



Minnesota
STATE COLLEGES
& UNIVERSITIES

The following briefings provide background and pose questions regarding major operational challenges and major long-term strategic challenges facing higher education and Minnesota State Colleges and Universities (MnSCU). The briefings were prepared for discussion by the MnSCU Board of Trustees at its September 18-19, 2012 retreat.

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Assessing Institutional and System Performance

Background

A thoughtful and concise set of institutional performance metrics is key to assessing whether our colleges and universities as well as the system as a whole are making progress in realizing the objectives set forth in the strategic framework. Institutional performance metrics are key to assessing the quality of the education students receive, the quality of our graduates, our contributions to Minnesota's economic vitality, the effectiveness of our operations, and how well we steward state resources.

A draft set institutional performance metrics was discussed with the Leadership Council in spring 2012. This summer the Office of Research and Planning is working with campus institutional research directors to build consensus around the metrics and the computations that will be used. This work will be completed in September 2012 enabling the performance metrics to be put into place in fall 2012. These metrics will also be part of presidential performance evaluations.

The institutional performance metrics broaden the measures that make up the board's current accountability dashboard (<http://www.mnscu.edu/board/accountability/index.html>). The current dashboard was launched in 2008 with ten performance measures that aligned with the five goals from the system's previous strategic plan.

Overview of Institutional Performance Metrics

Provide Access to an Extraordinary Education for All Minnesotans

- Quality of graduates: program learning outcomes; licensure exam pass rate; national learning assessment
- Student success: second fall persistence rate; completion rate
- Affordability: tuition and fees; changes in trajectory of tuition and fees
- Diversity and equity: student and staff diversity; student persistence, completion, and time to degree for diverse populations; campus climate

Be the Partner of Choice to Meet Workforce and Community Needs

- Certificates and degrees awarded
- Related employment of graduates
- Alignment of academic programs with workforce needs
- Customized training / continuing education enrollments

Provide Highest Value / Most Cost Effective Higher Education Option

- Efficiently use resources: administrative overhead
- Effectively steward financial and physical resources: composite financial index (CFI); reserve ratio; facilities condition index (FCI)
- Develop new resources: private giving; grants; customized training and continuing education revenue

Collective Success of the MnSCU System to Serve the State and Regions

- Successful transfer
- Curricular collaboration
- System share of Minnesotans enrolled in higher education

- System share of degrees and certificates conferred

Questions

- Do these metrics appropriately capture the key outcomes that we are striving to achieve through the strategic framework? Do these metrics provide insight into the effectiveness of our colleges and universities, the quality of the work they do, and whether they are fulfilling their mandate from the state of Minnesota? Do these metrics assess our stewardship of resources?
- Should these metrics (or a subset of them) replace the board's accountability dashboard?
- How well do these metrics provide accountability to internal and external constituents? Do they use language that is accessible to internal and external constituents?
- How would the board like to receive reports on institutional and system-wide performance on these metrics?
- How should the board use these metrics to provide oversight and develop policy when needed?

Possible Roles for the Board

- Review the new institutional performance metrics.
- Use the metrics to aid oversight and assessment of institutional and system performance.
- Use the metrics as part of the chancellor's performance evaluation.
- Use the metrics to inform the development of board policy.
- Use the metrics to identify areas requiring additional oversight.

Enterprise Risk Management

Background

Every organization, Minnesota State Colleges and Universities included, operates in an inherently risky environment. “All successful organizations take risks, and the most promising opportunities often involve heightened risk” (AGB, 2009). Risk cannot be avoided, but it can be managed. The effective management of risk can reduce the chance of loss, create greater financial stability, protect system resources and reputation, and increase our ability to realize our core objectives.

Enterprise risk management is: “a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives” (Committee of Sponsoring Organizations of the Treadway Commission, September 2004). Enterprise risk management is a comprehensive set of strategies to identify, analyze, monitor, and address in an integrated, organization-wide perspective the major risks facing our colleges and universities so they can effectively serve students, communities, partners, and the state of Minnesota.

Basic ERM Steps



Risk management often focuses on five kinds of risks:

- Strategic: macro-changes in the environment that affect the ability of our colleges and universities to realize their goals and objectives
- Operational: the integrity and efficacy of processes
- Financial: the effective and efficient use of resources
- Compliance: compliance with applicable laws and regulations
- Reputational: public image and perception

Examples of risks include:

- Sudden changes in revenue or costs – enrollment loss, facility damage
- A security or safety event
- Breach in internal financial controls – real or reputational loss
- Personal misconduct
- Breach of data security
- Violation of data confidentiality laws

- An event or activity that would damage the reputation of a college, university, or the system
- Grant non-compliance
- NCAA non-compliance
- Sudden leadership change – president or chancellor loss - lack of succession planning
- And much, much more

The assessment and management of risk currently occur at all levels of leadership and management within the system, from the front-line campus employee through the Board of Trustees. Every day, leaders and employees across the system make risk-based decisions in the operation of the colleges and universities. Institutional strategic and fiscal plans are ways that leaders assess and develop plans for addressing risk. At the system level, the Finance division, the Information Technology Services division, the Office of Internal Auditing, the Office of the General Counsel and the Advancement division all engage in risk assessment and mitigation activities.

While individually sound in practice, these risk management strategies may not provide a systematic enough strategy for monitoring, identifying, analyzing, assessing, prioritizing, and addressing the risks associated with our system.

