



Allocation Framework Principles and Design Features

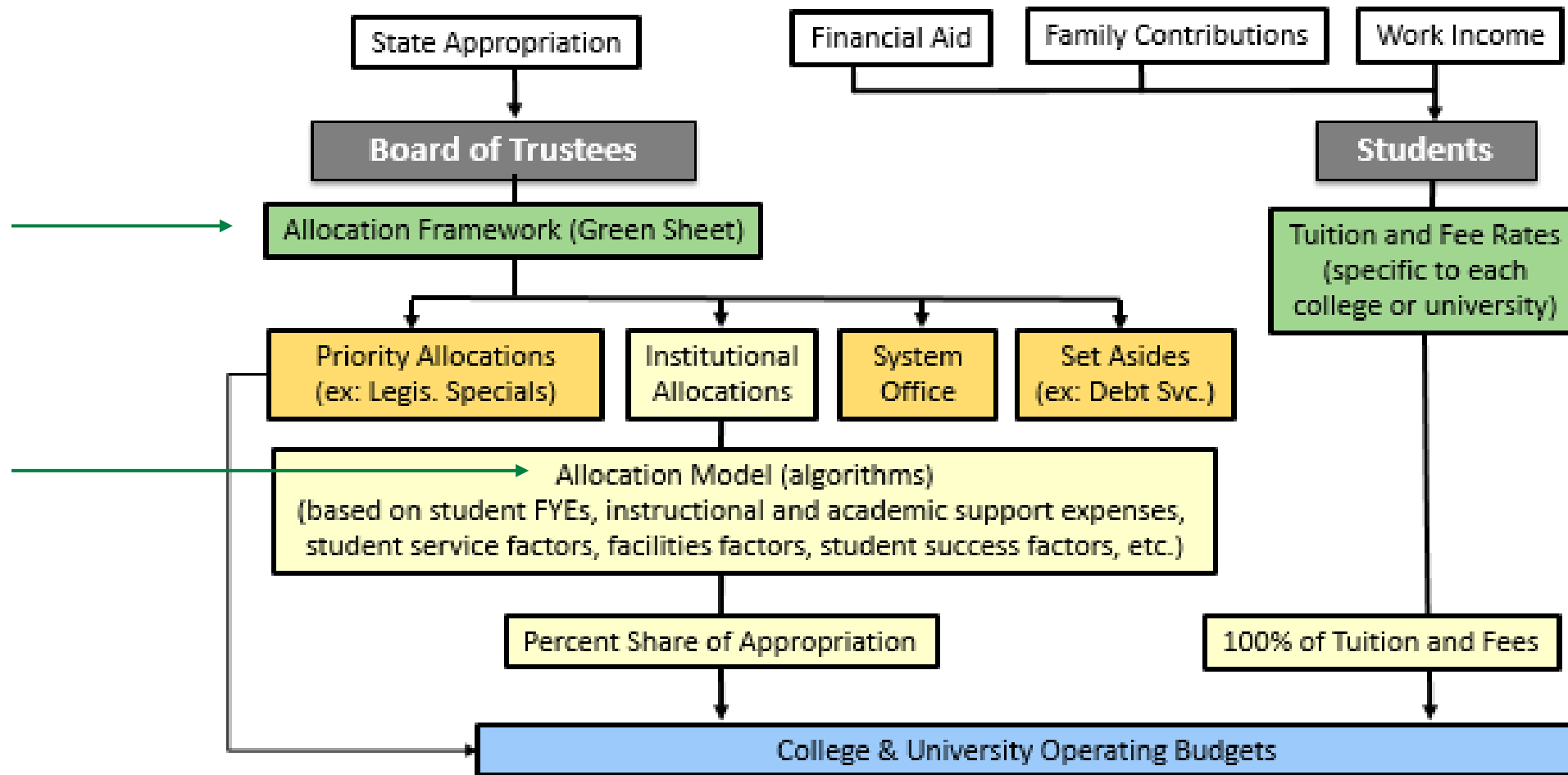
Finance and Facilities Committee

March 19, 2025

What is the Allocation Framework?

