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## Minnesota State

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<https://minnstate.edu/>

**AT A GLANCE**

- Over 300,000 students served each year
- 26 separately accredited two-year colleges and 7 four-year universities located on 54 campuses
- Over 4,000 academic programs offering technical, pre-baccalaureate, baccalaureate, graduate, and applied doctoral degrees
- Over 7,000 employer partnerships across Minnesota
- Over 9,950 customized and specialized training, occupational, and professional classes
- Over 36,000 degrees, diplomas, and certificates awarded each year

**PURPOSE**

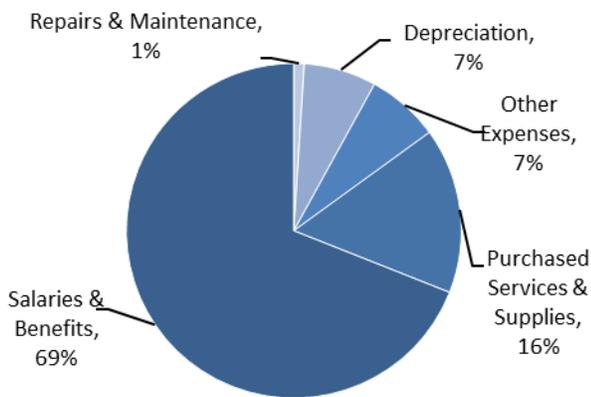
Minnesota State plays a critical role in ensuring the economic prosperity of Minnesota, its communities, and its citizens by offering high quality, affordable higher education opportunities that are aligned with employer needs throughout the state. Almost two-thirds of Minnesotans enrolled in undergraduate programs are attending Minnesota State colleges and universities to create a better future for themselves, for their families, and for their communities.

Consistent with our strategic framework, we strive to:

- Ensure access to an extraordinary education
- Be the partner of choice to meet Minnesota’s workforce and community needs
- Deliver the highest value and most affordable higher education option

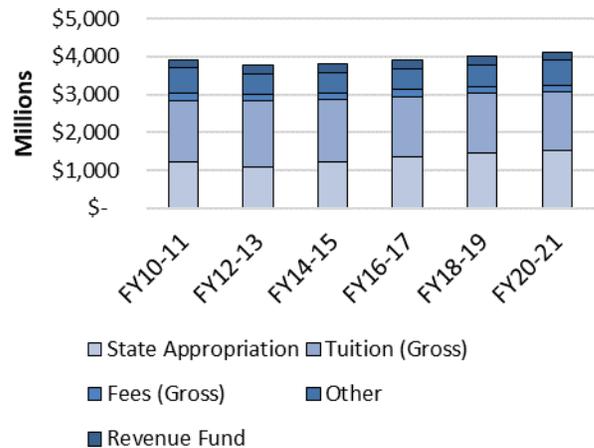
**BUDGET**

**Spending by Category  
FY 2021 Actual**



Source: Minnesota State FY 2021 Audited Financial Statements

**Historical Revenues**



Source: Minnesota State Audited Financial Statements

- Our largest expenditure category is salary and benefits which account for almost two-thirds of expenditures
- Our primary revenue sources are tuition and state appropriation

## STRATEGIES

Minnesota's social and economic vibrancy continues to grow and develop in the wake of significant COVID-19 disruptions. With over sixty percent of Minnesota resident students who are pursuing an undergraduate credential and thousands more students who are pursuing skills and knowledge outside of a specific degree or credential, Minnesota State actively implements strategies to provide the talent that Minnesota needs. Recent workforce shortages come at the same time that demographic trends have reduced higher education enrollment. These factors make it all the more important that students who start on an educational program can finish it, even if their families have no past experience with higher education or have significant financial challenges. As we assess the changes our students and our economy are facing, Minnesota State is committed to strategies that focus on key areas that will provide the skilled graduates our economy will rely on to achieve robust post-pandemic growth. Specifically, our colleges and universities are facing changes in:

1. How our students learn and receive services—increasingly through remote and hybrid delivery methods
2. Who our students are—lower numbers of incoming students as historically key demographic groups such as high school graduates are going down; increasingly diverse students in age and backgrounds; significant numbers of economically fragile students who have difficulty starting higher education and continuing as their home- and work-lives change, and
3. What our campuses need to do to face new financial realities—preserving core programs and services that the campus cannot exist without

To respond to these changes, the collective work of Minnesota State is aligned in four areas:

- *Alignment with the changing needs of learners.* Ensure the success of our students, particularly those who learn differently from students in previous generations by:
  - Examining the interface of technology and its use by our students
  - Implementing changes in our classroom and modes of delivery to reflect the way today's students access, process, aggregate, and connect information
  - Preparing for the next wave of change that will impact our work
- *Alignment with the new demographics of an increasingly diverse student body.* Increase our efforts around diversity, equity, and inclusion as we respond to a demographic shift and welcome an increasing number of students from populations traditionally underserved by higher education by:
  - Engaging and embedding ourselves in traditionally underrepresented communities
  - Expanding the landscape of learning beyond the classroom
  - Learning with and from diverse communities
  - Providing the student support services required to ensure student success
- *Alignment with current and emergent talent needs of employers.* Operationalize our Strategic Framework priority to ensure that Minnesota's businesses and industries have the talented workforce they need by:
  - Partnering with employers on curriculum advisory councils, student scholarships, and internship opportunities
  - Reorganizing our incumbent worker training offerings to ensure employers can access what they need easily and efficiently, no matter where in the state the expertise they need is offered
- *Alignment with challenging budget realities on our campuses.* Ensure the programmatic and financial sustainability of our campuses by:
  - Reprioritizing and reallocating our resources
  - Alleviating budget pressures through technology and better alignment and more efficient delivery of our curriculum

Guiding all these areas of work, Minnesota State's Equity 2030 goal is to eliminate equity gaps at every Minnesota State college and university. This means meeting the learning needs of all students, including historically underrepresented groups, so the same majority of all types of students can continue and complete their educational goals. This means students will progress towards their goals faster and that a higher-than-ever percentage of them will enter the workforce and contribute to the state's economic needs.

In one high-level effort to align to changing needs, demographics, and budget realities, Minnesota State recently decreased from 30 separately accredited colleges to 26 by merging five colleges in northeastern Minnesota into a unified accreditation under the name Minnesota North College.

## RESULTS

Minnesota State has developed many measures to monitor and assess performance over time. These measure track graduate outcomes, student success, affordability, diversity, efficient use of resources, enrollment, and stewardship of financial and physical resources, and are used by leadership to determine how our strategies are working. Five key measures are shown below.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Result	Student Persistence and Completion	76.7%	75.6%	Fall 2019; Fall 2021
Result	Completion Rate (college/university)	54.1%/55.0%	55.0%/56.5%	Spring 2019; Spring 2021
Result	Related Employment of Graduates	89.5%	84.5%	FY 2019; FY 2021
Quantity	System Share, Minnesota Resident Enrollment	63.7%	63.3%	Fall 2018; Fall 2020
Quality	Percent Students of Color	27.8%	28.9%	FY 2019; FY 2021

Definitions of the five measures are provided below.

Student Persistence and Completion, a higher education standard metric, is the percent of a fall entering cohort of full-time degree and certificate seeking students that have been retained, graduated, or transferred by the next fall term following original fall enrollment.

Previous: percent of Fall 2018 cohort persisting or completed in Fall 2019;

Current: percent of Fall 2020 cohort persisting or completed in Fall 2021.

Completion Rate, a higher education standard metric, is the percent of an entering cohort that has completed by 150 percent of normal time. Completion is measured as graduation by the sixth spring after entry at the universities and as graduation or transfer by the third spring after entry at the colleges. Because the measures are different for colleges and universities, the measurements are given separately for each institution type.

Previous: measured in Spring 2019; Current: measured in Spring 2021.

Related Employment of Graduates is the percent of system graduates in a fiscal year that reported they were employed or seeking employment during the year after graduation and reported a job that was related to their program or major.

Previous: Fiscal Year 2018 graduates employed in Fiscal Year 2019;

Current: Fiscal Year 2020 graduates employed in Fiscal Year 2021.

System Share of Minnesota Resident Undergraduate Enrollment is the percentage of Minnesota residents enrolled as undergraduate students at a Minnesota higher education institution that are attending a Minnesota State college or university.

Previous: Fall 2018; Current: Fall 2020.

Percent Students of Color is the percent of system credit students in a fiscal year that reported being African American, American Indian, Asian, Hispanic, Pacific Islander, or two or more races.  
Previous: Fiscal Year 2019; Current: Fiscal Year 2021.

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[Minnesota Statutes Chapter 136F](#) provides the legal authority for Minnesota State.

