



**MINNESOTA STATE**  
Board of Trustees

**AGENDA ITEM SUMMARY**

**NAME:** Finance and Facilities Committee

**DATE:** June 21, 2023

**TITLE:** FY2024 Operating Budget (Second Reading)

- Proposed New Policy or Amendment to Existing Policy       Approvals Required by Policy       Other Approvals
- Monitoring/Compliance       Information

**PRESENTERS**

Bill Maki, Vice Chancellor for Finance and Facilities  
Edward Inch, President, Minnesota State University, Mankato  
Joe Mulford, President, Pine Technical and Community College  
Steve Ernest, System Director, Financial Planning & Analysis

**PURPOSE**

Board Policy 5.9, Biennial and Annual Operating Budget Planning and Approval, requires the Board of Trustees to approve the systemwide annual all funds operating budget plans for colleges, universities and the system office. Board Policy 5.11, Tuition and Fees, requires the Board of Trustees to approve the tuition and fee structure for all colleges and universities. This agenda item occurs annually in May (first reading) and June (second reading) so that colleges and universities can begin the fiscal year with approved tuition and fee rates and operating budgets. Fiscal year 2024 begins on July 1, 2023, and ends on June 30, 2024. This is the second reading of the fiscal year 2024 Operating Budget.

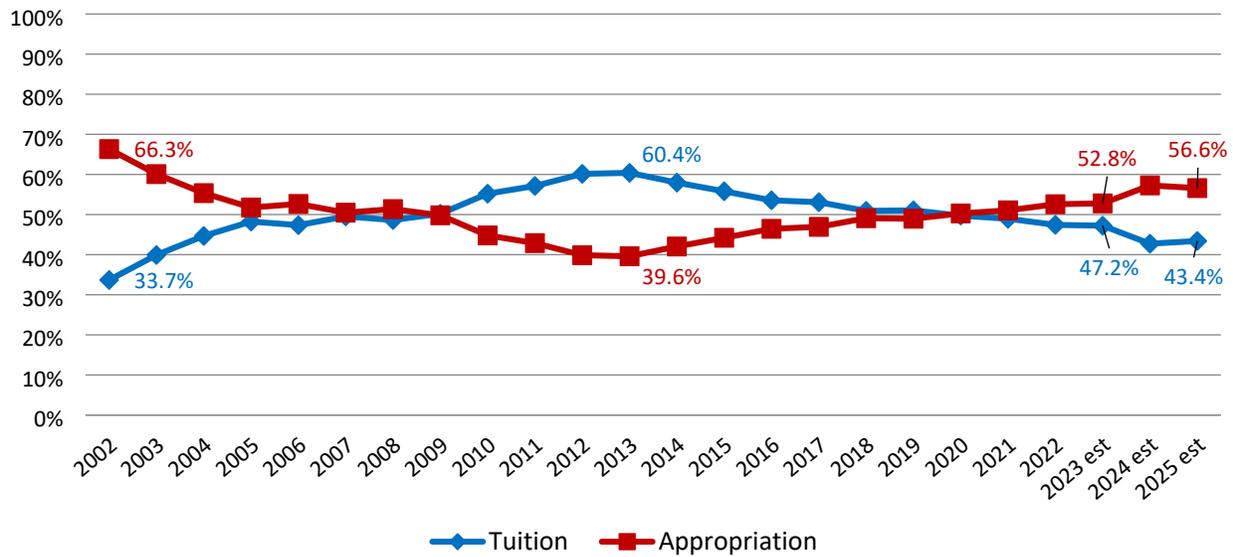
**STATE APPROPRIATION AND LEGISLATION OVERVIEW**

State appropriations are the largest single source of funding for our colleges and universities. During the 2018-2019 and 2020-2021 biennia, the system-level relationship between appropriation dollars and tuition revenue was approximately fifty-fifty. For the 2022-2023 biennium, this relationship shifted to approximately 53 percent appropriation dollars to 47 percent tuition dollars. Chart 1 shows the history of this relationship. This recent shift means the relationship has moved closer to the 67 percent appropriation to 33 percent tuition relationship set in Minnesota Statute as the intended policy of the legislature. However, a significant reason for this shift has been lower overall tuition revenues due to lower enrollment.

As a result of substantial appropriations made during the 2023 legislative session, it is estimated that the relationship will move to approximately 57 percent appropriation to 43 percent tuition in fiscal year 2024. In the second year of the biennium, as a result of biennial appropriations being skewed towards the first year of the biennium, the relationship will likely remain stable at 57

percent appropriation versus 43 percent tuition in fiscal year 2025 unless there are significant changes in college and university enrollments.

**Chart 1  
Appropriation and Tuition Relationship**



As shown in Table 1, significant parts of Minnesota State’s budget request were funded in the enacted budget for the 2024-2025 biennium.

**Table 1  
2024-2025 State Biennial Budget Bill Appropriations**

New Appropriations in Thousands of Dollars	System Request	Governor's Budget	House Bill	Senate Bill	Budget Enacted	Enacted vs Requested
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>

For Minnesota State, the enacted budget includes \$292.9 million in new funding for the 2024-2025 biennium. Of that, \$168.3 million continues into the 2026-2027 biennium. The following appropriations are included in the enacted law, Chapter 41 for the 2023 legislative session.

