



September 2018

FY2020-2021 Biennial Budget – Educating Minnesota’s Talent

Discussion

Board of Trustees

Retreat

Today's objectives

- Overview of calendar
- Background on state funding relationship
- Introduction of biennial budget request – a proposal for discussion
- Discussion questions



Questions for discussion at end of presentation

1. Do we have the best ideas for advancing the completion agenda and addressing workforce challenges?
2. Is there support for the tuition strategies to strengthen access?
3. Do we have the right approach to financing ISRS Next Gen?
4. Is there support for the overall nature and size of the proposal?

Overview of calendar



The FY2020-FY2021 legislative request

The Board of Trustees' formal request to the governor and legislature for two years of state operating funds for Minnesota State.

The FY2020-FY2021 biennium begins July 1, 2019 and runs through June 30, 2021.



Legislative planning cycle

- **2018 session (last session)** 2018 capital program request, FY2019 supplemental operating request
- **2019 session (next session)** FY2020-FY2021 legislative operating request, possible 2019 supplemental capital program request

Consultation timeline

- April-August Meetings with each bargaining unit and both student associations
- Early Sept Discussion with LC Executive Committee
- Sept 10-11 Leadership Council retreat discussion**
- Sept 18-19 Board of Trustees retreat discussion**
- Sept – Oct Continued consultation with student, faculty, and staff statewide leadership
- Early Oct Meet with LC Executive Committee and Board Executive Committee
- Oct 8-9 Leadership Council discussion
- Oct 16-17 Board of Trustees meeting 1st reading
- Oct-Nov Continued consultation
- Nov 13-14 Board of Trustees meeting 2nd reading and adoption**
- Nov 15 Submission to MMB**



