

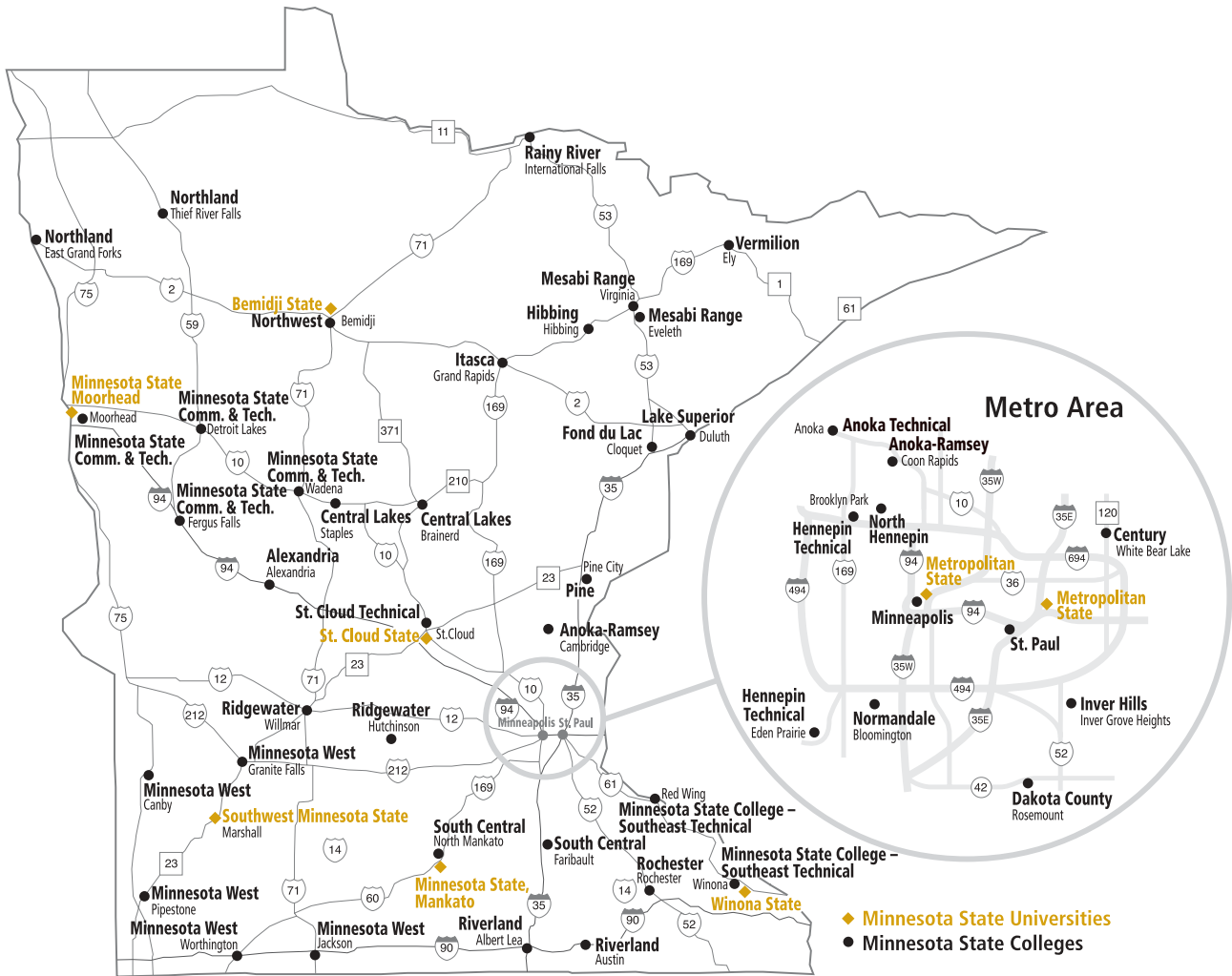
DEGREES OF SUCCESS: MAKING MINNESOTA WORK