- **Minnesota State Stabilization:** The law appropriates \$128 million for Minnesota State Stabilization, which includes \$61.5 million in fiscal year 2024 and \$60.5 million in fiscal year 2025, with \$37.5 million ongoing in the tails to help address college and university inflationary needs. Also included is \$3 million for central office and shared services, which is \$1 million in fiscal year 2024 and \$2 million in fiscal year 2025, with \$2 million ongoing in the tails. This funding will help address inflationary needs for system operations. Also included is \$3 million for enterprise-wide technology, including upgrading the Integrated Statewide Record (ISRS) system, which is \$1.5 million each year of new money over the biennium.
- **Campus One-Time Support:** The law appropriates \$50 million of one-time funding in fiscal year 2024 for campus support. This funding is provided in response to the structural gaps remaining in institutional budgets as the effects of the pandemic continue to recede. Allocation of this money would be based upon each institution's estimated tuition revenue loss due to declines in enrollment from fiscal year 2019 to fiscal year 2023, except that no institution would receive less than \$300,000.
- **Tuition Freeze:** The law appropriates \$75 million for a tuition freeze, which is \$25 million in fiscal year 2024 and \$50 million in fiscal year 2025, with \$37.5 million in the tails. Undergraduate tuition rates will remain at their current levels for the 2024-2025 biennium.
- **Student Support:** The law includes \$6.316 million for student support, which is \$3.158 million each year of the biennium and ongoing in the base. The funding will help campuses address basic needs insecurity, mental health and other high-need student support services by increasing the amount of available resources to students. In addition, this funding will provide systemwide resources and coordination.
- **Z-Degree Textbook Program/Open Educational Resources:** The law appropriates \$1 million in one-time additional funds each year of the biennium for a total of \$2 million to reduce students' out-of-pocket costs by expanding free offerings in course materials and resources, including through open educational resources, open textbooks, and implementation of Z-Degrees. While this is one-time funding, the law also continues the \$50,000 already existing in base funding.
- **Equipment and Learning Environments:** The law appropriates \$13.5 million in one-time funding for equipment and learning environments, which is \$6.75 million each year of the biennium for upgrades to college and university equipment and learning environments. The \$6.75 million appropriated in fiscal year 2025 is to be matched with cash or in-kind contributions from non-state sources.
- **Develop and Expand Industry Sector Programming:** The law appropriates \$13.5 million in one-time funding for program development, which is \$6.75 million each year of the biennium to develop and expand industry sector programming to build

capacity and support new and redesigned curricular options with an emphasis on offering students work-based learning experiences. The \$6.75 million appropriated in fiscal year 2025 is to be matched with cash or in-kind contributions from non-state sources.

- **Workforce Development Scholarships:** There is no new funding for this program, but the law does continue the \$4.5 million each year of the biennium already in the base. There is language in the law that adds construction, education and public safety to the list of eligible programs for the workforce development scholarship program.
- **IRAP Contribution Increase:** The law appropriates \$861,000 in fiscal year 2024 and \$872,000 in fiscal year 2025 for costs associated with the increased employer contribution rates for the higher education Individual Retirement Account Plan (IRAP). The employer contribution rate on behalf of participants in the IRAP will increase from 6 percent to 8.75 percent of salary. The ongoing amounts are slightly higher at \$883,000 in fiscal year 2026 and \$894,000 in fiscal year 2027.
- **Unemployment Insurance Reimbursement:** The law appropriates \$809,000 in both fiscal year 2024 and fiscal year 2025 for unemployment insurance aid. This is base funding. Language in the law requires Minnesota State to report to the Legislature every January the balances in unemployment insurance aid accounts and information about the annual changes in reimbursable costs for higher education workers receiving unemployment insurance benefits.
- **Menstrual Products:** The law appropriates \$482,000 in fiscal year 2024 and \$282,000 in fiscal year 2025 and ongoing in the base for Minnesota State campuses to provide menstrual products in campus restrooms free of charge.
- **Child Development Associate Pathway:** The law appropriates \$475,000 in one-time funding in fiscal year 2024 to develop a transparent pathway for current child development associate credential holders to be awarded academic credit that aligns with related academic certificate, diploma and degree programs. Funds are to be used to develop curriculum at eight colleges and universities and develop training and advising tools.

#### **LEGISLATION FOR OTHER STATE AGENCIES AFFECTING MINNESOTA STATE**

Other provisions in the law, including appropriations to the Office Higher Education, that have an impact on Minnesota State and students include:

- **North Star Promise:** The law creates a scholarship program at the Office of Higher Education (OHE) beginning in fiscal year 2025 (the year after the budget being considered by the board in this document) to award scholarships to eligible students in an amount not to exceed 100 percent of tuition and fees after grants and other scholarships are deducted. Each scholarship is for one semester but may be renewed provided the eligible student continues to meet the conditions of eligibility. Eligibility for the scholarship includes that the student has completed the FAFSA, has a family adjusted gross income below \$80,000, has not earned a baccalaureate degree at the time the scholarship was awarded, is enrolled in at least one credit per semester, and is making satisfactory progress. There is

\$117.226 million in fiscal year 2025 appropriated for this program, with \$49.5 million ongoing each year after that. Preliminary estimates done by the OHE indicate that in fiscal year 2025, 5,350 Minnesota State college students will benefit from this program, with an average award of \$1,900 on top of the State Grant and other sources. For Minnesota State university students, the estimated numbers are 4,400 students receiving an average of \$3,170. Significantly, if funding is still available in the appropriation after the first round of awards, the law also provides for the possibility of additional grants from the North Star Promise program. These additional grants could be used for things like books, supplies, transportation and other expenses in fiscal year 2025. In one possible scenario envisioned by OHE, roughly 6,000 Minnesota State college students and 6,000 Minnesota State university students could receive \$1,700 to \$2,800 in these additional grants.

