

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date: October 21, 2014

Title: FY2016-2017 Legislative Request – 1st Reading

Purpose (check one):

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

Brief Description:

Every other year, as part of the state's operating budget process, the Minnesota State Colleges and Universities develops a biennial operating budget request. *Board Policy 5.9, Biennial and Annual Operating Budget Planning and Approval* requires the Board approve the systemwide request.

At the November meeting, the board will be asked to approve the proposed fiscal year 2016-2017 budget of \$142 million for the biennium to fund inflationary cost increases and enable a tuition freeze. This is the 1st reading of the biennial budget request.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – CFO
Deborah Bednarz, Director for Financial Planning and Analysis
Richard Hanson, President - Bemidji State University and Northwest Technical College
Doug Allen, President - Ridgewater College

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

ACTION ITEM

FY2016-FY2017 LEGISLATIVE REQUEST (First Reading)

INTRODUCTION

Board Policy 5.9, *Biennial and Annual Operating Budget Planning and Approval*, requires the Board of Trustees to approve the systemwide operating budget request. This is the first reading of the FY2016-FY2017 legislative request.

BACKGROUND

The FY2016-FY2017 legislative request is a proactive strategy that addresses what was heard from key constituencies throughout the state. In preparing the legislative proposal, counsel was received from presidents, faculty, staff, students, and bargaining unit representatives. The resulting budget request targets investment to an initiative that will advance Minnesota's prosperity by producing graduates who are extremely well prepared to enter the workforce and build careers, by protecting and enhancing affordability and by ensuring that educational opportunities and success remain available to all Minnesotans.

The FY2016-FY2017 legislative request proposes a partnership with the state, the colleges and universities and the communities MnSCU serves. The partnership seeks to improve state support and move towards a 50:50 relationship between state support and tuition, provide for inflationary costs in order to ensure continued high quality educational offerings and student services, and commits to freeze tuition if state support is available as requested. The FY2016-FY2017 legislative request presentation is attached to this report as Attachment A. Also attached is the handout prepared for campus use (Attachment B).

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion:

Minnesota's future depends upon a broad-based, highly-trained, highly-skilled workforce. To support increased educational and economic opportunities for all Minnesotans, the Board of Trustees of the Minnesota State Colleges and Universities is committed to providing affordable, high quality education throughout the state. The FY2016-FY2017 legislative request strengthens the state's commitment to access and affordability.

The Board of Trustees approves the FY2016-FY2017 legislative request in the amount of \$1,386,286,000. The Board strongly urges the state of Minnesota to support the Minnesota State Colleges and Universities biennial budget request.

RECOMMENDED BOARD OF TRUSTEES MOTION:

Minnesota's future depends upon a broad-based, highly-trained, highly-skilled workforce. To support increased educational and economic opportunities for all Minnesotans, the Board of Trustees of the Minnesota State Colleges and Universities is committed to providing affordable, high quality education throughout the state. The FY2016-FY2017 legislative request strengthens the state's commitment to access and affordability.

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Presented to the Board of Trustees: October 21, 2014

FY2016-FY2017 Legislative Request



Board of Trustees
Finance and Facilities Committee
October 2014

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.

The Minnesota State Colleges and Universities represents the highest value, most affordable higher education in the state. Our legislative request is committed to strengthening the state's historic commitment to access, affordability and excellence.



Consultation

- 24 colleges and universities forwarded ideas from campus discussions
- All bargaining units and student associations consulted multiple times; written feedback received from MAPE, AFSCME, and IFO
- Common themes:
 - Access and affordability
 - Student success
 - Academic excellence
 - Workforce/community partnerships



Goals for biennial legislative request

- Protect access and affordability
- Improve student success
- Advance academic excellence
- Meet community and workforce needs

... But the paradigm is shifting ...



Addressing the Shifting Paradigm

Our need is urgent.

At this time in our state's history, we must maintain the quality of our educated workforce – a quality for which we are nationally known – to maintain our economic vitality.

Inflationary costs are a factor for any organization. We hope to address them together, but at the same time protect the quality of the activities we provide our students and our ability to deliver the workforce the state desperately needs.



