



June 21, 2023

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# Fiscal Year 2024 Operating Budget (Second Reading)

# Summary of First Reading of FY2024 Operating Budget May 2023

- 2023 Legislative summary:
  - Legislative support for system request
  - Grant programs to students via Office of Higher Education
  - FY2024-2025 tuition freeze language
- Projected FY2024 campus discretionary fee adjustments
- Projected FY2024 Revenue Fund fee adjustments

# Higher Education Legislative Outcomes - \$650 million target

- Minnesota State - \$292.9 million
  - Stabilization and campus support - \$178 million
  - Student support - \$83.3 million
  - Workforce and economic development - \$27 million
  - Other - \$4.6 million
- Office of Higher Education - \$231 million
  - North Star Promise - \$118 million
  - State Grant Program - \$39 million
  - Minnesota American Indian Scholarships - \$17 million
- University of Minnesota - \$121 million
- Specials/Mayo - \$4 million

# North Star Promise Effective Fall 2024 (FY2025)– Office of Higher Education (OHE)

- Scholarships not to exceed 100% of tuition and fees after grants and other scholarships deducted
- Eligibility:
  - Family adjusted gross income below \$80,000
  - Student has not earned a baccalaureate degree at time of scholarship
  - Enrolled in at least 1 credit per semester
  - Satisfactory progress
- Grant renewable up to 60 credits certificate/associate degree or 120 credits for bachelor's degree
- Preliminary estimates from OHE:
  - 5,350 Minnesota State college students will benefit with average award of \$1,900
  - 4,400 Minnesota State university students will benefit with average award of \$3,170

# 2024-2025 OHE Funding Benefiting Minnesota State Students

- State Grant Program increasing living and miscellaneous expense allowance (LME) and conforming to Pell Grant changes approved by Congress impacting academic year 2024-2025 financial aid
- Grants to Underrepresented Teacher Candidates and Students Teachers in Shortage Areas
- Minnesota American Indian Scholarships
- Next Generation Nursing Assistant Training Program



# FY2024 Estimated Change in College Student Tuition by Income (degree seeking undergraduate students receiving state grant)

Recipient AGI (Adjusted Gross Income) Level	State Grant Recipients Headcount (% Change)	Change in Student Tuition Cost	Average Student Tuition Cost
Less Than \$20,000	8,937 (+1.3%)	-\$140	\$812
\$20,000 to \$39,999	9,023 (-2.1%)	-\$72	\$1,459
\$40,000 to \$59,999	4,186 (-5.5%)	\$31	\$2,019
\$60,000 to \$79,999	2,262 (-8.2%)	-\$77	\$2,980
\$80,000 and Above	1,148 (-4.3%)	\$69	\$3,661
All State Grant Recipients	25,555 (-2.2%)	-\$104	\$1,558
Non-State Grant Recipients	119,073	\$0	\$5,471

*\*Numbers may not add due to rounding.*

# FY2024 Estimated Change in University Student Tuition by Income (degree seeking undergraduate students receiving state grant)

Recipient AGI (Adjusted Gross Income) Level	State Grant Recipients Headcount (% Change)	Change in Student Tuition Cost	Average Student Tuition Cost
Less Than \$20,000	2,572 (-10.6%)	-\$221	\$1,993
\$20,000 to \$39,999	2,659 (-12.8%)	-\$43	\$2,565
\$40,000 to \$59,999	1,970 (-12.3%)	-\$118	\$3,497
\$60,000 to \$79,999	1,506 (-15.5%)	-\$263	\$5,057
\$80,000 and above	1,495 (-1.1%)	\$83	\$6,514
All State Grant Recipients	10,202 (-11.0%)	-\$125	\$3,547
Non-State Grant Recipients	46,202	\$0	\$8,685