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base	
					FY24	FY25
<b><u>Expenditures by Fund</u></b>						
2050 - Environment & Natural Resources	403	335	435	1,325		
4000 - MN State Colleges/Universities	1,600,414	1,552,015	1,546,708	1,706,496	1,696,899	1,696,899
4002 - MNSCU Special Revenue	9,018	7,943	7,881	8,865	7,965	7,439
4003 - MNSCU Federal	58,503	136,201	196,533	62,582	56,500	54,500
4004 - MNSCU Gift	287	241	250	600	600	600
4005 - MNSCU Enterprise Activities	9,425	8,490	9,791	9,651	9,611	9,611
4030 - MNSCU Agency	38,591	33,747	41,802	38,970	34,500	34,500
7350 - Sub Supplemental & Ira Retire	281	374	328	326	326	326
<b>Total</b>	<b>1,716,922</b>	<b>1,739,346</b>	<b>1,803,728</b>	<b>1,828,815</b>	<b>1,806,401</b>	<b>1,803,875</b>
Biennial Change				176,275		(22,267)
Biennial % Change				5		(1)

**Expenditures by Program**

Minnesota State	1,716,922	1,739,346	1,803,728	1,828,815	1,806,401	1,803,875
<b>Total</b>	<b>1,716,922</b>	<b>1,739,346</b>	<b>1,803,728</b>	<b>1,828,815</b>	<b>1,806,401</b>	<b>1,803,875</b>

**Expenditures by Category**

Compensation	1,350,411	1,349,387	1,339,445	1,425,130	1,423,404	1,423,404
Operating Expenses	353,392	375,522	443,450	386,430	370,382	367,856
Grants, Aids and Subsidies	9,745	14,183	13,386	12,785	12,615	12,615
Capital Outlay-Real Property	3,375	254	7,447	4,470		
<b>Total</b>	<b>1,716,922</b>	<b>1,739,346</b>	<b>1,803,728</b>	<b>1,828,815</b>	<b>1,806,401</b>	<b>1,803,875</b>

Total Agency Expenditures	1,716,922	1,739,346	1,803,728	1,828,815	1,806,401	1,803,875
Internal Billing Expenditures	4					
<b>Expenditures Less Internal Billing</b>	<b>1,716,918</b>	<b>1,739,346</b>	<b>1,803,728</b>	<b>1,828,815</b>	<b>1,806,401</b>	<b>1,803,875</b>

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base	
					FY24	FY25
<b>1000 - General</b>						
Direct Appropriation	758,679	765,659	792,392	789,491	789,611	789,611
Transfers Out	758,679	765,659	792,392	789,491	789,611	789,611

**2050 - Environment & Natural Resources**

Balance Forward In	660	390	1,305	1,325		
Direct Appropriation	741	1,308	520			
Cancellations		58	65			
Balance Forward Out	999	1,305	1,325			
<b>Expenditures</b>	<b>403</b>	<b>335</b>	<b>435</b>	<b>1,325</b>		
Biennial Change in Expenditures				1,022		(1,760)
Biennial % Change in Expenditures				138		(100)

**4000 - MN State Colleges/Universities**

Balance Forward In	649,673	680,971	733,486	802,662	715,650	633,184
Receipts	902,115	871,325	850,285	854,822	854,822	854,822
Transfers In	758,929	765,909	792,630	789,491	789,611	789,611
Transfers Out	29,332	28,268	27,031	24,829	30,000	30,000
Balance Forward Out	680,971	737,922	802,662	715,650	633,184	550,718
<b>Expenditures</b>	<b>1,600,414</b>	<b>1,552,015</b>	<b>1,546,708</b>	<b>1,706,496</b>	<b>1,696,899</b>	<b>1,696,899</b>
Biennial Change in Expenditures				100,775		140,594
Biennial % Change in Expenditures				3		4

**4002 - MNSCU Special Revenue**

Balance Forward In	8,781	10,135	10,360	10,455	8,786	8,061
Receipts	10,372	8,168	7,976	7,196	7,240	7,230
Balance Forward Out	10,135	10,360	10,455	8,786	8,061	7,852
<b>Expenditures</b>	<b>9,018</b>	<b>7,943</b>	<b>7,881</b>	<b>8,865</b>	<b>7,965</b>	<b>7,439</b>
Biennial Change in Expenditures				(215)		(1,342)
Biennial % Change in Expenditures				(1)		(8)

