FY2020-2021 Biennial Budget – Educating Minnesota’s Talent

Discussion

Board of Trustees
Retreat
Today’s objectives

• Overview of calendar
• Background on state funding relationship
• Introduction of biennial budget request – a proposal for discussion
• Discussion questions
Questions for discussion at end of presentation

1. Do we have the best ideas for advancing the completion agenda and addressing workforce challenges?

2. Is there support for the tuition strategies to strengthen access?

3. Do we have the right approach to financing ISRS Next Gen?

4. Is there support for the overall nature and size of the proposal?
Overview of calendar
The FY2020-FY2021 legislative request

The Board of Trustees’ formal request to the governor and legislature for two years of state operating funds for Minnesota State. The FY2020-FY2021 biennium begins July 1, 2019 and runs through June 30, 2021.
Legislative planning cycle

• **2018 session (last session)** 2018 capital program request, FY2019 supplemental operating request

• **2019 session (next session)** FY2020-FY2021 legislative operating request, possible 2019 supplemental capital program request
Consultation timeline

April-August  Meetings with each bargaining unit and both student associations
Early Sept   Discussion with LC Executive Committee
**Sept 10-11** Leadership Council retreat discussion
**Sept 18-19** Board of Trustees retreat discussion
Sept – Oct  Continued consultation with student, faculty, and staff statewide leadership
Early Oct   Meet with LC Executive Committee and Board Executive Committee
Oct 8-9     Leadership Council discussion
Oct 16-17   Board of Trustees meeting 1\textsuperscript{st} reading
Oct-Nov    Continued consultation
**Nov 13-14** Board of Trustees meeting 2\textsuperscript{nd} reading and adoption
Nov 15     Submission to MMB
Background on state funding relationship
How important is state support?

• State appropriation and student tuition are the two primary sources of funding for 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 academic program initiatives and innovations
  – New partnerships
  – Affordability
Despite significant increases, Minnesota’s adjusted investment in higher education is $97 million less than 2002.
The relationship between Minnesota State tuition and state appropriation has changed significantly over the past 15 years.
Minnesota’s higher education funding trails U.S. average significantly

State and Local Educational Appropriations for Higher Education per FTE Student from 1997 to 2017

FY2019 enrollment is projected to decline 1.0% then level off.
Tuition rates have been restricted by the legislature.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Colleges</th>
<th>Universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Frozen</td>
<td>Frozen</td>
</tr>
<tr>
<td>2015</td>
<td>Frozen</td>
<td>Frozen</td>
</tr>
<tr>
<td>2016</td>
<td>Frozen</td>
<td>Increased overall average of 3.4%</td>
</tr>
<tr>
<td>2017</td>
<td>Cut 1%</td>
<td>Frozen</td>
</tr>
<tr>
<td>2018</td>
<td>Increased overall average of 1%</td>
<td>Increased overall average of 3.9%</td>
</tr>
<tr>
<td>2019</td>
<td>Frozen</td>
<td>Frozen</td>
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</table>
Introduction of biennial budget request – a proposal for discussion
Some facts

- Between FY2008 and FY2019, state support and tuition revenue combined increased an average of 1.1% per year.
- In the FY2016-FY2017 biennium, state support increased 8.2% ($102 million), but net new revenue from both tuition and state support increased only 2.8% ($78 million) due to enrollment losses, rate changes and state funding shortfalls.
- In the FY2018-FY2019 biennium, state support increased 7.9% ($106 million), but net new revenue from both tuition and state support is projected to increase only 2.5% over two years ($71 million) due to enrollment losses, rate changes and state funding shortfalls.
Strategic organizing principles will shape legislative proposal

- Student success/new learners
- Diversity, equity, and inclusion/new demographics
- Programmatic and financial sustainability/new budget realities
Initial consultation has occurred with Minnesota State stakeholders

All statewide bargaining units and both student associations have been invited to provide initial input

