



FY2026-2027 Biennial Operating Budget Development

Board of Trustees
Finance & Facilities Committee

April 15, 2025

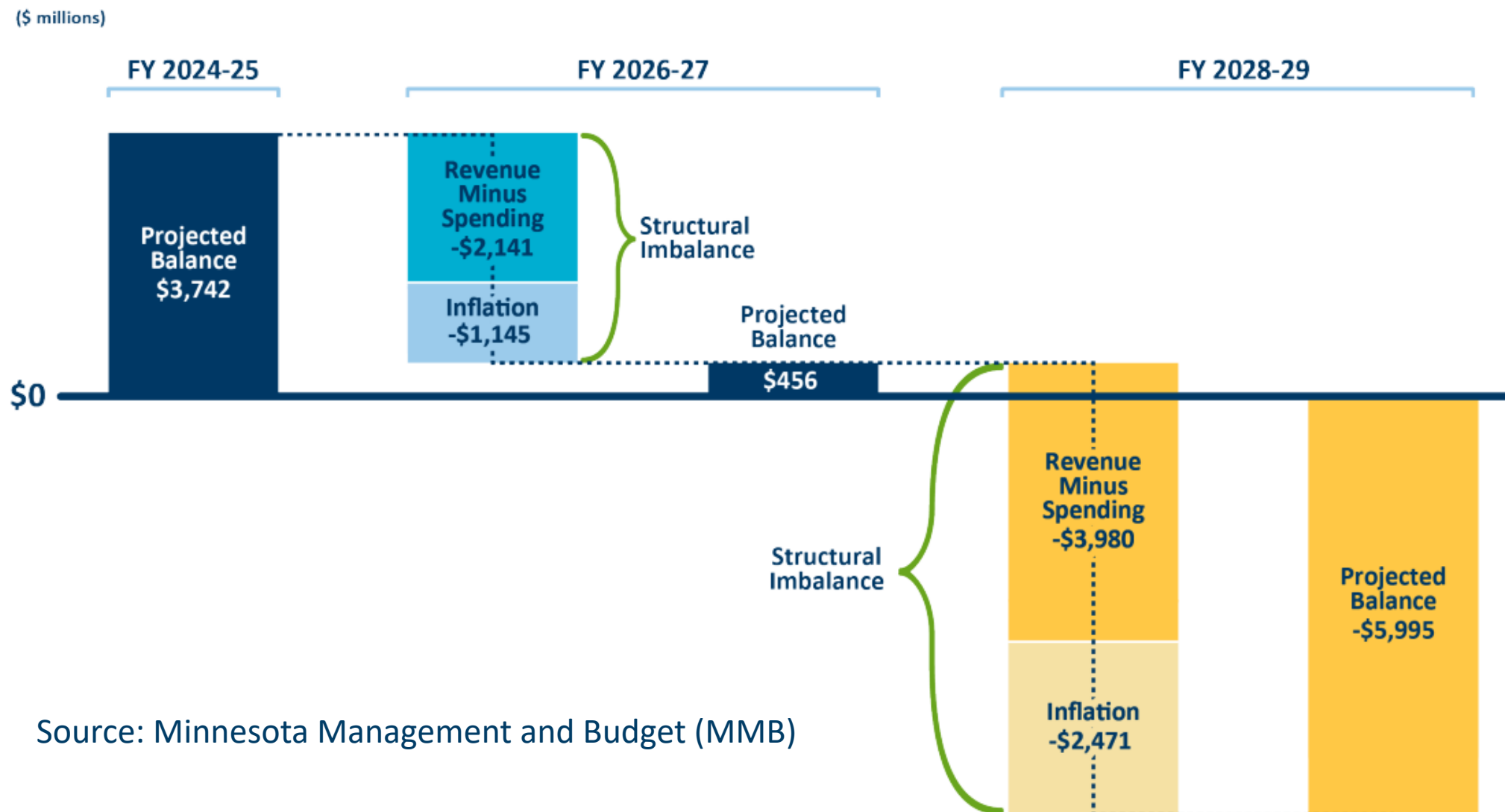
Agenda for Today

- » State Budget Environment
- » Short- and Long-Term Budget Planning Considerations
- » FY2026-FY2027 Tuition Scenarios
- » Discussion

Anticipated Budget Development Timeline: FY2026

Apr 15-16	Board: Finance and Facilities Committee update
Late Apr	Additional college and university tuition guidance
May 19	Legislative Session Ends
May 20-21	Board: first reading of FY2026 operating budgets
May 28	Final Tuition Proposals due from colleges and universities
June 17-18	Board: approval of FY2026 operating budgets
July 1	FY2026 begins