Our story

Minnesota State Colleges & Universities believe an opportunity to go to college should be available to everyone. We measure our value not by the number of students we turn away, but by the number of students we educate.

We provide higher education to the most Minnesotans (410,000 students last year) at the lowest cost possible – roughly ½ the average cost of other large public universities and roughly 1/5 the cost of private colleges and universities in the state. We have a college option for all, from doctoral programs to EMT certifications.

At a time when 74 percent of jobs in Minnesota will soon require some higher education, we feel a tremendous responsibility to provide the education our students require to prepare them for those careers and the quality of life that comes with higher education.

Is there a better investment?



Our ask

Our request is for funds to cover inflationary cost increases in order to protect affordability. This will provide the funds needed to avoid a tuition increase and to protect programs needed to serve students and communities across the state. We appreciate that state support per student FYE has begun to improve in constant dollars, but it is still 32% below 2002 levels, far from the 50:50 goal.

We need an increase in state support to continue to serve our students at the current level and to keep education at the lowest possible cost to those students – an affordable option for the students who often need it most.

State funds are not being requested to fund new initiatives. We will fund new investments internally by prioritization based on the needs of the students.

We must make sure students get the same level of extraordinary education they are getting today. Our request for \$142 million reflects the costs for providing the highest quality education. In order to protect both the quality of programs and affordability for our students, we are asking the state to fund a tuition freeze. We will fund new investments internally by prioritization based on the needs of students, employers and communities.



The face of MnSCU is the face of Minnesota

There is no "typical" student in our colleges and universities. Like Minnesota, our students represent a rich patchwork of backgrounds, stories and achievements, including:

Kevin Fitzgerald, a student in the Fire Program (ERTC Training Center) at Lake Superior College, left a desk job after earning an undergraduate degree when he realized he wanted to be the person that is there for people when they are likely having the worst day of their life.

Fadumo Abdi, a Psychology Major at Minneapolis Community & Technical College, was born in Kenya to parents who fled civil war in Somalia, and was elected President of the Student Senate for the 2013-2014 academic year.

Takanda Epps, a Hennepin Technical College graduate, was the first African-American female to graduate from the Automation Robotics Engineering Technology Program

Danika Stelton, who earned a Technology, Art and Design degree at Bemidji State University, designed the Exhibit Designers and Producers Association booth used at the 2014 EuroShop trade show in Düsseldorf, Germany.

Carl White, a student at Winona State University in Social Work, is married and the father of two young children: a 7-year old daughter with Down syndrome and a 4-year old son, and will become the first of his 14 brothers and sisters to graduate from college.

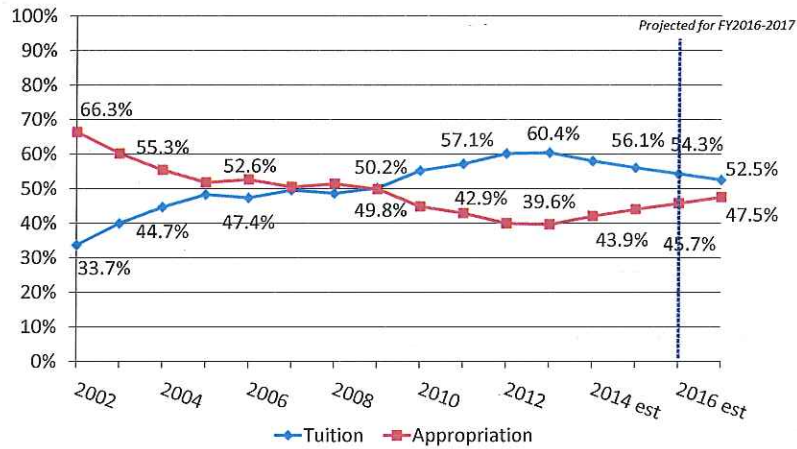
Desaleyn "D" Zemenfes is a high school student in Worthington (WHS) currently working at a local grocery, while also taking classes at Minnesota West Community & Technical College in a PSEO program. He is also very active in his high school, is the president of the WHS FFA chapter, chief programmer for the school's robotic team, participates in youth volunteer efforts and is preparing for the upcoming track season.