**4003 - MNSCU Federal**

Balance Forward In	1,519	3,094	8,876	10,271	2,189	189
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(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base	
					FY24	FY25
Receipts	60,078	141,981	197,928	54,500	54,500	54,500
Balance Forward Out	3,094	8,874	10,271	2,189	189	189
<b>Expenditures</b>	<b>58,503</b>	<b>136,201</b>	<b>196,533</b>	<b>62,582</b>	<b>56,500</b>	<b>54,500</b>
Biennial Change in Expenditures				64,411		(148,115)
Biennial % Change in Expenditures				33		(57)

**4004 - MNSCU Gift**

Balance Forward In	1,425	1,556	1,661	2,401	2,301	2,201
Receipts	418	346	990	500	500	500
Balance Forward Out	1,556	1,661	2,401	2,301	2,201	2,101
<b>Expenditures</b>	<b>287</b>	<b>241</b>	<b>250</b>	<b>600</b>	<b>600</b>	<b>600</b>
Biennial Change in Expenditures				322		350
Biennial % Change in Expenditures				61		41

**4005 - MNSCU Enterprise Activities**

Balance Forward In	3,804	3,865	3,992	2,983	2,657	2,371
Receipts	9,486	8,617	8,782	9,325	9,325	9,325
Balance Forward Out	3,865	3,992	2,983	2,657	2,371	2,085
<b>Expenditures</b>	<b>9,425</b>	<b>8,490</b>	<b>9,791</b>	<b>9,651</b>	<b>9,611</b>	<b>9,611</b>
Biennial Change in Expenditures				1,527		(220)
Biennial % Change in Expenditures				9		(1)

**4006 - MNSCU Endowment**

Balance Forward In	107	109	110			
Receipts	2	1	(110)			
Balance Forward Out	109	110				

**4030 - MNSCU Agency**

Balance Forward In	1,217	1,661	1,523	5,960	1,490	1,490
Receipts	39,035	33,609	46,239	34,500	34,500	34,500
Balance Forward Out	1,661	1,523	5,960	1,490	1,490	1,490
<b>Expenditures</b>	<b>38,591</b>	<b>33,747</b>	<b>41,802</b>	<b>38,970</b>	<b>34,500</b>	<b>34,500</b>
Biennial Change in Expenditures				8,434		(11,772)

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base	
					FY24	FY25
Biennial % Change in Expenditures				12		(15)

**7350 - Sub Supplemental & Ira Retire**

Balance Forward In	330	358	497	597	571	545
Receipts	309	512	428	300	300	300
Balance Forward Out	358	496	597	571	545	519
<b>Expenditures</b>	<b>281</b>	<b>374</b>	<b>328</b>	<b>326</b>	<b>326</b>	<b>326</b>
Biennial Change in Expenditures				(1)		(2)
Biennial % Change in Expenditures				(0)		(0)

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
<b>Direct</b>				
<b>Fund: 1000 - General</b>				
FY2023 Appropriations	789,491	789,491	789,491	1,578,982
Base Adjustments				
Current Law Base Change		120	120	240
Forecast Base	789,491	789,611	789,611	1,579,222
<b>Dedicated</b>				
<b>Fund: 4000 - MN State Colleges/Universities</b>				
Planned Spending	1,706,496	1,696,899	1,696,899	3,393,798
Forecast Base	1,706,496	1,696,899	1,696,899	3,393,798
<b>Fund: 4002 - MNSCU Special Revenue</b>				
Planned Spending	8,865	7,965	7,439	15,404
Forecast Base	8,865	7,965	7,439	15,404
<b>Fund: 4003 - MNSCU Federal</b>				
Planned Spending	62,582	56,500	54,500	111,000
Forecast Base	62,582	56,500	54,500	111,000
<b>Fund: 4004 - MNSCU Gift</b>				
Planned Spending	600	600	600	1,200
Forecast Base	600	600	600	1,200
<b>Fund: 4005 - MNSCU Enterprise Activities</b>				
Planned Spending	9,651	9,611	9,611	19,222
Forecast Base	9,651	9,611	9,611	19,222
<b>Fund: 4030 - MNSCU Agency</b>				
Planned Spending	38,970	34,500	34,500	69,000
Forecast Base	38,970	34,500	34,500	69,000
<b>Fund: 7350 - Sub Supplemental &amp; Ira Retire</b>				
Planned Spending	326	326	326	652
Forecast Base	326	326	326	652
<b>Revenue Change Summary</b>				
<b>Dedicated</b>				