February 2025 State Budget and Economic Forecast



Board Request versus Governor's Budget and Legislative Targets for General Fund Spending

	2026-2027 Biennium	2028-2029 Biennium*
Board Request	\$465 million (Minn State)	\$365 million (Minn State)
Governor	\$0 (all higher ed)	\$0 (all higher ed)
Senate	\$100 million (all higher ed)	\$25 million (all higher ed)
House	\$0 (all higher ed)	\$0 (all higher ed)

*ongoing portion that would stay in the base

Biennial Budget Request -Tuition Flexibility

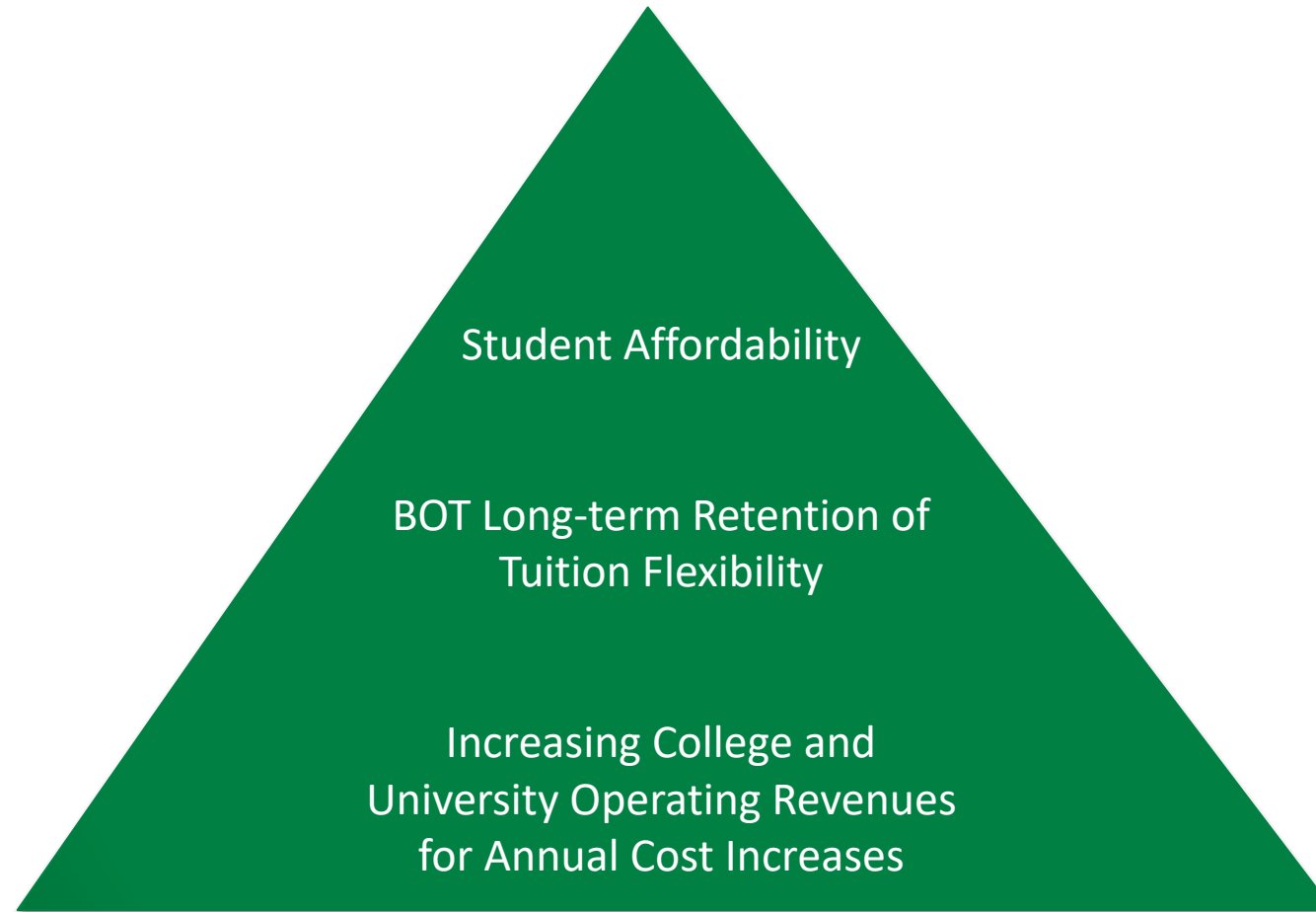
- » The biennial budget request was designed to allow the Board to set tuition through its extensive consultation process, allowing for campus-level discussions and decisions to be respected.
- » The request envisioned that potential overall tuition increases would be directly related to the amount of additional base funding received out of the \$285 million request.
- » The request allows for flexibility in differential tuition rates where:
 - costs have increased for reasons outside the institutions control
 - high-cost programs are not covering unique program costs with the current rate
 - online rates are being combined into base rates
- » The request allows for consideration of compelling unique requests from institutions.