Questions

- What are the biggest risks facing our colleges and universities and how well are we managing those risks? What are the macro political, economic, demographic, and market economic drivers of risk? How well do we measure, monitor, and assess risk?
- What is our appetite for risk? Which kinds of risks? How do we align our appetite for risk with our strategy for managing risk? Where are we too risk adverse? Where are we too unwilling to take on risk? How well do we reduce bad surprises and losses? How do we increase the opportunity for good surprises and gains (e.g. where should we be less risk adverse)? Do we have the right balance between 1) the risk (as measured by the probability of the event times the magnitude of its consequences) and 2) the cost of managing the risk?
- How good are the internal processes for decision making around risk? Do we have an internal culture that supports the detection, reporting, and management of risk?
- Do we have a thoughtful protocol of alternative risk responses, such as risk avoidance, reduction, sharing, and acceptance and do we have thoughtful heuristics about when each approach should be taken? At what level should decisions be made and who should participate in making the decision?
- Do we have the proper risk management oversight/decision making in place?
- What should be the architecture for our enterprise risk management strategy? This can blossom into a humongous project. How do we decide which kinds of risks are worth managing and how formal the enterprise risk management structure should be to manage these risks? How do we effectively manage risks and understand the interaction among risks that is consistent with the limited resources we have as a system (e.g. training, education of management about risk appetite, management of risk and parameters of their authority)?
- Although the board has vested in the chancellor and presidents responsibility for effectively managing risks, what personnel are operationally responsible for developing and implementing an enterprise risk management strategy?

Potential Roles for the Board

- Review Board Policy 5.16: “The chancellor for the system office and the presidents for the colleges and universities are responsible for effectively managing risks in order to conserve and manage the assets of the system office, colleges and universities and minimize the adverse impacts of risks or losses.”
- Assess how well the board is exercising its appropriate oversight of the chancellor and presidents’ management of risk. Clarify which the board committees or board leaders should be involved.
- Ensure that there are mutually understood expectations about the threshold at which the chancellor or other system officers should raise a concern about risk with the Board of Trustees.

Progress on Driving Change

Background

- Chancellor Rosenstone introduced the Strategic Framework for Minnesota State Colleges and Universities at the September 2012 board retreat.
- At its November 2011 meeting, the board reviewed the chancellor's implementation plan, which listed the projects that would be undertaken during the 2011-2012 and 2012-2013 academic years to meet the framework's objectives.
- At its January 2012 meeting, the Board of Trustees formally adopted the strategic framework.
- As part of its annual review of the chancellor's performance in June 2012, the board assessed the work that had been accomplished to date.
- The work plans for the presidents, the cabinet, and the chancellor all include the milestones that need to be met during the 2012-2013 academic year to advance the framework.

Questions

- Is appropriate progress being made on the implementation of the strategic framework workplan?
- Does the system have sufficient capacity (leadership and change management) to advance the framework in a timely fashion?
- What changes should be made to the timeline or components of the workplan?
- What is an appropriate time horizon for achieving significant change?

Potential Roles for the Board

- Oversee the strategic direction and key priorities of the system.
- Monitor implementation of the strategic framework.
- Suggest additional steps that might be taken to ensure fulfillment of the framework's objectives.

Priorities for the FY 2014 – FY 2015 Biennium

Background

In October 2012 and November 2012 we will bring to the board for its consideration our recommendations for MnSCU's proposed biennial legislative request and our initial thinking about the FY 2014 and FY 2015 budgets. This discussion will include board review of our recommendations on:

- The key themes around which to organize the request
- Top academic priorities and areas of investment
- Proposed tuition for each of the two years of the biennium
- Projected revenues and costs
- Level of internal reallocation to help meet top academic priorities.

Our recommendations will build upon ideas and suggestions that have surfaced from our discussion with the board, college and university presidents, as well as with student, faculty and staff leadership.

In May 2013 and June 2013 we will bring to the board for its consideration our more detailed recommendation for the FY 2014 budget as well as a preliminary recommendation for the FY 2015 budget. These recommendations will also have been vetted with all internal constituencies.

Five principles are guiding our initial thinking about the biennial legislative request and the FY 2014 and FY 2015 annual operating budgets:

1. Advance the strategic framework: Develop a biennial request and 2014 and 2015 operating budgets that will support the critical investments required to achieve the goals identified in the strategic framework:
 - Ensure access to an extraordinary education for all Minnesotans;
 - Be the partner of choice to meet Minnesota's workforce and community needs; and
 - Deliver to students, employers, communities and taxpayers the highest value/most affordable option.
2. Protect affordability by limiting tuition and fee increases to the smallest levels needed to ensure academic quality.
3. Reallocate resources to meet the highest and emerging priorities: continue on-going efforts to align resources with the priorities in the strategic framework and optimize the use of every dollar through reallocation in ways that maintain quality, increase productivity and improve efficiency.
4. Budget with a multi-year perspective.
5. Be sensitive to Minnesota's projected \$1.1 billion structural deficit for the 2014-15 biennium. (This projected deficit increases to over \$4.5 billion when expense inflation and repayment of the K-12 funding shift are factored in.)

Questions

- Do our recommendations for MnSCU's legislative request and biennial budgets set the right academic priorities?
- Does the budget make realistic assumptions about the risks we face; the projected changes in expenses and revenues; the steps needed to protect access and affordability?
- Is the legislative request politically viable?

Potential Roles for the Board

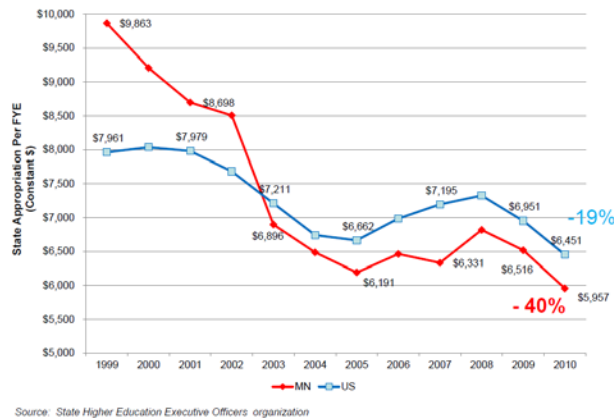
- Assess whether the proposed academic investment priorities advance key system priorities and are responsive to the needs of students and external stakeholders.
- Assess whether the proposed investment priorities advance the strategic framework and advance the quality of our academic programs.
- Provide counsel on our legislative strategy.
- Review, oversee, and approve the legislative request.
- Review, oversee, and approve the FY 2014 and preliminary FY 2015 budgets.

