



MINNESOTA STATE
Board of Trustees

AGENDA ITEM SUMMARY

NAME: Finance and Facilities Committee

DATE: November 19, 2024

TITLE: FY2026-2027 Biennial Budget Request (Second Reading)

Action

Review and Discussion

This item is required by policy

PRESENTERS

Bill Maki, Vice Chancellor for Finance and Facilities

Paul Shepherd, Associate Vice Chancellor for Student Affairs and Enrollment

Shannon Bryant, Executive Director for Workforce and Economic Development

Phil Arellano, Interim Associate Director for Workforce and Economic Development

Steve Ernest, System Director for Financial Planning & Analysis

PURPOSE

Every two years the Board of Trustees submits its biennial operating budget request to the governor and the state legislature for their review and consideration. Board Policy 5.9, State Budget Requests and Annual Operating Budget Planning and Approval, requires the board to approve the system's biennial request. This is the second reading of the request for the fiscal 2026-2027 biennium. Since the board's first reading of this item, more planning information has been added to this document, including:

- Adding additional feedback received during consultation meetings that have taken place since the first reading
- Adding the need for repurposing of sites where demolition occurs with the critical infrastructure request
- Defining student basic needs and providing more descriptive information of how the student support funds will be used
- Providing an expanded description of the strategic but flexible ways the workforce support funds will be used
- Providing a summary of how the requested funds would add to current state funding and providing the necessary motion to adopt these amounts as the board's biennial budget request.

BACKGROUND INFORMATION

Minnesota State is the nation's fourth largest system of colleges and universities, with 54 campuses in 47 communities across the state. The system's 28.5 million square feet of total facility space comprises a large percentage of all space owned by the State of Minnesota. Roughly 270,000 students are provided credit and non-credit education each year. Approximately 63

percent of all Minnesota residents pursuing an undergraduate credential do so at a Minnesota State college or university. The seven universities and 26 colleges offer over 4,000 academic programs and provide the bulk of the state's health care workers, peace officers, teachers, welders, plumbers, etc., by awarding over 36,000 degrees, certificates, and diplomas each year. Fourteen thousand faculty and staff across the state account for over a third of all State of Minnesota employees, and actively partner with local business and industry to provide educational opportunities that fit the community, including 9,600 customized training, occupational, and professional classes.

State appropriation is one of two primary sources of funding for our colleges and universities, the other main source being tuition. At the system level, the relationship between state appropriation and tuition was nearly 2/3 appropriation and 1/3 tuition in fiscal year 2002, which is the goal set by the legislature in Minnesota Statute. In 2013, largely because of record-high enrollment in response to the recession and annual double-digit percentage tuition increases from 2002 to 2005, the state appropriation share hit an all-time low at 40 percent, with tuition revenue providing 60 percent of annual revenues. Since that time, changes on both sides of the partnership have moved the relationship back towards the statutory goal.

In the decade before the 2024-2025 biennium, tuition revenues had experienced downward trends as system enrollment had decreased and cumulative tuition increases had been less than the rate of inflation. Fiscal year 2011 was the apex in the system's enrollment with 157,903 full-year equivalent (FYE) credit students. Since that peak, the system has roughly 45,000 (28.5 percent) fewer FYE in fiscal year 2025 budgets compared to fiscal year 2011. Legislative limitations and freezes on tuition rate increases in recent bienniums have also kept tuition revenues lower than they might have been otherwise. While appropriation amounts have increased over the years, those increases have not always offset tuition rate limitations that have been included in legislation since fiscal year 2014.

Adding complexity to the appropriation and tuition relationship is the fact that each college and university has its own mix of tuition and appropriation, based on the history of each institution. Due to their funding history going back to premerger, lower tuition rates, and two-year sector specific funding from the legislature, colleges tend to be more reliant on state appropriation, whereas universities tend to be more reliant on tuition revenues. Institutions that rely more on tuition or have lower tuition rates than their system peers have found that tuition limitations have made financial planning more difficult.

State funding for the 2024-2025 biennium provided substantial new support—including \$50 million in one-time funding to help offset lost tuition as enrollment levels come back from pandemic lows—and has brought the current relationship to nearly 56 percent appropriation and 44 percent tuition. Out of concern for potential future state general fund limitations, however, the amounts set as beginning base numbers for next biennium are significantly lower. Table 1 compares new funding requested for the 2024-2025 biennium, amounts received, and amounts set by the legislature as base 2026-2027 funding.