Background on state funding relationship

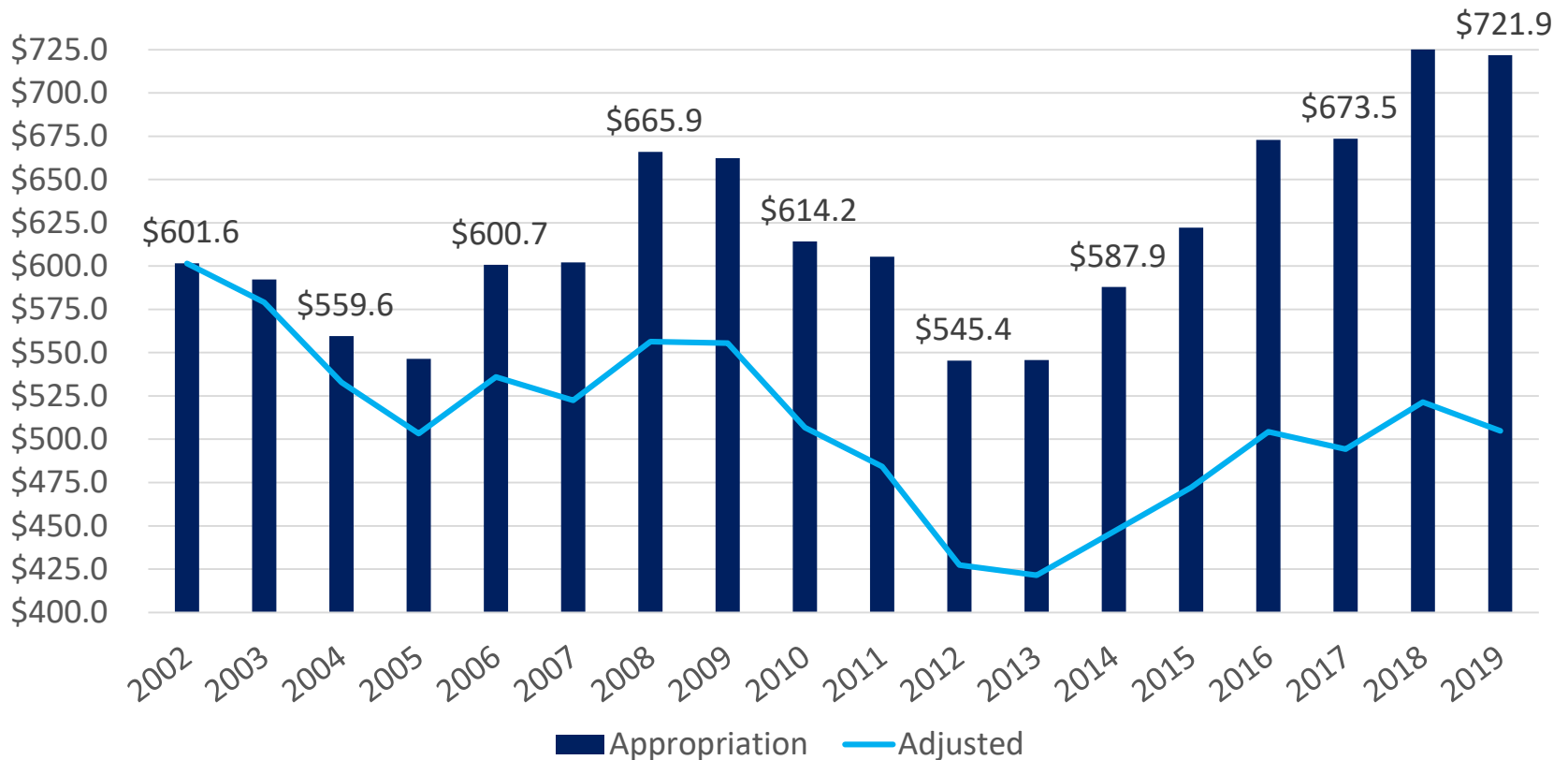


How important is state support?

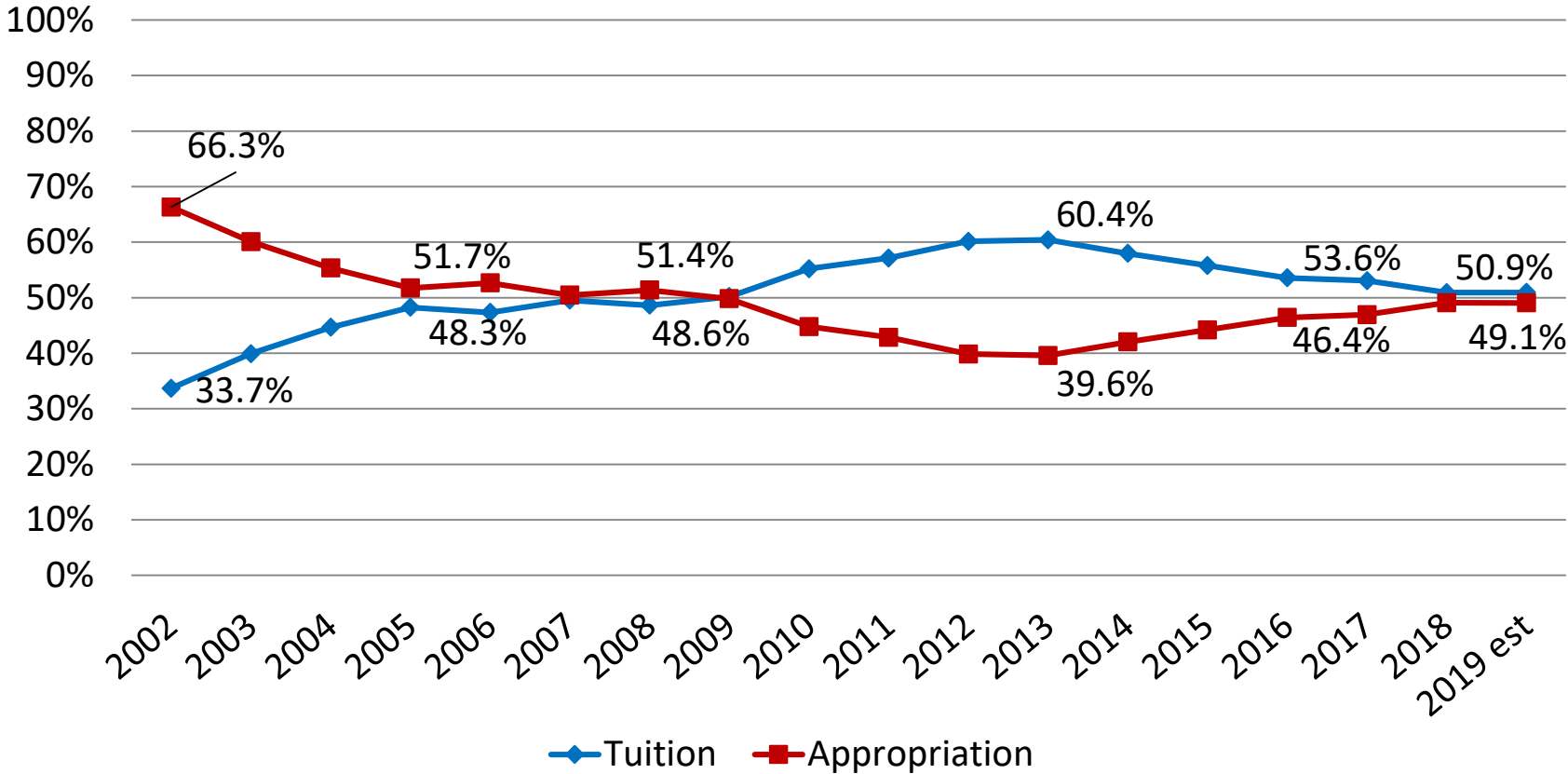
- State appropriation and student tuition are the two primary sources of funding for colleges and universities
- The Legislature may also have a say in tuition rates
- State appropriation sets constraints on available resources for:
 - Compensation
 - Program support and growth
 - Student support services
 - Technology and equipment
 - Solutions to challenges campuses are trying to address
 - New academic program initiatives and innovations
 - New partnerships
 - Affordability