- Themes:
  - Make the case that adequately funding higher education is critical to nurture and sustain Minnesota’s economy
  - Help address Minnesota’s economic and racial disparities
  - Stay focused on improving affordability
  - Improve educational outcomes, student success and advance academic excellence
  - Replace an out-of-date, unreliable enterprise technology system with one that better serves students
  - Fund inflationary costs to protect students, programs, and campuses
Educating Minnesota’s Talent –
Proposed FY2020-FY2021 priorities

Campus Investments

• Ensure the success of students by investing in essential enterprise-wide technology infrastructure
• Meet Minnesota’s talent needs by providing resources for high-quality, affordable, relevant academic programs

Strategic Investments

• Strengthen access through tuition strategies
• Address the workforce opportunity gap through investment in career, technical and professional workforce development
ISRS Next Gen is a critical system investment that must be made

- Plays a critical role in the success of our students – from applicant to graduate and nearly every process in between
- Serves as the cornerstone data system for our enterprise and requires high security
- Touches everyone and nearly every activity: application, registration, course schedule, housing, financial aid, transcripts, system finance, accounting, and HR
- Replaces the system’s outdated 20-year old ISRS data system that is reaching its technological end of life
## Next Gen student record system

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</thead>
<tbody>
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<td>State contribution</td>
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<td>$8*</td>
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<td>$143</td>
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<tr>
<td>New support</td>
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<td>$37*</td>
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<tr>
<td>Total state contribution</td>
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<tr>
<td>System office &amp; college &amp; university contribution</td>
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*State funds added to the base – no additional state funds required in the FY2022-FY2023 and FY2024-FY2025 biennia*
Campus support in FY2020-FY2021 to preserve programs and services

Increase in resources needed for FY2020-FY2021

Compensation increases (salary plus fringe) = $111M
Operating cost increases = $38M
Address structural gap = $20M
Total campus support = $169M
Strengthening access

• Two new scholarship programs targeting enrollment and completion
  – “Mn State College Promise Program” for new and continuing college students
  – “Mn State University Transfer Scholarship” for transfer from our colleges to our universities
• Ask the legislature to support revenue needs - avoid tuition increase
Invest in the workforce opportunity gap

• Expand career technical education and professional programming in sectors with high employment growth and demand in sustainable wage occupations

• Leverage campus and system capacity for collaborative program development and delivery
  – Strengthen and expand the K-12 career and technical pipeline and grow K-12 collaborative programming
  – Strengthen and expand opportunities for adult and incumbent workers

• Develop new teacher education pathways in career technical education in support of K-12 and higher education programming
Educating Minnesota’s talent - $246 million in new funding over the biennium

• $37 million to support ISRS Next Gen, a mission-critical, multi-year technology infrastructure project to replace our out-of-date enterprise technology system and substantially improve the student experience
• $169 million to provide high quality programs and fund inflationary costs at three percent each year of the biennium
• $25 million in targeted financial support to strengthen access and help our students advance and succeed, especially diverse student groups
• $15 million to address the workforce gap through innovative career, technical and professional programming serving business and industry
## FY2020-FY2021 legislative operating budget request summary

$\textit{s in millions}$

<table>
<thead>
<tr>
<th></th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2020-21</th>
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<tr>
<td>ISRS Next Gen</td>
<td>$18.5</td>
<td>$18.5</td>
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<td>Workforce challenges</td>
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<td>Total Request</td>
<td>$96.5</td>
<td>$149.5</td>
<td>$246</td>
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FY2021 appropriation continues as base funding into the future
Ask for what we need with a commitment from the board to hold undergraduate tuition in FY2020 and FY2021 at FY2019 rates if the request is fully funded.

- Leads with a powerful commitment to affordability
- Protects our service to students and communities; enables us to help reduce economic and racial disparities; enables us to meet Minnesota’s talent needs; enables ISRS Next Gen and modest investments in innovation
- Continues to move the state back towards its historic level of investment
Questions for discussion

1. Do we have the best ideas for advancing the completion agenda and addressing workforce challenges?
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