

FY2016-FY2017 Legislative Request



Board of Trustees Retreat
September 2014

Minnesota State Colleges and Universities

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

What is the biennial legislative request?

- The Board of Trustees' formal request to the legislature for two years of state operating funds for Minnesota State Colleges and Universities

How important is state support?

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

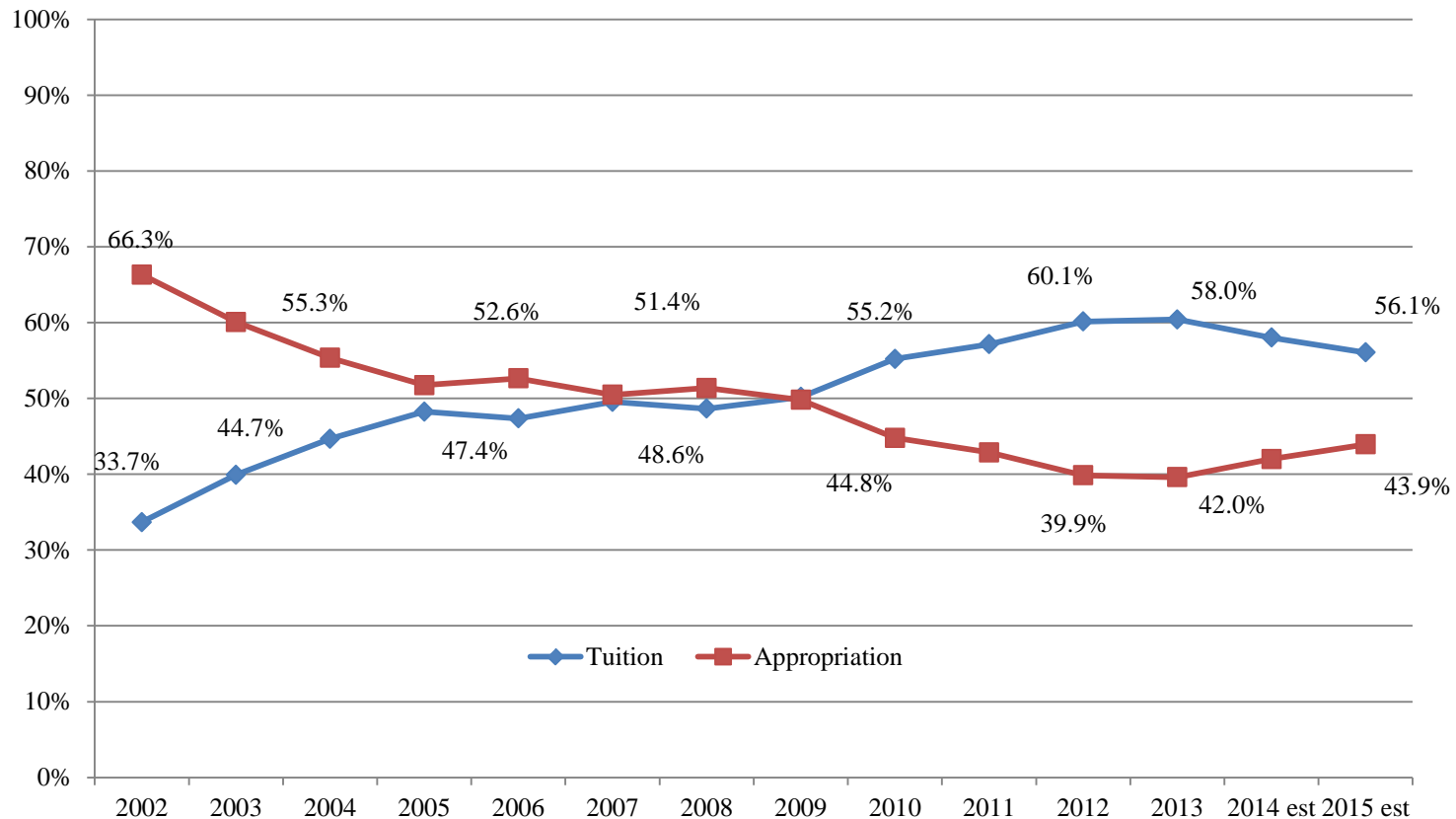
Goals for biennial legislative request

- Develop a proposal that serves our students and communities across the state
 - Protects access and affordability
 - Improves student success
 - Advances academic excellence
 - Meets community and workforce needs
- Forge a proposal that builds a strong coalition of support among students, faculty, staff and community partners

