

	<b>PAGE</b>
<b>Transmittal Letter</b> .....	2
<b>Agency Profile</b> .....	3
<b>Agency Fiscal Page (Gov Rec)</b> .....	7
<b>Change Summary</b> .....	8
<b>Agency Change Items</b>	
↻ Base Reduction.....	9
<b>Programs</b>	
<b>MN State Colleges &amp; Univer</b> .....	10
Program Summary.....	14
<b>Appendix</b>	
Agency Revenue Summary Fiscal Page.....	15
<b>Minnesota State Colleges and Universities 2010-11 Biennial Budget Request</b> .....	16
<b>Change Items</b>	
↻ Inflation .....	17

↻ Designates that this item is a change item



January 27, 2009

The 2009 Minnesota Legislature:

On behalf of Governor Tim Pawlenty, I am submitting the FY 2010-2011 budget recommendations for higher education. These recommendations would reduce General Fund appropriations to the Office of Higher education, the University of Minnesota and the Minnesota State Colleges and Universities System to help solve the \$4.8 billion projected budget shortfall for the biennium. The Governor's recommendations strike a balance between support for institutions and support for the State Grant program and other student-centered proposals.

The total recommended general fund appropriation for higher education, including the University of Minnesota, the MnSCU system, the Office of Higher Education and the Mayo Clinic is \$2.823 billion. This total reduction is \$312.7 million or about a 10% decrease over the total higher education base budget.

The Governor's budget reduces the general fund base level funding of \$1.394 billion for the University of Minnesota by \$151.0 million. This reduction represents a 10.8% change from base funding.

The Governor's budget reduces the general fund base level funding of \$1.364 billion for MnSCU by \$146.0 million. This reduction represents a 10.7% reduction from base funding.

In addition, the Governor recommends the University of Minnesota Board of Regents and the MnSCU Board of Trustees institute firm caps on tuition increases to ensure rising tuition costs do not unduly harm students.

These recommendations reflect very difficult choices in an economic environment not seen for many decades. We look forward to working with the Legislature in the coming months.

Sincerely,

A handwritten signature in cursive script that reads "Susan Heegaard".

Susan Heegaard  
Director

## Agency Purpose

The Minnesota State Colleges and Universities system of distinct and collaborative institutions offers higher education that meets the personal and career goals of a wide range of individual learners, enhances the quality of life for all Minnesotans and sustains vibrant economies throughout the state.

The diverse institutions within the system offer an unequalled breadth, variety and quality of educational opportunities across the state. Collectively and in partnership, the colleges and universities offer learning opportunities for a technologically sophisticated world that result in:

- ◆ contributing and empowered citizens;
- ◆ active participants in a democratic society;
- ◆ educated, skilled, and adaptable workers;
- ◆ innovative lifelong learners;
- ◆ practical research and development; and
- ◆ successful communities.

## At A Glance

- ◆ Largest provider of higher education in Minnesota, educating about 242,000 students in credit courses annually
- ◆ Serves another 140,000 students in non-credit courses.
- ◆ Graduates 34,000 students each year
- ◆ Produces the largest share of the state's new teachers, accountants, police officers, nurses, firefighters, technicians, trades people and others from a broad range of disciplines.
- ◆ The system has 7 universities and 25 colleges on 53 campuses in 46 Minnesota communities. A 54<sup>th</sup> campus, located in Owatonna, is scheduled to be added to the system by the end of calendar year 2008.

**Vision** - The Minnesota State Colleges and Universities will enable the people of Minnesota to succeed by providing the most accessible, highest value education in the nation.

**Mission** - The Minnesota State Colleges and Universities system of distinct and collaborative institutions offers higher education that meets the personal and career goals of a wide range of individual learners, enhances the quality of life for all Minnesotans and sustains vibrant economies throughout the state.

## Core Functions

Teaching and learning are the core functions of the Minnesota State Colleges and Universities.

## Operations

The colleges and universities serve students in credit-based courses, non-credit courses and customized training. The colleges and universities offer an extremely wide array of credit-based courses leading to applied doctoral, masters, bachelors, and associate degrees, as well as occupational certificates and diplomas. They also offer non-credit continuing education courses and direct training services to businesses, nonprofit organizations and government agencies seeking to improve their employees' skills.