Despite significant increases, Minnesota's adjusted investment in higher education is \$97 million less than 2002

State appropriation revenue (\$ millions) and adjusted for inflation

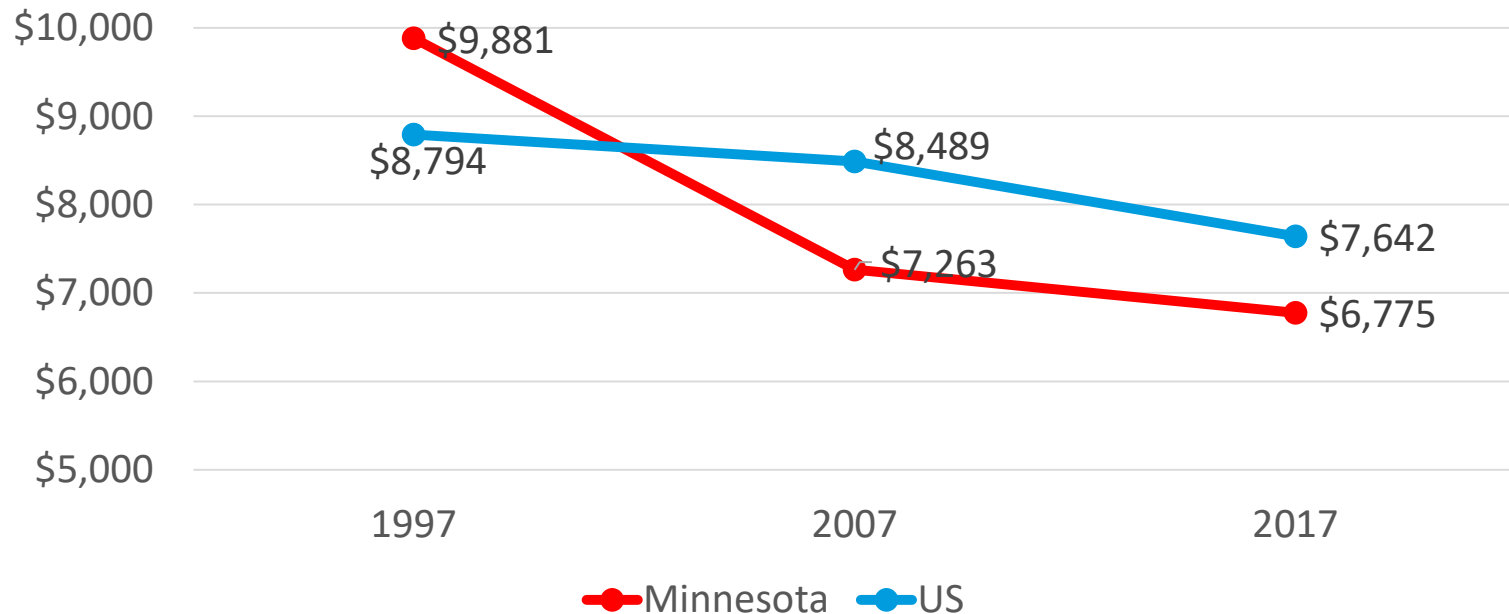


The relationship between Minnesota State tuition and state appropriation has changed significantly over the past 15 years