Minnesota State Colleges & Universities

BUDGET REQUEST 2006-2007

Minnesota State Colleges & Universities



Alexandria Technical College
 Anoka-Ramsey Community College
 Anoka Technical College
 Bemidji State University
 Central Lakes College
 Century College
 Dakota County Technical College
 Fond du Lac Tribal & Community College
 Hennepin Technical College
 Hibbing Community College*
 Inver Hills Community College
 Itasca Community College*
 Lake Superior College
 Mesabi Range Community
 & Technical College*

Metropolitan State University
 Minneapolis Community
 & Technical College
 Minnesota State College-Southeast
 Technical
 Minnesota State Community
 & Technical College
 Minnesota State University, Mankato
 Minnesota State University Moorhead
 Minnesota West Community
 & Technical College
 Normandale Community College
 North Hennepin Community College
 Northland Community & Technical College
 Northwest Technical College **

Pine Technical College
 Rainy River Community College*
 Ridgewater College
 Riverland Community College
 Rochester Community
 and Technical College
 St. Cloud State University
 St. Cloud Technical College
 St. Paul College
 South Central Technical College
 Southwest Minnesota State University
 Vermilion Community College*
 Winona State University

* Hibbing, Itasca, Mesabi Range, Rainy River and Vermilion make up the Northeast Higher Education District, a consortium of five state colleges.

** Northwest Technical College is aligned with Bemidji State University.

January 2005

Minnesota State Colleges & Universities

2006-2007 budget request summary

Public support for the Minnesota State Colleges and Universities and the 370,000 students they serve is an investment in the future of the state. The 32 state colleges and universities enroll more Minnesota undergraduates than all other higher education providers combined, and more than 80 percent of graduates stay in Minnesota to work or continue their education.

The 32,000 state college and university students who graduate each year make Minnesota work: business owners and teachers, nurses and carpenters, social workers and electricians, journalists and lab technicians, city managers and police officers, accountants and computer programmers and more. Statewide, the colleges and universities contribute to successful communities by providing education and training for:

- Q More than half of the state's new teaching graduates
- Q 78 percent of the state's new nursing graduates
- Q 92 percent of the state's law enforcement officers
- Q 49 percent of new business graduates
- Q 91 percent of new graduates in the construction trades
- Q 9,000 of the state's "first responders" – those first on the scene when disasters and emergencies strike – each year.

Past investments now paying dividends

Past investments in public higher education clearly have paid off. Minnesota ranks second among the 50 states in a recent report, "Measuring Up 2004: The State Report Card on Higher Education" by the National Center for Public Policy and Higher Education. The report card showed that over the past 10 years, Minnesota made significant improvement in three key areas – preparation of students to succeed in college, certificate or degree completion, and benefits to the state. According to the report, "Minnesota garners substantial economic benefits from having a highly educated workforce; these economic benefits have increased notably over the past decade."

But these gains may be in jeopardy. Over the past four years, the colleges and universities have absorbed cuts in state appropriations – \$191.5 million for the 2004-2005 biennium alone – while enrollment has been rising steadily. These cuts have caused large tuition increases, reductions in services to students, program closings and suspensions, and delays in making needed repairs to college and university buildings.

For the past four years, students have had to cope with double-digit tuition increases – an increase of nearly 60 percent since fall 2000. One result is an increase in student borrowing; over the past two years, 30 percent more Minnesota State Colleges and Universities students have taken out loans to help pay for college, and the amount students borrowed has risen by 60 percent.

FY 2006/2007 adjusted base* \$1.24 billion

Requested increase

Strategic priorities

Meeting critical state needs	\$16.0 million
Expanding online education	\$8.1 million
Improving outreach to	
underserved students	\$12.0 million
Innovating to meet emerging needs	\$5.5 million
Repair & replacement projects	\$11.0 million
Competitive salaries	\$13.9 million

Total requested increase \$66.5 million

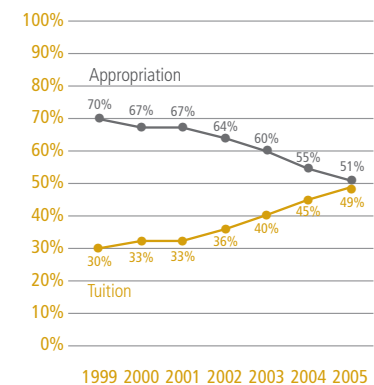
Total biennial request \$1.30 billion

Tuition assumption: 4 percent per year increase, generating \$62.9 million in revenue