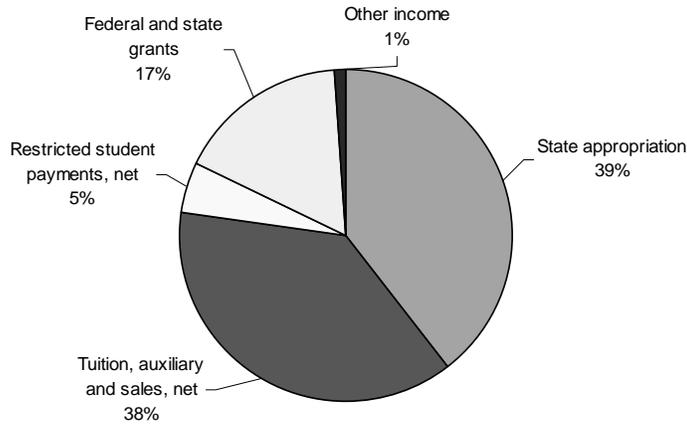
Educational programs are delivered at 53 campus locations statewide, comprising 26 million square feet of space, or approximately one-third of the state's building inventory. Each one of the 32 Minnesota state colleges and universities contribute to the civic, economic, and cultural life in the 46 communities in which they are located.

## Budget

### Revenue

Fiscal year 2007 operating revenues total \$1.5 billion. State appropriations comprised 39%, and tuition, auxiliary and sales (net) revenue 38% of the system's operating revenues. Other major revenue sources included federal and state grants. More than 95% of the state appropriation was distributed to the colleges and universities. All tuition and fee revenues generated by the colleges and universities remain with the institution that generates the revenues.

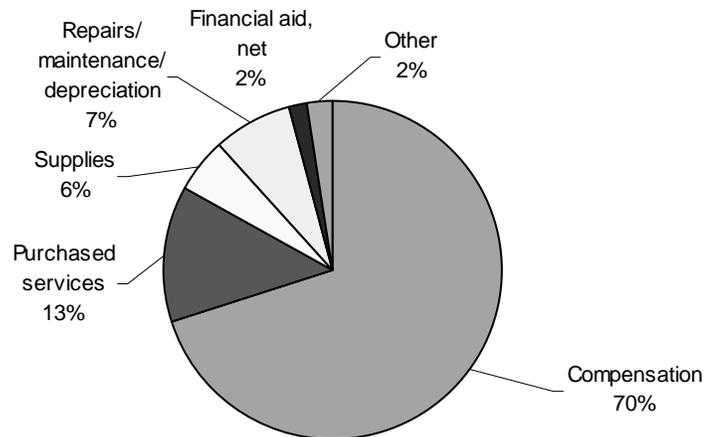
**Revenues – All Funds  
Fiscal Year 2007 \$1.5 Billion**



**Expenses**

Operating expenses during fiscal year 2007 totaled \$1.5 billion. Compensation accounted for 70% of the Minnesota State Colleges and Universities total operating expenses.

**Expenses – All Funds  
Fiscal Year 2007 \$1.5 Billion**



Laws of Minnesota for 2007 require the public post-secondary systems in Minnesota to report instructional and non-instructional expenses in the biennial budget document. For fiscal year 2007 (the most recent year of audited financial data), the Minnesota State Colleges and Universities system’s instructional expenses totaled \$617.4 million. The definition of instructional expenses is “a functional expense category that includes expenses of the colleges, schools, departments, and other instructional divisions of the institution and expenses for departmental research and public service that are not separately budgeted. It includes both credit and non-credit instruction.” This definition was developed by the Integrated Postsecondary Education Data System (IPEDS) and is used by all higher education institutions for consistent reporting and cross-institution comparisons.