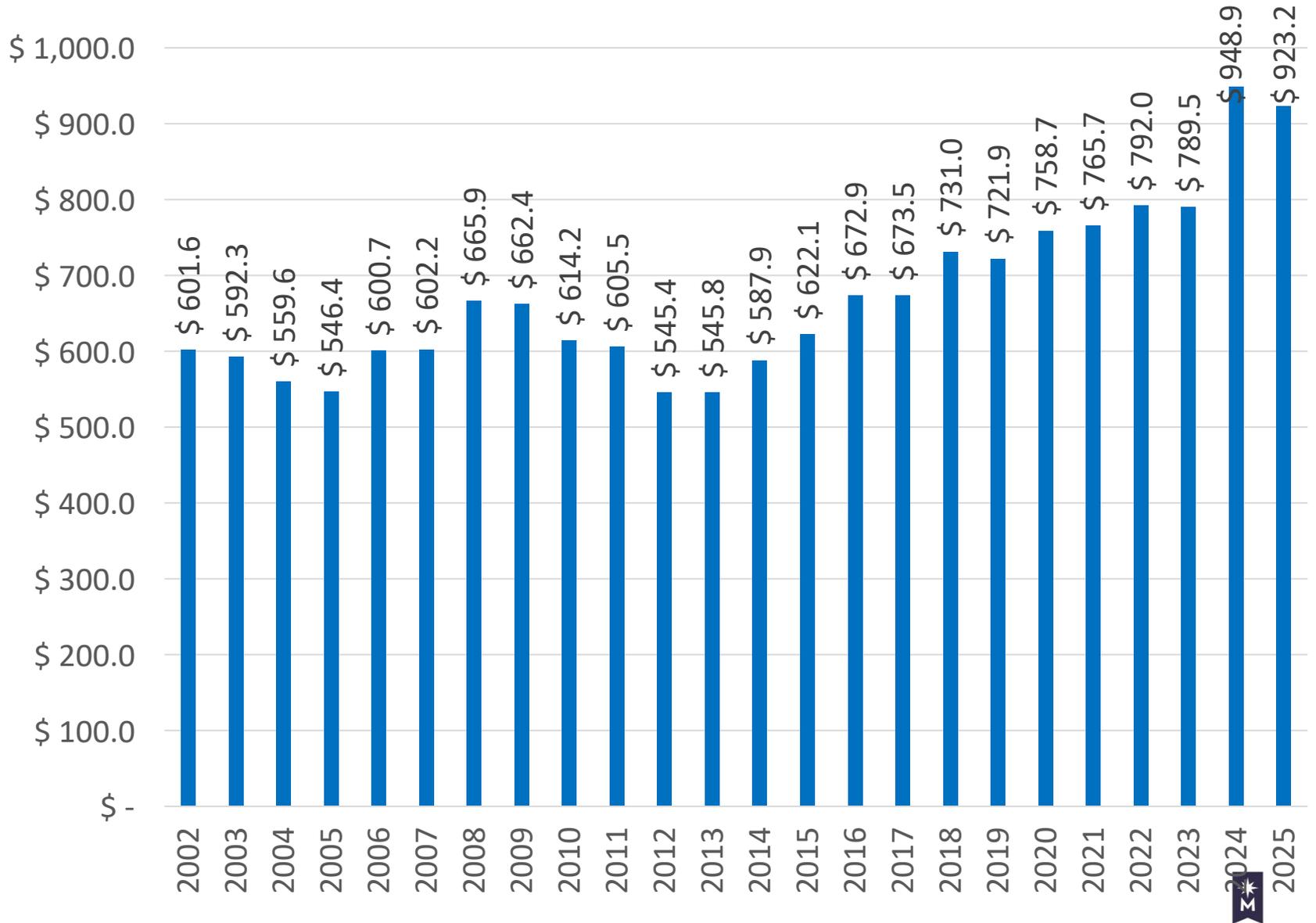
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# 2024-2025 State Biennial Budget Bill Appropriations