*Includes base adjustment for enrollment growth

Tuition has increased as state appropriation has decreased

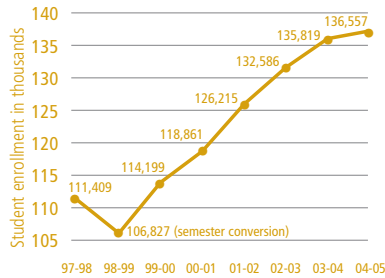
Tuition now makes up an average of 49 percent of college and university operating budgets (tuition plus state appropriation), up from 30 percent in 1999.



Source: Minnesota State Colleges and Universities Finance Division

Minnesota State Colleges & Universities

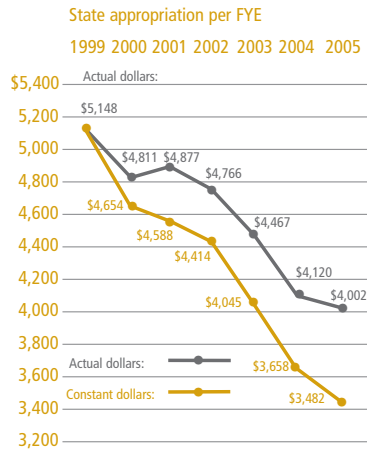
Enrollment continues to grow



Source: Minnesota State Colleges and Universities Finance Division, actual full-year equivalent enrollment for 1995-2004; projected full-year-equivalent enrollment for 2005

State spending per student has declined

The state appropriation per full-time student has declined since 1999 both in actual dollars and in constant dollars after adjusting for inflation.



Constant dollars calculated on a 1999 base using actual Consumer Price Index inflation for 1999 through 2003 and estimated 2.0 percent inflation per year for 2004 and 2005.

Source: Minnesota State Colleges and Universities Finance Division

With this budget request, the Minnesota State Colleges and Universities are seeking an increase of \$66.5 million over the adjusted base budget to fund strategic priorities, including expanding nursing education programs to meet critical shortages, recruiting and retaining the best teachers, helping farmers and small business owners succeed, expanding online education offerings and reaching out to those traditionally underserved by higher education.

This is the smallest requested increase in the system’s history and represents a balanced approach to financing public higher education. It asks the Legislature and the people of Minnesota to invest in students, it asks students to continue to invest in their own education, and it anticipates reallocating more than \$50 million in existing resources to fund priority initiatives.

The request assumes that tuition would rise 4 percent per year over the next two years, which would be the smallest increase since 1999.

Serving more students with fewer state dollars

In Minnesota, funding for public higher education is based on student demand. Minnesota Statute 135A.031, Subd. 4, requires that the budget of the Minnesota State Colleges and Universities be adjusted every two years to reflect changes in enrollment. When enrollment grows, as it has over the past several years at the Minnesota State Colleges and Universities, the law requires the base budget to be adjusted upward; when enrollment declines, as it has in the past, the base budget is adjusted downward.

The base adjustment of \$130.8 million for enrollment growth is critically important to the colleges and universities; these funds are used for the educational programs and services needed to serve the additional students. Many of the additional students who first enrolled in the colleges and universities three years ago are still enrolled and still require programs and services, and those who have graduated have been replaced by more students.

Enrollment calculations are based on the full-year-equivalent enrollment, the total number of credits taken by students in a given year divided by 30, the number of credits constituting a full-time credit load. Full-year-equivalent enrollment in the Minnesota State Colleges and Universities has increased every year since the 1998-99 academic year. The projected full-year-equivalent enrollment for the 2004-2005 academic year represents a 28 percent increase over the 1998-1999 academic year and an 8 percent increase from three years ago.

State spending per student has declined in actual dollars from \$5,148 in 1999 to \$4,002 in 2005. Without the base adjustment, if current enrollment projections hold, state spending per student would decline even further and tuition would have to increase, programs and services would have to be cut, or a combination of both would have to be implemented to meet the gap.

