



**MINNESOTA STATE**  
Board of Trustees

**AGENDA ITEM SUMMARY**

**NAME:** Finance and Facilities Committee

**DATE:** October 19, 2022

**TITLE:** FY2024-2025 Biennial Budget Request (First Reading)

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Proposed New Policy /<br>Amendment to Existing<br>Policy | <input checked="" type="checkbox"/> Approvals Required by<br>Policy | <input type="checkbox"/> Other Approvals |
| <input type="checkbox"/> Monitoring/Compliance                                    | <input type="checkbox"/> Information                                |  |

**PRESENTERS**

Bill Maki, Vice Chancellor for Finance and Facilities  
Steve Ernest, System Director, Financial Planning & Analysis  
Satasha Green-Stephen, Senior Vice Chancellor for Academic and Student Affairs  
Larry Lundblad, Executive Director for Workforce and Economic Development

**PURPOSE**

Every two years the Board of Trustees submits its biennial operating budget request to the governor and the state legislature for their review and consideration. Board Policy 5.9, *Biennial and Annual Operating Budget Planning and Approval*, requires the Board of Trustees to approve the system's biennial request. This is the first reading of the request for the FY2024-FY2025 biennium.

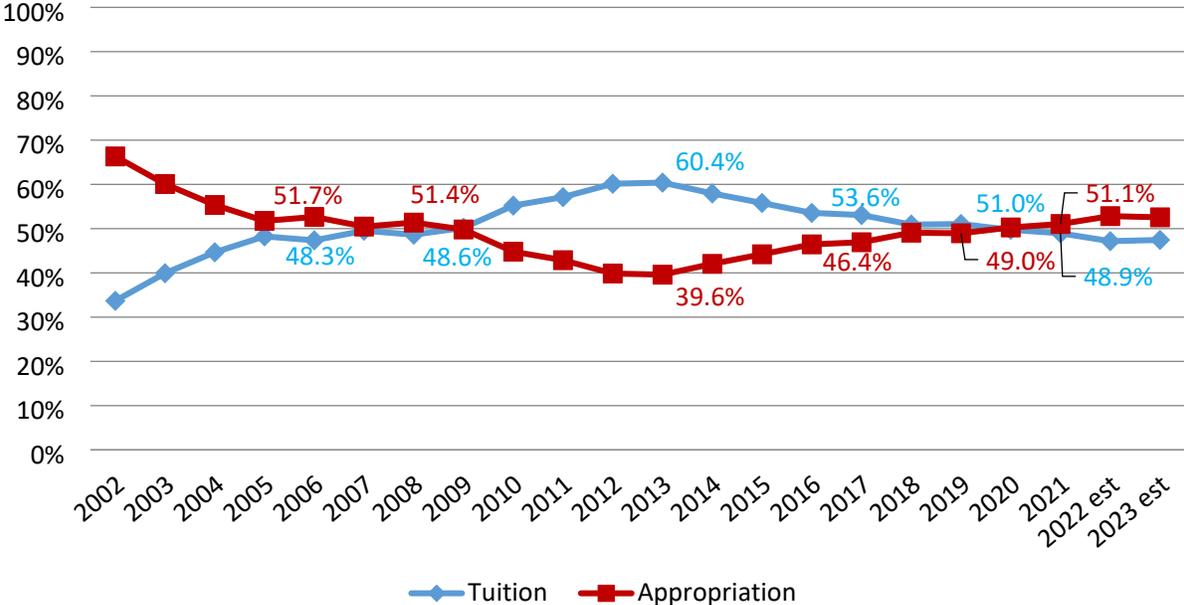
**CONTEXT AND HISTORY**

Minnesota State is the nation's third largest system of colleges and universities, with 54 campuses in 47 communities across the state. Roughly 300,000 students are provided credit and non-credit education each year, which includes roughly 63 percent of all Minnesota residents pursuing an undergraduate credential. The seven universities and 26 colleges offer over 4,000 academic programs and provide the bulk of the state's health care workers, law enforcement professionals, teachers, welders, plumbers, etc., by awarding over 36,000 degrees, certificates, and diplomas each year. The system's workforce of 14,000 faculty and staff across the state account for over a third of all State of Minnesota employees, and actively partner with local business and industry to provide educational opportunities that fit the community, including almost 10,000 customized training, occupational, and professional classes.