- **State Grant Program:** The law includes an increase in the living and miscellaneous expense allowance (LME) in the State Grant program of \$12 million in fiscal year 2024 and \$9.1 million in fiscal year 2025. There is \$10 million ongoing in the base. The bill increases the LME from 109 percent to 115 percent of the federal poverty guidelines when calculating the LME. The bill also includes \$12.7 million in fiscal year 2024 and \$5 million in fiscal year 2025 and ongoing in the tails, to conform the State Grant program with changes to the federal needs analysis and Pell Grant calculation that were passed by Congress in December 2021 and are currently scheduled to be implemented for the 2024-2025 aid year. These changes will have a significant impact on State Grant administration and spending. The changes impact two key areas – the calculation of the student and family contributions or EFC, and the calculation of and eligibility for the Pell Grant award.
- **Student Parent Support Initiative:** The law includes \$3 million in fiscal year 2024 and \$3 million in fiscal year 2025 and in the base for grants to support student parents. In order to address the needs and support the educational goals of expectant and parenting college students across Minnesota, grants will be awarded by OHE, and services will be provided to assist parents.
- **Emergency Assistance for Students:** The law includes an additional \$3.26 million in both years of the biennium and in the base for a total of \$3.579 million each year for emergency assistance grants to meet emergency needs of students. Of that funding, \$2.25 million each year of the biennium is for direct emergency grants to students attending a Minnesota State college or university.
- **Direct Admissions Program:** The law includes an additional \$575,000 each year in the base for the Direct Admissions Program. This appropriation is intended to leverage existing K-12 and higher education student information systems to automate the admissions process for students, and to offer conditional admission to Minnesota colleges and universities to high school seniors based on the students' high school performance.
- **Grants to Underrepresented Teacher Candidates:** The law adds an additional \$800,000 each year of the biennium in one-time funds for grants to

underrepresented student teachers for a total of \$1.925 million each year of the biennium. The ongoing base amount for this program is \$1.125 million.

- **Grants to Student Teachers in Shortage Areas:** The law adds an additional \$800,000 each year of the biennium in one-time funds for a total of \$1.3 million each year, for a grant program for student teaching stipends for low-income students who intend to teach in a license shortage area or rural school district after graduating and receiving their teaching license. The ongoing base amount for this program is \$500,000.
- **Teacher Shortage Loan Repayment Program:** The law adds an additional \$800,000 each year of the biennium in one-time funds for the teacher shortage loan repayment program, for a total of \$1 million each year of the biennium. The base amount for this program is \$200,000. The law also amends this program that to the extent funds are available, eligibility extends to teachers who teach in a rural district or in a license shortage area.
- **Next Generation Nursing Assistant Training Program:** The law appropriates \$3 million in one-time funds in fiscal year 2024 for a transfer to Minnesota State for HealthForce Minnesota to coordinate and implement the Next Generation Nursing Assistant Training Program for the recruitment and training of students to become certified nursing assistants.
- **Minnesota American Indian Scholarships:** The law includes \$8.5 million each year of the biennium and in the base to establish a program to provide a first-dollar tuition and fee free pathway for eligible Minnesota American Indian students to complete an undergraduate education. Of this amount, \$4.468 million in each year of the biennium is for a transfer to Minnesota State to provide a full tuition and fee waiver to a student eligible for this program. To be eligible, a student must be enrolled in an undergraduate certificate, diploma or degree program, be either a Minnesota resident or an enrolled member or citizen of a Minnesota Tribal Nation, regardless of resident status, and have not obtained a baccalaureate degree or been enrolled for 180 credits or the equivalent. Preliminary estimates done by OHE indicate that 1,637 eligible individuals at Minnesota State institutions could benefit from this program.
- **Inclusive Higher Education:** The law appropriates \$1 million each year of the biennium and in the base to the Office of Higher Education to enter into a contract establishing the Inclusive Higher Education Technical Assistance Center and establish a competitive grant program for Minnesota institutions of higher education to develop new or enhance existing inclusive higher education initiatives to enroll or increase enrollment of students with an intellectual disability.
- **Hunger-Free Campus Grants:** The law appropriates an additional \$1.4 million in fiscal year 2024 and \$898,000 in fiscal year 2025 and ongoing in the tails, for the Hunger-Free Campus Grant program. The base amount for this program is \$1 million. The program was also amended to require the student advisory council established under current law to create an application process and make final recommendations to the higher education commissioner; and expands the

hunger-free grants to non-profit private postsecondary institutions (no more than 20 percent of the total grant awards shall be for non-profit private postsecondary institutions) and increases the campus maximum awards. The initial institution designation award is increased from \$8,000 to \$25,000 and the sustaining award is increased from \$5,000 to \$15,000.