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

Long-term Tuition Planning Considerations FY2026 -FY2029



FY2026 in Governor's Budget

MINNESOTA STATE BUDGET funding (legal citation)

annual amt in
\$thousands

Higher Ed budget bill (Laws of 2023 Chapter 41)	923,232	
+Juvenile Justice in Public Safety bill ('23 Ch 52)	500	
+Kids on Campus in Higher Ed supplemental bill ('24 Ch 124)	500	
=Current appropriations for FY 2025	924,232	
-base reduction, operations support ('23 Ch 41)	-22,500	
-base reduction, tuition replacement ('23 Ch 41)	-12,500	
-base reduction, z-degree projects ('23 Ch 41)	-1,000	
-1x funding, workforce equipment & environments ('23 Ch 41)	-6,750	
-1x funding, workforce program development ('23 Ch 41)	-6,750	
-1x funding, kids on campus ('23 Ch 41)	-500	-50,000
+TRA employer share aid ('23 Ch 64)	1,446	
+IRAP employer share aid increase '26 ('23 Ch 41)	11	+1,457
=base/Governor's budget for FY 2026	875,689	
+IRAP employer share aid increase '27 ('23 Ch 41)	11	+11
=base/Governor's budget for FY 2027	875,700	

- » \$22.5 million **base reduction is not filled (3.5% below FY2025)**,
which is less funding than assumed in the survey
- » \$12.5 million **base reduction is not filled (11.8% below FY2025)**,
which is the same funding as assumed in the survey

House and Senate Bills

Senate bill:

(\$thousands)

	FY2026	FY2027	26-27	FY2028	FY2029	28-29
Base-level Funding	\$ 875,689	\$ 875,700	\$1,751,389	\$ 875,700	\$ 875,700	\$1,751,400
New funds						
PFAS -Lake Superior College	\$ 1,000		\$ 1,000			
Free course materials	\$ 500	\$ 500	\$ 1,000	\$ 500	\$ 500	\$ 1,000
Relocated funds (not new)						
Emergency grants	\$ 2,250	\$ 2,250	\$ 4,500	\$ 2,250	\$ 2,250	\$ 4,500
Hunger-free Campus grants	\$ 600	\$ 600	\$ 1,200	\$ 600	\$ 600	\$ 1,200
Senate Bill Total	\$ 880,039	\$ 879,050	\$1,759,089	\$ 879,050	\$ 879,050	\$1,758,100

House bill:

(will be released after the legislative break)

FY2026 Undergraduate Tuition Rates

Planning Assumptions Shared with Campuses

	Assumption: appropriation for base allocations	Assumption: appropriation for tuition replacement	Assumption: compensation increases overall	Assumption: limits to annual tuition increase
January	\$663 million (same as FY25)	\$93.6 million (\$12.5M below FY25)	3.0% (CPI) to 4.5% (avg. last 3 bienniums)	None
March	\$640.5 million (\$22.5M below FY25) (Governor's budget)	\$93.6 million (\$12.5M below FY25) (Governor's budget)	3.0% (CPI) to 4.5% (avg. last 3 bienniums)	No double-digit % increases

FY2026 Undergraduate Tuition Rates

Current College & University Planning Scenarios

- » Early in 2025, initial scenarios developed by colleges and universities considered tuition increases anywhere from 3.5 to 14 percent.
- » After planning assumptions were updated in March, both low-end and high-end rate changes moved as scenarios range from 4.0 to 9.9 percent.
- » Most colleges and universities are currently modeling increases of approximately 8 percent with their student government.
- » Colleges and universities will not have actual FY2026 cost increases when the Board acts on FY2026 operating budgets and tuition rates at its June meeting.
- » Colleges and universities will need to implement budget reallocations/reductions as any reasonable level of a tuition increase will not provide sufficient new operating revenues to fund currently-anticipated FY2026 financial needs.