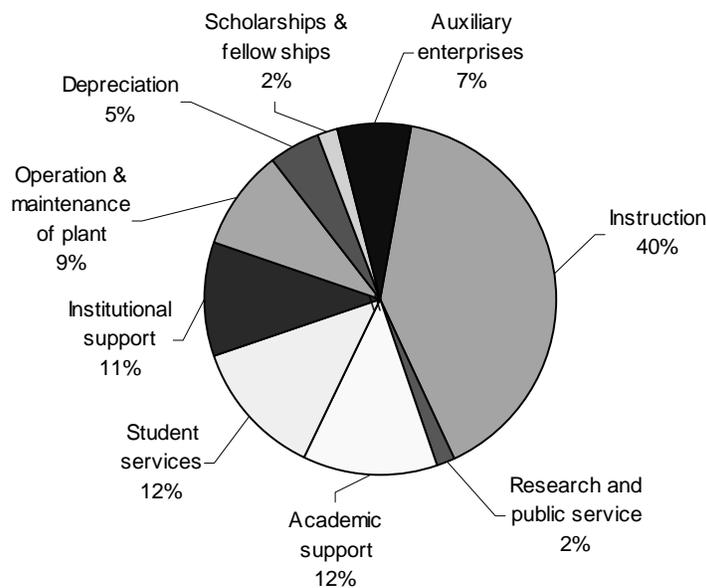
Non-instructional expenses for fiscal year 2007 totaled \$910.4 million. Non-instructional expenses included the following IPEDS categories: research, public service, academic support, student services, institutional support, operation and maintenance of plant, depreciation, scholarships and fellowships, and auxiliary enterprises.

**Operating Expenses  
Fiscal Years 2006 and 2007 (\$ in millions)**

	Fiscal year 2006	Fiscal year 2007
Instructional expenses	\$603.3	\$617.4
Non-instructional expenses	\$855.3	\$910.4
<b>Total operating expenses</b>	<b>\$1,458.6</b>	<b>\$1,527.8</b>

Instructional activities comprised approximately 40% of the Minnesota State Colleges and Universities total operating expenses.

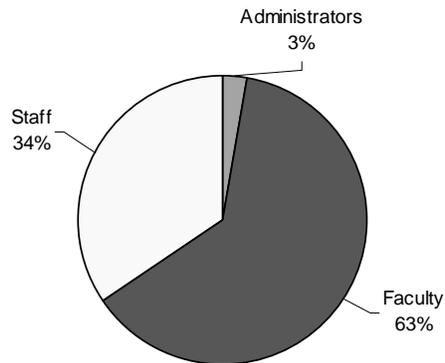
**Operating Expenses by Functional Category  
Fiscal Year 2007 \$1.5 billion**



**Employees**

Faculty comprise 63% of the 19,486 total employee headcount; staff 34% of the total; and administrators 3%.

**Employee Headcount  
Fiscal Year 2007**



**Contact**

Linda Kohl  
Public Affairs Division: 651.296.9595

Minnesota State Colleges and Universities website:  
[www.mnscu.edu](http://www.mnscu.edu)

Minnesota State Colleges and Universities Finance Division website:  
[www.finance.mnscu.edu](http://www.finance.mnscu.edu)

STATE COLLEGES & UNIVERSITIES

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2010-11
	FY2008	FY2009	FY2010	FY2011	
<b><u>Direct Appropriations by Fund</u></b>					
<b>Environment &amp; Natural Resource</b>					
Current Appropriation	371	0	0	0	0
<b>Recommended</b>	<b>371</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change		0	0	0	0
% Biennial Change from 2008-09					-100%
<b>Mn State Colleges/universities</b>					
Current Appropriation	665,883	682,417	682,417	682,417	1,364,834
<b>Recommended</b>	<b>665,883</b>	<b>682,417</b>	<b>608,597</b>	<b>608,597</b>	<b>1,217,194</b>
Change		0	(73,820)	(73,820)	(147,640)
% Biennial Change from 2008-09					-9.7%
<b><u>Expenditures by Fund</u></b>					
<b>Direct Appropriations</b>					
Environment & Natural Resource	136	235	0	0	0
Mn State Colleges/Universities	665,940	682,817	608,597	608,597	1,217,194
<b>Statutory Appropriations</b>					
Minnesota Technology Inc	1,746	1,968	1,968	1,968	3,936
Mn State Colleges/Universities	747,174	784,740	792,540	799,940	1,592,480
Mnscu Special Revenue	10,354	10,876	10,300	10,300	20,600
Mnscu Federal Fund	46,049	45,762	45,762	45,762	91,524
Mnscu Agency Fund	26,389	25,833	25,833	25,833	51,666
Mnscu Gift Fund	4,201	4,350	4,350	4,350	8,700
Sub Supplemental & Ira Retire	331	101	101	101	202
Mnscu Enterprise Activities	9,652	9,283	9,283	9,283	18,566
Mnscu Endowment Fund	5	4	4	4	8
<b>Total</b>	<b>1,511,977</b>	<b>1,565,969</b>	<b>1,498,738</b>	<b>1,506,138</b>	<b>3,004,876</b>
<b><u>Expenditures by Category</u></b>					
Local Assistance	1,511,977	1,565,969	1,499,038	1,506,438	3,005,476
Transfers	0	0	(300)	(300)	(600)
<b>Total</b>	<b>1,511,977</b>	<b>1,565,969</b>	<b>1,498,738</b>	<b>1,506,138</b>	<b>3,004,876</b>
<b><u>Expenditures by Program</u></b>					
Mn State Colleges & Univer	1,511,977	1,565,969	1,498,738	1,506,138	3,004,876
<b>Total</b>	<b>1,511,977</b>	<b>1,565,969</b>	<b>1,498,738</b>	<b>1,506,138</b>	<b>3,004,876</b>