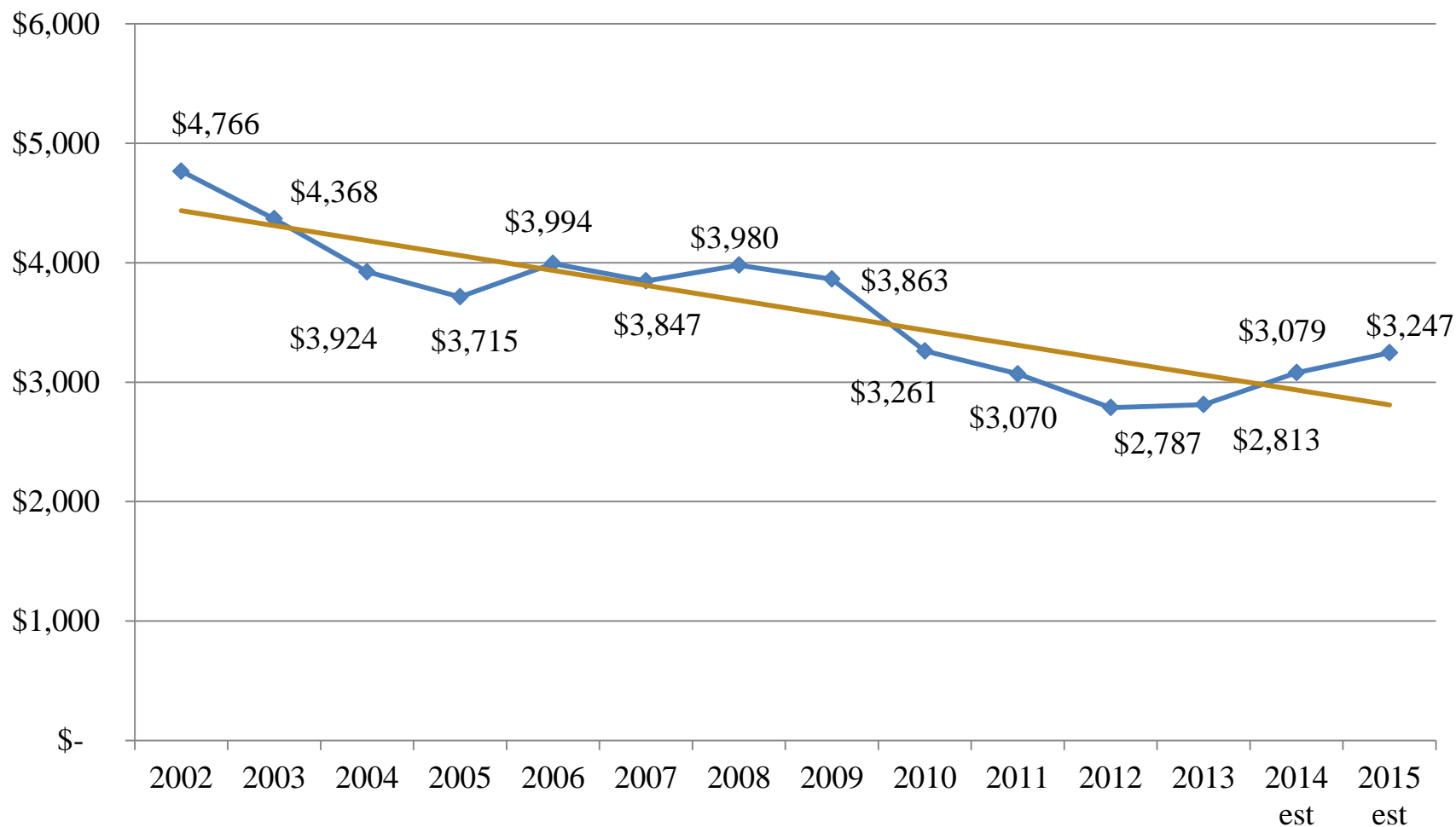
Context for the FY2016-FY2017 Legislative Request

Trends in tuition and state support

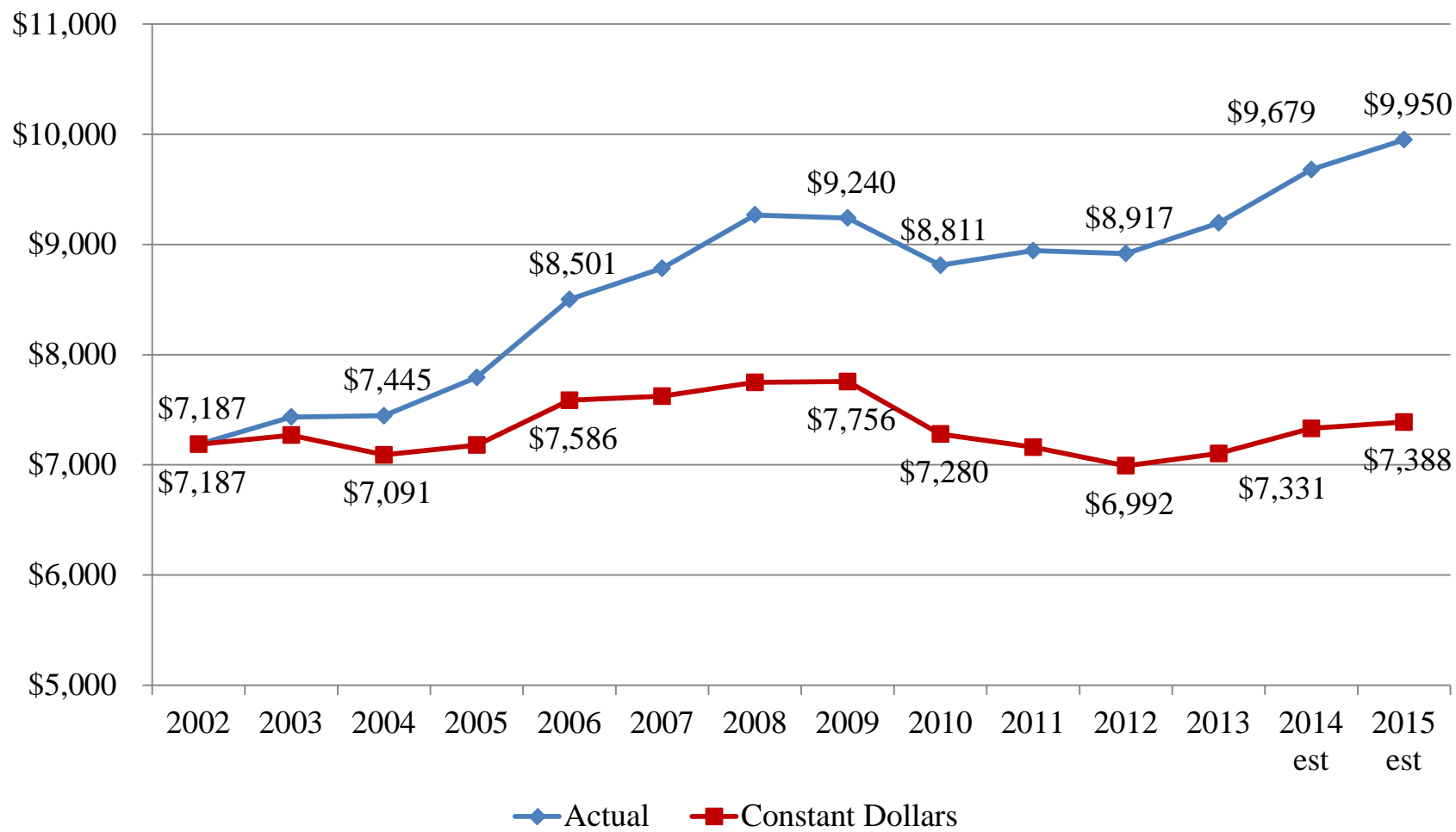
Higher tuition, cuts, reallocations, and salary freezes have made up for the loss of state support