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
<b>Fund: 4000 - MN State Colleges/Universities</b>				
Forecast Revenues	854,822	854,822	854,822	1,709,644
<b>Fund: 4002 - MNSCU Special Revenue</b>				
Forecast Revenues	7,196	7,240	7,230	14,470
<b>Fund: 4003 - MNSCU Federal</b>				
Forecast Revenues	54,500	54,500	54,500	109,000
<b>Fund: 4004 - MNSCU Gift</b>				
Forecast Revenues	500	500	500	1,000
<b>Fund: 4005 - MNSCU Enterprise Activities</b>				
Forecast Revenues	9,325	9,325	9,325	18,650
<b>Fund: 4030 - MNSCU Agency</b>				
Forecast Revenues	34,500	34,500	34,500	69,000
<b>Fund: 7350 - Sub Supplemental &amp; Ira Retire</b>				
Forecast Revenues	300	300	300	600

**Change Item Title: Student Support**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
General Fund				
Expenditures	50,000	75,000	75,000	75,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	50,000	75,000	75,000	75,000
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Request:**

This request is for \$125 million in direct support for students during the 2024-25 biennium. The request includes

- \$77 million to freeze undergraduate tuition rates and to offer more free course materials
- \$26 million to expand student support services
- \$12 million for scholarships to students who complete college programs and transfer to university programs, and
- \$10 million for emergency grants to students.

This request represents a change approximately 6 percent the first year and 3 percent the second year as compared to total annual appropriations to Minnesota State at the 2024-2025 biennial base budget level.

**Rationale/Background:**

Even if students are making progress in the classroom, challenges outside of the classroom can be significant barriers that keep students from progressing and completing the educational goals they seek to achieve. These challenges often hit some groups of students harder. Lower income, first generation, and other underrepresented groups often find challenges outside the classroom especially difficult to balance with their classroom obligations. Other challenges, such as challenges in mental and physical health, can affect all students. This request seeks to ensure that all Minnesotans can accomplish their educational goals, no matter their background or socioeconomic status.

**Proposal:**

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

This request will allow colleges and universities to freeze undergraduate 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’ total cost of attendance by seeking out and expanding free offerings for a wide range of course materials and resources. Additional open educational resources (OERs) will 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, will be expanded.

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

One significant need expressed by students, faculty and staff is for additional support for students 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 increase will provide funding directly to campuses to add more staff in the areas of highest need, 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 will be enhanced. These electronic platforms will 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. Support will be personalized to support the needs of each individual student, with heightened focus on inclusive and culturally relevant practices. Data reporting from the platform, including trend data, will 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 will be expanded, focusing on mental health and wellbeing, including mental health first aid and other evidence-based training. Training will 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 will include bystander intervention training.

Access to the Basic Needs Resource Hub will 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 will 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. Annually, over 5,000 students have transferred from a system college to a system university in recent years. Two different transfer scholarship options will be offered to support students transferring from a Minnesota State college to a Minnesota State university. Both options will be a last dollar scholarship program meaning they will be in addition to all other financial aid without reducing eligibility from other sources. Awards will start at the college attended and finish at the university attended.

The Transfer Pathways option targets students who complete any one of the 26 Transfer Pathways associate degree programs at a Minnesota State college. Completion of one of these programs guarantees junior year

status to students admitted to a Minnesota State university and that all 60 associate degree credits will count toward the related bachelor's degree. This saves students time and money by not losing credits or taking extra courses.

The Transfer Guarantee option targets students who complete any Associate of Arts, Associate of Science or Associate of Fine Arts degree at any Minnesota State college. Completing one of these degrees guarantees admission to every one of the seven Minnesota State universities. This also helps students to be admitted into the university program of their choice and to achieve greater success once they are in those university studies. This collaboration ensures that students can seamlessly and reliably transfer from Minnesota State colleges to Minnesota State universities and saves students money by taking advantage of the lowest tuition rates in Minnesota at Minnesota State colleges and universities.

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

Over the past several years, federal Higher Education Emergency Relief Funds (HEERF) provided a temporary source of funding for emergency grants. At least ten percent of the approximately \$300 million in HEERF student grants awarded since fiscal year 2020 were awarded as emergency grants. Beginning in fiscal year 2024, HEERF funding for emergency grants will no longer be available, but many of our students will continue to experience unexpected emergencies and need immediate access to additional financial support.