STATE COLLEGES & UNIVERSITIES

Change Summary

Dollars in Thousands

	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<b>Fund: ENVIRONMENT &amp; NATURAL RESOURCE</b>				
FY 2009 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Total Governor's Recommendations	0	0	0	0
<b>Fund: MN STATE COLLEGES/UNIVERSITIES</b>				
FY 2009 Appropriations	682,417	682,417	682,417	1,364,834
Technical Adjustments				
Current Law Base Change		(100)	(100)	(200)
One-time Appropriations		(720)	(720)	(1,440)
Subtotal - Forecast Base	682,417	681,597	681,597	1,363,194
Change Items				
Base Reduction	0	(73,000)	(73,000)	(146,000)
Total Governor's Recommendations	682,417	608,597	608,597	1,217,194
<b>Fund: MINNESOTA TECHNOLOGY INC</b>				
Planned Statutory Spending	1,968	1,968	1,968	3,936
Total Governor's Recommendations	1,968	1,968	1,968	3,936
<b>Fund: MN STATE COLLEGES/UNIVERSITIES</b>				
Planned Statutory Spending	784,740	792,540	799,940	1,592,480
Total Governor's Recommendations	784,740	792,540	799,940	1,592,480
<b>Fund: MNSCU SPECIAL REVENUE</b>				
Planned Statutory Spending	10,876	10,300	10,300	20,600
Total Governor's Recommendations	10,876	10,300	10,300	20,600
<b>Fund: MNSCU FEDERAL FUND</b>				
Planned Statutory Spending	45,762	45,762	45,762	91,524
Total Governor's Recommendations	45,762	45,762	45,762	91,524
<b>Fund: MNSCU AGENCY FUND</b>				
Planned Statutory Spending	25,833	25,833	25,833	51,666
Total Governor's Recommendations	25,833	25,833	25,833	51,666
<b>Fund: MNSCU GIFT FUND</b>				
Planned Statutory Spending	4,350	4,350	4,350	8,700
Total Governor's Recommendations	4,350	4,350	4,350	8,700
<b>Fund: SUB SUPPLEMENTAL &amp; IRA RETIRE</b>				
Planned Statutory Spending	101	101	101	202
Total Governor's Recommendations	101	101	101	202
<b>Fund: MNSCU ENTERPRISE ACTIVITIES</b>				
Planned Statutory Spending	9,283	9,283	9,283	18,566
Total Governor's Recommendations	9,283	9,283	9,283	18,566
<b>Fund: MNSCU ENDOWMENT FUND</b>				
Planned Statutory Spending	4	4	4	8
Total Governor's Recommendations	4	4	4	8

# STATE COLLEGES & UNIVERSITIES

Change Item: Base Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(73,000)	\$(73,000)	\$(73,000)	\$(73,000)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(73,000)	\$(73,000)	\$(73,000)	\$(73,000)

## Recommendation

The Governor recommends a reduction of \$73 million in FY 2010 and \$73 million in FY 2011 to the Minnesota State Colleges and Universities (MnSCU) general fund operating budget. This represents an 10.7% reduction to the general fund operating budget. The Governor intends that MnSCU should focus its operating funds on maintaining its highest priority services. In addition, the Governor expects MnSCU to reduce duplication among its programs and reallocate funds to protect its priorities before resorting to increases in tuition. The Governor also recommends the MnSCU Board of Trustees institute a firm cap on tuition increases.

## Background

Given the current budget climate, MnSCU must be expected to eliminate duplication in its programs and focus on its core priorities in order to continue meeting student needs. To ensure that rising tuition costs do not unduly harm students, the Governor also encourages the MnSCU Board of Trustees to institute a firm cap on tuition increases. In academic 2007-2008 tuition at MnSCU four year institutions ranked fifteenth in the country and above the national average. In addition, tuition at MnSCU two year institutions ranked third in the country. This recommendation is consistent with the reductions that state agencies are expected to make in other state-funded activities.