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

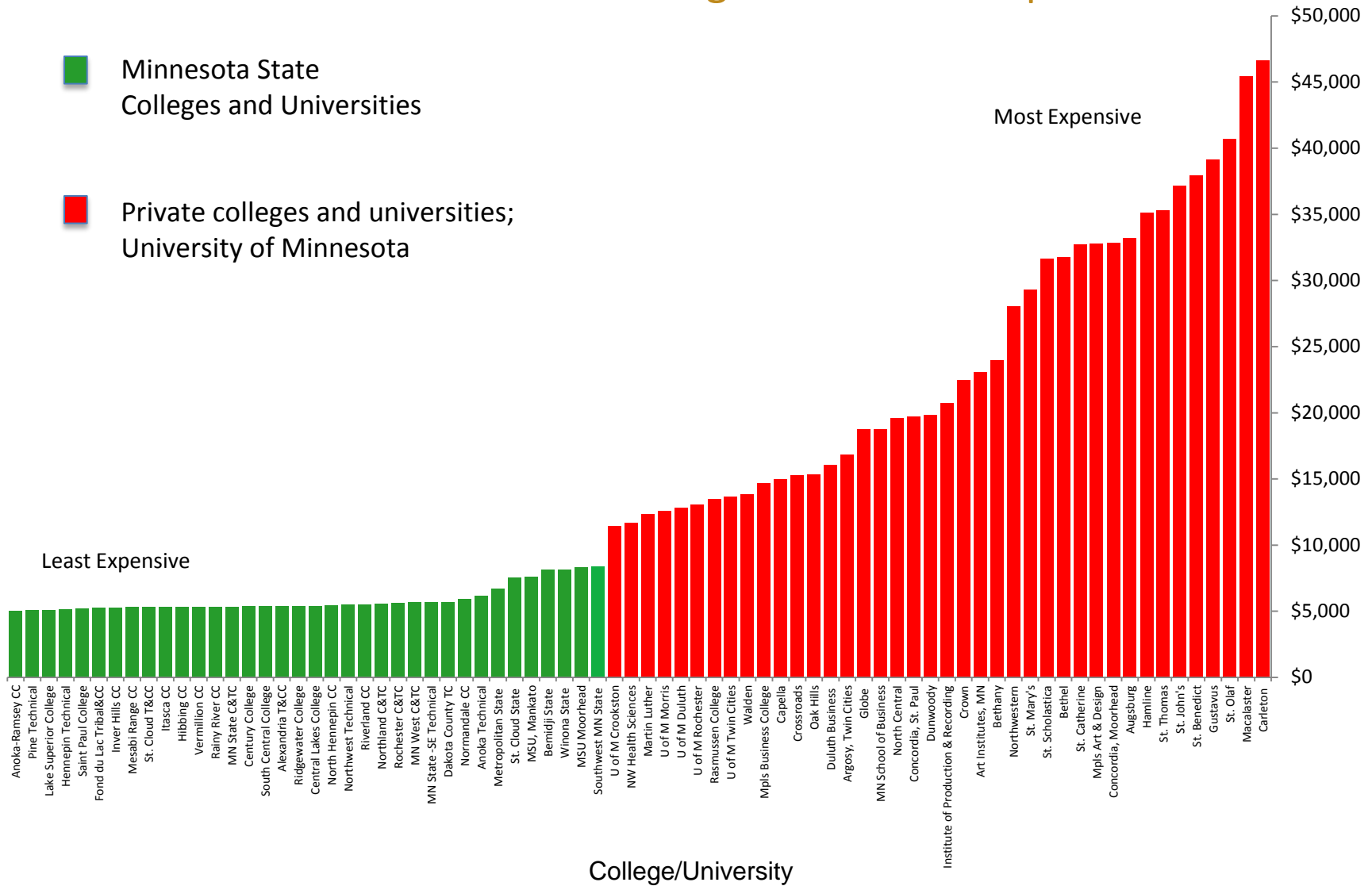


Tuition revenue and state support per FYE student has remained stable in constant dollars