Almost of all of this requested funding will be distributed to students through our colleges and universities, but it will also provide support to improving emergency grant application processes 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 will be used that includes the entire application process. Access to live support functionality for students who require assistance navigating the mobile application will also be available. Regular data reports will also be provided to institutions to indicate utilization, student needs, requested and awarded amounts, and other relevant data.

### **Impact on Children and Families, Equity and Inclusion:**

This request addresses some key challenges families must address in order for any member of the family to pursue and complete a higher education program. Basic financial, mental and physical health, and other challenges often stand in the way of higher education pursuits. This request will provide significant help in the addressing costs, non-academic support needs, and unexpected emergency situations.

Minnesota State's Equity 2030 initiative provides the framework for this request. Equity 2030 focuses on completion rates of learner groups, including low-income students, first-generation students, students of color, and indigenous students. In order for Minnesota to have the skilled workforce needed for economic development and growth, the persistence and completion of all students must be supported. As the demographic groups that have historically provided most graduates have become smaller in recent years, the effects of this request on groups with historically lower completion rates addresses both the equity and economic imperatives that face the state.

### **Consultation:**

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. 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.

In October, the Board of Trustees reviewed the information received at the listening sessions and a first reading of this request.

Following the Board meeting, consultation continued on campuses, including budget-specific conversations with the statewide college and university student associations and statewide bargaining units. This consultation was supported by local campus discussions, including conversations with students, faculty, staff, and campus leadership. One of the colleges in the Minnesota State system, Fond du Lac Tribal and Community College, has a unique mission in providing education to the public through a close Tribal and State partnership. This collaboration offers all students, regardless of demographic background, a unique opportunity to learn in a comfortable and diverse environment. Informed by consultation sessions and campus discussions, Minnesota State's Presidents reviewed and provided feedback on programmatic aspects of the proposed biennial request.

Feedback strongly supported significant requests in all three components: student needs, inflationary funding, and specific workforce needs. Increases in system base funding are viewed as crucial to ensuring that institutions can address pressures in ongoing costs and maintain strength in classroom and non-classroom resources that students and communities rely on. Financial support for students, including scholarships, higher student worker wages, and an efficient, sufficiently funded emergency grant system are also viewed as crucial for students to be able to afford higher education. And student services are viewed as essential to student success and completion.

**Change Item Title: Minnesota State Stabilization**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
General Fund				
Expenditures	40,000	85,000	85,000	85,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	40,000	85,000	85,000	85,000
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Request:**

This request is to increase the state portion of funding Minnesota State college and university operations by \$40 million in the first year and \$45 million in the second year of the biennium. The other main portion of the system’s operating budget comes from students through tuition and fees.

This request represents a change of just over 5 percent each year as compared to total annual appropriations to Minnesota State at the 2024-2025 biennial base budget level.

**Rationale/Background:**

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. Approximately 63 percent of all Minnesota residents pursuing an undergraduate credential do so at a Minnesota State college or university. The seven universities and 26 colleges offer over 4,000 academic programs and provide the bulk of the state’s health care workers, peace officers, teachers, welders, plumbers, etc., by awarding over 36,000 degrees, certificates, and diplomas each year. Fourteen thousand 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. With these dimensions, Minnesota State is arguably the state’s largest economic development agency.

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 began 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.

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 revenue or have historically low tuition rates, these limitations have put significant financial stress on their operations.

Employee compensation makes up roughly 77 percent of Minnesota State expenditures. With state appropriations constrained in recent years and tuition limitations placed at the system level regardless of local history and needs, our institutions have had modest annual compensation increases in faculty collective bargaining agreements in recent years. Recent faculty contract settlements have included inflationary adjustments that are below increases in other staff areas. In high-demand fields where faculty are most needed, salaries have lost competitiveness to be able to recruit the talent needed to maintain these programs, let alone expand them. Colleges and universities have lost talent in key areas due to this disparity. Reallocation of existing resources alone cannot address the inflationary pressures on our annual compensation increases.

For system-wide functions that rely solely on inflationary increases in state appropriations, budgetary stresses also exist. These system office functions, such as enterprise technology, have had historically flat appropriations (one 3 percent inflationary adjustment since FY2012). These expenses include 70 percent employee compensation. Functions providing assurance, compliance, and advocacy for our 33 institutions, would need to be addressed locally if not at the system level. This puts greater burden on campuses because nearly all these service reductions impact mandatory functions that then must be funded directly from campus budgets.