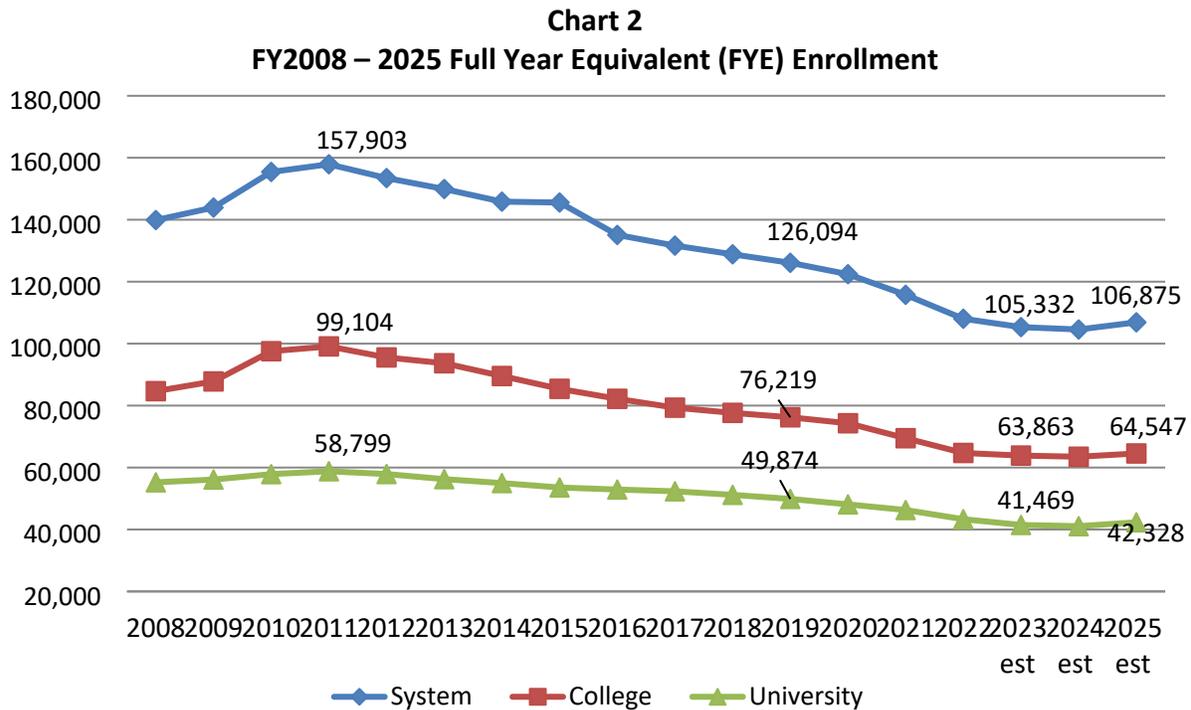
- **Postsecondary Student Basic Needs Working Group:** Included in the law is \$44,000 in one-time funding in fiscal year 2024 to administer a postsecondary student basic needs working group to review, assess, and make specific recommendations on strategies to meet the basic needs of higher education students.
- **Report on Minnesota State Colleges and Universities Course Placement Practices:** The law appropriates \$250,000 in one-time funding in fiscal year 2024 for the Office of Higher Education to document, review, and analyze college admission and course placement policies, practices, and assessments used by Minnesota State.
- **Paramedic Scholarships:** The law appropriates \$3.2 million in one-time funding in fiscal year 2024 for the paramedic scholarship program; \$3 million is for awarding 600 student scholarships, \$100,000 is for promotion of the program and student recruitment efforts, and \$100,000 is for administering the program.
- **Fostering Independence Grants:** The law appropriates an additional \$486,000 in fiscal year 2024 and \$655,000 in fiscal year 2025 and ongoing in the base for the grant program for individuals currently or formerly in foster care to receive a grant for up to five years for higher education costs. The total cost for the program is \$4.247 million in fiscal year 2024 and \$4.416 in fiscal year 2025 and ongoing in the tails.
- **Foster Care Grant Wraparound Services:** The law appropriates \$500,000 in one-time funds in both fiscal year 2024 and fiscal year 2025 for an education support and wraparound service program that provides assistance and support to individuals who were in foster care at the age of 13 or later; and for individuals who are transitioning from foster care to adulthood, up to age 27, to improve the likelihood of completing a degree and securing a stable career.

## ENROLLMENT OUTLOOK

Enrollment loss continues to challenge our colleges and universities. Colleges and universities expect to end fiscal year 2023 down 2.5 percent compared to fiscal year 2022. At the start of fiscal year 2023, colleges and universities were projecting a 2.4 percent decrease. Colleges are projecting 1.3 percent decline and university enrollment is projected to decline 4.3 percent. Colleges and universities continue to invest in enrollment strategies hoping to improve recruitment of new students and retention of our current students.

Moving into the next biennium, colleges and universities are planning for less enrollment loss in fiscal year 2024 and modest increases in fiscal year 2025. In fiscal year 2024, colleges built their operating budgets on an overall enrollment loss of 0.6 percent. Universities are projecting a one percent enrollment decline in fiscal year 2024, for a system level decline of 0.7 percent, resulting

in 104,565 FYE projected in fiscal year 2024. Chart 2 shows the historical and projected enrollment numbers.



As of June 5, 2023, fiscal year 2024 year-to-date enrollment for summer term is currently 2.3 percent higher than what it was at the same time last year, and year-to-date enrollment for fall term 2023 is up 1.8 percent from the same time last year. College year-to-date enrollment for both summer and fall terms are what is driving improvement in enrollment. Colleges are up 5.8 percent for summer and 3.6 percent for fall compared to the same time a year ago. University year-to-date enrollment continues to trend downwards with summer term 1.6 percent less and fall term 0.8 percent less than this time a year ago.

The enrollment outlook for fiscal year 2025 is more optimistic with system level enrollment increasing by 2.2 percent, with 1.7 percent for colleges and 3.1 percent for the universities. At the conclusion of the 2023 legislative session, significant investments were approved to provide students with more resources to support their education and assist with the cost of their attendance. In the higher education omnibus bill, there are many current and new programs to be administered by the Office of Higher Education that may increase enrollment of new students and/or improve the retention of current students.

**COLLEGE AND UNIVERSITY BUDGET DEVELOPMENT**

While funding for the 2024-2025 biennium is significant, the one-time nature of much of the funding will pose some challenges for college and university long-term planning. In addition to the one-time funding of \$50 million going away in the 2026-2027 biennium, the system operation funding is also set to be reduced from \$128 million to \$83 million in the next biennium. These amounts are not actual appropriations but are the starting point for the following legislature. Since employee compensation comprises about 75 percent of expenses in institutional budgets, colleges and universities will need to ensure they have sufficient on-going revenue to cover fiscal

years 2024-2025 collective bargaining settlements into the next biennium as well as investments that are made in new positions to advance strategic priorities.

To some degree, the one-time appropriations in the 2024-2025 funding continue the one-time assistance provided by Federal Higher Education Emergency Relief Funding (HEERF) during the COVID-19 pandemic. In fiscal year 2022, approximately \$323 million in HEERF was included (spent or transferred in as lost revenue) in college and university budgets. In fiscal year 2023, the amount used dropped to \$58 million. In fiscal year 2024, the federal funding has essentially gone away, with \$6.6 million continuing for activity in the process of being completed. Any positions supported by these funds have now either ended or have been moved to other funding sources.

College and university fiscal year 2024 budgets align financial resources with the system focus areas of student success and equity, workforce and economic development; technology solutions; data democratization, and organizational effectiveness.