Minnesota State Colleges and Universities: Minnesota's most affordable higher education option

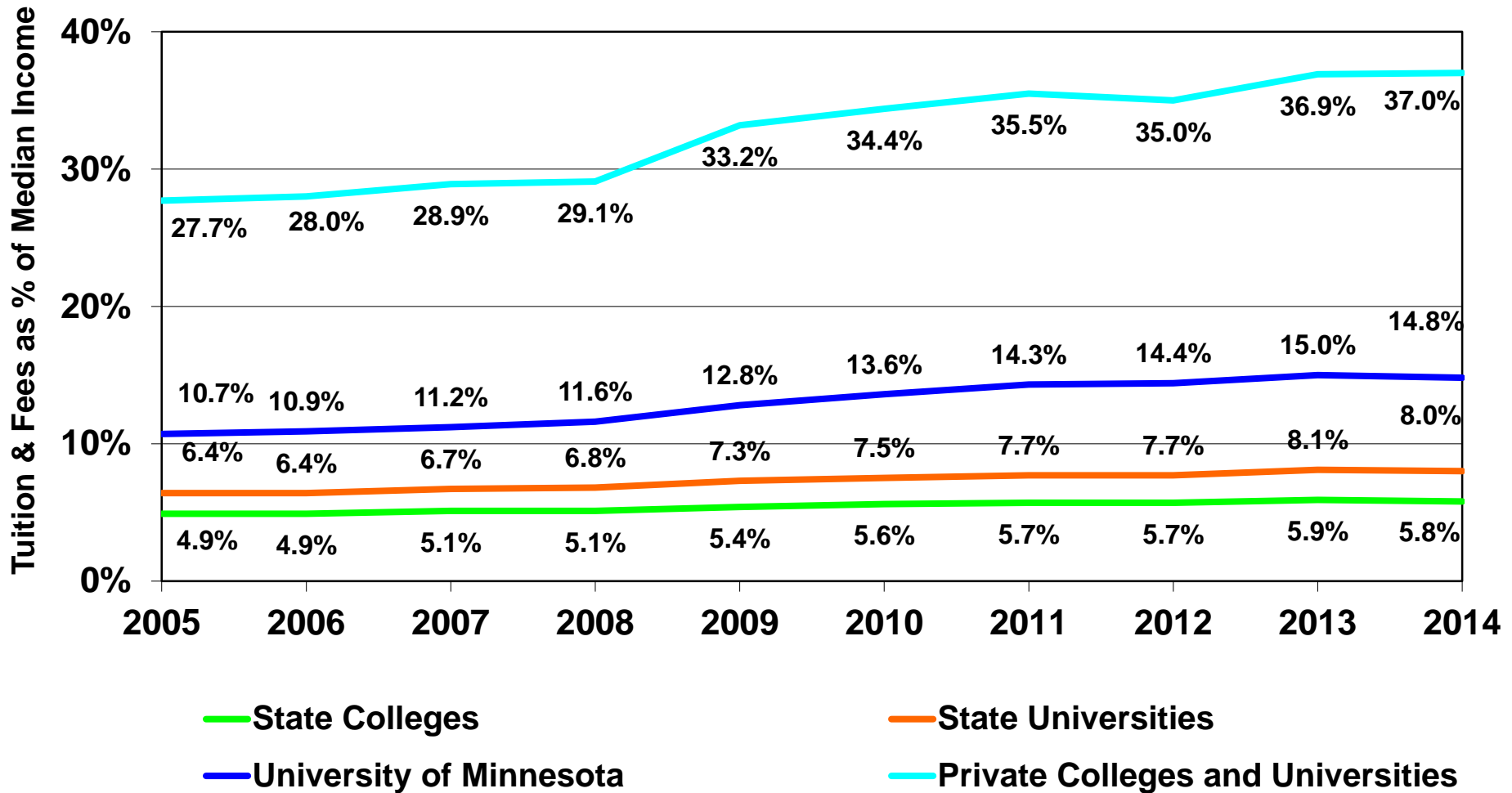
2013-14 Tuition and Required Fees