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.

**Proposal:**

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. This labor market is less favorable for recruiting and retaining the talent Minnesota State needs. Colleges and universities reassess and reallocate spending on a continual basis to address inflationary costs. In order to maintain academic programs and keep tuition affordable, however, additional resources are required.

This request includes \$125 million for the biennium, with \$40 million in fiscal year 2024 and \$85 million in fiscal year 2025. This will provide for increases of roughly 5 percent in each year of the biennium. Recent state appropriations have often provided a smaller increase or even a decrease in the second year of the biennium, but this structural imbalance makes it more difficult for colleges and universities to plan for the second year of the biennium.

This proposal will include an increase of over 6 percent for the amount allocated directly to colleges and universities each year, and an increase of approximately 3 percent each year for systemwide technology (including the NextGen project and the PALS library system) and system office operations.

**Impact on Children and Families, Equity and Inclusion:**

This request helps keep higher education available for all members of any Minnesota family, children, parents, and senior citizens. The facilities of Minnesota State are found all across the state and provide resources for a wide variety of educational opportunities, from brief certificate courses to a wealth of undergraduate and graduate degrees. Beyond that, the colleges and universities of Minnesota State provide communities with information, cultural and sporting events, and community-accessible facilities.

Minnesota State's Equity 2030 initiative provides a systemwide framework for equity and inclusion. Equity 2030 focuses on completion rates of learner groups, including low-income students, first-generation students, students of color, and indigenous students. In order for Minnesota to have the skilled workforce needed for economic development and growth, the persistence and completion of all students must be supported. As the demographic groups that have historically provided most graduates have become smaller in recent years, the effects of this request on groups with historically lower completion rates addresses both the equity and economic imperatives that face the state.

**Consultation:**

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. 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.

In October, the Board of Trustees reviewed the information received at the listening sessions and a first reading of this request.

Following the Board meeting, consultation continued on campuses, including budget-specific conversations with the statewide college and university student associations and statewide bargaining units. This consultation was supported by local campus discussions, including conversations with students, faculty, staff, and campus leadership. One of the colleges in the Minnesota State System, Fond du Lac Tribal and Community College, has a unique mission in providing education to the public through a close Tribal and State partnership. This collaboration offers all students, regardless of demographic background, a unique opportunity to learn in a comfortable and diverse environment. Informed by consultation sessions and campus discussions, Minnesota State's Presidents reviewed and provided feedback on programmatic aspects of the proposed biennial request.

Feedback strongly supported significant requests in all three components: student needs, inflationary funding, and specific workforce needs. Increases in system base funding are viewed as crucial to ensuring that institutions can address pressures in ongoing costs and maintain strength in classroom and non-classroom resources that students and communities rely on. Financial support for students, including scholarships, higher student worker wages, and an efficient, sufficiently funded emergency grant system are also viewed as crucial for students to be able to afford higher education. And student services are viewed as essential to student success and completion.

**Change Item Title: Workforce & Economic Development**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
General Fund				
Expenditures	50,000	50,000	50,000	50,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	50,000	50,000	50,000	50,000
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Request:**

This request is for \$50 million in annual funding (\$100 million for the biennium) for programs that provide the skilled workforce Minnesota needs for the continued development and growth of the state economy. The request includes

- \$49 million for strategic upgrades to college and university learning environments
- \$25.5 million for scholarships to students in programs where the state has high workforce needs, and
- \$25.5 million to expand college and university programming that focuses on industry partnerships.

All of these funds will be matched one-to-one in cash or in-kind donations from businesses and organizations that value the contributions a skilled workforce brings to their communities. This makes the total value of this request to the State of Minnesota \$200 million.

This request represents a change of approximately 6 percent in the first year as compared to total annual appropriations to Minnesota State at the 2024-2025 biennial base budget level. No additional increase in the second year is requested at this time.

**Rationale/Background:**

The focus of this proposal is to provide the highest quality, most relevant educational experiences to prepare students for the complexity of technology-oriented workplaces and jobs. In addition, students must have access to high-value, short-term credentials that allow for immediate entry into the workforce or retraining for another job or career. Minnesota State currently reports a high rate of related employment to students’ academic degree fields, so our measures will focus on increasing enrollment and credential attainment in Minnesota’s high-growth employment sectors of healthcare, manufacturing, information technology, and others. Our goal positions our colleges and universities to meet employers’ needs for skilled workers in career and technical education and STEM disciplines.