## Relationship to Base Budget

An 10.7% general operating fund reduction would provide a challenge to the system to prioritize within existing resources. This reduction represents a 10.7% reduction from FY 2009 funding levels and is a \$146 million decrease from FY 2010-11 base levels.

**Statutory Change:** Not Applicable

### Program Description

Minnesota's 25 state colleges and seven universities provide an array of high quality and low cost educational programs to residents in all parts of the state.

**Technical colleges** offer education for employment - courses and programs that teach specific knowledge and skills leading to particular jobs. The programs range in length from three months to two years.

**Community colleges** provide the first two years of a four-year college education. Graduates of community colleges can transfer to Minnesota state universities and other colleges to complete four-year degrees. Community colleges also offer general education courses and occupational career programs that directly prepare students for jobs.

**Combined technical and community colleges** are two-year colleges that offer a mix of technical college and community college courses and programs. These colleges offer the opportunity to start a bachelor's degree or pursue a two-year career program leading immediately to employment.

**Minnesota's four-year state universities** offer courses and programs leading to bachelors, masters, and advanced degrees. Programs are offered in liberal arts and sciences and in professional fields.

### Population Served

Minnesota State Colleges and Universities is the largest provider of higher education in the state of Minnesota with 32 institutions serving approximately 242,000 (unduplicated headcount) students annually in for-credit programs or about 140,000 full-year equivalents (FYE). The state colleges and universities also serve about 151,000 students and 6,000 employers through customized training. The institutions provide applied research and public service to Minnesota communities in all regions of the state. Enrollment is 96% undergraduate. In FY 2007, the system served more than 32,800 students of color, more than all other Minnesota higher education providers combined. Students of color comprise 14.8% of all students. Thirty-five percent are 25 or older. The average age of our students is 25.4. About 41% attend part-time.

### Services Provided

The state colleges and universities offer more than 3,900 educational programs. In the past year more than 53,000 students took online courses. Through Minnesota Online, the state colleges and universities offer more than 230 programs completely or predominantly online and more than 8,000 credit and non-credit course sections online.

### Historical Perspective

In July 1995, the former community college, technical college and state university systems merged to become the Minnesota State Colleges and Universities system.

### Key Program Goals

The Board of Trustees' strategic plan for 2008-2012, *Designing the Future*, contains four strategic directions which are the system's priorities. Those directions include:

- ◆ Increase access and opportunity.
- ◆ Promote and measure high-quality learning programs and services.
- ◆ Provide programs and services that enhance the economic competitiveness of the state and its regions.

### Program at a Glance

- ◆ Largest provider of higher education in Minnesota, educating about 382,000 students each year.
- ◆ Eighty-eight percent (88%) of students are Minnesota residents.
- ◆ Eighty-seven percent (87%) of graduates get jobs related to their major or program within one year after graduation.
- ◆ Eighty-three percent (83%) of graduates stay in Minnesota to work or to continue their education.
- ◆ The system has seven universities and 25 colleges on 53 campuses in 46 Minnesota communities. A 54<sup>th</sup> campus, located in Owatonna, is scheduled to be added to the system by the end of calendar year 2008.

- ◆ Innovate to meet current and future educational needs

The strategic plan guides the efforts of 32 colleges and universities and the Office of the Chancellor. An annual action plan is adopted by the Board of Trustees which includes measurable goals with targets for each specific strategy. The goals are translated to the work plan for the system leadership and measured as part of the annual performance evaluation process. Additional information about the strategic and action plans is available on the system website at: [http://www.mnscu.edu/media/publications/pdf/strategicplan\\_2008-12.pdf](http://www.mnscu.edu/media/publications/pdf/strategicplan_2008-12.pdf)

## Key Program Measures

**Performance Goals:** The Governor and the Legislature included five performance goals for the Minnesota State Colleges and Universities system in the 2007 appropriations act. The system achieved all five of the performance goals. The goals focused on