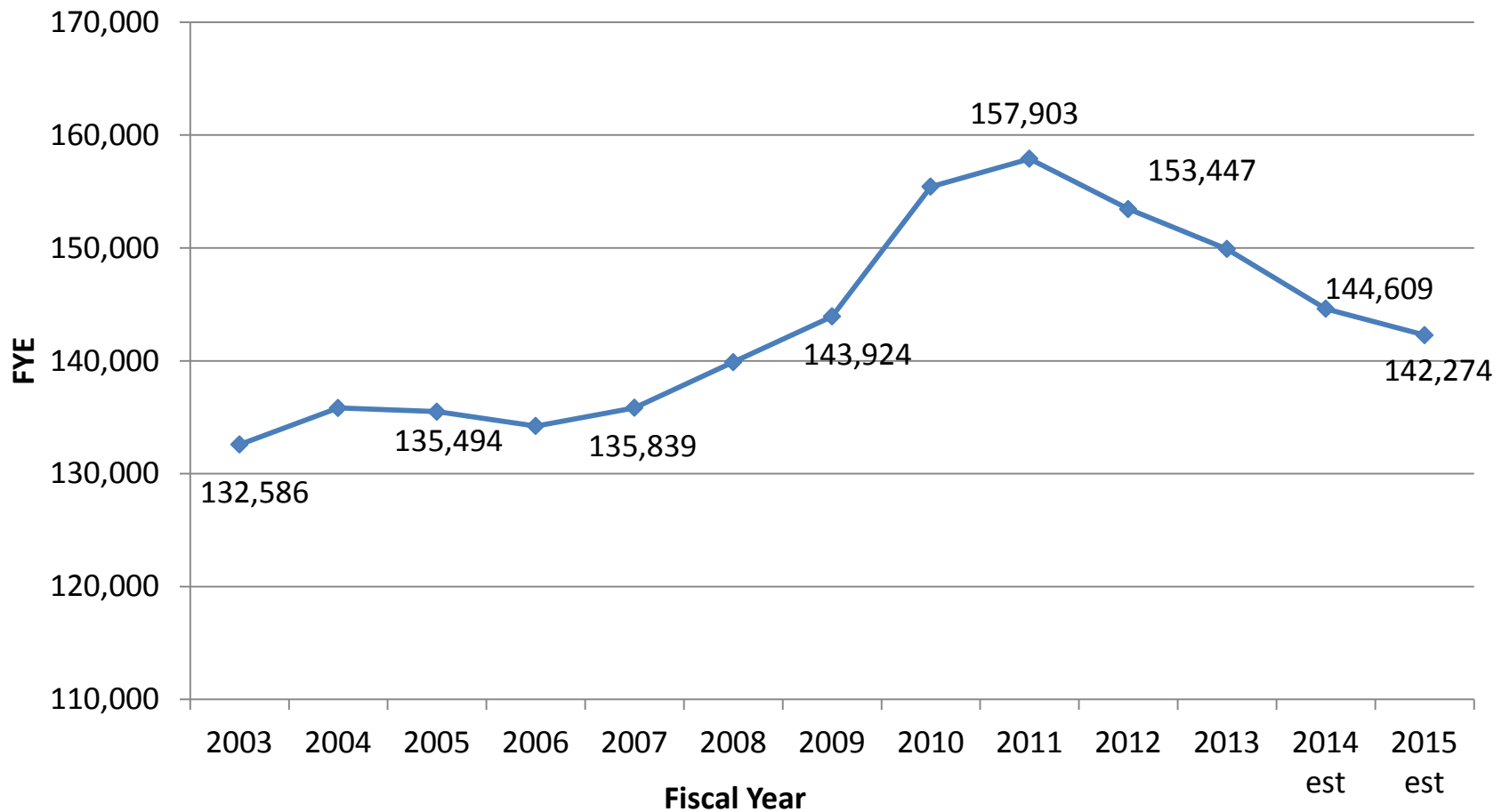
Source: Chronicle of Higher Education, October 23, 2013



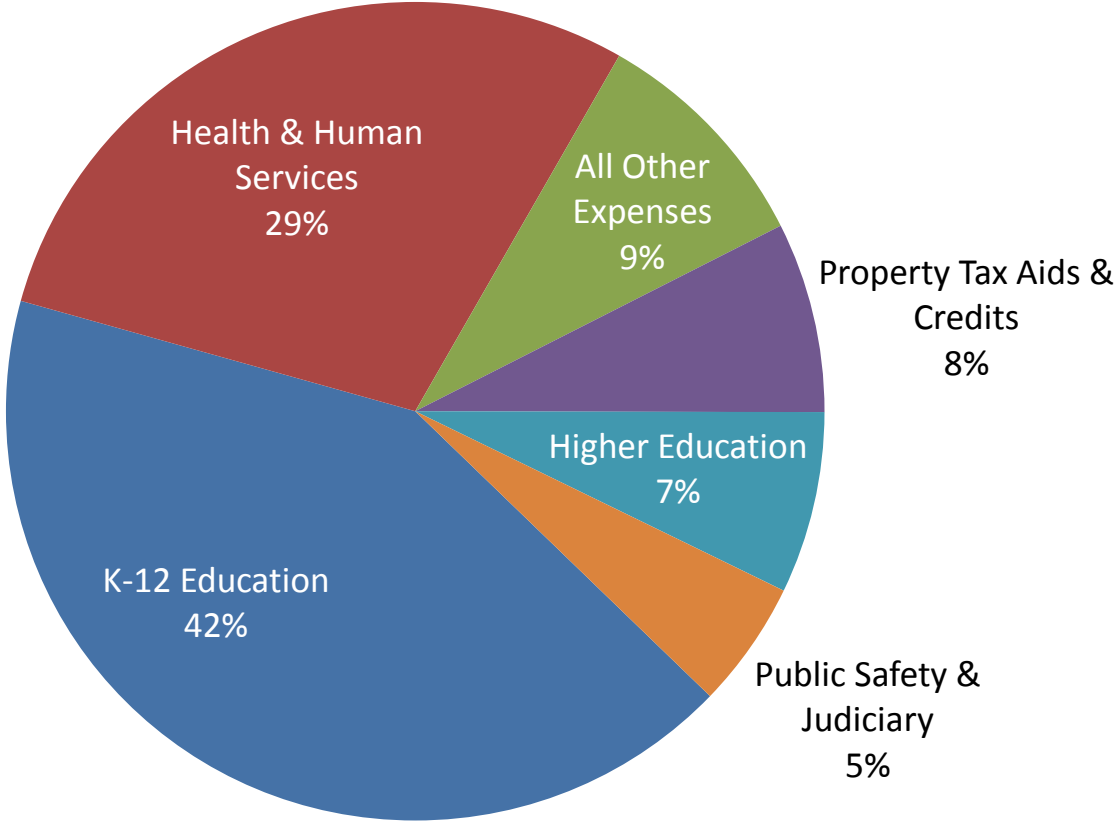
Affordability: Tuition & fees as a percent of median income