- » ALLOCATION FRAMEWORK specifies how all the system's state support is allocated. Examples include:
 - System office (4%)
 - Priority Allocations (6%) - Board and legislative priority funding sent to all or select colleges and universities for specific activities. For example,
 - Access & Opportunity, Leveraged Equipment, Workforce Development Scholarships
 - Systemwide Set Asides (6%) - Activities managed and paid for centrally, but on behalf of all colleges and universities. For example,
 - NextGen, Debt Service, PALS, Attorney General
 - Institutional Allocations (84%)- Base allocations to all colleges and universities determined by the tuition relief allocation (12%) and the base allocation model (72%)

The Flow of Minnesota State Operating Funds



History and Development of Allocation Framework & Model

- » ALLOCATION FRAMEWORK specifies how all the system's state support is allocated and the ALLOCATION MODEL is a subset of the Framework allocating most of the system's state support
- » Post-merger in 1995 – the system had three different allocation models for each of the merged systems which included a model that allocated both appropriation AND tuition
- » Board of Trustees adopted vision in 1999:
“A single model which equitably recognizes the diversity of MnSCU students’ needs and adequately supports the unique educational goals of each institution”
- » Eleven Workgroups and two oversight groups established to assist with the design of the allocation framework involving over 150 members across the system
- » Board of Trustees approved current allocation framework & model with implementation beginning in FY2002 and phased in to full implementation in FY2006
- » Board of Trustees adopted principles in FY2016 and directed the Technical Advisory Committee to recommend improvements to the allocation model which were approved by the Board and implemented in FY2018
- » Financial Resource Allocation Policy group met through FY2023 & FY2024 to review and make recommendations concerning student success

Board-approved allocation framework design principles (August 1999)

Academic goals should drive financial planning

Delegation of authority to the institution and the resulting program diversification are necessary to create a responsive system

Decentralized management systems require *incentive and accountability mechanisms*

An *equitable* distribution of funds is needed which *recognizes the diversity of institutions, programs and students*

Adequate funding is essential to fulfill missions and respond to compelling state needs.

Access is a core element of the system's mission

Allocation Framework Principles Adopted by Board, November 2015

The allocation framework should support the following:

- » Academic and student success goals
- » The educational and workforce needs of the state
- » Financial and functional sustainability of diverse institutions, programs, and students
- » Delegation of authority to colleges and universities
- » The success and viability of the system of colleges and universities
- » Collaboration and systemic change by leveraging the power of the system

Allocation Framework Design Principles Adopted by Board, November 2015

The design of the allocation framework should:

- » Be flexible, simple and transparent
- » Incorporate measurable outcomes that recognize the diversity of institutions and their missions
- » Incent and/or reward:
 - Student success e.g. retention, graduation, transfer, employability, elimination of the opportunity gap
 - Collaboration around academic planning, student success efforts, administration, resource development, and achievement of collective goals
 - Administrative best practices and efficiencies
- » Reach an appropriate balance between stability and responsiveness to changing conditions
- » Recognize that costs of serving students varies by academic program and student requirements

Implementation of the new design should provide for a smooth transition

FY2018 Allocation Framework & Model Modifications

Adopted by Board November 2016

- » Adding an outcome-based student success component
- » Creating new collaborations priority allocation
- » Modifying the student services methodology using weighted student headcount
- » Simplifying the facilities component
- » Modifying the revenue buy-down calculation
- » Recognizing actual library (shifting it into academic support), research and public service spending
- » Using a two-year rather than a three-year average in two of the components to provide for more responsiveness in the model
- » Eliminating the enrollment adjustment to mirror repeal of statutory language
- » Isolating the actual costs of concurrent enrollment programs in the allocation model

What is the Allocation Model?