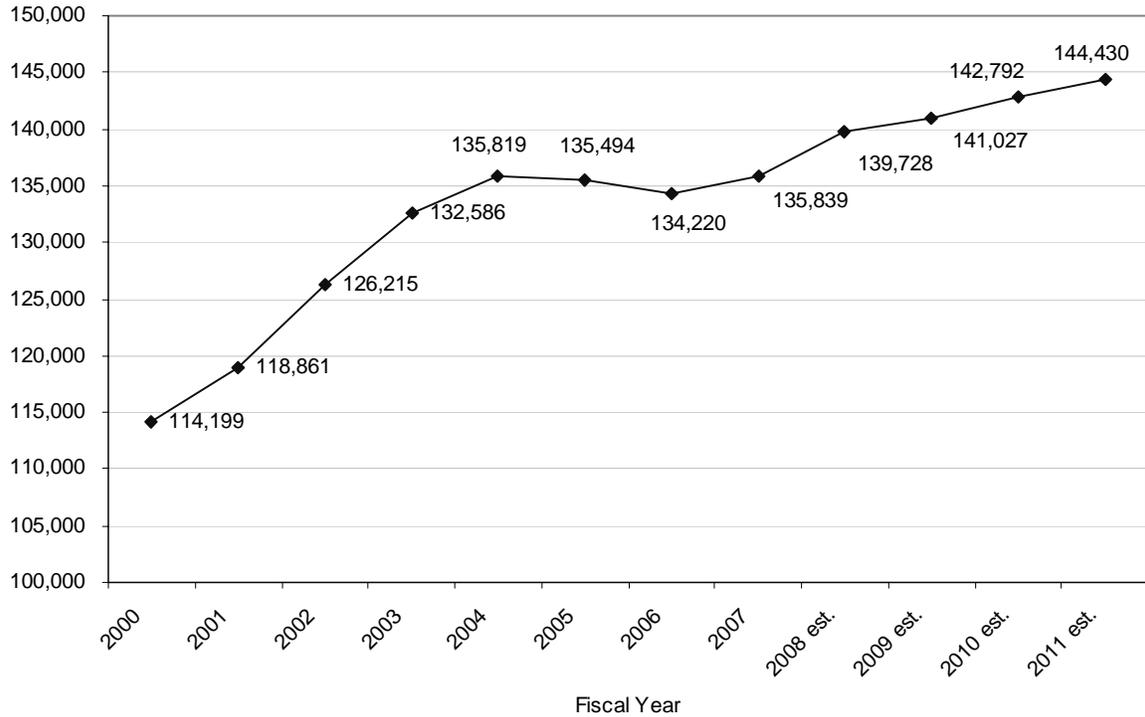
- ◆ Increasing enrollment in courses in science, technology, engineering, and math;
- ◆ Increasing enrollment in courses at the four existing center of excellence programs;
- ◆ Increasing number of students trained on the use of electronic medical record technology;
- ◆ Increasing the number of students taking online courses or the number of online courses offered; and
- ◆ Expanding the use of “awards of excellence” or other initiatives that reward member institutions, faculty, administrators, or staff for innovations designed to advance excellence and efficiency.

**Accountability Dashboard:** An accountability dashboard was developed that monitors the performance of the Minnesota State Colleges and Universities system on selected key measures. It is designed as a tool for the Board of Trustees, institutions, policymakers and other visitors to access key performance measures for each of the colleges and universities and the system overall. There are ten key performance measures which are tied to the four strategic directions within the strategic plan. Substantial effort will be devoted to improving the following ten performance measures:

- ◆ Percent change in enrollment
- ◆ Net tuition and fees as percent of median income
- ◆ Licensure exams pass rate
- ◆ Persistence and completion rate
- ◆ High quality learning
- ◆ Student engagement
- ◆ Partnerships
- ◆ Related employment of graduates
- ◆ Innovation
- ◆ Facilities condition index

**Enrollment:** Enrollment at the system’s colleges and universities has grown from 114,199 FYE students in fiscal year 2000 to an estimated 135,839 FYE in fiscal year 2008, a 19% increase. Enrollment is expected to grow an additional one percent each year for FY2009, 2010, and 2011. The system’s FYE enrollment is calculated by dividing the total number of undergraduate credits in a given year by 30 (considered to be a full academic load for an undergraduate student). For graduate FYE, the total number of graduate credits is divided by 20 (considered to be a full academic load for a graduate student).

**Full-Year Equivalent Enrollment**



Undergraduate enrollment accounts for 97% of total enrollment.