Appropriations in Thousands of Dollars	System Request	Governor's Budget	House Bill	Senate Bill	Conference Committee	Conf. vs. Request
System Stabilization	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$128,000	\$3,000
One-time Operation Support			\$ 50,000	\$ 74,000	\$50,000	\$50,000
Tuition Freeze	\$ 75,000		\$ 75,000		\$75,000	\$0
Student Support, Basic Needs	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	\$6,316	(\$19,684)
Transfer Scholarships	\$ 12,000	\$ 12,000				(\$12,000)
Emergency Grants	\$ 10,000					(\$10,000)
Z-degrees/Free Materials	\$ 2,000		\$ 2,000		\$2,000	\$0
Advanced Technology/Facilities	\$ 49,000	\$ 11,500	\$ 25,000	\$ 20,000	\$13,500	(\$35,500)
Industry Sector Development	\$ 25,500		\$ 12,500	\$ 10,000	\$13,500	(\$12,000)
Workforce Scholarships	\$ 25,500		\$ 12,500			(\$25,500)
IRAP Employer Contributions		\$ 521	\$ 1,733	\$ 521	\$1,733	\$1,733
Unemployment Insurance			\$ 1,618		\$1,618	\$1,618
Menstrual Products				\$ 764	\$764	\$764
Child Development Pathway					\$475	\$475
<b>Total</b>	<b>\$ 350,000</b>	<b>\$ 175,021</b>	<b>\$ 331,351</b>	<b>\$ 256,285</b>	<b>\$292,906</b>	<b>(\$57,094)</b>