The Future of Public Higher Education

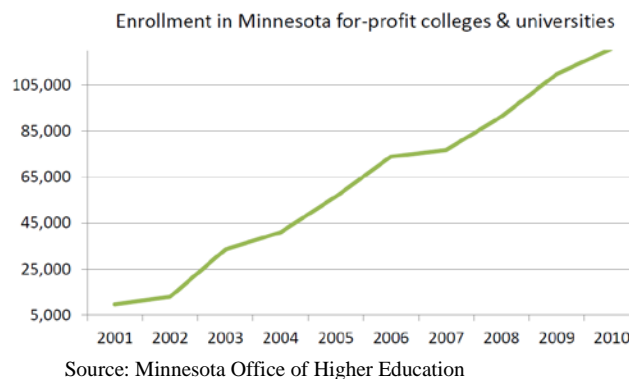
Background

A number of dramatic changes have occurred over the past decade – changes that have the potential to disrupt public higher education.

- Over the past decade, states have cut their financial support of higher education. The cuts have been particularly deep in Minnesota.



- Minnesota, like many states, has a long-term structural budget problem that makes reinvestment in higher education difficult. Looking ahead, the retirement of baby-boomers will mean fewer tax dollars and increased pressure on state health care expenditures. The growing number and economic diversity of school-age children will continue to place upward pressure on the cost of health care, K-12, economic assistance, and social services. Periods of slow economic growth will be periods of low growth in tax revenue.
- Competition from private, for-profit colleges and universities has increased.



As the U.S. Senate Health, Education, Labor and Pensions Committee recently reported, average tuition for a for-profit school is about six times higher than a community college and over twice as high as a 4-year public school. Their high tuition enables for-profit schools to spend nearly 23% of their revenue on marketing and recruitment – significantly more than they spend on instruction.

- E-education has also grown exponentially over the past decade. It is here to stay. Although not suitable for all kinds of instruction, of mixed quality and lower effectiveness than face-

to-face instruction for students who are academically challenged, the quality and efficacy of e-education will continue to improve. E-education not only gives students an opportunity to enroll in courses from afar, it allows students to take courses at times and places that are convenient for them. E-education can potentially enable greater individualization of instruction. Aggressive, well-financed marketing has increased the private for-profit online provider's market share.

Over the past year, more than a dozen of the nation's most prestigious universities have developed free, open, online courses known as "Massively Open Online Courses" (MOOCs). Although universities are not currently offering credit for these courses at this time, it is easy to imagine a day when these courses will be offered for credit. Also, consider a world in which Google or Apple significantly invests in E-education. This kind of capitalization by itself or in partnership with an educational institution would dramatically accelerate the transformation of e-education.

Note: 22% of the FYE students served by MnSCU institutions in the 2011-2012 academic year were served online or in blended courses (a mix of online and face-to-face) – up from 1% in the 2000-2001 academic year.

- Alternative credentials: Higher education's monopoly over awarding the credentials traditionally needed to enter many professions is being disrupted. New vendors are offering certificates that are certifying the achievement of the competencies desired by employers. This alternative path to credentialing is likely to grow.
- Modularity: 42% of MnSCU's associate degree graduates and 49% of MnSCU's bachelor's degree graduates attended more than one MnSCU college or university. Course-taking across multiple institutions will likely continue to rise with students picking and choosing the best or most cost effective or most convenient courses from a wide variety of providers. More and more students will want to wed together into certificates and degrees courses from multiple institutions.
- Competency-based learning: Higher education has traditionally awarded credit and degrees based on the completion of courses with a set number of contact hours rather than on how well students demonstrate specific skills, no matter how, when, or where they learned these skills. Some institutions, such as the University of Maryland University College and the Western Governors University, have begun providing prior learning assessment services that can be redeemed for college credit. A student in the Pennsylvania system can pay a private company to recommend the credit that the public university should award the student for his/her prior learning. MnSCU Board Policy 3.35 requires that "each system college and university shall provide students with a means for evaluation of prior learning." MnSCU's greatest progress has been made in the awarding to veterans credit for their prior learning.
- The boundaries between high school and college will become increasingly blurred. More students will begin taking college-level courses (through concurrent enrollment, PSEO, IB, and AP) before they receive their high school diplomas. MnSCU colleges and universities currently provide 83% of all PSEO instruction in the state of Minnesota. Anoka Ramsey Community College, Central Lakes College, and Inver Hills Community College have all played leadership roles in growing dual enrollment programs for high school students in their community.

- New kinds of students: There are dramatic changes in the kinds of students we are serving and will need to serve in the future. Students are technologically more savvy and more demanding of technologically rich ways to learn. Within a decade, students of color will comprise nearly one-quarter of all high school graduates in Minnesota. Communities that have traditionally been underserved by higher education will continue to grow, as will the number of students from families with limited financial resources.

Questions

- What will be the likely impact of these trends on Minnesota State Colleges and Universities? Which trends are likely to be consequential for MnSCU? Which ones will not?
- How can we best respond to (or better yet, lead) these changes? What are the barriers to doing so? What are the potential consequences of failing to respond? How should our colleges, universities, and the system address these challenges?
- Does the system’s strategic framework effectively respond to the challenges facing public higher education and does it do so with the right strategies?
- How should technology be used to enhance the effectiveness of education, reduce its costs, and increase access to education? For what kind of programs? For what kind of learners?
- In a world where people might return to our colleges and universities two, three, or more times over the course of their lifetimes to enhance their skills, prepare for new careers, or to enrich their lives, should we think of a different kind of relationship learners can have with our colleges and universities (e.g., a “membership”)?

Potential Roles for the Board

- Oversight of MnSCU strategic direction.
- Guidance in developing effective strategies to meet an increasingly complex environment.
- Oversight of whether we have identified and are responding to the right risks.
- Long-term stewardship of our colleges and universities.