**Full-Year Equivalent Enrollment by Level**

	Fiscal year 2006	Fiscal year 2007	Fiscal year 2008 (est.)
Undergraduate	129,885	131,474	135,458
Graduate	<u>4,335</u>	<u>4,365</u>	<u>4,426</u>
Total	134,220	135,839	139,884

**Program Funding**

The state general fund appropriation to the system totaled \$682.4 million in FY2009. That amount included resources for general operating expenses as well as \$11 million for serving the underserved population and \$28.7 million for the enterprise technology initiative. State General Fund resources support approximately 50% of the system’s total FY2009 budget. The balance of the budget is generally supported through tuition and fee revenues.

The Minnesota State Colleges and Universities system is faced with inflationary cost increases. The Higher Education Price Index (HEPI) is an inflation index designed specifically to track the main cost drivers in higher education. It is a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index (CPI). The HEPI measures the average relative level of prices in a fixed basket of goods and services purchased by colleges and universities. The CPI, on the other hand, measures goods and services that people buy for day-to-day living. The main components of the HEPI basket of goods are professional salaries and fringe benefits of faculty, administrators and other professional service personnel; non professional wages, salaries and fringe benefits for clerical, technical, service and other non-professional personnel; contracted

## STATE COLLEGES & UNIVERSITIES

Program: MN STATE COLLEGES & UNIVER

Narrative

services such as data processing, communication, transportation, supplies and materials, and equipment; library acquisitions; and utilities. The HEPI rose by 3.6% for fiscal year 2008.

The Department of Finance and Employee Relation's inflationary guideline of 3% each year was used in developing the inflationary cost increases for the 2010-2011 biennial budget request.

### Contact

Linda Kohl

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Minnesota State Colleges and Universities website: <http://www.mnscu.edu>

Minnesota State Colleges and Universities Finance Division website: <http://www.finance.mnscu.edu>

# STATE COLLEGES & UNIVERSITIES

Program: MN STATE COLLEGES & UNIVER

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<b><u>Expenditures by Fund</u></b>					
<b>Direct Appropriations</b>					
Environment & Natural Resource	136	235	0	0	0
Mn State Colleges/Universities	665,940	682,817	608,597	608,597	1,217,194
<b>Statutory Appropriations</b>					
Minnesota Technology Inc	1,746	1,968	1,968	1,968	3,936
Mn State Colleges/Universities	747,174	784,740	792,540	799,940	1,592,480
Mnscu Special Revenue	10,354	10,876	10,300	10,300	20,600
Mnscu Federal Fund	46,049	45,762	45,762	45,762	91,524
Mnscu Agency Fund	26,389	25,833	25,833	25,833	51,666
Mnscu Gift Fund	4,201	4,350	4,350	4,350	8,700
Sub Supplemental & Ira Retire	331	101	101	101	202
Mnscu Enterprise Activities	9,652	9,283	9,283	9,283	18,566
Mnscu Endowment Fund	5	4	4	4	8
<b>Total</b>	<b>1,511,977</b>	<b>1,565,969</b>	<b>1,498,738</b>	<b>1,506,138</b>	<b>3,004,876</b>
<b><u>Expenditures by Category</u></b>					
Local Assistance	1,511,977	1,565,969	1,499,038	1,506,438	3,005,476
Transfers	0	0	(300)	(300)	(600)
<b>Total</b>	<b>1,511,977</b>	<b>1,565,969</b>	<b>1,498,738</b>	<b>1,506,138</b>	<b>3,004,876</b>
<b><u>Expenditures by Activity</u></b>					
Mn State Colleges And Univ	1,511,977	1,565,969	1,498,738	1,506,138	3,004,876
<b>Total</b>	<b>1,511,977</b>	<b>1,565,969</b>	<b>1,498,738</b>	<b>1,506,138</b>	<b>3,004,876</b>