# System Appropriation History (\$ in millions)

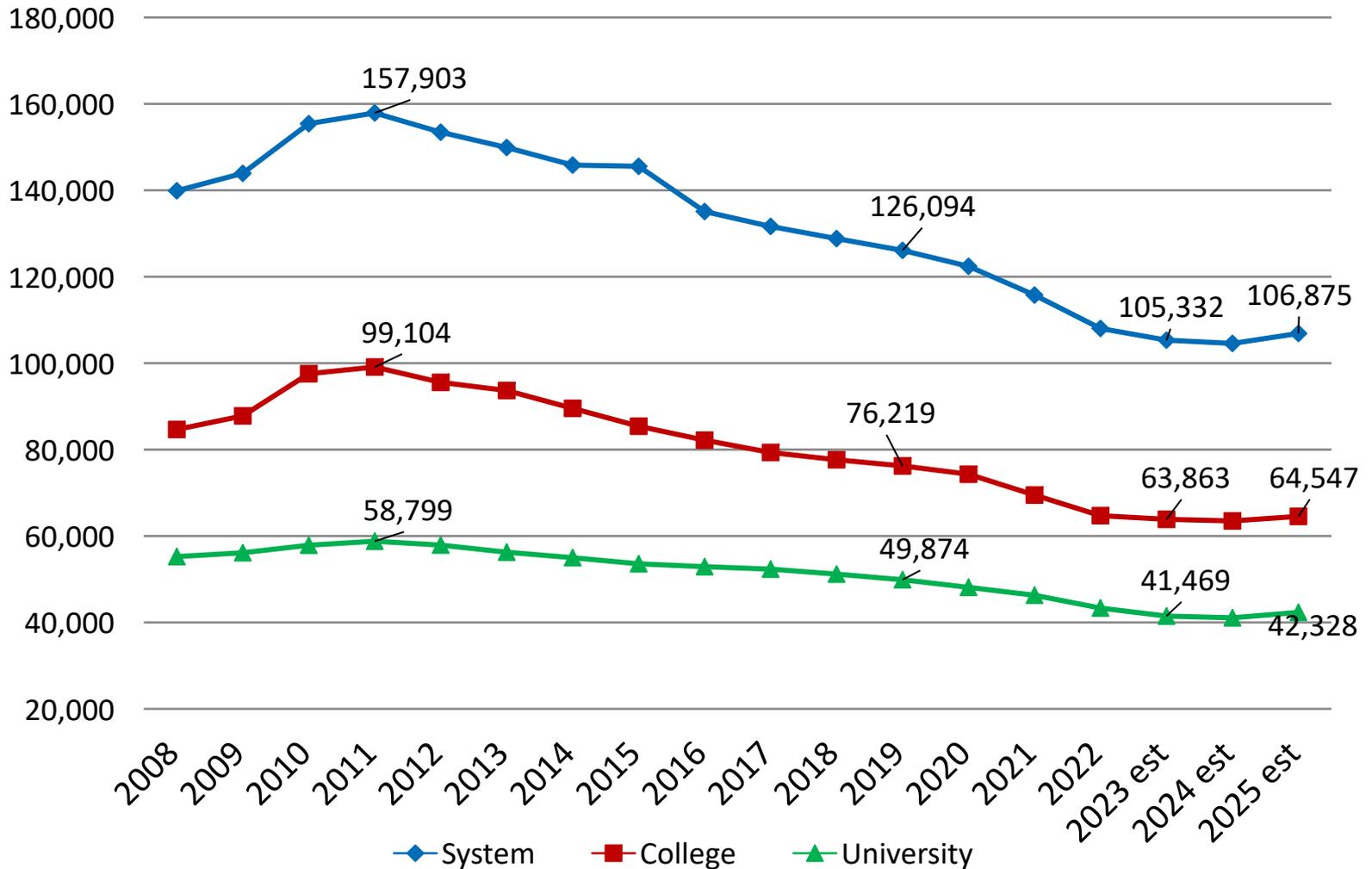


# FY2024-2025 Tuition and Fees

- Undergraduate tuition frozen during 2024-2025 biennium
  - Average full-time college student saving \$191 per year
  - Average full-time university student saving \$304 per year
- When factoring in fee increases, tuition & fees are increasing \$49 (0.6%) on an annual basis or
  - \$31 annually (0.5%) for full-time college students
  - \$74 annually (0.8%) for full-time university students
- *“Colleges and universities are permitted to increase differential tuition charges in fiscal years 2024 and 2025 where costs for course or program delivery have increased due to extraordinary circumstances beyond the control of the college or university. Rates and rationale must be approved by the Board of Trustees.”*

# FY2008 – FY2025 Full Year Equivalent (FYE)

## Enrollment



# System's Enrollment FY2019-FY2025

Full Year Equivalent	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Colleges	76,219	74,260	69,472	64,710	63,863	63,492	64,547
Universities	49,874	48,223	46,286	43,323	41,469	41,073	42,328
System	126,094	122,483	115,758	108,034	105,332	104,565	106,875

\*FY2019-FY2022 Actual; FY2023-FY2025 Projected

# Student Consultation

- Board Policy 2.3 – Student Involvement in Decision-Making: Campus student associations as the official representatives of college and university students submit a letter stating the level of consultation and any position taken by the association on an issue
- College and university leadership consulted with campus student association leaders throughout the budget process including tuition and fees changes (including Revenue Fund)
  - Student consultation letters can be found as item SP-14 of the supplemental packet.
- Student Involvement in Decision-Making policy and procedure will go through formal review process in FY2024

# Revenue Fund

- Fifteen colleges and universities are currently in the Revenue Fund
- Room and board account for 75% of Revenue Fund activity
- Colleges and universities are less reliant on one-time funds
  - FY2021 use of one-time funds was around 29% of revenue vs.
  - FY2024 projected use of one-time funds around 3% of revenue
- Despite enrollment and increasing operating costs, Revenue Fund fee increases are below the rate of inflation for FY2024

# FY2024 Average Annual Revenue Fund Rates

Revenue fund program or facility	FY2024 Rate	\$ Change	% Change
Room and board for traditional double room with meal plan	\$9,723.00	\$212.00	2.2%
Student Union	\$288.18	\$6.96	2.5%
Wellness and Recreation Facilities	\$181.55	\$2.93	1.6%
Parking	\$280.41	\$8.92	3.3%