The MnSCU System of the Future

Background

The summer of 1995: Minnesota's unemployment rate was 3.7%; the technology industry was still debating standards for the DVD; Larry Page and Sergey Brian began developing a search engine called Backrub; Toy Story premiered as the first wholly computer generated film; the first digital camera hit the consumer market; mass use of the Internet was beginning; Amazon.com sold its first book; IBM bought Lotus; AAPL traded at \$47; the Board of Trustees of Minnesota State Colleges and Universities held its first meeting.

Much has changed over the past 17 years:

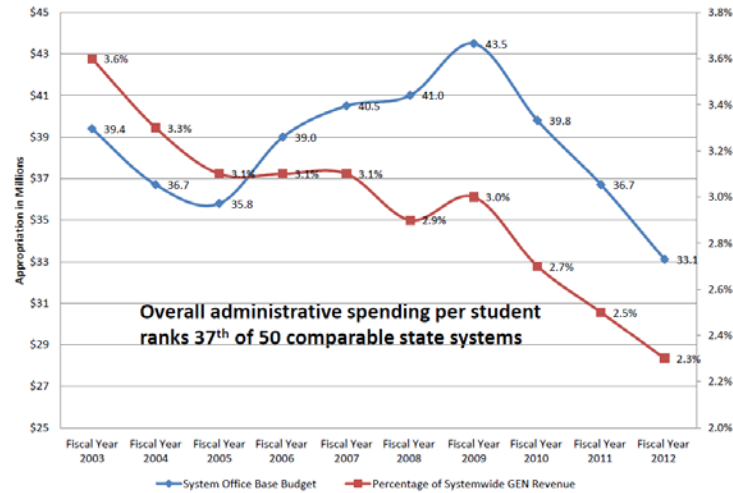
- The demographic trends of the past century continued with a larger share of the state's population living in metropolitan areas, especially in the Twin Cities metropolitan area.
- Minnesota's population grew more diverse, particularly its school-age population.
- Technology dramatically changed how we communicate; how and where work can be done; how learning can occur; and how information, data, and images can be accessed, processed, and shared. Technology has transformed the workplace and the kinds of skills graduates need for success.
- The world "flattened" with much greater global fluidity and greater competition for labor, ideas, production, and capital.
- The entry of for-profit higher education providers has increased competition in the higher education market.
- E-education surged.
- State support shrunk from two-thirds to one-third of the MnSCU budget.
- And, much, much more.

Despite this world of change around us, the basic architecture of the Minnesota State Colleges and Universities system – the relationships among our community and technical colleges, our universities, and the system office – has been remarkably untouched by the passage of time. The hallmark of this architecture is a culture of decentralization, the principle of campus autonomy, independence, and local control, the decentralized way that academic programs and customized training are developed, instruction is delivered, and costs and revenues are allocated. The basic design of labor agreements has not changed.

Although the basic architecture of the system remains unchanged, there is some notable evolution:

- The 54 campuses are led by 31 presidents, compared to 44 presidents when the system was created.
- As state support shrunk, tuition grew to comprise two-thirds of college and university revenues.
- As enrollments across our campuses shifted over time, the "allocation framework" (a formal allocation algorithm for distributing state support to our colleges and universities) has shifted state support to campuses that have grown in the number of students they serve.
- Over the past decade, the system office has shrunk from 3.6% to 2.3% of the systemwide budget.

Reduction in the size of the System Office



- Although new collaborative strategies have begun to emerge – such as the Campus Service Cooperative, the Northwest Alliance, collaboration between sets of colleges in the metro area, and among the colleges in southern Minnesota – our colleges and universities are still not yet playing as a fleet; they are still too often ships passing in the night, or worse, competitors with each other.

Possible Principles Governing the Design of the System of the Future

1. Advance the strategic framework.
2. Incent and reward collaboration among institutions to achieve institutional and system-wide success.
3. Delegate responsibility and authority to colleges and universities. This includes responsibility for:
 - Advancing the strategic framework
 - Meeting outcome goals
 - Managing costs and revenues
 - Managing their campuses and academic programs
 - Prioritizing the allocation of resources.
 - Deciding how best to serve their students and communities.
4. Hold the colleges, universities, and the system office responsible for the outcomes they achieve, as well as the collective success of the system. Incent and reward their achievement of outcomes.
5. Recognize the diversity of our colleges and universities, the diversity of the programs they provide, the diversity of students they serve, and the diversity of needs that this generates.
6. Reward innovation and entrepreneurship.

Questions

- What is the value proposition for the system? How can this value proposition be enhanced?
- Given the macro changes that have occurred, what changes should be made to the architecture of the MnSCU “system”?
- What does the campus of the future look like? How many campuses should there be? What academic services will reside on individual campuses and what services will be provided to all campuses in a collaborative fashion? Will more students be taking courses from multiple institutions? Will some degrees be offered by a consortium of institutions?
- What responsibilities should reside with the campuses, what should be handled centrally, and what actions should be carried out in a coordinated fashion (for example, through the Campus Service Cooperative)? How should coordination and collaboration be achieved? How can it be increased? What leadership and governance models will be needed?
- What is the role of the system office? Is it a “leveragable” asset? What functions and activities provide collective benefits to our colleges and universities, are required by statute or for compliance or regulatory oversight, and/or can only be handled effectively and efficiently by the system office?
- How should labor agreements change to respond to the changing nature of education and new academic strategies?
- How do we ensure accountability of the system office, the Campus Service Cooperative, and our colleges and universities?