- » ALLOCATION MODEL is a subset of the Allocation Framework allocating most of the system's state support as base support (72%) using five components
 - Instruction and academic support
 - Student services and institutional support
 - Facilities
 - Student success
 - Research and public service

Allocation Model Components

Allocation Component	Data Elements	Design Principles
Instruction & Academic Support (55%)	<ul style="list-style-type: none"> • Instructional expenses • Academic support expenses • Student FYE • Compare by level of instruction and by CIP 	<ul style="list-style-type: none"> • Provides comparable funding for similar programs, allows for mission differentiation and program mix • Promotes efficiency of costs between comparable programs
Student Services & Institutional Support (37%)	<ul style="list-style-type: none"> • Core and variable factor determined by national spending at like institutions • Institutional support variable based on student FYE • Student services variable based on weighted student headcount • Multiple campus recognition 	<ul style="list-style-type: none"> • Recognizes core activities while accounting for differences in enrollment and institutional type • Headcount recognition drives support based on student demographics
Facilities (7%)	<ul style="list-style-type: none"> • Academic square footage • Multiple campus recognition 	<ul style="list-style-type: none"> • Recognizes the costs related an institution's physical plant
Student Success (<1%)	<ul style="list-style-type: none"> • Third term persistence and completion rate (full/part-time degree seeking) • Student success ration for students of color 	<ul style="list-style-type: none"> • Provides for a reward and incentive to improve student success
Research and Public Service (<1%)	<ul style="list-style-type: none"> • Recognize actual college and university expenses 	<ul style="list-style-type: none"> • Recognizes minor, but important services/activities colleges and universities provide in addition to instruction

Allocation Model Component Calculations

- » The Allocation Model only allocates state appropriation
- » Appropriation is allocated based on percent share and available state resources
- » Appropriation is not allocated on a per student basis
- » Each component calculates a dollar value for each college/university. Allocations are not made at the component level but based on the total percent share
- » Half of a college's or university's allocation for a year is based on *percent share* for that year and half based on the prior year's *percent share*
- » Allocation flows to colleges and universities as a “block grant”