# Revenue Fund Budget

\$s in millions	FY2023 Updated Budget	FY2024 Proposed Budget	\$ Change	% Change
<b>Revenues</b>				
Operating revenues	\$99.5	\$103.2	\$3.7	3.7%
Fund balance for 1x investments	\$1.5			
<b>Revenue Total</b>	\$101.0	\$103.2	\$2.2	2.2%
<b>Expenses</b>				
Compensation	\$25.3	\$26.4	\$1.0	4.0%
Operating costs	\$78.3	\$78.9	\$0.5	0.7%
<b>Expenses Total</b>	\$103.7	\$105.2	\$1.5	1.5%
<b>Budget gap</b>	(\$2.6)	(\$2.0)		
<b>HEERF Transfer in</b>	\$0.8	\$0		
<b>Fund balance to balance budget</b>	\$4.9	\$2.9		
<b>Budget balance</b>	\$3.0	\$0.9		

*\*Numbers may not add due to rounding.*

# Factors Impacting Operating Budgets

- Enrollment
- Compensation comprises around 75% of expenses and will put additional pressure on college and university budgets when base resources decline next biennium
- Inflationary pressures on operating costs
- Ability to eliminate reliance on one-time funds for on-going operational costs
- Significant one-time state resources during the 2024-2025 biennium

# FY2024-FY2026 Annual Appropriations

Appropriations in Thousands of Dollars	FY2024	FY2025	FY2026
System Stabilization	\$ 64,000	\$ 64,000	\$ 41,500
One-time Operation Support	\$ 50,000		
Tuition Freeze	\$ 25,000	\$50,000	\$37,500
Student Support, Basic Needs	\$ 3,158	\$ 3,158	\$ 3,158
Z-degrees/Free Materials	\$ 1,000	\$1,000	
Advanced Technology/Facilities	\$ 6,750	\$ 6,750	
Industry Sector Development	\$ 6,750	\$6,750	
IRAP Employer Contributions	\$861	\$ 872	\$ 883
Unemployment Insurance	\$809	\$809	\$809
Menstrual Products	\$482	\$282	\$282
Child Development Pathway	\$475		
<b>Total</b>	<b>\$ 159,285</b>	<b>\$ 133,621</b>	<b>\$ 84,132</b>

# College and University Budget Priorities

- College and university budget align resources to system priorities of student success and equity, workforce and economic development, technology, data democratization, and organizational effectiveness
- Investments being made to improve student persistence and completion
- Investments are also being made to reskill Minnesota's workforce to enhance the state's economy



# College and University Insights



# FY2024 All Funds Budget

<i>\$s in millions</i>	FY2023 Updated Budget	FY2024 Proposed Budget	\$ Change	% Change
<b>Revenues/Sources</b>				
General Fund	\$1,655.0	\$1,827.1	\$172.1	10.4%
Revenue Fund	\$101.0	\$103.2	\$2.2	2.2%
Other Funds	\$309.0	\$329.8	\$28.0	6.7%
HEERF Acts	\$34.6	\$6.6	(\$28.0)	-80.9%
<b>Revenues/Sources Total</b>	\$2,099.6	\$2,266.7	\$167.1	8.0%
<b>Expenses/Uses</b>				
Compensation	\$1,363.4	\$1,418.9	\$55.5	4.1%
Operating costs	\$799.7	\$855.5	\$55.8	7.0%
<b>Expenses/Uses Total</b>	\$2,163.1	\$2,274.4	\$111.2	5.1%
<b>Budget gap</b>	(\$63.5)	(\$7.7)		
<b>HEERF Transfer in</b>	\$23.6	\$0		
<b>Fund balance to balance budget</b>	\$59.7	\$26.1		
<b>Budget balance</b>	\$19.7	\$18.4		

\*Numbers may not add due to rounding.