Potential Roles for the Board

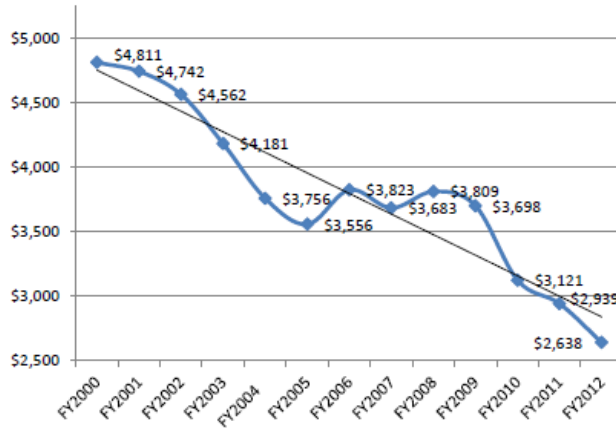
- Guidance in designing the system for the future.
- Oversight of implementation of changes to the system design.

A Long-term Financial Strategy for Minnesota State Colleges and Universities

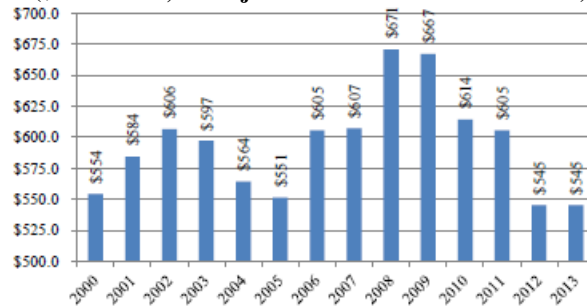
Background

- Over the past decade there has been a dramatic acceleration in the shift of MnSCU’s sources of revenue: state support has declined precipitously and tuition has grown as a larger and larger share of college and university budgets. Although enrollments have surged 15% over the past decade, the state’s funding of MnSCU is not tied to enrollments.

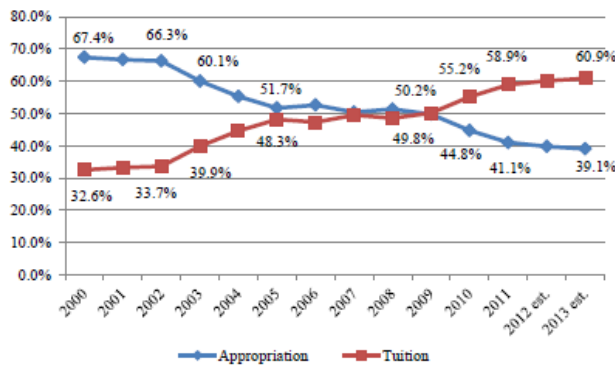
State support per FYE MnSCU student is down 45% (in constant dollars)



State Appropriation to MnSCU is lower in 2013 than it was in 2000 (\$ in millions, not adjusted for inflation or enrollment)



Declining State Support Has Led to Increased Dependence on Tuition



- Tuition now exceeds state support as the largest revenue stream and tuition will likely continue to be the largest source of revenue in the future.
- The state’s strong support of capital projects over the past ten years will be difficult to sustain in the years ahead. Scarce capital investment funds are already leading to increases

in deferred maintenance and increased reliance on operating budgets for repairs. At the same time, increased competition for students and the demands of innovative teaching environments are placing increased demands on our capital budgets.

- The state’s commitment to access has historically been interpreted to mean low tuition, widely distributed physical access, and broad academic program choice. These historical commitments are under intense pressure.
- Our commitment to financial access and limits on the ability of students to pay will not allow us to continue to increase tuition at the rate it went up over the past decade. Moreover, tuition revenue is fully “optimized:” university rates are regionally competitive; college rates are high compared to regional and national peers.
- Demographic changes over the next decade will increase competition for students, faculty and staff.
- The costs of technology, security, government regulations, utilities, maintenance of facilities, and health benefits will continue to rise.
- Academic investments need to be made to advance quality and ensure that we can compete for top faculty and staff.
- Continuing downward pressure on revenue and upward pressure on expenses will lead to widening gaps between revenues and costs in both our operating and capital budgets.
- “Project 2022,” shared last spring with the Board Committee on Finance and Facilities, is a planning tool that enables 10-year projections of costs and revenues at both the system and institutional level under a variety of planning assumptions. The tool is being piloted at a college and university this fall and will be deployed to all institutions during FY 2013. A companion tool for modeling in full accrual (GAAP) environment is also being piloted. This new tool will enable us to forecast changes in the Composite Financial Index (CFI) at both the campus and system level.

Questions

- Who should MnSCU serve? What should be included in our portfolio of academic programs and activities? What are our ideal or preferred enrollments in the years ahead? At how many sites? What new academic investments are needed?
- What is our financial strategy going forward in support of these goals and priorities? What are the projected costs and revenues? What are the opportunities and strategies to increase revenues and cut costs?
- Does each college and university, as well as the system as a whole, have a sustainable financial model going forward? If not, what must change to ensure financial sustainability?
- How should the “allocation framework” (the allocation algorithm for distributing state support to our colleges and universities) be changed to reflect the changes that have occurred in our funding streams; to incent the outcomes we strive to achieve; to drive innovation and quality, cost effectiveness and entrepreneurial activity; and to advance long-term financial sustainability?
- Are adequate planning tools, metrics, and systems of accountability in place?

Potential Roles for the Board

- Assess and provide guidance on the system's long-term financial strategy.
- Assess the current financial model and allocation framework and consider changes.
- Monitor the long-term financial health of our colleges and universities and their financial management strategies – provide fiscal oversight.
- Consider whether additional financial benchmarks are needed.
- Consider whether a statewide facilities master plan would be valuable.
- Review Board Policy 7.1 on Finance and Administrative Authority of the Board, Chancellor and Presidents; Board Policy 7.3 on Financial Administration and Board Policy; and Board Policy 7.4 on Financial Reporting. (These board policies and their associated system procedures allow the colleges and universities autonomy to administer the resources under their control.)