FY2025 Allocation Model – Part 1

Inst ID	Institution Name	FY2023 FYE	Instruction & Academic Support	Student Services & Institutional Support	Facilities	Student Success	Research & Public Service	TOTAL ALLOCATION FRAMEWORK	% Share of Allocation Framework
0203	Alexandria TCC	1,811	7,777,108	5,801,351	1,342,283	69,000	138	14,989,879	1.92%
0152	Anoka Ramsey CC - Anoka TC	5,698	21,089,250	13,805,398	2,298,899	559,700	23,578	37,776,824	4.83%
0070	Bemidji SU & Northwest TC-Bemidji	3,739	16,516,055	11,704,411	2,160,999	16,000	34,254	30,431,720	3.89%
0301	Central Lakes College	2,511	9,453,339	7,491,009	1,788,921	0	24,887	18,758,156	2.40%
0304	Century College	5,114	19,322,350	12,093,513	1,930,096	0	33,815	33,379,773	4.27%
0211	Dakota County TC - Inver Hills CC	4,050	16,873,142	10,905,052	2,407,811	0	400,034	30,586,039	3.91%
0163	Fond du Lac Tribal & CC	812	2,380,179	4,650,078	527,740	148,000	0	7,705,997	0.98%
0204	Hennepin Technical College	2,546	12,739,151	8,783,469	2,824,053	0	0	24,346,673	3.11%
0302	Lake Superior College	2,353	10,319,042	7,681,922	1,174,884	12,000	2,536	19,190,383	2.45%
0076	Metropolitan State University	4,839	22,162,773	14,033,024	828,757	0	177,128	37,201,683	4.75%
0305	Minneapolis College	3,876	14,936,182	10,288,566	2,628,226	152,000	40,766	28,045,740	3.58%
0411	Minnesota North College	2,448	10,122,173	8,248,877	2,958,623	395,600	301,191	22,026,465	2.81%
0213	Minnesota SC-Southeast	1,099	4,941,242	5,098,594	875,904	28,000	0	10,943,739	1.40%
0442	Minnesota State CTC	3,171	12,395,716	9,191,468	2,118,984	68,900	58,303	23,833,371	3.05%
0072	Minnesota SU Moorhead	4,228	18,373,148	11,233,799	2,385,129	0	212,790	32,204,866	4.12%
0071	Minnesota SU, Mankato	13,052	48,883,204	20,248,842	2,968,861	0	826,973	72,927,880	9.32%
0209	Minnesota West CTC	1,918	8,571,711	7,025,426	1,710,165	492,400	318,608	18,118,310	2.32%
0156	Normandale Community College	6,083	20,291,568	12,981,468	1,392,293	60,000	64,091	34,789,419	4.45%
0153	North Hennepin Community College	2,893	11,740,453	8,282,536	1,246,008	428,800	0	21,697,797	2.77%
0403	Northland CTC	1,450	7,287,124	5,932,954	1,497,952	14,300	38,413	14,770,742	1.89%
0205	Pine TCC	815	3,140,470	4,531,912	344,715	0	0	8,017,096	1.02%
0308	Ridgewater College	2,140	9,893,390	6,642,782	1,942,990	296,300	2,338	18,777,799	2.40%
0307	Riverland Community College	1,978	7,624,748	6,293,258	1,479,369	104,700	0	15,502,074	1.98%
0306	Rochester CTC	2,981	11,766,586	7,528,192	1,535,412	0	329,887	21,160,077	2.70%
0206	Saint Paul College	3,447	13,541,542	9,237,484	1,484,558	294,100	0	24,557,685	3.14%
0309	South Central College	1,835	9,358,164	6,649,296	1,256,524	0	14,600	17,278,584	2.21%
0075	Southwest Minnesota SU	3,240	10,890,676	12,514,414	1,932,818	0	93,335	25,431,244	3.25%
0073	St. Cloud SU	7,228	33,359,332	18,661,596	4,690,236	56,069	1,089,455	57,856,689	7.39%
0208	St. Cloud TCC	2,464	10,581,785	6,923,455	1,355,579	0	1,348	18,862,167	2.41%
0074	Winona SU	5,678	25,634,585	13,044,334	2,578,505	0	114,193	41,371,616	5.29%
TOTAL		105,497	431,966,179	287,508,480	55,667,295	3,195,869	4,202,662	782,540,486	100.00%