Leah Fisher, a lawyer who graduated from Lake Superior College, began her education at a two-year college and graduated with zero debt, helping her eventual finance of her upper level degrees.

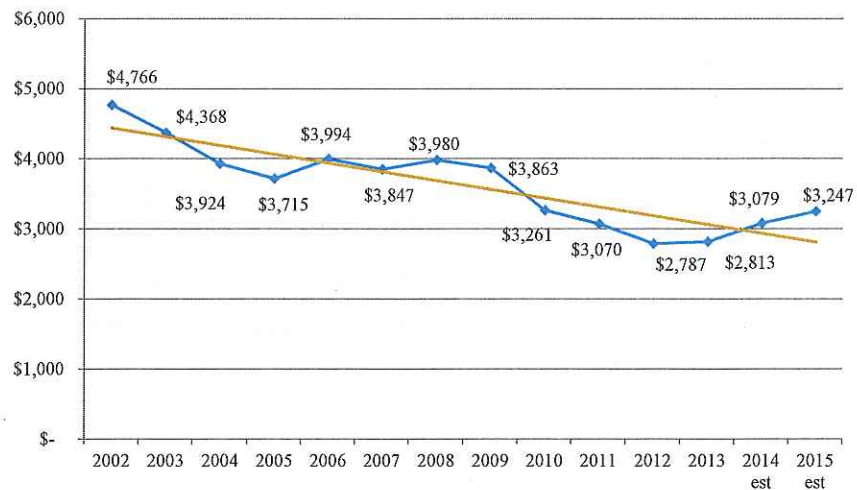


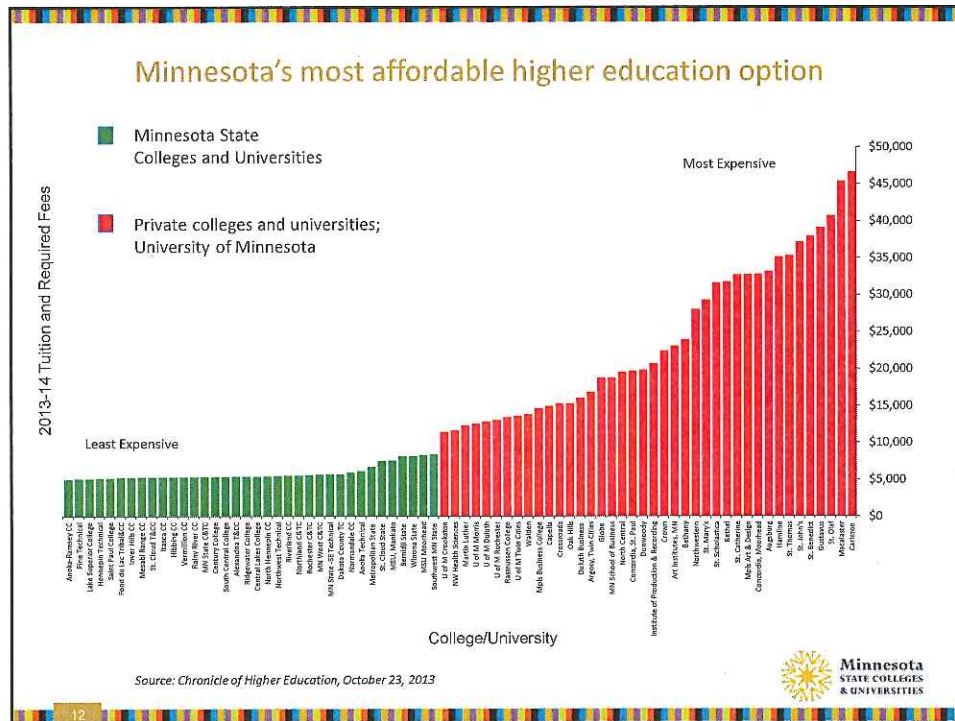
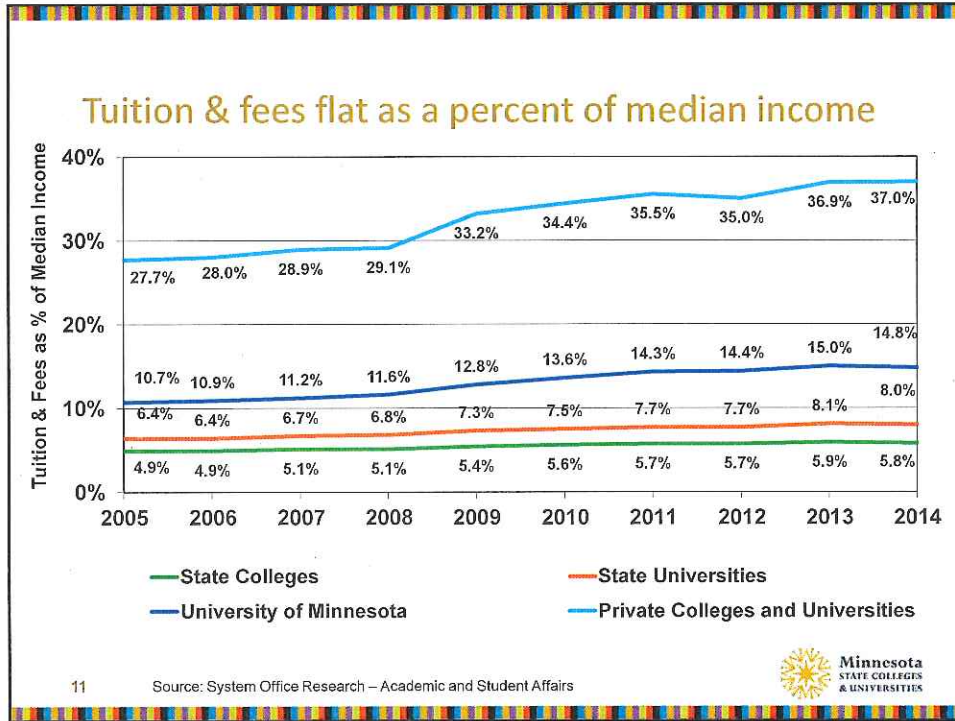
Move state support toward 50:50

State buying down tuition and investing to cover inflationary costs will keep college affordable



State support per student FYE has begun to improve in constant dollars, but is still 32% below 2002 levels





Estimated net student tuition cost Academic year 2014-2015

2014-15 tuition rate for full-time students (30 credits, 15 per term) minus estimated state and Pell grants:

**MnSCU
COLLEGE
STUDENTS**

**MnSCU
UNIVERSITY
STUDENTS**

INCOME LEVELS FOR GRANT RECIPIENTS	AVERAGE 2014-15 STUDENT TUITION COST	AVERAGE 2014-15 STUDENT TUITION COST
Less than \$20,000	\$626	\$801
\$20,000 to \$39,999	\$1,197	\$1,254
\$40,000 to \$59,999	\$2,062	\$2,671
\$60,000 and above	\$3,134	\$4,419



Alternative costs and affordable options for getting a Bachelor's degree

SCENARIO	YEAR 1	YEAR 2	YEAR 3	YEAR 4	4-YEAR TUITION AND FEES
A	PSEO high school	PSEO high school	MnSCU university	MnSCU university	\$15,360
B	PSEO high school	MnSCU college	MnSCU university	MnSCU university	\$20,749
C	MnSCU college	MnSCU college	MnSCU university	MnSCU university	\$26,138
D	MnSCU university	MnSCU university	MnSCU university	MnSCU university	\$30,720
E	MnSCU college	MnSCU college	University of Minnesota	University of Minnesota	\$35,988
F	University of Minnesota	University of Minnesota	University of Minnesota	University of Minnesota	\$50,420
G	MnSCU college	MnSCU college	Private college or university	Private college or university	\$82,396
H	Private college or university	Private college or university	Private college or university	Private college or university	\$143,236

Cost comparisons from 2014-15, before grants and scholarships.