Educational Success for a Diverse Student Population

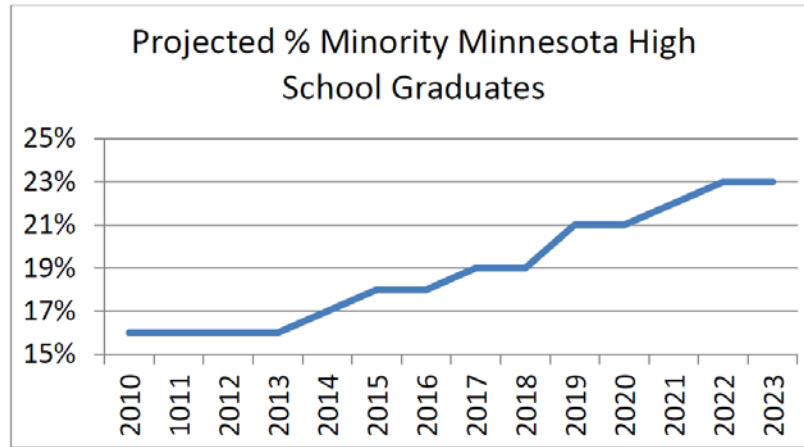
Background

- The system Office of Diversity and Equity works with college and university leaders to increase higher education access and success for underrepresented / underserved students, to help ensure a welcoming and inclusive climate for all kinds of people, and to help ensure a diverse workforce. Examples of current strategies include:
 - Design and deliver diversity and equity competency-related professional development programs to college and university employees.
 - Assist campuses in developing strategies with measurable outcomes to increase the academic achievement of all students, including those historically underrepresented in higher education.
 - Review campus accessibility to help develop a campus climate that enhances recruitment and retention of diverse students.
 - Design and disseminate strategies to recruit and retain a diverse workforce.
- The diversity of MnSCU students, faculty, and staff has increased over the past five years.

	FY:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012*</u>
Student Diversity							
Students of color		16.2%	17.2%	18.3%	19.8%	20.8%	21.9%
Pell eligible		22.9%	24.3%	24.9%	31.1%	36.7%	38.9%
First generation		20.8%	20.0%	19.7%	20.4%	20.5%	20.4%
Total		42.9%	43.7%	44.1%	48.6%	52.1%	53.0%
Faculty and Staff Diversity							
Faculty of color		8.1%	8.1%	8.2%	8.6%	8.6%	9.1%
Other employees of color		8.7%	9.0%	9.2%	9.2%	10.0%	10.3%
Administrators of Color							
Levels 1-8		8.4%	7.3%	7.3%	6.9%	8.7%	7.9%
Levels 9-16		10.8%	11.5%	10.7%	12.7%	12.6%	15.7%
Total		8.7%	8.1%	7.9%	8.0%	9.4%	9.4%

* Student diversity figures for 2012 are preliminary.

- Although MnSCU serves an increasingly diverse student body, students of color are about 12% less likely than their counterparts to complete their degrees in a timely fashion.
- Currently, the chancellor leads the P-20 Partnership’s work on closing the achievement gap and serves on the board of the Twin Cities Strive initiative focused on closing the achievement gap in Minneapolis and St. Paul schools.
- The diversity of Minnesota’s high school graduates will continue to grow which will continue to increase the diversity of the students that our colleges and universities serve:



Questions

- How can we ensure that our campuses are welcoming and inclusive environments that actively nurture a climate of respect that enables all kinds of people to thrive?
- How can we improve our outreach to Minnesota’s diverse communities to increase access to our colleges and universities and to better serve those communities?
- How can we further diversify our student body, our faculty, and our staff?
- How can we improve retention, completion, and time to degree for students who have traditionally been underserved by higher education – that is, close our achievement gap?
- How can we enhance the cultural competency of our students to enable them to work across cultural, racial, religious, and geographic boundaries with sensitivity and skill?
- Are the values of equity and diversity embedded in ways that leaders, faculty and staff make decisions? Does the climate support students, faculty and staff to speak out on issues of equity and diversity?
- How do we monitor and assess progress?
- Are there sufficient resources, incentives, and accountabilities in place to produce progress?

Potential Roles for the Board

- Provide guidance in the development of effective strategies.
- Assess approaches for measuring progress on equity and diversity and monitor progress.
- Provide guidance on how the system can better respond to the needs of Minnesota’s diverse communities.

Access and Affordability

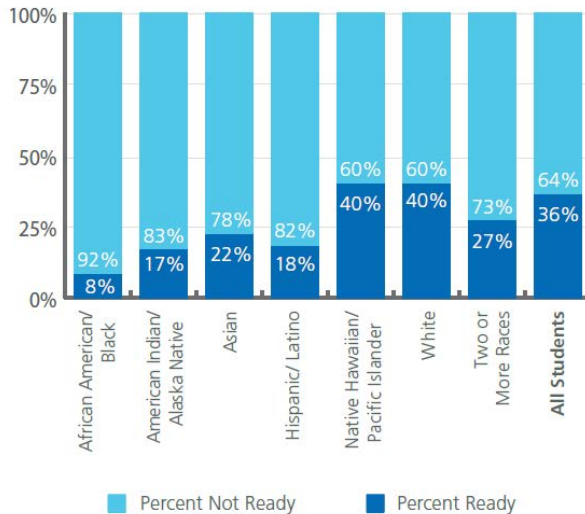
Background

- Access and affordability are core values for our colleges and universities. Minnesota counts on MnSCU institutions to keep the doors of educational opportunity open to all Minnesotans. Our colleges serve anyone with a high school diploma or a GED.
- MnSCU colleges and universities serve more low income students and students of color than all the other colleges and universities in the state of Minnesota combined: 63% of the students of color enrolled in higher education in Minnesota are enrolled in a MnSCU college or university; 60% of the Pell Grant recipients enrolled in higher education in Minnesota are enrolled in a MnSCU college or university. The system also serves over 55,000 first generation college students each year.
- A host of barriers can impede access to higher education: academic preparedness; affordability; availability of financial aid; lack of family experience with higher education; and lack of access to courses and facilities either face-to-face or via technology.