New investments are being made by campuses to identify high student impact practices. These high impact practices focus on ultimately improving student retention and persistence towards completion. These practices are included in different structures across our system. Examples include:

- Central Lakes College implementing Case Management Advising which applies the most intensive advising practices to the students that need them the most: those with a high school grade point average below 3.0 and those with low Accuplacer scores.
- Fond du Lac Tribal and Community College continuing its holistic student support work using the NorthStar student success platform, advising redesign focusing on first-time college students, a new student basic needs intake form, and a new online orientation platform.
- Normandale Community College supporting staffing for its Student Resource Center to connect students to childcare, food, housing, transportation, health care, and other services.
- Several colleges implementing the Salesforce CRM tool to allow them to better manage its prospect pool and communicate more robustly with prospective students prior to completing their application.
- Minnesota State University, Mankato's investments in its MavPass peer to peer supplemental instruction mentoring program for students in courses that have historically had high numbers of D grades, F grades, and withdrawals from the course. This program has improved overall success rates as well as reduced opportunity gaps.
- St. Cloud State University's focus on individualized student success which includes the use of Husky Coaches, who are focused fully on serving students from the time they are admitted until they graduate.

Another strategic area of new investments is focusing on expanding opportunities for reskilling Minnesota's workforce to bolster the state's economy. Minnesota State's Equity 2030 goal is to ensure that no individual – working adult, high school non-completers, new immigrants, or others – will be left behind in their quest for economic stability. College and university examples include:

- Dakota County Technical College adding X-ray rooms to accommodate an additional cohort in its Dental Assistant program and adding a commercial HVAC diploma.
- Hennepin Technical College expanding their HVAC, Robotics, Dental, and Plumbing programs.
- Ridgewater College creating a new Career Services Coordinator position to work closely with its Student Success team and serve as liaison with community partners and employers and increasing enrollment through three new programs: Meat Cutting, Plumbing, and Advanced Esthetics.
- Multiple colleges adding positions in their Workforce Solutions or Customized Training departments to support workforce needs.
- Minnesota State University Moorhead launching three new graduate programs in Social Work, Criminal Justice, and Athletic Training along with an EdD with a Healthcare Emphasis in partnership with the Mayo Clinic.
- Winona State University making increasing investments in high demand programs such as nursing and education.

While the fiscal year 2024-2025 biennium provides a significant amount of new operating resources, many colleges and universities established their fiscal year 2024 operating budgets with a focus on ensuring that long-term commitments were not being made with one-time resources. Many colleges and universities are planning a surplus for fiscal year 2024 with a plan that the surplus will be used in fiscal year 2025 to help cover inflationary costs. In addition, many colleges and universities are utilizing the one-time campus support funds to make investments in their infrastructure or to allow for additional time to adjust their operating budgets to account for declining enrollment. Some institutions are utilizing this funding to offer BESIs (Board Early Separation Incentives) to reduce employee FTE before having to consider involuntary measures to do so.

In addition to new state investments, colleges and universities continue to reassess and reallocate spending on a regular basis to maintain focus on strategic priorities such as the success of students, continuation of the system's commitment to affordability, and strengthening strategies that address workforce opportunity gaps. For fiscal year 2024, total reallocations are projected to be \$34.2 million, with \$20.7 million of the total used to balance the budget. Colleges and universities anticipate redeploying over 70 faculty and staff vacancies into higher priority areas. Systemwide, approximately 371 academic programs will see increased investments by shifting resources from approximately 419 other academic programs. For comparison, in fiscal year 2023, total reallocations are estimated at \$41.5 million, with \$21.9 million of the total used to balance the budget.

### **STUDENT CONSULTATION**

An important part of college and university budget preparation is consulting with campus student associations as called for in Board Policy 2.3, Student Involvement in Decision-Making, and system procedure 2.3.1, Student Involvement in Decision-Making, in order to gather student input and feedback on proposed changes in tuition and fees. Institutions in the Revenue Fund consult with students and with users of the facilities when considering rates and budgets. Rates charged for the Revenue Fund are specific to supporting Revenue Fund programs and facilities, including the pledge to pay outstanding debt service, operating costs, and addressing deferred

maintenance.

Letters documenting student consultation at each campus are included in the supplemental materials (SP-14). Most of these letters show that students were satisfied with the information provided and opportunities to ask questions about the rate setting and budget planning processes. Almost of all the letters were prepared before the legislative session concluded so at that time an undergraduate tuition freeze for next academic year was not finalized. Northland Community and Technical College was unable to get a letter from its student association due to extenuating circumstances. Policy does not require campus student associations to take a position on tuition and fee increases. Some chose to do so and the majority that did endorsed or understood fee increases that institutional leadership proposed.

As was discussed in both April and May, Board Policy 2.3 Student Involvement in Decision-Making and System Procedure 2.3.1 Student Involvement in Decision-Making will go through the formal review process in fiscal year 2024 as this policy and procedure were last updated in April 2019. The system will consult with constituent groups to review the policy and procedures that govern the student consultation process. The process will include students, campus administrators, and system office staff, and will be convened under the direction of Academic and Student Affairs. LeadMN has expressed concern that the current annual process is broken. In addition, the Minnesota State University Moorhead Student Consultation Letter detailed concerns about the lack of an accountability mechanism within the policy and procedure.

#### **PROPOSED FY2024 TUITION RATES**

State appropriations of \$75 million were provided to freeze undergraduate tuition rates for the two years of the biennium. This funding was calculated to be in-lieu of a 3.5 percent tuition rate increase, saving the average college student approximately \$191 per year and saving the average university student approximately \$304 per year. Under the language in the law, *“The Board of Trustees may not set the tuition rates in any undergraduate degree-granting program for the 2023-2024 and 2024-2025 academic years at a rate greater than the 2022-2023 academic year rates. The student tuition relief may not be offset by increases in mandatory fees, charges, or other assessments to the student.”*

In addition to freezing undergraduate tuition rates, the law also stipulates that *“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.”* This limitation has been paired with tuition freeze language in the past in order to provide for very specific expenses that are in addition to normal instructional costs. A limited number of differential tuition rate increases involving 6 colleges and 4 universities are included in this budget request. Detailed amounts are included in Attachments 1C and 1D, and the rationale for these increases is included in Attachment 1H. These increases fall into four categories:

- Technical programs, experiencing inflationary costs outside of institutions’ control in the areas of equipment service and replacement costs.
- Professional Programs, experiencing cost increases in accreditation and online assessment and licensing costs.