Gains in online education, student outreach, cutting-edge programs

Despite cuts in state appropriations, the state colleges and universities have made significant strides over the past two years.

In 2004, the Higher Learning Commission of the North Central Association of Colleges and Schools granted the Minnesota State Colleges and Universities system the authority to **accredit its own online programs**. This is the largest college and university system in the country to be granted this authority.

In the past year, more than 25,000 students took online courses, a 13-fold increase since 2000. Through Minnesota Online, the state colleges and universities now offer more than **80 programs completely or predominantly online**, and more than **3,500 course sections**. Students can find online courses and services available throughout the system at www.minnesotaoonline.org.

The colleges and universities have stepped up efforts to recruit, retain and graduate students in groups traditionally underserved by higher education. Over the past six years, the Minnesota State Colleges and Universities had a **66 percent increase in students of color**. In fiscal year 2003, the Minnesota State Colleges and Universities served about 21,800 students of color, more than the University of Minnesota and the private colleges and career schools combined. In 2004, the number of students of color rose to almost 25,000.

Over the past two years, the system has **created 527 new programs** to meet demand, **redesigned 1,401 programs** and **closed or suspended 603 programs** to reallocate resources to higher priority programs.

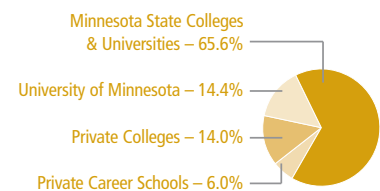
Each year the state colleges and universities provide **customized training to 6,000 employers and 141,000 employees**. The training is tailored to the needs of employers, so employees get exactly the skills they need for the job, with training often provided right at the workplace. In the past year, a new toll-free number – 1-800-366-7380 – has made it possible for employers to tap into the resources of the entire system with a single phone call to get their training needs met.

The state colleges and universities **support Minnesota's growing advanced science and manufacturing companies** by offering cutting-edge programs in biotechnology, nanoscience, advanced motion control, wireless technology, computer network security and composite materials engineering, among others.

Transferring from one institution to another is easier than ever with the implementation of the Minnesota Course Applicability System, a collaborative effort by the Minnesota State Colleges and Universities and the University of Minnesota. The multi-state Web-based transfer information system provides fast and accurate course and credit information to college and university students and their advisors. Through one entry point, www.minnesotacas.org, a potential transfer student can immediately see how his or her courses fulfill degree requirements at the desired college or university.

Minnesota State Colleges & Universities serve nearly two-thirds of the state's resident undergraduates

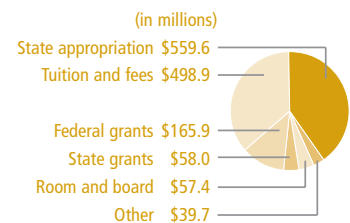
The 32 state colleges and universities serve more Minnesota undergraduates than all other higher education providers combined.



Source: Minnesota Higher Education Services Office, fall 2003 headcount enrollment, Minnesota resident undergraduates

State funding and tuition are major revenue sources

The state appropriation makes up 41 percent of the annual revenue to Minnesota State Colleges and Universities. Tuition and fees are the second-largest revenue source at 36 percent.

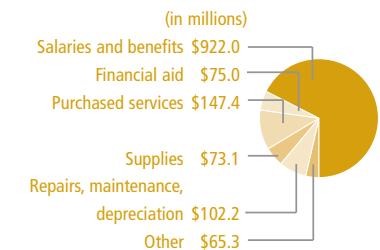


Total annual budget (2004): \$1.4 billion

Source: Minnesota State Colleges and Universities financial statements

Salaries and benefits are two-thirds of expenses

Salaries and employee benefits make up the largest share of college and university expenses.



Source: Minnesota State Colleges and Universities Finance Division



Roxanne Wilson, RN and St. Cloud Hospital Care Center director for internal medicine, education and resource management

A ST. CLOUD RESPONSE TO THE HEALTH CARE WORKER PINCH

In the late 1990s, Roxanne Wilson, a registered nurse and St. Cloud Hospital director of education and resource management, surveyed area health providers and found a need for nurses and medical care specialists in the region.