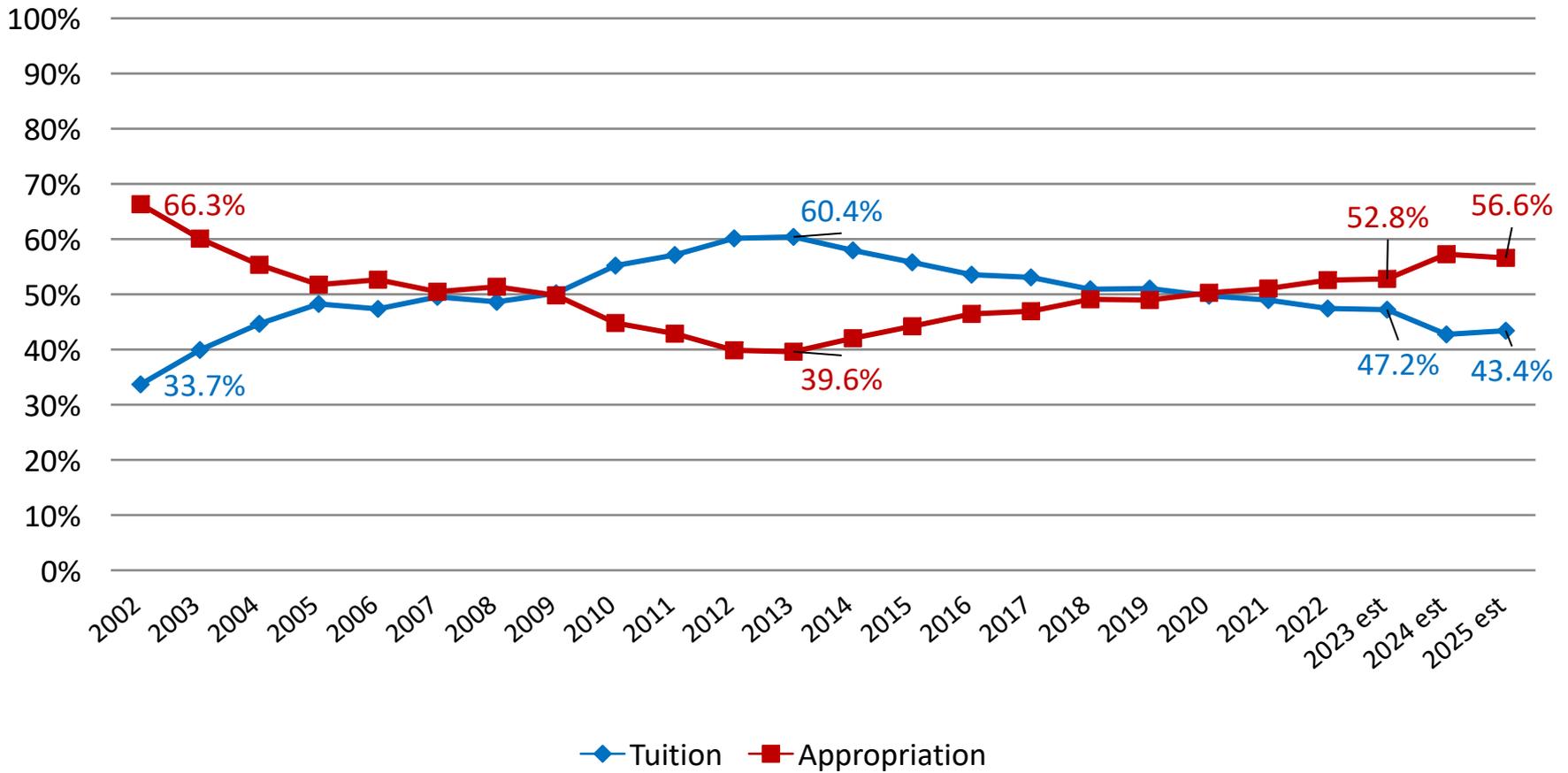
# FY2024 General Fund Operating Budget

\$s in millions	FY2023 Updated Budget	FY2024 Proposed Budget	\$ Change	% Change
<b>Revenues/Sources</b>				
State appropriation	\$789.5	\$948.9	\$159.4	20.2%
Tuition	\$706.3	\$708.1	\$1.8	0.3%
Other revenues	\$143.4	\$144.2	\$0.9	0.6%
Fund balance for 1x investments	\$15.9	\$25.9		
<b>Revenue/Sources Total</b>	\$1,655.0	\$1,827.1	\$172.1	10.4%
<b>Expenses/Uses</b>				
Compensation	\$1,261.7	\$1,309.7	\$48.0	3.8%
Operating costs	\$449.4	\$522.1	\$72.7	16.2%
<b>Expenses/Uses Total</b>	\$1,711.1	\$1,831.8	\$120.7	7.1%
<b>Budget gap</b>	(\$56.1)	(\$4.7)		
<b>HEERF Transfer in</b>	\$22.3	\$0		
<b>Fund balance to balance budget</b>	\$49.2	\$19.8		
<b>Budget balance</b>	\$15.4	\$15.1		

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# FY2002 – FY2025 Appropriation and Tuition Relationship



# Committee and Board Motion

- Adopt the annual total all funds operating budget for fiscal year 2024 as shown in Table 5.
- Approve the proposed tuition structure recommendations and differential tuition rationale for fiscal year 2024 as detailed in Attachments 1A through 1H.
- Establish that fiscal year 2024 tuition rates are effective summer term or fall term 2023 at the discretion of the president. The chancellor or designee is authorized to approve any required technical adjustments and is requested to incorporate any approvals at the time fiscal year 2025 tuition recommendations are presented to the Board of Trustees.
- Continue the policy of market-driven tuition for closed enrollment courses, customized training, non-credit instruction, continuing education, fully online undergraduate programs, graduate programs, and contract postsecondary enrollment option programs.