Academic preparedness

- Gaps in college preparedness exist for racial and ethnic minorities, the poor, and those for whom English is a second language. These gaps appear in the Minnesota Comprehensive Assessment results, in high school graduation rates, in the propensity of students to take the ACT, or succeed in advanced placement tests. The 2010 high school graduation rate for students eligible for free/reduced price lunch was 56% compared to the 76% graduation rate for all students; students of color had a graduation rate that was 30 percentage points lower than that of other students.
- Racial and social class gaps in academic preparedness exist among those who take the ACT:

PERCENT OF MINNESOTA STUDENTS MEETING ALL*
ACT COLLEGE READINESS BENCHMARK SCORES,
2010-11

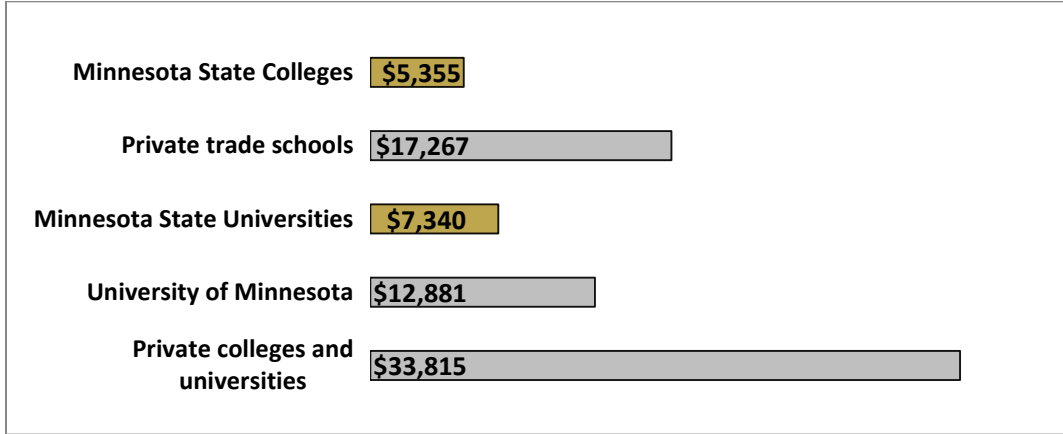


*English, Math, Reading, and Science

Source: ACT

Affordability

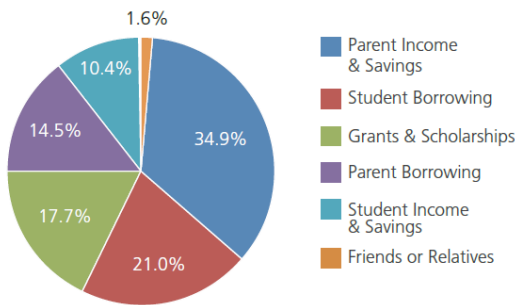
- Minnesota State Colleges and Universities are the most cost effective higher education option available in the state of Minnesota:



- As state support for higher education has fallen, who pays for higher education has increasingly shifted from the state to students through tuition increases that have risen to make up for a portion of the lost state revenue. As a result, tuition and fees have increased faster than the cost of living – up 57% at our colleges and up 49% at our universities over the past decade, compared to the 21% increase in the CPI.

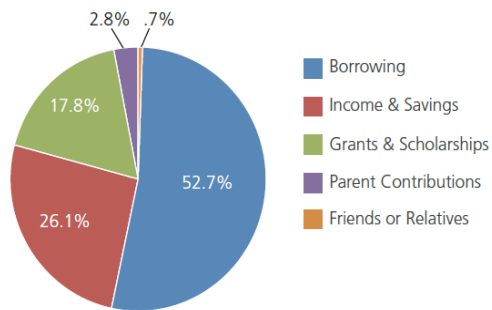
How Minnesota students pay for their education

HOW DEPENDENT STUDENTS AND THEIR FAMILIES PAID FOR COLLEGE, 2008-09



Source: Minnesota Office of Higher Education

HOW INDEPENDENT STUDENTS AND THEIR FAMILIES PAID FOR COLLEGE, 2008-09



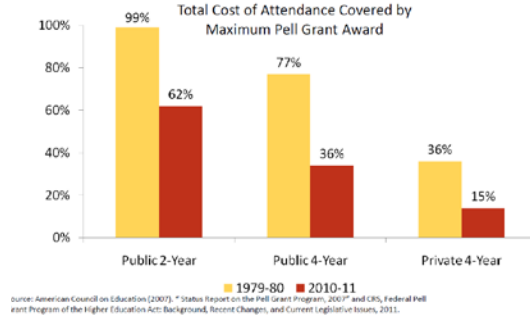
Source: Minnesota Office of Higher Education

- Over the past four years, the ability of parents to help finance their child’s college education (from savings, current income, or borrowing) has declined. As a result, students have had to assume a greater share of the cost of their education.
- Over the past decade, earnings among the lowest income families in the U.S. have declined and the proportion of poor K-12 students in the U.S. has also increased. This has happened at a time when it is more imperative than ever for students from all economic walks of life to pursue post-secondary education and at a time when grants and financial aid cover a smaller and smaller share of the cost of higher education.

Financial aid

- The share of the cost of college covered by federal and state need-based aid programs has declined. Between 2009 and 2011, the total amount of Minnesota State Grants awarded decreased by 16%.

Federal Pell Grants have failed to keep pace with rising college costs in the U.S.