- Sciences, where inflationary costs in supplies and needed services have increased.
- Fully online undergraduate programs, new programs with market-driven rates set to cover unique costs and based on market research.

### STATE GRANTS, FEDERAL GRANTS, AND NET TUITION

The net tuition is the amount a student pays after financial aid grants are subtracted from total tuition. The net tuition varies depending on a student’s full- or part-time status, college or university of attendance, academic program choice, and financial aid award.

Need-based financial aid programs help bridge the gap between the cost of attendance and the expected family contribution, a calculation based upon family income and circumstances. In fiscal year 2022, the most recent year of financial aid data available, students enrolled at Minnesota State received \$545 million in the form of grants.

### Estimated Tuition Costs for State Grant Recipients

For students receiving State Grants, the estimated net impact of the federal and state grant changes for college and university undergraduate students is reported by income category in Table 2. These estimates are based on Office of Higher Education (OHE) projections for State Grant awards with Minnesota State tuition rates frozen in fiscal year 2024.

**Table 2**  
**FY2024 Estimated Change in Student Tuition Cost by Income**  
**Degree-Seeking Undergraduate Students Receiving State Grant**

#### A. State Colleges

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
<b>Non-State Grant Recipients</b>	<b>119,073</b>	<b>\$0</b>	<b>\$5,471</b>

#### B. State Universities

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
<b>Non-State Grant Recipients</b>	<b>46,202</b>	<b>\$0</b>	<b>\$8,685</b>

Estimated numbers of state grant recipients are influenced by several factors, including trends in enrollment overall and in filing rates for the Free Application for Federal Student Aid (FAFSA) form. For purposes of projecting spending for the Minnesota State Grant program, OHE uses headcount enrollment as a proxy for the change in the number of students completing the FAFSA or Minnesota State Aid application.

Estimated tuition costs for State Grant recipients include the effects of both state and federal (Pell) grant awards. For the 2023-2024 award year, the maximum amount of a federal Pell grant will increase by \$500 to \$7,395 per year. Due to the tuition freeze, the average Minnesota State college tuition before any financial aid will remain at \$5,471 per year and the average Minnesota State university tuition before any financial aid will remain at \$8,685 per year. For college students receiving a State Grant, average tuition after grants is projected to decrease by \$104 to \$1,558 per year. For university students receiving a State Grant, average tuition is projected to decrease by \$125 to \$3,547 per year. While application expectations and the effects of averaging within each bracket shows uneven effects across the ranges shown, the average student tuition cost decreases as income brackets decrease. Under the provisions of the North Star Promise program, it is anticipated that the top three boxes in the right-hand column of the college and university portions of the above table will be zero dollar amounts for the 2024-2025 academic year.

#### **PROPOSED FISCAL YEAR 2024 FEE RATES**

Colleges and universities incorporate fee planning in their annual budget planning and consultation process. Fees are charged to cover costs related to specific resources and opportunities offered at the campus level. All fees are included in the student consultation process and subsequent advice to the president, and many fee-supported activities continue to have student oversight during the academic year. For fiscal year 2024, all universities and 16 of the 26 colleges plan to increase at least one fee. All fees are at or below the maximum amounts authorized by the Board per Policy 5.11, Part 5, Subpart b.

Minnesota Statutes section 135A.0434 and Board Policy 2.8 Student Life require a referendum if student activity and athletic fees are raised by more than two percent. Four colleges and two universities held referendums where students approved fee increases in excess of two percent for either the student activity or athletics fee.

Specific fee rates for each college and university are listed in SP-3 in the supplemental materials. SP-1 shows the combined rates for tuition plus fees. The average increase for all colleges and universities is 0.6 percent, with colleges increasing by 0.5 percent and universities increasing by 0.8 percent. Twelve of the twenty-six colleges have 0.0 percent increase.

#### **PROPOSED FISCAL YEAR 2024 REVENUE FUND RATES AND BUDGETS**

The Board of Trustees maintains statutory oversight of the Minnesota State Revenue Fund, including fee approvals. Revenue Fund facilities and programs include residence halls, dining services, student unions, health/wellness centers, parking and other revenue-generating facilities. Revenue Fund facilities and programs are solely funded by student and user fees. These fees are required to generate sufficient revenue to pay debt service, operate, equip, maintain,

and repair Revenue Fund facilities as well as their associated programs. Eight colleges and all seven universities are currently in the Revenue Fund. SP-11 identifies the institutions and the Revenue Fund facilities and programs at each location. The Revenue Fund is highly influenced by enrollment as nearly seventy-five percent (75 percent) of Revenue Fund revenues come from room and board.

**Proposed Average Revenue Fund Fee Rates for Fiscal Year 2024**

Universities and colleges with Revenue Fund facilities and programs propose rates and increases for fiscal year 2024 to account for inflation and enrollment trends, maintain quality services, and ensure proper reinvestment and upkeep of the facilities. Average rates and changes are in Table 3 below.