- Approve the Revenue Fund and related fiscal year 2024 fees for room and board, student union, wellness and recreation facilities, and parking ramps/surface lots as detailed in Attachments 2A through 2E, including any housing fees that the campuses may charge for occupancy outside the academic year.
- Authorize the chancellor or designee to enter into an agreement with the Learning Network of Minnesota to provide the funding appropriated to the organization in Minnesota Laws 2023, Chapter 41, Article 1, Section 3, Subdivision 4, in the amount of \$4,115,000.



June 21, 2023

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# Fiscal Year 2024 Operating Budget (Second Reading)

# Appropriation and Tuition Changes since 2014

Fiscal Year	Appropriation in \$millions	Appropriation Change from previous year	College Tuition Compared to previous year	University Tuition Compared to previous year	State Funding in-lieu of Tuition
2014	\$587.9	7.7%	Frozen	Frozen	Yes, fully funded
2015	\$622.1	5.8%	Frozen	Frozen	Yes, fully funded
2016	\$672.9	8.2%	Frozen	Increased overall average of 3.4%	Colleges fully funded
2017	\$673.5	0.1%	Reduced by 1%	Frozen	None
2018	\$731.0	8.5%	Increased overall average of 1%	Increased overall average of 3.9%	Colleges fully funded
2019	\$721.9	-1.2%	Frozen	Frozen	None
2020	\$758.7	5.1%	Increased by 3%	Increased by 3%	None
2021	\$765.7	0.9%	Increased by 3%	Increased by 3%	None
2022	\$792.0	3.4%	Increased overall average of 3.3%	Increased by 3.5%	None
2023	\$789.5	-0.3%	Increased overall average of 3.4%	Increased by 3.5%	None
2024	\$948.9	20.2%	Frozen	Frozen	Yes, fully funded
2025	\$923.2	-2.7%	Frozen	Frozen	Yes, fully funded*

\*Tuition freeze support currently funded at 75% in FY26-27