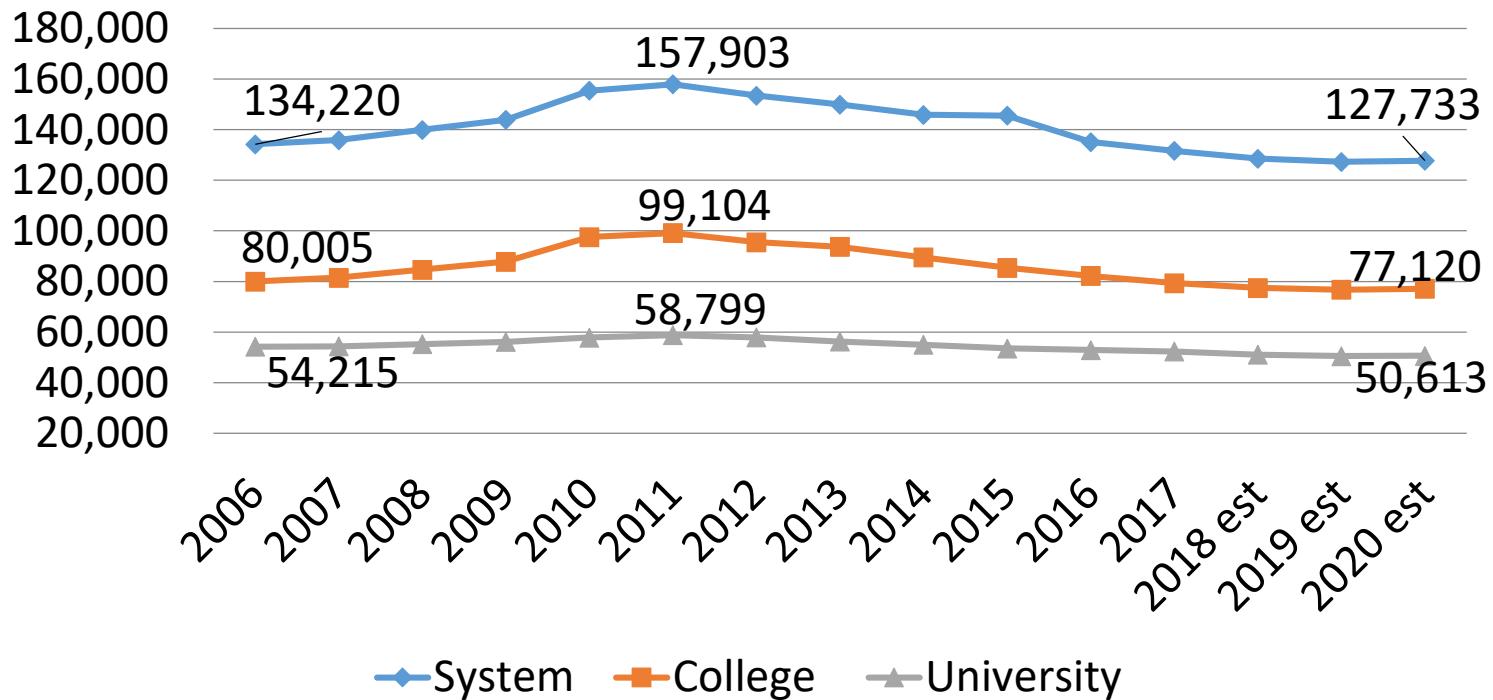
Minnesota's higher education funding trails U.S. average significantly

State and Local Educational Appropriations for Higher Education per FTE Student from 1997 to 2017



Source: SHEEO (2017). SHEF FY 17. Constant 2017 dollars adjusted by SHEEO Higher Education Cost Adjustment

FY2019 enrollment is projected to decline 1.0% then level off



Tuition rates has been restricted by the legislature

Fiscal Year	Colleges	Universities
2014	Frozen	Frozen
2015	Frozen	Frozen
2016	Frozen	Increased overall average of 3.4%
2017	Cut 1%	Frozen
2018	Increased overall average of 1%	Increased overall average of 3.9%
2019	Frozen	Frozen

Introduction of biennial budget request – a proposal for discussion



Some facts

- Between FY2008 and FY2019, state support and tuition revenue *combined* increased an average of 1.1% per year.
- In the FY2016-FY2017 biennium, state support increased 8.2% (\$102 million), but net new revenue from both tuition and state support increased only 2.8% (**\$78 million**) due to enrollment losses, rate changes and state funding shortfalls.
- In the FY2018-FY2019 biennium, state support increased 7.9% (**\$106 million**), but net new revenue from both tuition and state support is projected to increase only 2.5% over two years (**\$71 million**) due to enrollment losses, rate changes and state funding shortfalls.