FY2025 Allocation Model – Part 2

Inst ID	Institution Name	FY2024 Base Allocation	% Share of FY2024 Allocation	50% FY2024 Base % Share	50% Allocation Framework % Share	FY2025 Base Allocation	% Share of FY2025 Allocation	\$ Change Over FY2024	% Change Over FY2024
0203	Alexandria TCC	11,670,548	1.76%	5,826,487	6,350,636	12,177,123	1.84%	506,575	4.3%
0152	Anoka Ramsey CC - Anoka TC	31,695,735	4.77%	15,824,002	16,004,589	31,828,592	4.80%	132,857	0.4%
0070	Bemidji SU & Northwest TC-Bemidji	25,692,842	3.87%	12,827,076	12,892,750	25,719,827	3.88%	26,984	0.1%
0301	Central Lakes College	15,464,861	2.33%	7,720,786	7,947,110	15,667,896	2.36%	203,035	1.3%
0304	Century College	27,838,692	4.19%	13,898,385	14,141,728	28,040,113	4.23%	201,421	0.7%
0211	Dakota County TC - Inver Hills CC	25,719,066	3.87%	12,840,168	12,958,130	25,798,298	3.89%	79,232	0.3%
0163	Fond du Lac Tribal & CC	5,914,838	0.89%	2,952,966	3,264,735	6,217,700	0.94%	302,862	5.1%
0204	Hennepin Technical College	20,805,891	3.13%	10,387,280	10,314,750	20,702,030	3.12%	(103,861)	-0.5%
0302	Lake Superior College	16,461,506	2.48%	8,218,359	8,130,228	16,348,587	2.47%	(112,920)	-0.7%
0076	Metropolitan State University	31,798,383	4.79%	15,875,249	15,760,924	31,636,173	4.77%	(162,210)	-0.5%
0305	Minneapolis College	24,056,679	3.62%	12,010,226	11,881,902	23,892,129	3.60%	(164,550)	-0.7%
0411	Minnesota North College	19,498,377	2.94%	9,734,508	9,331,767	19,066,275	2.88%	(432,103)	-2.2%
0213	Minnesota SC-Southeast	8,880,822	1.34%	4,433,724	4,636,442	9,070,166	1.37%	189,344	2.1%
0442	Minnesota State CTC	20,541,041	3.09%	10,255,055	10,097,284	20,352,338	3.07%	(188,703)	-0.9%
0072	Minnesota SU Moorhead	28,660,689	4.32%	14,308,765	13,643,965	27,952,729	4.22%	(707,960)	-2.5%
0071	Minnesota SU, Mankato	61,087,430	9.20%	30,497,720	30,896,741	61,394,461	9.26%	307,031	0.5%
0209	Minnesota West CTC	14,031,062	2.11%	7,004,966	7,676,032	14,680,998	2.21%	649,936	4.6%
0156	Normandale Community College	28,322,494	4.27%	14,139,922	14,738,940	28,878,862	4.36%	556,368	2.0%
0153	North Hennepin Community College	18,971,159	2.86%	9,471,296	9,192,523	18,663,819	2.81%	(307,341)	-1.6%
0403	Northland CTC	12,837,664	1.93%	6,409,166	6,257,796	12,666,962	1.91%	(170,702)	-1.3%
0205	Pine TCC	6,105,072	0.92%	3,047,940	3,396,536	6,444,475	0.97%	339,403	5.6%
0308	Ridgewater College	15,850,409	2.39%	7,913,270	7,955,432	15,868,702	2.39%	18,293	0.1%
0307	Riverland Community College	12,626,853	1.90%	6,303,919	6,567,633	12,871,552	1.94%	244,700	1.9%
0306	Rochester CTC	18,321,096	2.76%	9,146,753	8,964,712	18,111,465	2.73%	(209,631)	-1.1%
0206	Saint Paul College	20,896,661	3.15%	10,432,597	10,404,148	20,836,744	3.14%	(59,917)	-0.3%
0309	South Central College	14,057,161	2.12%	7,017,996	7,320,272	14,338,268	2.16%	281,107	2.0%
0075	Southwest Minnesota SU	21,026,829	3.17%	10,497,582	10,774,241	21,271,823	3.21%	244,995	1.2%
0073	St. Cloud SU	52,924,878	7.97%	26,422,590	24,511,656	50,934,246	7.68%	(1,990,632)	-3.8%
0208	St. Cloud TCC	15,868,240	2.39%	7,922,172	7,991,176	15,913,348	2.40%	45,108	0.3%
0074	Winona SU	36,437,701	5.49%	18,191,415	17,527,564	35,718,980	5.39%	(718,722)	-2.0%
TOTAL		664,064,682	2.38%	331,532,341	331,532,341	663,064,682	100.00%	(1,000,000)	-0.2%

Impacts on Institutional Financial Health since FY2018

- » Limitations on tuition rates
 - Freezes that were both funded and unfunded
 - Tuition caps
- » Federal HEERF funds awards in comparison to lost revenue
- » One-time \$50 million appropriation in FY2024 to offset past enrollment declines
- » Sector differences in enrollment changes the past few years
- » Rural two-year college aid

Appropriation and Tuition Changes Since FY2014

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 (reduced in FY2026)

Discussion Questions

- » How does the current allocation framework and model support the priorities the Board of Trustees has for the system?
- » Do the principles appropriately balance the competing interests on behalf of colleges and universities and the system?
- » Where does a potential review of the system's allocation framework fit into the system's priorities over the next few years in comparison to other strategic initiatives?



Allocation Framework Principles and Design Features

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