Wilson led an effort by St. Cloud Hospital to begin working with St. Cloud Technical College and St. Cloud State University to develop new health care programs, including a bachelor of science nursing program that produced its first class of graduates in 2003. In similar fashion, St. Cloud Technical College started training future cardiovascular and sonography technicians in 2002.

St. Cloud Hospital is among the many health care providers lining up to hire graduates. The effort has proven to be a good start in filling a dire need in Minnesota. "It continues to be a great collaboration," says Wilson. "Our local campuses came together quickly to design programs to educate more nurses and health care professionals."

Budget request reflects strategic priorities

This budget request, approved by the Minnesota State Colleges and Universities Board of Trustees, seeks a \$66.5 million increase to meet critical state needs, expand online education, improve outreach to underserved students, create an innovation fund, keep up with building repairs on college and university campuses, and provide competitive salaries for high-performing faculty and staff.

Meeting critical state needs\$16.0 million

The Minnesota State Colleges and Universities seek funding to meet the state’s critical needs in three areas important to the state’s future economic health – nursing and allied health, teacher education, and farm and small business management.

Facing the nursing shortage, \$10 million

Minnesota faces a severe shortage of registered nurses in the next five to 10 years. Shortages of licensed practical nurses pose a significant problem for long-term care facilities. This initiative would increase capacity for training nurses, add innovative ways to educate nurses and build strategic partnerships in the health care industry.

The funds will be used to:

- Q Expand capacity to educate 440 additional registered nurses over two years;
- Q Increase access to bachelor’s degree nursing programs;
- Q Expand practical nursing programs in areas where shortages exist;
- Q Recruit 40 nursing faculty to seek advanced degrees in nursing education by offering a \$10,000 tuition forgiveness program for those willing to teach at a state college or university;
- Q Use new technology to expand distance learning in nursing and health care.

Attracting and retaining the best teachers, \$3 million

The Teaching Commission, in its report, “Teaching at Risk: A Call to Action,” said, “Nothing is more vital to our future than ensuring that we attract and retain the best teachers in our public schools.” To that end, the Minnesota State Colleges and Universities system is establishing a Teacher Center to offer opportunities for the professional growth and development of educators throughout the state, using both face-to-face and online programs and services.

HEALTH CARE INDEX

- 89%**.....Percentage of colleges and universities offering nursing (RN or LPN) programs, FY 2005
- 95%**.....Percentage of colleges and universities offering non-nursing health-related programs, FY 2005
- 2,661**.....Number of nursing graduates, FY 2003
- 7**Number of new nursing degree programs added since July 2001
- 29**Number of new locations offering expanded nursing programs

Source: Minnesota State Colleges and Universities

Strengthened collaboration among the seven state universities and, as appropriate, with two-year colleges, will enable the colleges and universities to enhance the programs and services they offer to the state's teachers, administrators and school districts. The center also will support "quick response" program and service changes based on customer needs, and will serve the growing need for teachers in critical subject areas, such as science and special education.

The Teacher Center will work in partnership with K-12 schools to provide:

- Q Research-based solutions and models to meet educator, district and state needs in critical areas;
- Q Expanded alternative or accelerated pathways to certification in high-need areas, particularly for adults with bachelor's degrees who wish to become licensed teachers;
- Q A Web-based clearinghouse for information about teacher education programs, services and resources at the Minnesota State Colleges and Universities.

In addition to the request for state funding of \$3 million over the biennium, nonstate funding sources are being sought.

Helping farmers and small business owners succeed, \$3 million

Successful farms and small businesses are critical to the economic health of Minnesota. The farm management and small business management programs of the Minnesota State Colleges and Universities provide individualized instruction to farmers and small business owners on the farm or at the business site.

This funding would be used to increase subsidies to students to cover about 30 percent of tuition, expand online courses and services for these programs, enhance statewide collaboration and preserve and grow existing programs. The appropriation also would help the colleges and universities reach new diverse populations with these programs, such as Hmong farmers in Dakota County and Hispanic owners of small businesses in southwest and west central Minnesota.



Amy Malikowski, online student at Minnesota State Community and Technical College

MOM EARNS A DEGREE ONLINE

Amy Malikowski never gave up on her goal to earn an accounting degree. Yet as a homemaker and mother whose husband works full time, she couldn't arrange her life in rural Frazee, Minn., to accommodate going to school.