Debt of MnSCU graduates academic year 2012-2013

	MnSCU % WITH NO DEBT	MnSCU % WITH DEBT	MEDIAN DEBT FOR THOSE WITH DEBT	MEDIAN DEBT FOR ALL GRADUATES
Certificates/ Diplomas	46%	54%	\$10,900	\$2,750
Associate Degree	34%	66%	\$15,819	\$9,028
Baccalaureate Degree	27%	73%	\$25,374	\$18,327



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Summary of legislative request

Two elements to request:

\$72M to cover a portion of annual salary and fringe benefit cost increase (total of 3% total annual compensation increase) replaces revenue from 3% tuition increase

+

\$70M to cover a portion of annual salary increase and fringe benefit increase + inflation on operating costs

=

\$142M to cover inflationary cost increases and reduce student share from 56% to 53% by 2017 – on track to 50% by 2019



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Student benefits

- With the state's support, the legislative request enables undergraduate tuition to remain at 2012-2013 levels
- Annual university undergraduate student savings of \$205
- Annual college student savings of \$145
- A full time university student enrolled as a freshman in the fall of 2012 would save \$2,050 over four years
- A full time college student enrolled in a two-year program would save \$435 if they enrolled anytime between the fall of 2012 and the fall of 2016



How should we fund inflationary costs in compensation, utilities and supplies?

Recommended FY2016-2017 legislative request

Tuition revenue from tuition increase	0
State appropriation increase	142
<hr/>	
Total inflationary costs	\$ 142

Alternative option

Tuition revenue from 3% tuition increase	72
State appropriation increase	70
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Total inflationary costs	\$ 142



Math behind the request: Additional resources needed in the next biennium to cover inflationary costs

	Increase in resources needed for the biennium
3% compensation increase	= \$108 million
3% inflationary increases in operating costs	= <u>\$ 34 million</u>
 Total required:	 \$142 million

State funds are not being requested to fund new initiatives. We will fund new investments internally by prioritization based on the needs of the students.



Biennial budget request FY2016-FY2017

\$ in thousands

Base budget	\$622,143	\$622,143	\$1,244,286
Requested increase	\$47,000	\$95,000	\$142,000
<u>Total requested appropriation</u>	<u>\$669,143</u>	<u>\$717,143</u>	<u>\$1,386,286</u>

Two year percent increase in base to fund tuition buy-down 5.8%

Two year percent increase in base to fund inflationary expenses 5.6%



Goals for biennial legislative request

- Protect access and affordability
- Improve student success
- Advance academic excellence
- Meet community and workforce needs



Next steps

- Continued consultation with student, faculty and staff leadership; college and university presidents; and legislative leaders
- Board of Trustees second reading and action on the request – November 18-19
- Submission to the Executive Branch – November 20, 2014



Minnesota State Colleges and Universities

FY2016-FY2017 Legislative Request

College (Higher Education) for All

Minnesota State Colleges and Universities believe an opportunity to go to college should be available to everyone.

We measure our value not by the number of students we turn away, but by the number of students we educate.

We provide higher education to the most Minnesotans (430,000 students last year) at the lowest cost possible – roughly ½ the average cost of other large public universities and roughly 1/5 the cost of private colleges and universities in the state. We have a college option for all, from doctoral programs to certifications.

At a time when 74 percent of jobs in Minnesota will soon require some higher education, we feel a tremendous responsibility to provide the education our students require to prepare them for those careers and the quality of life that comes with higher education.

Is there a better investment? We don't think so, but, the paradigm by which we can deliver it is shifting.

Legislative Request

Our request is for funds to cover inflationary cost increases in order to protect affordability. This will provide the funds needed to avoid a tuition increase and to protect programs needed to serve students and communities across the state. We appreciate that state support per student FYE has begun to improve in constant dollars, but it is still 32% below 2002 levels, far from the 50:50 goal.

We need an increase in state support to continue to serve our students at the current level and to keep education at the lowest possible cost to those students – an affordable option for the students who often need it most.