FY2026 Undergraduate Tuition Rates

Planning Assumptions for Systemwide Scenarios

- » Baseline Costs/Revenues: FY2025 November Budget Update
 - Compensation costs \$1,372.9 million
 - Other operating costs \$505.1 million
 - Tuition revenues \$750.4 million
- » Enrollment: FY2025 levels with the assumption that costs are adjusted locally due to changes in enrollment
- » Inflation: 3% per year
- » State Appropriation: Governor's No Change Budget Recommendation
- » Tuition increase: Four scenarios – 3.5%, 5.0%, 7.0%, 9.0%
(same increase each year of the biennium)

Budget Modeling of a 3.5% Tuition Increase

<i>with annual inflation at 3%</i>	MARGINAL AMOUNTS (in \$millions)			
	FY2026	FY2027	26-27	
Inflation on Compensation	\$ (41.2)	\$ (42.4)	\$	(83.6)
Inflation on Other Costs	\$ (15.2)	\$ (15.6)	\$	(30.8)
Reduced Operating Appropriations	\$ (35.0)	\$ (35.0)	\$	(70.0)
New Tuition Revenue	\$ 26.3	\$ 27.2	\$	53.4
Structural Surplus/(Gap)	\$ (65.1)	\$ (65.8)	\$	(130.9)

Budget Modeling of a 5.0% Tuition Increase

<i>with annual inflation at 3%</i>	MARGINAL AMOUNTS (in \$millions)			
	FY2026	FY2027	26-27	
Inflation on Compensation	\$ (41.2)	\$ (42.4)	\$	(83.6)
Inflation on Other Costs	\$ (15.2)	\$ (15.6)	\$	(30.8)
Reduced Operating Appropriations	\$ (35.0)	\$ (35.0)	\$	(70.0)
New Tuition Revenue	\$ 37.5	\$ 39.4	\$	76.9
Structural Surplus/(Gap)	\$ (53.8)	\$ (53.6)	\$	(107.5)

Budget Modeling of a 7.0% Tuition Increase

<i>with annual inflation at 3%</i>	MARGINAL AMOUNTS (in \$millions)			
	FY2026	FY2027	26-27	
Inflation on Compensation	\$ (41.2)	\$ (42.4)	\$	(83.6)
Inflation on Other Costs	\$ (15.2)	\$ (15.6)	\$	(30.8)
Reduced Operating Appropriations	\$ (35.0)	\$ (35.0)	\$	(70.0)
New Tuition Revenue	\$ 52.5	\$ 56.2	\$	108.7
Structural Surplus/(Gap)	\$ (38.8)	\$ (36.8)	\$	(75.6)

Budget Modeling of a 9.0% Tuition Increase

<i>with annual inflation at 3%</i>	MARGINAL AMOUNTS		
	(in \$millions)		
	FY2026	FY2027	26-27
Inflation on Compensation	\$ (41.2)	\$ (42.4)	\$ (83.6)
Inflation on Other Costs	\$ (15.2)	\$ (15.6)	\$ (30.8)
Reduced Operating Appropriations	\$ (35.0)	\$ (35.0)	\$ (70.0)
New Tuition Revenue	\$ 67.5	\$ 73.6	\$ 141.2
Structural Surplus/(Gap)	\$ (23.8)	\$ (19.4)	\$ (43.2)

Summary of the FY2026 Projected Structural Surplus/(Gap) under the Four Scenarios

		FY2026 Tuition Increase Scenarios							
		3.5%		5.0%		7.0%		9.0%	
Total Cost Increases at 3%	\$	(56.3)	\$	(56.3)	\$	(56.3)	\$	(56.3)	
Net New Revenue	\$	(8.7)	\$	2.5	\$	17.5	\$	32.5	
Structural Surplus/(Gap)	\$	(65.1)	\$	(53.8)	\$	(38.8)	\$	(23.8)	

Magnitude of Structural Gap				
Positions at Avg. Total Compensation	592	489	353	216
Percent of FY2024 System Total FTEs	4.4%	3.6%	2.6%	1.6%
Number C/U budgets smaller	20	19	11	3

Tuition and Inflation Since FY2014

- » Since 2014, the Consumer Price Index (CPI) has had an average increase of 2.8 percent per year, with the current CPI at 3 percent.
- » Over the same period, system-wide tuition rate increases have averaged 1.7 percent per year, with tuition frozen for the current biennium.
- » College tuition increases have averaged 1.3 percent
- » University tuition increases have averaged 2.1 percent

Board Policy 5.11 seeks to balance five values

Affordable access to higher education:

All Minnesotans can access a quality affordable higher education.

Equity:

Students taking similar academic programs are charged similar rates.

Transparency:

Students will understand their tuition and fee charges.

Institutional Financial Sustainability:

Resources will be available to support quality higher education now and into the future.

Flexibility for innovation and emerging markets:

Program and course development is responsive to changing needs and opportunities.

Discussion



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