State appropriation is one of two primary sources of funding for our colleges and universities, the other main source being tuition. At the system level, the relationship between tuition and appropriation was nearly a 1/3 tuition and 2/3 appropriation split in fiscal year 2002, which is the goal set by the legislature in Minnesota Statute. In recent years, the relationship has generally

been around 50 percent tuition and 50 percent appropriation. Currently, the relationship is roughly 47 percent tuition to 53 percent state appropriation. The mix of tuition and appropriation differs at individual colleges and universities, with colleges generally more reliant on state appropriation and universities generally more reliant on tuition revenues. Appropriation percentages of total funding have decreased as the higher education portion of the overall state budget has decreased. When Minnesota State was created in 1995, higher education’s share (including the University of Minnesota and the Office of Higher Education with the state grant program) totaled over 12 percent of the state’s general fund budget. Since 1995, higher education’s share has been cut nearly in half (to 6.5 percent) due to competing priorities such as health and human services and E-12 education.

**Chart 1: Appropriation and Tuition Relationship**



Tuition revenues have also experienced downward trends as system enrollment has decreased over many years. Fiscal year 2011 was the apex in the system’s enrollment of 157,903 full-year equivalent (FYE) credit students. Since that peak, the system has over 53,000 (34 percent) fewer FYE in fiscal year 2023 budgets compared to fiscal year 2011. This decline has negatively affected the tuition revenue at our colleges and universities.

Further complicating the relationship between appropriation and tuition have been legislative limitations and freezes on tuition rate increases. While appropriation amounts have received increases over the years, those increases have not always offset tuition rate limitations that have been included in legislation since fiscal year 2014. For institutions that rely more on tuition or have historically low tuition rates, these limitations make financial planning more difficult.

Comparing the amounts the system has requested for campus operations and strategic initiatives to the amounts ultimately allocated, the average success is around 13.5 percent of the requested amounts. Most recently, for the FY2022-FY2023 biennium, the amount requested totaled \$120

million (\$75 million for campus support; \$45 million for equity and affordability), and the amount appropriated totaled \$56.4 million. For FY2020-FY2021, \$246 million was requested and \$80.3 million was appropriated. For FY2018-FY2019, \$178 million was requested and \$106.2 million was appropriated.

## **LISTENING SESSIONS**

During the month of September 2022, the Chancellor, Board of Trustees Chair, and the Chairs of the Academic and Student Affairs, Audit, and Finance Committees participated in a series of listening sessions held across the state. A total of twelve listening sessions were held on campuses of the Minnesota State system. Locations and dates included:

Alexandria Technical and Community College, September 14<sup>th</sup>  
Minnesota State University Moorhead, September 14<sup>th</sup>  
Bemidji State University, September 15<sup>th</sup>  
Minnesota North College, Itasca, September 15<sup>th</sup>  
Minnesota State University, Mankato, September 19<sup>th</sup>  
Rochester Technical and Community College, September 19<sup>th</sup>  
Metropolitan State University, St. Paul, September 22<sup>nd</sup>  
Minneapolis College, September 22<sup>nd</sup>  
Anoka-Ramsey Community College, Coon Rapids, September 28<sup>th</sup>  
Hennepin Technical College, Eden Prairie, September 28<sup>th</sup>  
Minnesota West Community and Technical College, Worthington, September 29<sup>th</sup>  
Ridgewater College, Willmar, September 29<sup>th</sup>

The goal of these consultations was to engage campus leaders, stakeholders and communities on key initiatives to inform the Minnesota State FY2024-FY2025 biennial budget request. More than 550 students, faculty, staff, business and community leaders, including 14 legislators, attended the listening sessions. Participants provided valuable insights and specific ideas for the biennial budget request.

Conversations began with a financial overview that included context and history of biennial budget requests. The majority of the 90-minute listening sessions was spent listening to participants offering opinions and ideas on the key issues and needs that should be addressed in the biennial budget request. Three priority areas were identified to help structure the conversation. These include student success and equity, workforce and economic development, and Minnesota State system stabilization (covering operating cost increases due to inflation).