- 56% of MnSCU undergraduates enrolled at a college and 29% of MnSCU undergraduates enrolled at a university are part-time (fewer than 12 credits). Because of the formulas that the Minnesota Office of Higher Education uses to award state grants, many of these part-time students either do not receive a state grant or receive a disproportionality small grant.
- OHE’s formulas also require students who are financially independent of their parents to contribute far more to the cost of their education than students with similar incomes who are financially dependent. This practice reduces the size of the state grant to financially independent students compared to their financially dependent counterparts.
- Some students who are eligible for federal and state financial aid do not fill out the FASFA and hence do not apply for aid. Lack of information about the availability of financial aid is more prevalent in low-income families, families of color, and families that have been traditionally underserved by higher education.
- 56% of *first-time, full-time* MnSCU university students and 59% of *first-time, full-time* MnSCU college students receive grants (federal, state, or institutional):

Percent of First-Time Full-Time Minnesota Undergraduates Receiving Grants, 2009-2010

Institution Type	Number of Students	Any Grant		Federal Pell Grant		State Grant		Institutional Grant	
		Percent Receiving	Percent Receiving	Average Grant	Percent Receiving	Average Grant	Percent Receiving	Average Grant	
MnSCU Colleges	15,010	59%	49%	\$3,988	43%	\$1,203	5%	\$1,309	
For-Profit Two-Year Schools	3,942	73%	65%	\$4,392	48%	\$1,300	10%	\$1,036	
MnSCU Universities	7,454	56%	29%	\$3,826	33%	\$2,283	26%	\$2,165	
University of Minnesota	7,707	91%	21%	\$3,884	73%	\$2,858	57%	\$3,247	
Nonprofit Colleges	10,245	94%	29%	\$3,901	32%	\$4,249	90%	\$13,727	
For-Profit Four-Year Schools	1,627	78%	64%	\$3,857	47%	\$1,813	35%	\$1,979	

Source: U.S. Department of Education, IPEDS Student Financial Aid Survey

- Our colleges and universities have modest scholarship funds to award to their students. Only 26% of MnSCU university *first-time, full-time* undergraduates and 5% of MnSCU *first-time, full-time* college undergraduates receive institutional grant aid compared to 57% of U of M *first time, full-time* undergraduates.

- 86% of *first-time, full-time* MnSCU university students and 83% of *first-time, full-time* MnSCU college students receive some form of financial aid (any kind of grant or loan).
- 76% of *all full-time* MnSCU students and 41% of *all part-time* MnSCU students receive some form of financial aid (any kind of grant or loan)
- Summer federal Pell grants ended July 1, 2011.
- Pressure on the federal and state budgets threaten further cuts to the federal Pell grant and student loan programs, and to the state grant program. These cuts, were they to occur, would reduce the largest source of financial aid for MnSCU students.

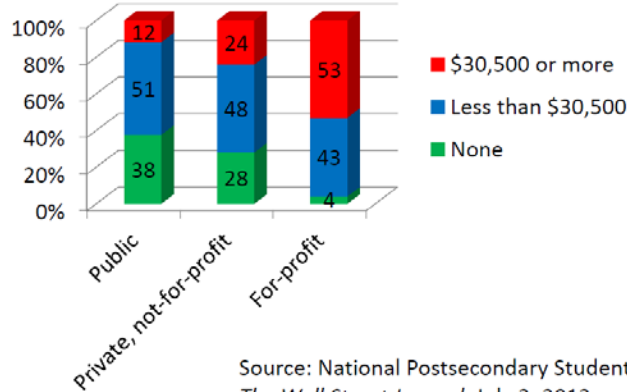
Student Debt

- As more and more of the cost of higher education has shifted from the state to students, as the share of the cost of education covered by state and federal aid programs has dropped, and as the ability of parents to assist their children with the cost of their education has fallen, the proportion of students borrowing to finance their education has risen, as has the average debt for those who have taken out loans.
- The proportion of MnSCU college graduates that borrowed increased from 41% in 2002 to 58% in 2010.
- The proportion of MnSCU university graduates that borrowed increased from 55% in 2002 to 67% in 2010.
- Average student debt load for MnSCU college graduates is \$9,178; average student debt load for MnSCU university graduates is \$16,571.

Graduate Borrowing and Loan Debt				
Minnesota State Colleges and Universities				
Fiscal Years 2002, 2006 and 2010				
	2002	2006	2010	Pct. Change 2002-2010
Percent of Graduates with Loans				
Colleges	41%	52%	58%	16%
Universities	55%	65%	67%	12%
System	46%	56%	61%	15%
Mean Loan Debt for Graduates that Borrowed				
Colleges	\$8,222	\$11,640	\$15,875	93%
Universities	\$16,404	\$21,824	\$24,645	50%
System	\$11,800	\$15,623	\$19,085	62%
Mean Loan Debt for All Graduates				
Colleges	\$3,402	\$6,049	\$9,178	170%
Universities	\$8,993	\$14,129	\$16,571	84%
System	\$5,469	\$8,798	\$11,630	113%

- The horrific national stories about student debt load are largely stories about students who graduate from private, not-for-profit and private, for-profit institutions:

Education-loan debt for four-year B.A. degree recipients, 2007-08
Debt level by type of baccalaureate institution



	% with loans	Median debt for those with loans	Median debt for all grads
MnSCU associate degree recipients	68%	\$11,000	\$ 7,480
Private, for-profit associate degree recipients	99%	\$22,000	\$21,780

- Minnesota college and university graduates are more likely to borrow to finance their educations than students in peer states or in the nation as a whole. Minnesotans who do take out loans borrow more than their counterparts in peer states or in the nation as a whole.

Questions

- How should we measure access and affordability? Are there dimensions to access beyond financial access that we want to be attentive to?
- How much has the increase in tuition and fees, the change in the state and federal grant programs, and the decline in the ability of parents to help their children with the costs of college reduced access to higher education? For what kinds of people? Are some students being priced out of higher education?
- What impact would a decrease in state and/or federal aid have on access and affordability?
- What are the opportunities for increasing need-based scholarships?
- What steps should MnSCU and the State of Minnesota take to make higher education more affordable?

Potential Roles for the Board

- Assess access and affordability.
- Provide guidance on current and new strategies to increase access and affordability.
- Provide oversight of administration recommendations on tuition, fees, and operating budgets.