Additional Resources needed in the biennium to cover inflationary costs

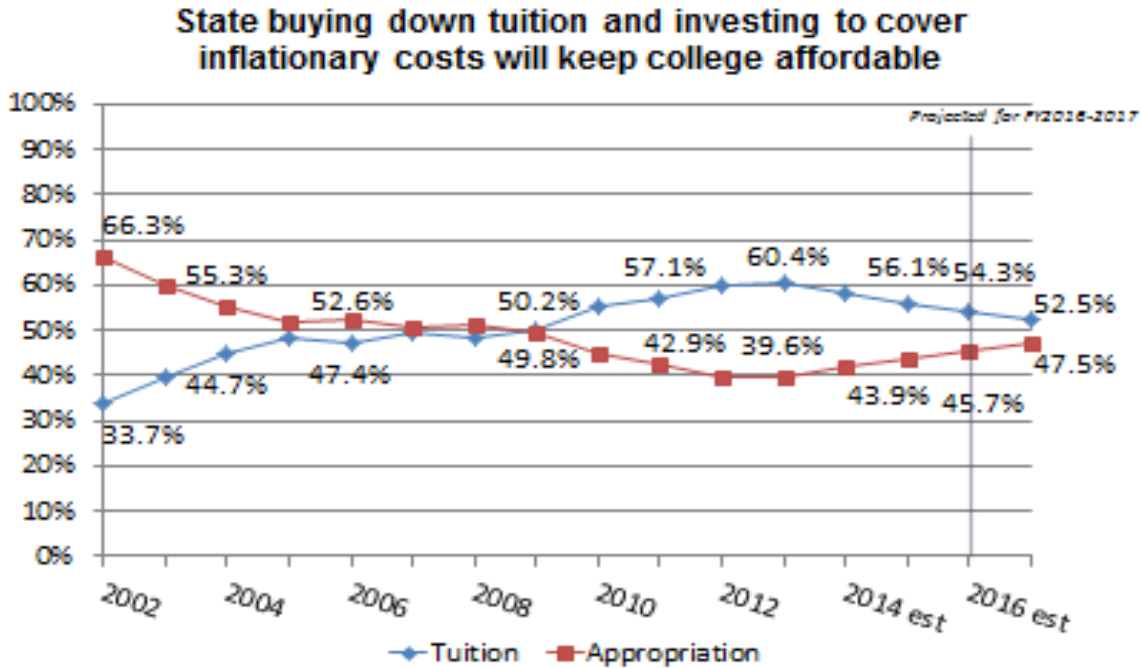
3% competitive personnel cost	=	\$108 million
3% inflationary increases in operating costs	=	<u>\$ 34 million</u>
Total required:		\$142 million

State funds are not being requested to fund new initiatives. We will fund new investments internally by prioritization based on the needs of the students, employers, and communities.

We must make sure current and future students get the same level of extraordinary education they are getting today. Our request for \$142 million reflects the costs for providing the highest quality education. In order to protect both the quality of programs and affordability for our students, we are asking the state to fund a tuition freeze.

We must work together to protect the quality of our programs and thereby, the students they produce, and the impact they deliver to the state.

Move State Support to 50:50



COLLEGE OR UNIVERSITY NAME

(customizable portion of sheet template)

Note: The following is FICTIONAL, representative facts for illustrative purposes

Opportunities and Challenges (SAMPLES)

- Need to protect and grow programs in liberal arts, business and industry
- Increasingly diverse backgrounds of students
- Growing demand for skilled employees in manufacturing, business, health care, and science related industries.
- Enrollments are down nationwide. We have adjusted our budgets, but still serve XX students and continue to need dollars for reinvestment and for fixed costs.

Legislative Request (System office Finance staff can help with breakdowns)

- \$XX for faculty and staff salary and benefits increases
- \$XX for other inflationary operating costs

Impact of Legislative Request Shortfall (System office Finance staff can assist, if necessary)

- \$XX cut to the campus
- XXX faculty and staff layoffs
- XXX program closures
- XXX delayed programs