On student success and equity, participants talked about the crucial need for financial support directly to students, including additional student scholarships; additional student emergency grants; increasing student worker wages; and making all required internships, practicums, student teaching, and other non-classroom activities paid experiences. Support for basic student needs was another strong theme. Significant numbers of today's students face basic economic challenges and in order to get them across the finish line and into the workforce, help in basic needs is critical. Specifically, participants identified funding needs to address additional funding for food pantries, housing insecurity, childcare, transportation, and campus coordinators. We also heard about the need for additional student services in the form of mental health resources,

social workers, community resource connectors, and additional college and university staffing to provide services, including campus counselors.

Regarding workforce and economic development, participants talked about increasing collaboration and partnerships with E-12 and business and industry, including more career pathway and pipeline programs and expanding of the number of internships and apprenticeships offered. Participants also spoke about expanding career, technical, and professional programs, including funding for equipment, additional supplies, and for competitive salaries to be able to recruit and retain faculty. In addition to existing programs, participants talked about the need to fund new, innovative programs, including non-credit training opportunities and adult learning opportunities. We also heard about the need to remove or reduce financial barriers in materials and other costs outside of tuition.

Minnesota State stabilization was recognized as a fundamental need area as well. Participants supported direct campus support to cover inflation to address local cost pressures. The statement was made that campuses can no longer do more with less. Funding for a tuition freeze was also high on participants’ minds, as was faculty and staff compensation not keeping up with the market and inflation. Participants talked about key needs in asset preservation to take care of building upkeep long delayed by budget limitations. Technology funding was mentioned by participants as another important area of need, including additional mobile devices for students and digital literacy efforts. Another concern identified was the need for state funding to replace mission-critical positions added during the pandemic with federal Higher Education Emergency Relief (HEERF) dollars.

**LEGISLATIVE BIENNIAL OPERATING BUDGET REQUEST**

The proposed FY2024-FY2025 legislative operating budget request focuses on protecting Minnesota State’s commitment to inclusive excellence and ensuring all Minnesotans receive an extraordinary, affordable, accessible education and provide our businesses the workforce they need. The proposed request totals \$350 million in additional funding over the biennium, with \$140 million in FY2024 and \$210 million in FY2025. The request includes \$125 million over the biennium for student support investments, \$125 million over the biennium for Minnesota State stabilization, and \$100 million over the biennium for workforce and economic development investments. Table 1 provides a summary of the components of the request by year.

**Table 1: Proposed FY2024-25 Biennial Budget Request**

<b>Proposed 2024-25 Biennial Budget Request</b>	<b>FY2024</b>	<b>FY2025</b>	<b>Biennium</b>
Student Support	\$50	\$75	\$125
Minnesota State Stabilization	\$40	\$85	\$125
Workforce & Economic Development	\$50	\$50	\$100
<b>Total</b>	<b>\$140</b>	<b>\$210</b>	<b>\$350</b>
	<i>(dollars in millions)</i>		

The request is designed to support students, support workforce and economic development, and provide the system resources necessary to maintain programs and services to support the success of the first two areas.

## **STUDENT SUPPORT**

In this area we will focus on access, student success, and equitable outcomes. Our students have challenges outside the classroom that can be barriers to completion even if they are progressing in the classroom. Minnesotans of all backgrounds, abilities, and education levels are having to and will continue to need to adjust to changing conditions.

This request focuses on four priority areas to support students:

- (1) Freezing tuition and reducing cost of attendance (\$77 million)
- (2) Expanding student support services (\$26 million)
- (3) Transfer scholarships (\$12 million)
- (4) Emergency grants (\$10 million)

### **Tuition Freeze and Cost of Attendance Reductions (\$77 million)**

This request would allow colleges and universities to freeze tuition rates where they currently are. Freezing tuition costs provides an across-the-board cost reduction to students by replacing the revenue that would have come from normal tuition rate changes with state appropriation dollars. According to provisions of the FY2022-FY2023 biennial appropriation law, the assumption is that tuition rates would increase by 3.5 percent without this funding.