Strategic organizing principles will shape legislative proposal

- Student success/new learners
- Diversity, equity, and inclusion/new demographics
- Programmatic and financial sustainability/new budget realities

Initial consultation has occurred with Minnesota State stakeholders

All statewide bargaining units and both student associations have been invited to provide initial input

- Themes:
 - Make the case that adequately funding higher education is critical to nurture and sustain Minnesota's economy
 - Help address Minnesota's economic and racial disparities
 - Stay focused on improving affordability
 - Improve educational outcomes, student success and advance academic excellence
 - Replace an out-of-date, unreliable enterprise technology system with one that better serves students
 - Fund inflationary costs to protect students, programs, and campuses

Educating Minnesota's Talent – Proposed FY2020-FY2021 priorities

Campus Investments

- Ensure the success of students by investing in essential enterprise-wide technology infrastructure
- Meet Minnesota's talent needs by providing resources for high-quality, affordable, relevant academic programs

Strategic Investments

- Strengthen access through tuition strategies
- Address the workforce opportunity gap through investment in career, technical and professional workforce development

ISRS Next Gen is a critical system investment that must be made

- Plays a critical role in the success of our students – from applicant to graduate and nearly every process in between
- Serves as the cornerstone data system for our enterprise and requires high security
- Touches everyone and nearly every activity: application, registration, course schedule, housing, financial aid, transcripts, system finance, accounting, and HR
- Replaces the system's outdated 20-year old ISRS data system that is reaching its technological end of life

Next Gen student record system

\$ in millions	FY2018-2019	FY2020-2021	FY2022-2023	FY2024-2025	Total
State contribution	\$8*	\$8*			
New support		\$37*			
Total state contribution	\$8	\$45*	\$45*	\$45*	\$143
System office & college & university contribution	\$8	\$0	\$0	\$0	\$8
Total project investment	\$16	\$45	\$45	\$45	\$151

*State funds added to the base – no additional state funds required in the FY2022-FY2023 and FY2024-FY2025 biennia

Campus support in FY2020-FY2021 to preserve programs and services

Increase in resources needed for FY2020-FY2021

Compensation increases (salary plus fringe) =	\$111M
Operating cost increases =	<u>\$ 38M</u>
	\$149M
Address structural gap=	<u>\$20M</u>
Total campus support =	\$169M

Strengthening access

- Two new scholarship programs targeting enrollment and completion
 - “Mn State College Promise Program” for new and continuing college students
 - “Mn State University Transfer Scholarship” for transfer from our colleges to our universities
- Ask the legislature to support revenue needs - avoid tuition increase

Invest in the workforce opportunity gap

- Expand career technical education and professional programming in sectors with high employment growth and demand in sustainable wage occupations
- Leverage campus and system capacity for collaborative program development and delivery
 - Strengthen and expand the K-12 career and technical pipeline and grow K-12 collaborative programming
 - Strengthen and expand opportunities for adult and incumbent workers
- Develop new teacher education pathways in career technical education in support of K-12 and higher education programming

Educating Minnesota's talent - \$246 million in new funding over the biennium

- \$37 million to support ISRS Next Gen, a mission-critical, multi-year technology infrastructure project to replace our out-of-date enterprise technology system and substantially improve the student experience
- \$169 million to provide high quality programs and fund inflationary costs at three percent each year of the biennium
- \$25 million in targeted financial support to strengthen access and help our students advance and succeed, especially diverse student groups
- \$15 million to address the workforce gap through innovative career, technical and professional programming serving business and industry

FY2020-FY2021 legislative operating budget request summary

\$s in millions

	FY2020	FY2021	FY2020-21
ISRS Next Gen	\$18.5	\$18.5	\$37
Campus support	\$59	\$110	\$169
Strengthen access	\$14	\$11	\$25
Workforce challenges	\$5	\$10	\$15
Total Request	\$96.5	\$149.5	\$246

FY2021 appropriation continues as base funding into the future



Ask for what we need with a commitment from the board to hold undergraduate tuition in FY2020 and FY2021 at FY2019 rates if the request is fully funded.

- Leads with a powerful commitment to affordability
- Protects our service to students and communities; enables us to help reduce economic and racial disparities; enables us to meet Minnesota's talent needs; enables ISRS Next Gen and modest investments in innovation
- Continues to move the state back towards its historic level of investment

Questions for discussion

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