**Table 3  
Proposed Annual Average Rates for FY2024**

Revenue fund program or facility	FY2024 Rate	\$ Change	% Change
Room and board for traditional double room with meal plan*	\$9,723.00	\$212.00	2.20%
Student Union**	\$288.18	\$6.96	2.47%
Wellness and Recreation Facilities***	\$181.55	\$2.93	1.64%
Parking****	\$280.41	\$8.92	3.29%

- \* St Cloud has a decrease in Room and Board of 7.7 percent which impacts the average. Three (3) institutions have a 4.9 percent increase, one (1) at 4.2 percent and one (1) at 2.8 percent. Minnesota North College – Vermilion Campus is not included in this average.
- \*\* Three (3) of nine (9) institutions are not changing Student Union fees.
- \*\*\* Three (3) of five (5) institutions are not changing Wellness and Recreational Facility fees.
- \*\*\*\* Four (4) of the seven (7) institutions propose no increases. Three (3) institutions propose increases: Alexandria Technical and Community College 2.00 percent, Century College 4.93 percent, and Metropolitan State University 8.33 percent. St. Cloud State University is raising the annual rate but not the daily rate.

Specific rates for individual colleges and universities and their Revenue Fund facilities and programs are displayed in Attachment 2A through 2E.

**Proposed Fiscal Year 2024 Revenue Fund Budget**

An overview of the Revenue Fund budget is shown in Table 4 below. The budget reflects gradual improvement in overall Revenue Fund operations with less one-time funding being used to support ongoing costs.

**Table 4**  
**Proposed FY2024 Revenue Fund Budget**

<i>\$s in millions</i>	<b>FY2023 Current Budget</b>	<b>FY2024 Proposed Budget</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Revenues</b>				
Operating Revenue	\$99.5	\$103.2	\$3.7	3.7%
Fund balance for 1x investments	\$1.5			
<b>Total budgeted revenues</b>	<b>\$101.0</b>	<b>\$103.2</b>	<b>\$2.2</b>	<b>2.2%</b>
<b>Expenses</b>				
Compensation	\$25.3	\$26.4	\$1.0	4.0%
Other operating costs	\$78.3	\$78.9	\$0.5	0.7%
<b>Total budgeted expenses</b>	<b>\$103.7</b>	<b>\$105.2</b>	<b>\$1.5</b>	<b>1.5%</b>
<b>Budget gap</b>	<b>(\$2.6)</b>	<b>(\$2.0)</b>		
<i>HEERF transfer in</i>	<b>\$0.8</b>	<b>\$0.0</b>		
<i>Fund balance to balance budget</i>	\$4.9	\$2.9		
<b>Budget balance</b>	<b>\$3.0</b>	<b>\$0.9</b>		

- Overall, fiscal year 2024 revenues are projected to increase by 3.7 percent before factoring in the use of programmed fund balance.
- Both fiscal years 2023 and 2024 are projected to be structurally unbalanced until colleges and universities utilize any remaining HEERF funding or fund balance.
- In fiscal year 2023, \$1.5 million of programmed fund balance was used to support one-time investments in the Revenue Fund and another \$4.9 million to help balance the budget.
- While college and university General Fund operating budgets continue to rely on fund balance, the amount used to balance budgets in the Revenue Fund will decrease by \$2.1 million between fiscal years 2023 and 2024.
- Expenses are projected to increase by 1.5 percent reflecting the efforts made to manage cost increases and right size operations to reflect current occupancy and usage.
- \$0.8 million of HEERF funds are being used in fiscal year 2023 to cover lost revenue. Any extension for schools with remaining HEERF funding is not anticipated to be used in the Revenue Fund.

**PROPOSED FISCAL YEAR 2024 ALL FUNDS AND GENERAL FUND BUDGETS**

The proposed fiscal year 2024 all funds operating budget totals \$2.2 billion, 7.9 percent higher than in fiscal year 2023. The increase is the result of \$159.4 million in increased support by the state.

Fifty million of the new support is one-time support to assist colleges and universities to become structurally balanced following enrollment loss since the COVID-19 pandemic. In addition, \$25 million of new support is to offset the loss of new tuition revenue colleges and universities were anticipating from increasing undergraduate tuition by 3.5 percent but has since been frozen in fiscal years 2024 and 2025.

The proposed \$1.8 billion General Fund portion of the all-funds budget is 9.9 percent higher than

last year. The budget includes \$948.9 million in state appropriation, a 20.2 percent increase over fiscal year 2023 and \$708.1 million in tuition revenue, a 0.3 percent increase over fiscal year 2023. The projected tuition revenue amount reflects the undergraduate tuition freeze, a small projected decline in enrollment, and rate changes at the universities for graduate tuition rates.

### Fiscal Year 2024 All Funds Operating Budget

The proposed Minnesota State fiscal year 2024 all funds operating budget includes the individual operating budgets of the universities, colleges, and system office. It encompasses all aspects of the system’s educational enterprise: instruction, academic support, student services, technology, institutional support (administration), facilities (maintenance and operation), and student and residential life programs.

State appropriation (42 percent) and tuition (31 percent) are the two primary sources of revenue. Other revenue sources are fees, grants, and auxiliary/enterprise income. Compensation is the largest expense category, accounting for approximately 62 percent of the all-funds expenditure budget. The proposed fiscal year 2024 all-funds operating budget is shown in Table 5.

**Table 5**  
**All Funds Operating Budget for FY2024**

<i>\$s in millions</i>	<b>FY2023 Current Budget</b>	<b>FY2024 Proposed Budget</b>	<b>\$ Change</b>	<b>% Change</b>
Revenues				
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	\$20.8	6.7%
HEERF Funds	\$34.6	\$6.6	(\$28.0)	-80.9%
<b>Revenues Total</b>	<b>\$2,099.6</b>	<b>\$2,266.7</b>	<b>\$167.1</b>	<b>8.0%</b>
Expenses				
Compensation	\$1,363.4	\$1,418.9	\$55.5	4.1%
Operating costs	\$799.7	\$855.5	\$55.8	7.0%
<b>Expenses Total</b>	<b>\$2,163.1</b>	<b>\$2,274.4</b>	<b>\$111.2</b>	<b>5.1%</b>
<b>Budget gap</b>	<b>(\$63.5)</b>	<b>(\$7.7)</b>		
<i>HEERF transfer in</i>	<b>\$23.6</b>	<b>\$0</b>		
<i>Fund balance to balance budget</i>	<b>\$59.7</b>	<b>\$26.1</b>		
<b>Budget balance</b>	<b>\$19.7</b>	<b>\$18.4</b>		

*Numbers may not add due to rounding.*

#### *Fiscal Year 2024 All Funds Operating Budget Highlights:*

- The proposed fiscal year 2024 all funds budget includes \$2.3 billion in projected revenues and expenditures.
- Fifteen colleges and universities anticipate using \$26.1 million of fund balance across all funds to cover remaining budget gaps, with a third of that amount attributed to two universities. Eight plan to use \$26 million of fund balance for one-time investments such

as facility and technology projects. Almost all of the use of fund balance will impact the general fund.