Also included in this proposal is funding to reduce students' out-of-pocket costs by seeking out and expanding free offerings for a wide range of course materials and resources. Additional open educational resources (OERs) would be provided or developed for high-demand fields of study, transfer pathways, and gaps in the existing marketplace. Extending OERs to Z-degrees, degrees that have zero costs for textbooks, would be expanded.

### **Expanded Student Support Services (\$26 million)**

One broad need expressed by students is for support in figuring out how they can fit their educational goals within the broader complexities of their lives. Students do not just come to our campuses right after finishing high school, but at many different ages, different points in their personal and professional lives, with different family needs, with different financial needs, with different emotional and mental health needs. Student support services help students plan how their educational efforts will fit into their other life activities, coordinate educational concerns with other concerns, navigate requirements, take advantage of opportunities, and manage complex activities made more difficult by a student's personal challenges. This initiative would provide funding directly to campuses for services such as student advisors, social workers, basic needs coordinators, community resource connectors, and mental health support staff. Each college or university will have different specific needs based on the makeup of its student body and existing staffing and programming. Each campus will have the flexibility to apply these funds as needed.

Electronic connections for peer support and professional clinical support for mental health would be enhanced. These electronic platforms would be available online, via phone and text, 24 hours a day, seven days a week. They are customized for each college and university to include campus-specific information, including crisis response as well as referrals to campus-based and community-based mental health providers and resources, supplemental clinical therapy resources, and telepsychiatry. Inclusive and culturally relevant support for Black and Indigenous students, students of color, students in the LGBTQIA+ community, international students, and students with other underrepresented identities would be incorporated. Data reporting from the platform, including trend data, would be available for each institution to use to help improve local conditions.

Mental Health Education and Training is another component of this request. Experiential education and training opportunities would be provided, focusing on mental health and wellbeing, including mental health first aid and other evidence-based training. Training would be available to students, faculty, and staff, designed to increase understanding of mental health concerns, health and wellness support resources, and techniques for promoting positive mental health and wellbeing. Experiential training components would include bystander intervention training.

Access to the Basic Needs Resource Hub would be expanded and sustained. This hub has been established through a partnership with United Way 211 to provide students with access to basic needs resources on their campus and in their community, available via text and phone 24 hours a day and 7 days a week. The system became available on August 22, 2022, as classes began on our campuses this fall, and within the first two weeks received 50-75 calls. Basic needs resources may assist with challenges in areas such as housing and food insecurity, child and family care, transportation, and access to technology.

All of the above activities would continue to be coordinated at the system-wide level, facilitating use of the various assessment tools, assuring the data is being used to improve programs and address local needs in the best way possible, and promote additional related collaboration to continue to improve value to students and efficiency at the same time.

### **Transfer scholarships (\$12 million)**

Transfer scholarships help students continue towards completion of their educational goals when they might otherwise have to cut their education shorter than they wanted or at least delay it, often making eventual completion more difficult. These scholarships would support students with financial need who transfer from any Minnesota State college to a Minnesota State university. Annually, over 5,000 students have transferred from a system college to a system university in recent years.

### **Emergency grants (\$10 million)**

In fiscal year 2024, federal Higher Education Emergency Relief Fund (HEERF) grants to students will no longer be available. Unexpected emergency needs, though, will not go away. Based on

specific evidence, emergency grant application processes have been developed that are administratively streamlined, easy to use, customized by each college and university, and focused on need and equity in decision making. A mobile application can be used that includes the entire application process. Access to live support functionality for students who require assistance navigating the mobile application is also available. And regular data reports are provided to institutions to indicate utilization, student needs, requested and awarded amounts, and other relevant data.

### MINNESOTA STATE STABILIZATION

Our colleges and universities rely on state appropriation to cover a significant portion of their general fund operating budgets. An increase in state appropriation is needed for Minnesota State colleges and universities to continue to provide an exceptional education and ensure there are adequate programs and services to serve our students. Without increases in general fund revenues, campuses will need to reduce the breadth of academic programs and student services that are available to students at the same time that demands have increased. Past biennial appropriations have often provided a smaller increase or even a decrease in the second year of the biennium, as shown in Table 2. This structural imbalance makes it more difficult for colleges and universities to plan for the second year of the biennium.