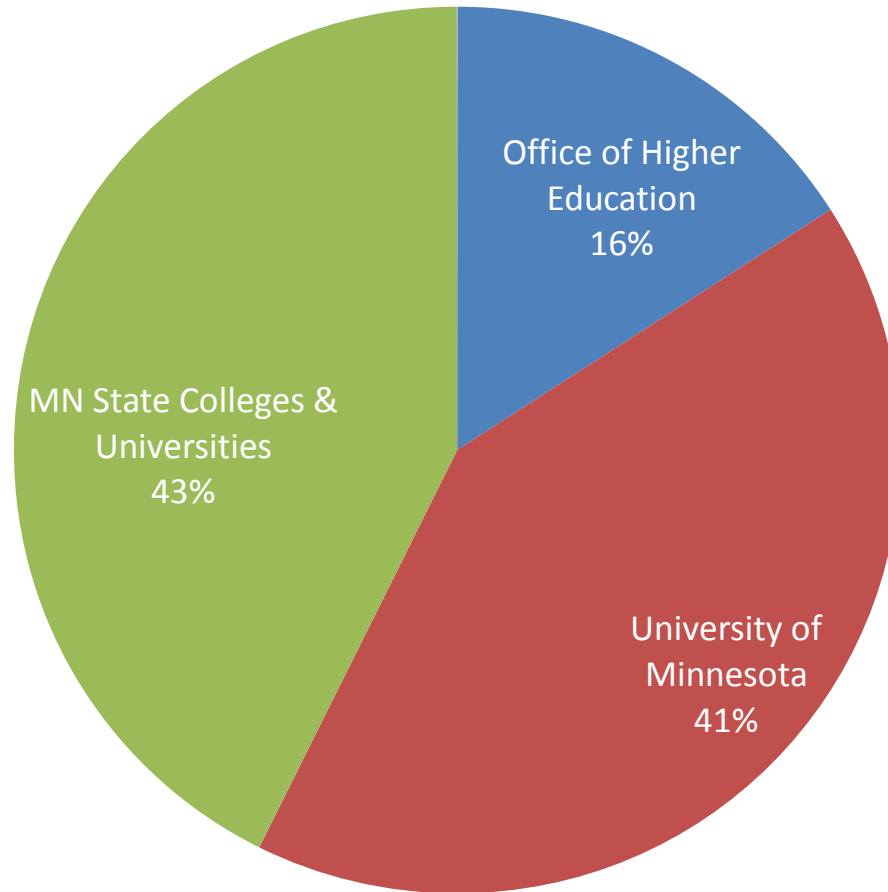
Enrollment in credit courses grew during the recession but has since fallen



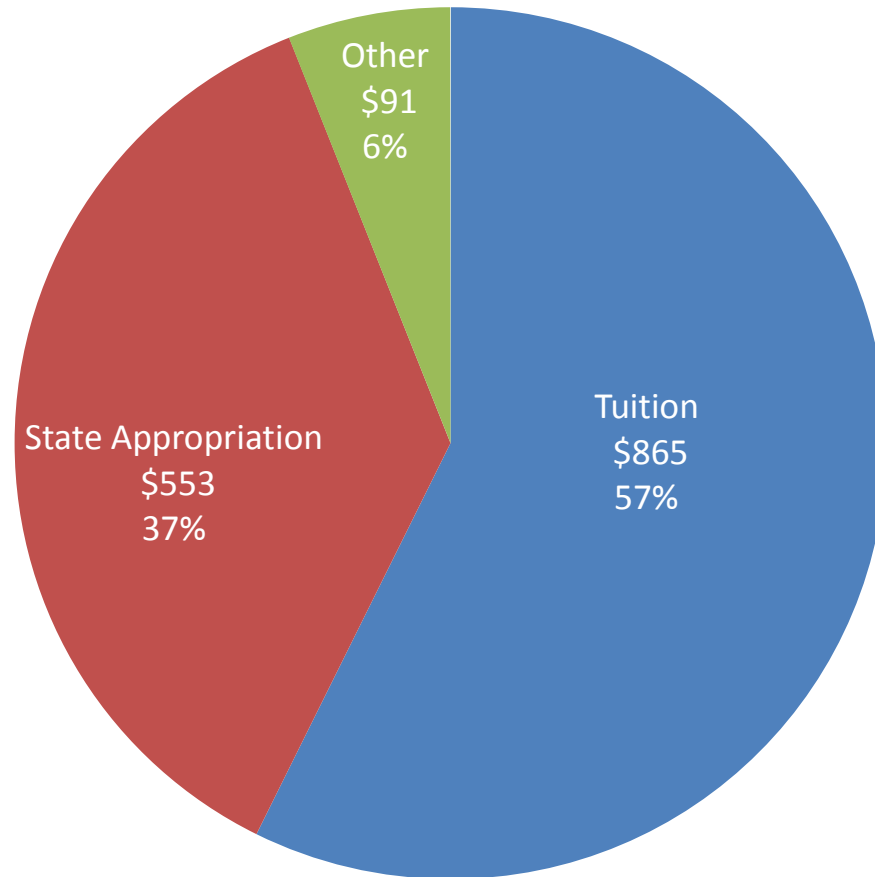
**State of Minnesota
General Fund Expenditures FY2014-FY2015 Biennium
\$39.6 Billion Total**



