargaining arrangements at two-year colleges.

As the report notes, recently exclusive representatives of the community and technical college faculty have started to explore the possibility of a merger of their organizations and of the bargaining units they represent. MnSCU expects to have no involvement in the discussions related to the merger of the two labor organizations, as the Public Employee Labor Relations Act (PELRA) gives the faculty the exclusive right to choose their representation. The merger would require a change in state law. MnSCU expects to respond to questions from policy makers and others about issues related to the topic.

Recommendation 5: Increase efforts to resolve the curriculum-related barriers to transferring occupational/technical credits to four-year institutions.

We agree with the Legislative Auditor that there is still more that can be done and are engaging in activities like new Bachelor of Applied Science degrees that will result in better transfer arrangements for students in technical programs who wish to pursue a 4-year degree. Because faculty are integral to curriculum development and are the content experts, we will continue to bring faculty, from all institutional types, in the same discipline, together to improve the articulation between programs. This is a time and resource intensive activity that MnSCU will continue to support.

Conclusion

We appreciate the Legislative Auditor highlighting many of the successes of the merger. As the report notes, "the merger is a work in progress, moving in the right direction on many fronts…" We will continue to move forward, building on our successes and implementing the Legislative Auditor's recommendations.

Finally, the report notes that, "MnSCU not only needs stronger internal support, but it also needs support from the Legislature." We invite the Legislature and Governor to join us in further advancing the goals of the MnSCU merger.

Sincerely,

/s/ Michael M. Vekich	*/s/ Morris J. Anderson*
Michael M. Vekich, Chair MnSCU Board of Trustees	Morris J. Anderson, Chancellor Minnesota State Colleges & Universities

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