Then a friend mentioned that Minnesota State Community and Technical College offered a two-year associate accounting degree online. In 2002, Malikowski decided to give the old college try a new twist. "It was really convenient, because I started when I was pregnant with my daughter," she says.

The mother of three graduated in spring 2004 and is considering more online classes before going to work full-time when her youngest child starts school. Malikowski found that online classes offered many advantages, including flexibility to do homework while the children napped or at night.

Malikowski believes she did better in these classes than she might have done in traditional classes. "Professors don't always tell you how to do things right away," she says. "This forces you to learn more on your own."

SYSTEM INDEX

- 86.3%**.....Percentage of graduates who get jobs related to their major or program within one year after graduation
- 100%**.....Percentage of system institutions fully accredited by the Higher Learning Commission of the North Central Association
- 32,000**.....Number of graduates per academic year
- 88%**.....Percentage of students who are Minnesota residents
- 81%**.....Percentage of graduates who stay in Minnesota to work or continue their education
- \$6.14**.....Amount returned in economic activity for every \$1 in net state spending on Minnesota State Colleges and Universities



Jenny Coughlin, participant in Inver Hills Community College's Urban Teachers Program

TRAINING A NEW GENERATION OF URBAN TEACHERS

Last year, Jenny Coughlin worked in elementary schools in St. Paul and Inver Grove Heights, experiencing firsthand how to deal with a mix of eager learners and challenging behaviors.

"I'm a hands-on person and it's great to see classroom management and parent-teacher communication up close," says Coughlin, a 21-year-old Oakdale sophomore participating in Inver Hills Community College's Urban Teachers Program. "You learn to deal with kids with a little edge, a little attitude."

The new program, created in response to urban school districts' expressed needs for teachers eager and capable of serving city schools, gave Coughlin an opportunity to work with several elementary school classes and helped clarify what grade level she ultimately wanted to teach.

"I learned that I love spending time with first graders," she says. "Kids at that age have so much energy."

The college's flexible schedule of day and night courses allows her to maintain a 30-hour per week job. Says Coughlin: "I'm happy at Inver Hills – all the professors are great and willing to go the extra mile to help you out."

Expanding online education\$8.1 million

Funding for the expansion of Minnesota Online – the online programs, courses and services of the Minnesota State Colleges and Universities – will enable the development of seamless admissions and registration for students, including corporate employees; expanded call center information and advising; expanded technical support; enhanced online library reference services for faculty and students; expanded tutoring and training services; and new services to corporate clients.

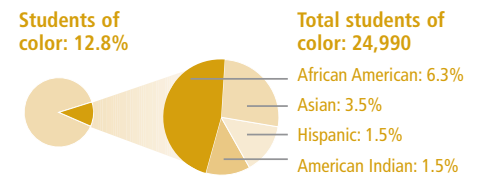
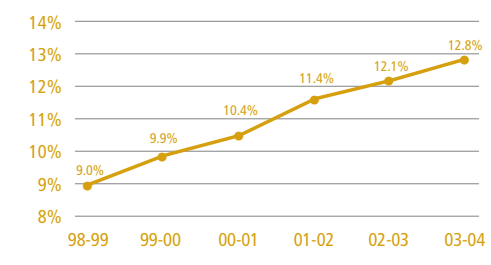
More than 80 programs are now offered completely or predominantly online. (A program is a set of courses leading to a certificate, diploma or degree.) The additional funding would enable another 25 online programs to be offered. The number of courses offered online would rise by 40 percent.

Improving outreach to underserved students\$12.0 million

The need to increase high school graduation rates for groups traditionally underserved in higher education – students of color, low-income students, first-generation college students and those for whom English is not their first language – has been documented in recent reports by the Citizens League Higher Education Study Group and the Minnesota Minority Education Partnership. This initiative will enable the colleges and universities to work with K-12 schools to implement recommendations to improve high school graduation rates and college recruitment, retention and graduation rates of these students.