- Nineteen colleges and universities are projecting budget surpluses designated to support fiscal year 2025 operations.
- Fiscal year 2024 revenues are projected to increase by \$167.1 million (8.0 percent) with most of the increase as state appropriation.
- Fiscal year 2024 expenses are projected to increase by \$111.2 million (5.1 percent) over prior year expenses.

The all-funds budget is shown net of the scholarship allowance. Approximately 80 percent (\$247.6 million) of an estimated \$308.9 million of financial aid revenue is recognized as revenue used to pay student obligations (tuition, fees, room and board, and sales and services) with the balance (\$61 million) reflecting the net financial aid payments to students for living expenses. College and university budgets as displayed in SP-7 in the supplemental packet reflect gross revenues and expenses before financial aid. The system-level all funds budget reflects revenues and expenses net of financial aid, requiring the calculation to allow for scholarship allowance as in the financial statements.

Overall, the updated fiscal year 2023 operating budget is 1.6 percent less than the budget approved by the board a year ago, with revenues and expenses decreasing slightly less than originally projected. Much of the change is in the General Fund with lower enrollments, and therefore less tuition revenue than initially projected a year ago. College and university budgets were built on assuming an enrollment loss of around 2.4 percent less than the prior year. Lower enrollments in fiscal year 2023 also resulted in revenue loss in the Revenue Fund.

Colleges and universities relied on \$83.3 million in one-time funds in fiscal year 2023 to balance their budgets. About \$23.6 million was the utilization of HEERF funds to replace lost revenues while \$59.7 million was using fund balance to balance the budget. Bemidji State University (\$12.1 million) and St. Cloud State University (\$17.3 million) make up nearly half of that amount system-wide. Both universities have recently made significant budget reductions and anticipate additional reductions in the near future so they can align their ongoing revenues with their ongoing expenses.

The proposed fiscal year 2024 operating budget incorporates assumptions about compensation changes anticipated to impact the budget. Compensation contract negotiations are underway both by the State of Minnesota and Minnesota State. During the budget approval process for the first year of a new biennium it is not unusual that this process is not yet complete. Overall, the system is projecting an increase of \$55.5 million in compensation costs, a 4.1 percent increase over the prior year. Other operating expenses are projected to increase by \$55.8 million or 7.0 percent. A portion of this increase is impacted by inflation along with colleges and universities making one-time investments in strategic priorities.

### **Fiscal Year 2024 General Fund Operating Budget**

The largest component of the all-funds budget is the General Fund. The General Fund is used to record general operations for colleges, universities, and the system office consisting mainly of state appropriation, tuition, and other revenue. General Fund revenues and expenses account

for approximately 80 percent of the all-funds budget. The proposed General Fund budget is shown in Table 6.

**Table 6**  
**General Fund Operating Budget for FY2024**

<i>\$s in millions</i>	<b>FY2023 Current Budget</b>	<b>FY2024 Proposed Budget</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Revenues</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>Total budgeted revenues</b>	<b>\$1,655.0</b>	<b>\$1,827.1</b>	<b>\$172.1</b>	<b>10.4%</b>
<b>Expenses</b>				
Compensation	\$1,261.7	\$1,309.7	\$48.0	3.8 %
Operating costs	\$449.4	\$522.1	\$72.7	16.2%
<b>Total budgeted expenses</b>	<b>\$1,711.1</b>	<b>\$1,831.8</b>	<b>\$120.7</b>	<b>7.1%</b>
<b>Budget gap</b>	<b>(\$56.1)</b>	<b>(\$4.7)</b>		
<i>HEERF transfer in</i>	<b>\$22.3</b>	<b>\$0</b>		
<i>Fund balance to balance budget</i>	\$49.2	\$19.8		
<b>Budget Balance</b>	<b>\$15.4</b>	<b>\$15.1</b>		

*Numbers may not add due to rounding.*

*Fiscal Year 2024 General Fund Operating Budget Highlights:*

- The proposed fiscal year 2024 general fund budget includes \$1.8 billion in projected revenues and expenditures.
- Fiscal year 2024 general fund revenues are projected to increase by \$172.1 million (10.4 percent) and nearly all of the increase is attributed to the significant increase in state appropriation, including one-time funding, front loading the operations and maintenance increase into the first year of the biennium, and funding to cover a tuition freeze.
- Fiscal year 2024 tuition revenues are projected to increase by \$1.8 million (0.3 percent).
- Fiscal year 2024 general fund expenses are projected to increase by \$120.7 million (7.1 percent) over prior year expenses. Compensation makes up 71 percent of expenses.
- A dozen colleges and universities anticipate using \$19.8 million in fund balance to cover budgetary gaps and eight plan to use \$25.9 million fund balance for one-time investments.
- Nineteen colleges and universities anticipate budget surpluses that will be used to support fiscal year 2025 operating budgets.

## **RECOMMENDED COMMITTEE MOTION**

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following 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.

## **RECOMMENDED BOARD MOTION**

The Board of Trustees adopts the following 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.

*Date Presented to the Finance and Facilities Committee:* 6/21/23

*Date Presented to the Board of Trustees:* 6/21/23

*Date of Implementation:* 6/21/23