**Proposal:**

The proposal includes \$100 million to address the challenges associated with 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. This makes the total value of this request to the State of Minnesota \$200 million. Succinct goals will be established to demonstrate the return on investment in strengthening the workforce. These strategic investments will provide Minnesota with the talent it needs for its continued economic development.

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 will 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 will 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 enhance access and 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 \$4.5 million 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. Current funding provides approximately 2,100 scholarships each year.

Additional funding of \$25.5 million over the biennium is requested to:

- Add three new degree fields for scholarship eligibility: construction, education, and peace officers 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 will be provided to colleges and universities on a basis that is proportional to enrollment in the eligible programs.

This funding level will provide more than 12,000 scholarships over the biennium, helping roughly three times as many students get workforce training than the current funding does.

### **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.

In addition, students take many paths into higher education, and our high school students face particular challenges in understanding advanced technology jobs and accessing career and technical education in high school. By offering more program pathways through post-secondary enrollment options (PSEO) and concurrent enrollment, we can build a more efficient K-12 pipeline into career and technical occupations with students who are prepared for an increasingly technological job market.

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 will 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.
- To grow the nursing and allied health workforce, new pathways will be created to allow, for example, high school students to become practical nurses or a nursing student to become a college nurse educator through a streamlined pathway from an associate’s to master’s degree. Re-envisioning curriculum built on simulation scenarios and hands-on experiences will benefit students in their preparation for future healthcare occupations.

Minnesota State hosts eight Centers of Excellence (Northern Agriculture, Southern Agriculture Energy, Engineering, HealthForce, Information Technology, Advanced Manufacturing, and Transportation), collectively funded at \$3.9 million per year currently, which 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 seeks funding to support two additional Centers of Excellence in: (1) Public Safety (peace officers, first responders, and firefighting) and (2) Construction/Building Trades.

**Impact on Children and Families, Equity and Inclusion:**

This request expands and enhances highly focused educational opportunities for the families of Minnesota. Focusing on areas with especially high needs, this request partners with local communities to help get students into the skilled workforce quickly.

Minnesota State's Equity 2030 initiative provides a systemwide framework for equity and inclusion in all programs, including these specific workforce development programs. Equity 2030 focuses on completion rates of learner groups, including low-income students, first-generation students, students of color, and indigenous students. In order for Minnesota to have the skilled workforce needed for economic development and growth, the persistence and completion of all students must be supported. As the demographic groups that have historically provided most graduates have become smaller in recent years, the effects of this request on groups with historically lower completion rates addresses both the equity and economic imperatives that face the state.

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**Results:**

Goals will also be established by assessing supply and demand in key industries and occupations. For example, potential goals for enrollment, completion, and exam rates in Nursing could include increasing enrollment by 1,400 students (a 65 percent increase) with an 80 percent graduation rate within five years. A goal for the RN licensure exam pass rate could be increasing to 86 percent (currently 82 percent).

For Career, Technical, and STEM Education, goals will include:

- Five percent annual increase in the number of awards in career and technical education\*
- Licensure exam passing rate (increases year over year)\*
- Forty percent of CTE students complete industry-recognized or micro-credential in both credit and non-credit programs
- A measure of median wage growth of CTE students (longitudinal data)\*

Non-Credit Workforce Course goals will include:

- Ten percent increase in non-credit workforce course enrollments\*
- Twenty new or re-designed industry-recognized credentials offered annually
- At least ten percent of non-credit CTE students transition from non-credit to credit courses\*

And system-level goals will include:

- Employer satisfaction with skills of graduates or employer satisfaction with the quality of Minnesota State's instructional facilities
- Increase in student satisfaction with preparation for career opportunities and new technologies
- Increase in number of employer-sponsored educational opportunities for students, e.g., internships, applied research, earn and learn, etc.
- Increased retention and graduation in STEM (science, technology, engineering, and math) fields; diversity of STEM graduates

\* These measures are part of the Voluntary Framework of Accountability (VFA), which is the first comprehensive national accountability system created by community colleges and facilitated by the American Association of Community Colleges (AACC). South Central College and Minnesota State Community and Technical College currently participate in the VFA.

**Statutory Change(s):**

M.S. 136F.38