**Table 2: State Appropriation History**

fiscal year	appropriation in \$millions	change from previous year
2014*	587.9	7.7%
2015*	622.1	<b>5.8%</b>
2016**	672.9	8.2%
2017	673.5	<b>0.1%</b>
2018**	731.0	8.5%
2019	721.9	<b>-1.2%</b>
2020	758.7	5.1%
2021	765.7	<b>0.9%</b>
2022	792.0	3.4%
2023	789.5	<b>-0.3%</b>

\*colleges and universities received funding for tuition freezes

\*\*colleges received funding for tuition freezes

Among the side effects of the pandemic have been a resurgence of inflation due to supply and demand issues and increases in labor costs due to shifts and shortages in labor market participation. Colleges and universities reassess and reallocate spending on a continual basis to maintain focus on student success and other priorities while preserving affordability. In order to maintain academic programs and keep tuition affordable, however, additional resources are required. This portion of the request includes \$125 million, \$40 million in fiscal year 2024 and \$85 million in fiscal year 2025, to address these needs. This would provide for a similar increase of roughly 5 percent each year to address inflationary needs.

## **WORKFORCE AND ECONOMIC DEVELOPMENT**

The proposal includes \$100 million to address the challenges in addressing current and future workforce needs for Minnesota. All \$100 million of the state funds requested will be matched one-to-one with \$100 million of non-state funds in-kind or cash. Performance metrics will be established to clearly show the return on investment from the state and partners in business and industry in strengthening the workforce. These strategic investments will provide Minnesota with the talent it needs.

This request focuses on three priority areas:

- (1) Upgrade college and university equipment and learning environments (\$49 million)
- (2) Increase workforce development scholarships (\$25.5 million)
- (3) Develop and expand industry sector programming (\$25.5 million)

### **Upgrade college and university equipment and learning environments (\$49 million)**

Minnesota State will enhance state-of-the-art skill and applied research laboratories using interactive, hands-on, and multi-disciplinary approaches in science, technology, and career or technical programs. State-of-the-art equipment and learning environments are defined as those that are the best available because they represent the most modern techniques and technology. Minnesota is at risk of falling behind investments made by neighboring states in learning environments that attract and retain students and workers.

Solving complex problems in the modern world requires collaboration across many fields, including social, behavioral sciences, and technical fields. Colleges and universities will utilize funding to enhance stand-alone equipment, technologies or learning environments, such as: labs for applied research, data visualization spaces, and spaces for collaboration. For example, this program would permit sharing equipment across our institutions, such as highly-technical and high-powered tractors equipped with precision ag software and equipment that can be used by our agricultural programs. Shared spaces would be encouraged; for example, regionally-based simulation “hubs” for nursing and allied health programs. Simulation laboratories are an essential part of student learning that provide a foundation for critical reasoning, synthesis, and analysis of increasingly complex health care situations. Labs are complete with simulated patient care equipment and video cameras for analysis of student learning.

Technical fields may focus on artificial intelligence, automation/mechanization, and data sciences to enhance students’ preparation for the future. Faculty and industry, in partnership, will enhance our capacity and support for expertise and exposure to new technologies. Whether plant or water sciences, advanced construction or energy production, Minnesota State’s laboratories and equipment are where students become the scientists, engineers, technicians, makers and builders of the future.

### **Increase workforce development scholarships (\$25.5 million)**

This request is to expand the Workforce Development Scholarship program to increase affordability for college and university students and to encourage enrollment in high-demand

fields to meet the state's workforce needs.

The program is currently funded with \$4,500,000 annually, with a 10 percent hold-back of funds matched 1:1 with private dollars. Scholarships may be awarded in the following areas: healthcare, information technology, agriculture, transportation, manufacturing, and early childhood education. Colleges may also select an additional area based on regional workforce needs.