STATE COLLEGES & UNIVERSITIES

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010   FY2011		Biennium 2010-11
<b><u>Non Dedicated Revenue:</u></b>					
<b>Total Non-Dedicated Receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Dedicated Receipts:</u></b>					
<b>Grants:</b>					
Minnesota Technology Inc	1,846	1,874	1,874	1,874	3,748
Mn State Colleges/universities	15,058	15,100	15,100	15,100	30,200
Mnscu Special Revenue	2,345	2,180	2,180	2,180	4,360
Mnscu Federal Fund	45,761	45,762	45,762	45,762	91,524
Mnscu Gift Fund	136	0	0	0	0
<b>Other Revenues:</b>					
Minnesota Technology Inc	132	94	94	94	188
Mn State Colleges/universities	743,745	759,540	767,440	774,840	1,542,280
Mnscu Special Revenue	1,485	1,389	1,389	1,389	2,778
Mnscu Federal Fund	6	0	0	0	0
Mnscu Gift Fund	4,233	4,350	4,350	4,350	8,700
Sub Supplemental & Ira Retire	27	27	27	27	54
Mnscu Enterprise Activities	9,365	9,283	9,283	9,283	18,566
Mnscu Endowment Fund	5	4	4	4	8
<b>Other Sources:</b>					
Minnesota Technology Inc	-10	0	0	0	0
Mn State Colleges/universities	8,448	10,000	10,000	10,000	20,000
Mnscu Special Revenue	7,045	6,731	6,731	6,731	13,462
Mnscu Federal Fund	-28	0	0	0	0
Mnscu Agency Fund	26,026	25,833	25,833	25,833	51,666
Sub Supplemental & Ira Retire	74	74	74	74	148
Mnscu Enterprise Activities	5	0	0	0	0
<b>Taxes:</b>					
Mn State Colleges/universities	5	0	0	0	0
<b>Total Dedicated Receipts</b>	<b>865,709</b>	<b>882,241</b>	<b>890,141</b>	<b>897,541</b>	<b>1,787,682</b>
<b>Agency Total Revenue</b>	<b>865,709</b>	<b>882,241</b>	<b>890,141</b>	<b>897,541</b>	<b>1,787,682</b>

# Minnesota State Colleges and Universities 2010-11 Biennial Budget Request

# STATE COLLEGES & UNIVERSITIES

Change Item: Inflation

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$25,900	\$45,800	\$45,800	\$45,800
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$25,900	\$45,800	\$45,800	\$45,800

## Request

The Minnesota State Colleges and Universities requests \$25.9 million in FY2010 and \$45.8 million in FY2011 to support the costs of providing for a general inflationary cost increase to the system's base operations.

## Background

The Minnesota State Colleges and Universities is requesting \$25.9 million in FY2010 and \$45.8 million in FY2011 in additional state resources to support the impact of inflation on the system's base costs. In accordance with Minnesota Management and Budget guidelines, inflation is assumed at 3 percent. Overall, the inflation assumptions total \$133.6 million.

Revenues to cover the \$133.6 million inflation costs would be a combination of increased state resources and tuition dollars generated from an average tuition increase of two percent at the state colleges and three percent at the state universities. In addition, the system will reallocate current base resources to supplement the amount needed to cover the inflationary costs.

The Minnesota State Colleges and Universities system is people driven. Approximately three-fourths (75 percent) of the system's general operating fund is devoted to salary and fringe benefit expenses. Employment within the system is spread over 53 campuses in 46 communities across the state. A 54<sup>th</sup> campus, located in Owatonna, is scheduled to be added to the system by the end of calendar year 2008. The system is the largest state agency, comprising 38 percent (19,486 total employees) of the state's total workforce. The system is a significant employer through the state and a vital component of local economies. Compensation inflation totals \$32.3 million in FY2010 and \$65.6 million in FY2011 for a total of \$97.9 million.

The Minnesota State Colleges and Universities system is faced with inflationary increases in other operating costs such as supplies and materials, equipment, library acquisitions, and utilities. Other operating cost inflation totals \$11.8 million in FY2010 and \$23.9 million in FY2011 for a total of \$35.7 million.

## Relationship to Base Budget

The inflation request represents an increase in state resources equal to \$71.7 million over the biennium. With a biennial base appropriation of \$1,363.4 million, the inflation request represents a 5.3 percent increase in state resources.

## Key Goals and Measures

- ◆ The Minnesota State Colleges and Universities system will be able to retain quality employees.
- ◆ The Minnesota State Colleges and Universities system will be competitive in recruiting for employees.
- ◆ The Minnesota State Colleges and Universities system will continue to pursue efficiencies in other operating areas (i.e., facilities, supplies, utilities, etc.).

**Alternatives Considered**

Recruiting and retaining quality faculty and staff has been and continues to be a priority for the system. Compensation packages that are competitive with system peers are critical to quality. With salary and fringe benefit costs approximately 75% of the system's general operating fund, there are few alternatives available to fund salary increases. The system continues to pursue efficiencies throughout its operations.

**Statutory Change:** Not Applicable