Higher Education State Funding FY2014-FY2015 Biennium \$2.8 Billion Total



**Minnesota State Colleges and Universities
FY2013 General Fund– Revenues
\$1,509 Million Total**



Source: FY2013 Audited Financial Statements



State General Fund outlook

- FY2014-FY2015 adopted budget forecasts ending balance of \$32 million at June 30, 2015
- FY2016-FY2017 outlook forecasts ending balance of \$600 million at June 30, 2017
- Revenue forecast assumptions and risks include:
 - Economic growth assumptions revised downward
 - Forecast spending revised upwards
 - Forecast spending does not include any adjustment for inflation in the FY2016-FY2017 biennium

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

Our story

We are the backbone of the state.

Our colleges and universities deliver volume and value.

We provide higher education to the most Minnesotans – 430,000 students last year – at the lowest cost possible – roughly 1/2 the average cost of other large public universities and roughly 1/5 the cost of private colleges and universities in the state.

At a time when 74 percent of jobs in Minnesota 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.

Our 31 colleges and universities are committed to providing the graduates needed to ensure a prosperous future for communities across our state.



Our ask

Plainly put, 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.

We put their needs first, so we will ask for the state to fund a tuition freeze at a cost of \$72 million. We must also make sure students get the same level of extraordinary education they are getting today. Our request for an additional \$70 million reflects the costs for providing that education. (This request includes funds needed for an annual 3% compensation increase – as well as a 3% inflationary increase in operating costs.)

We will fund new investments internally by prioritization based on the needs of the students.

430,000 students able to improve their lives, their families' lives and the lives of their communities. What smarter investment is there?

Our impact is our people

Template for 5 to 10 stories in fields like health care, agriculture, manufacturing, IT programmers, firefighting, law enforcement and education – must be relatable – numbers are NOT actual, but representative for effect.

In the last two years, our schools provided Minnesota with xx,xxx nurses. It takes 8 nurses to adequately support every new doctor. Anna is one of them. She graduated from South Central College at a total cost of \$x,xxx to Anna with \$x,xxx of public support. She now works at St. Joseph's Hospital and has an annual income of \$x,xxx – roughly x her income before graduation – that has improved the lives of every member of her family. She also volunteers weekly at her local nursing home, using her new skills to help her community. Invest in xx,xxx more Annas. *(add photo)*

In the last two years, our schools provided Minnesota with xx,xxx teachers. It takes 26 teachers to staff the school of one principal. Simone is one of them. She graduated from Minnesota State Mankato at a total cost of \$x,xxx with \$x,xxx of public support. She now works at Echo Park Elementary School and has an annual income of \$xx,xxx – roughly one- x more than her income before graduation – that has improved the lives of every member of her family. She also tutors at her church, using her new skills to help her community. Invest in xx,xxx more Simones. *(add photo)*

In the last two years, our schools provided Minnesota with xx,xxx computer programmers. A typical Chief Technology Officer at an average size business is supported by 85 programmers. Raul is one of them. He graduated from St. Paul College at a total cost of \$x,xxx with \$x,xxx of public support. He now works at Ecolab and has an annual income of \$xx,xxx – x% higher than his income before graduation – that has improved the lives of every member of his family. He also volunteers on weekends at the local boys club, using his new skills to help his community. Invest in xx,xxx more Rauls. *(add photo)*

Possible strategic messages

- Volume and value – more education for more Minnesotans
- Spotlight affordability for students and the need to serve more student across state
- Challenge the legislature to move back toward historic state support levels (50% by 2019)
- Highlight programs that prepare graduates for high demand, high growth industries
- We are “building” people and “building’ communities
- Commit to funding new investments internally
- We have embraced change. Tell the story about the changes we have made – changes designed to produce better results (e.g., pedagogy and technology; new ways of doing business)
- Show what we are doing, proactively, to advance affordability (e.g., show the data on costs over time in real \$; private fundraising; etc.)
- Others?