Additional funding of \$25,500,000 over the biennium is requested to:

- Add three new degree fields for scholarship eligibility: construction, education, and law enforcement and public safety.
- Expand eligibility to state university students for the first two years of their education either as 1<sup>st</sup> year freshman or as a transfer student in all eligible degree fields. Increase annual award amount to \$3,500 for students in university programs (college students will be eligible for \$2,500 per year in line with the current program). This difference is in recognition of the difference in tuition and fees paid at a college versus a university.
- Add select credit and non-credit certificates and short-term stackable credentials for full cost of instruction (up to \$1,500) and eligible credit-for-prior learning (CPL) fees. Completion must result in a certificate per federal Workforce Innovation and Opportunity Act (WIOA) guidelines.
- Funding would be provided to colleges and universities on a basis that is proportional to enrollment in the eligible programs.

This funding would more than triple the current number of approximately 1,600 students receiving scholarships.

### **Develop and expand industry sector programming (\$25.5 million)**

Industry sector program development will focus on high-demand occupations that are experiencing extraordinary changes in occupational skills due to technological changes in Minnesota's increasingly advanced and diverse economy. Focusing on industry partnerships, these program developments will build capacity and adequate support for new and re-designed curricular options. As a growing number of students pursue certificates or industry-recognized credentials, engaging with students over their career by addressing emerging skills, rather than solely focusing on traditional degrees, is vital to the relevance of our college and university programs.

Many of the exciting new fields of study are inherently multi-disciplinary, and often do not fit neatly into past models of 2+2 pathways. New programs or curricular changes must address education and career pathways that overlap occupations and allow students to build a resume of degrees, certificates, licenses, and other skill-based credentials. Industry research reflects that students value customization to prepare for the hybrid jobs of the future – the ability to design an education that fits an individual's unique career goals.

With a focus on Minnesota's key industry sectors in healthcare, information technology, agri-business/agri-science, transportation, manufacturing, engineering and energy, this request will support development of new or multi-disciplinary programs at colleges and universities. In addition, funding preference will be given to programs that include work-place experiences, such as "earn & learn"; micro-credentials; internships; or applied research.

Examples include:

- Manufacturing and cyber-physical systems credential (credit or non-credit). Cyber-physical systems integrate sensing, computation, control and networking into physical objects and infrastructure, connecting them to the Internet and to each other to protect computer-controlled manufacturing processes.
- Regenerative precision agriculture. Today's agriculture is about building soil health, water quality, and carbon sequestration while using precision technology to support producer financial viability. This sophisticated balance requires graduates who are well-trained in all aspects of environmental impact and efficient food production from the crop planning phase to the store shelf and beyond.
- The transportation industry has seen recent and rapid changes to vehicle technology in autonomous (self-driving), connected, computer controlled, and electric drive technology. This program would add non-credit and credit options for certifications to address each of these emerging technologies.
- Development of a solar photovoltaic technician certificate through a unique schedule and a customized learning environment and offered to all electrical program students in the Minnesota State system.

Minnesota State's eight Centers of Excellence (Northern Agriculture, Southern Agriculture Energy, Engineering, HealthForce, Information Technology, Advanced Manufacturing, and Transportation) play an important role with program development to fulfill the state's goal to support a diverse workforce and that offers equitable employment outcomes for our students. Centers partner with industry, secondary schools, community, and our colleges and universities to carry out three strategies: (1) guide students to meaningfully expand their knowledge and selection of careers, (2) engage industry to create informed and up-to-date college programs, and (3) ensure college and university programs offer innovative and high-quality education and training. This request would seek funding to support two additional Centers of Excellence in: (1) Public Safety (law enforcement, first responders, and firefighting) and (2) Construction/Building Trades.

#### **NEXT STEPS**

Ongoing consultation, including budget-specific conversations with the statewide college and university student associations, all statewide bargaining units, and the presidents' Leadership Council will continue between now and the second reading of the proposed biennial budget request. This consultation will be informed by local campus discussions, including conversations with students, faculty, staff, and campus leadership. These consultations and on-campus discussions will help to strengthen the final request, which will be presented to the Board of Trustees in November for approval.

#### **RECOMMENDED COMMITTEE MOTION (FIRST READING DRAFT)**

Under development

**RECOMMENDED BOARD MOTION (FIRST READING DRAFT)**

Under development

*Date Presented to the Finance and Facilities Committee:* 10/19/2022

*Date Presented to the Board of Trustees:* First reading – no action taken.

*Date of Implementation:* TBD