College and university partnerships with kindergarten-through-eighth-grade schools will develop early college awareness and career aspirations in young children by providing enrichment activities and by working to engage their parents in the development of college aspirations in their children. Professional development activities for teachers also will be an important aspect of this effort.

Percentage of students of color continues to grow



Source: Minnesota State Colleges and Universities Research and Planning Office, 2003-2004 headcount in credit courses based on race and ethnicity for the 80.8% of students who reported this information.

E-LEARNING INDEX

- 3,589**Online course sections offered in 2004
- 55.5%**Percentage growth in online course sections from 2003 to 2004
- 25,228**Number of students taking online courses
- 1,329%**Percentage growth in the number of students taking online courses from 2000 to 2004

Source: Minnesota State Colleges and Universities Research and Planning Office

College and university partnerships with middle, junior high and high schools will focus on development of students' academic and study skills by providing supplementary enrichment activities, tutoring and mentoring, and by beginning career exploration activities in earnest. Parent engagement will continue to be important.

Summer programs, other bridge programs and first-year-college support activities will help students make the transition to college and succeed in their freshman year.

Innovating to meet emerging state needs\$5.5 million

The innovations fund would provide resources for curriculum design and equipment acquisition for new educational programs and services to meet the emerging needs of Minnesota businesses, industries and communities. The appropriation would be used by colleges and universities as seed money, to be matched by additional funding from external sources. The funding will speed development of new programs tailored to the needs of business and industry, increase the number of new programs that meet critical state needs and leverage financial contributions from business and industry to support program and curriculum development.

Repair and replacement projects.....\$11.0 million

This request would provide funds for repair and replacement projects within college and university buildings and infrastructure. While major repairs, replacements and renovations are funded primarily through the capital budget, the colleges and universities need flexibility in their operating budgets to do smaller and often urgent projects on a quick turn-around basis to protect and maintain the physical integrity of a campus. These funds would allow the colleges and universities to keep up with annual repair and replacement work required to maintain campus buildings. Postponing these projects will cause conditions to further deteriorate, requiring more costly repairs later.

Competitive salaries.....\$13.9 million

This initiative seeks financial resources to enhance the competitive salary position of the Minnesota State Colleges and Universities in the academic marketplace and to encourage and reward excellent performance by faculty and staff. Funding will be used both to improve competitiveness in high-demand academic disciplines and to reward desired actions and outcomes. Specifics of these compensation arrangements would remain subject to the collective bargaining process.

Total request\$66.5 million



Dennis Miller, CEO, Midwest Wireless

CREATING A WIRELESS GENERATION

Midwest Wireless Chief Executive Officer Dennis Miller talks often about the great talent produced by South Central Technical College and his alma mater, Minnesota State University, Mankato, both located in his hometown.

As the fortunes of companies like Midwest Wireless have skyrocketed, both institutions designed programs to meet rising employment demands. Minnesota State University, Mankato, developed an engineering degree with a wireless technology emphasis while South Central Technical College created a wireless technician program.

With Miller's encouragement, the university created a model wireless campus six years ago, sponsored by Nokia. AT&T Wireless (now Cingular) sponsored a national training center at the university. Today, Midwest Wireless, and to a lesser degree Sprint, sponsor the university's Center for Pervasive Computing, which helps businesses develop prototypes for emerging products.

"We're getting technologically advanced employees from Mankato's colleges who will be instrumental in keeping us moving onward and upward in an advancing industry," Miller says.

Minnesota State Colleges & Universities



David Yalch, senior manufacturing technician, Medtronic, Inc.

A NEW CAREER IN MEDICAL DEVICES

After being laid off from his job in environmental consulting, David Yalch began a soul-searching examination to determine what change would come next in his professional life. Using an online career and education Web site developed by the Minnesota State Colleges and Universities, he enrolled in a biomedical technology degree program at Anoka-Ramsey Community College.

Upon graduation, Yalch found that his new qualifications had strong value in the marketplace when he was quickly hired at Medtronic, Inc., as a senior manufacturing technician in the cardiac rhythm management division.

The college provided him with an excellent education in a new career he enjoys. "This was a great move for me; I fit right in here," he says. "The knowledge and resources I gained from going back to school helped my family to turn lemons into lemonade."

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