Summary of legislative request

Two elements to request:

\$72M to cover a portion of annual 2% salary + 1% fringe benefit cost increase (total of 3% total annual compensation increase) replaces revenue from 3% tuition increase

+

\$70M to cover a portion of annual 2% salary increase + 1% fringe benefit increase + inflation on operating costs

=

\$142M will reduce student share from 56% to 53% by 2017 – on track to 50% by 2019

Math behind the request:

Additional resources needed in the next biennium
to cover inflationary costs (no new initiatives)

Increase in resources needed for the biennium

2% salary increases (plus 1% fringe benefit) = \$108 million

(equates to a 3% total compensation increase)

3% inflationary increases in operating costs = \$ 34 million

Total required: \$142 million

Context for compensation assumption

- The last three MnSCU biennial legislative requests have included 3% per year for total compensation increases (salary plus fringe benefits)
- MMB has instructed state agencies to budget 1.8% for compensation increases (salary plus fringe benefits) in FY2016 and FY2017
- UM is budgeting 2% each year for total compensation increases (salary plus fringe benefits)

Campuses will fund new initiatives with campus based budget decisions

- Priorities will come from campus based budget and planning decisions. Priorities could include:
 - Dramatically increase the success of all learners, especially those in diverse populations
 - Develop coordinated academic planning that advances affordability, transferability, and access
 - Accelerate degree completion through credit for prior learning and competency-based credit and degrees
 - Expand the use of technology to deliver high quality online courses as well as technology enhanced instruction, student services, and individualized learning and advising
 - Deliver comprehensive workplace solutions to build employee skills and solve real-world problems for communities and businesses across the state

Recommended approach

Ask for what we need - \$142M with a tuition freeze

- Leads with a powerful commitment to affordability (tuition freeze with funds to buy down tuition)
- Strong public support for continued tuition freeze
- Protects our services to students and communities across Minnesota
- Colleges and universities contribute by funding new initiatives that serve students and communities
- Moves the state back toward its historic investment levels
- Risks
 - Limited new state funds and intense competition
 - Funds for tuition freeze only results in HUGE (\$70M) revenue shortfall, resulting in campus program closures, layoffs and service reductions

Strategies for managing the risk

- Articulate a simple, compelling message about what the \$142M will make possible – benefits for students, communities, workforce, economic growth
- Strong story on cost management and college/university fiscal conditions
- Articulate strong, detailed message on the negative impacts on students and communities across the state, if not fully funded
- Argue strongly for the need to treat employees fairly

Our concern

If we are unable to secure the \$72 million for the tuition buy-down *AND* the \$70 million needed to cover compensation and inflationary costs, the consequences will be real and devastating.

It's not a matter of cutting frivolous costs and unnecessary spending. A shortfall will result in program closures at colleges and universities across the state – all colleges and universities will be affected. Layoffs of faculty and staff will be necessary and inevitable.

Student support staff and course sections will be cut – negatively impacting student success.

If request funded at \$72M to freeze tuition, but no additional support

- Program closures at colleges and universities across the state
- Limited access for new and returning students
- Decline in service to business and industry
- Negative economic impacts on communities across the state
- Layoffs of faculty and staff
- Student support staff and course sections will be cut – impacting student success

Also considered an alternative scenario

Ask for \$72M and a 3% tuition increase

- Shared responsibility: student and the state equally share costs
- Colleges and universities contribute by funding new initiatives that serve students and communities
- Stronger legislative possibility of success at lower request level
- By 2017, state support as percentage of total revenue does not increase
- Risks
 - Don't have "affordability" argument
 - Not in line with supporters of tuition freeze
 - Still at risk of revenue for freeze and nothing else

Leadership Council discussion

- Support for \$142M request
- Commitment to strong, student and community focused story based upon local impacts
- Recognition that funding shortfall would result in HUGE campus cuts
- Observation that campuses are already cutting budgets to address enrollment shortfalls. Cuts will continue no matter what the legislative outcome. Without full funding of the legislative request, even greater cuts will be required.

Deliverables for presidents and campus communities

- Simple message that all campuses, students, faculty and staff can use in their advocacy
- Create compelling one-pager for each college and university that illustrates how their share of the proposal will be used
- Narrative on what each college and university is doing to improve affordability, reduce costs, serve their communities and help students succeed
- All politics are local – bring budget down to campus level
- Campus-level talking points and data on tough issues like consequences of lack of funding

Next steps

- Continued consultation with student, faculty and staff leadership: September - November
- Draft recommendation for campus conversations and feedback by September 30
- Leadership Council discussion and draft deliverables - October 6-7
- Board of Trustees first reading of legislative request - October 21-22
- Board of Trustees second reading and action on the request – Nov 18-19
- Submission to the Executive Branch – November

End Deck

Possible tuition and state support scenarios to cover inflationary increases (no new initiatives)

Biennial \$ Increase in state support	Yearly % increase in tuition	Total new resources
\$142 million	0%	\$142 million
\$118 million	1% (\$ 24M)	\$142 million
\$ 93 million	2% (\$ 49M)	\$142 million
\$ 68 million	3% (\$ 74M)	\$142 million
\$ 43 million	4% (\$ 99M)	\$142 million

Budget details

2016-2017 Biennial Budget Request

(\$ in millions)

	Tuition revenue	State support	Internal allocations	Total Revenues
2 % salary increase + 1% fringe benefits	\$72	\$36	-	\$108
Other operating costs	-	\$34	-	\$34
Internal investments	-	-	\$44 est.	\$44 est.
Total Expenses	\$72	\$70	\$44 est.	\$186