Table 1: 2024-2025 Biennial Increases Requested, Received, and Continuing in Base

Biennial Appropriation Increase Amounts (dollars in thousands)						
Request Area	Requested 2024 and 2025		Received 2024 and 2025		Base for 2026 and 2027	
Minnesota State Stabilization	\$40,000	\$85,000	\$64,000	\$64,000	\$41,500	\$41,500
Student Support	\$50,000	\$75,000	\$29,158	\$54,158	\$40,658	\$40,658
Workforce & Economic Devel.	\$50,000	\$50,000	\$13,500	\$13,500	\$0	\$0
Other*	\$0	\$0	\$52,627	\$1,963	\$1,974	\$1,985
Totals	\$140,000	\$210,000	\$159,285	\$133,621	\$84,132	\$84,143
	\$350,000		\$292,906		\$168,275	

*One-time campus support \$50,000, IRAP employer contributions \$1,733, Unemployment Insurance \$1,618, Child Development Associate Pathway \$475, menstrual products \$764

Even though the base funding for the fiscal 2026-2027 biennium is just a starting point for the 2025 legislature, planning for fiscal year 2024 and fiscal year 2025 budgets could not be done without consideration of the fact that 35 percent of the new Minnesota State Stabilization money would go away without legislative action. Not only did the \$50 million in one-time support have to be planned for as one-time money, \$45 million in ongoing operation money also had to be treated as potentially one-time. Funding to replace tuition increases also drops by \$25 million in the fiscal 2026-2027 base as compared to the fiscal year 2025 funding level. Developments that occurred after enactment of the fiscal 2024-2025 biennial budget added to budgetary challenges. Increases in compensation and non-compensation costs were higher than anticipated in many cases across the system. To address the cost increases and pressures that colleges and universities were facing, a supplemental budget request of \$61 million was made to bridge the gaps in fiscal year 2024 and fiscal year 2025 budgets. This amount was calculated as the gap between the \$128 million in system stabilization funding received and the \$264 million in adjusted estimate of biennial compensation and operating cost increases. Because this request was not funded, more current one-time funding has had to be used for ongoing costs. This mismatch has made budgetary challenges even more difficult for colleges and universities.

LISTENING SESSIONS

Between September 11 and October 1, 2024, the chancellor, board chair and vice chair and several other trustees participated in a series of listening sessions held across the state. A total of nine listening sessions were held on campuses of the Minnesota State system.

The goal of these sessions was for internal and external stakeholders to identify key priorities to help guide Minnesota State’s fiscal 2026-2027 biennial budget request. There was strong turnout at each of the nine sessions. Participants included students, faculty, staff, business and community leaders, college and university foundation board members, legislators, legislative staff, and other elected officials.

While each session had a slightly different emphasis depending on the composition of the audience, overall, there were consistent themes that emerged across the nine sessions. Some of the themes were not directly related to Minnesota State's budget request but were critically important to the relationships our students and external partners have with their local college or university. Examples included the parameters of the North Star Promise. Business leaders in the southern part of the state asked if there could be a requirement that student recipients stay and work in Minnesota for a certain period (like the Build Dakota Scholarship requirements in South Dakota) while many inquired if the family income levels could be adjusted. Office of Higher Education Commissioner Dennis Olson attended one of the sessions and had the opportunity to hear the impact the program has had directly from students. Another theme that emerged in several sessions was the relationships between our institutions and K-12 related to PSEO and college in the schools. Changes in the current state funding model, the credentials of high school instructors teaching college courses, and the expansion of partnerships for career and technical education were topics mentioned in multiple sessions.

The priorities that emerged from the sessions related to developing our biennial budget request included focusing on student affordability while ensuring there are sufficient wraparound services, continuing and increasing the investments in workforce development, providing adequate funding for college and university operations, and securing funding to address critical facility maintenance and repair projects.

Students at multiple sessions provided powerful personal testimonies where they expressed appreciation for the new financial aid programs and the support they receive from faculty and staff on their educational journey. These students stressed that college affordability does not only include the cost of tuition and fees, but the total cost of attendance which could include day care, transportation, housing, and other basic needs. Faculty, staff, and administrators discussed the need for additional staff and resources to be able to fully support students and the increased demand that is being experienced due to enrollment increases. They talked about the crucial need for financial support directly to students, including additional student scholarships; additional student emergency grants; and making all required internships, practicums, student teaching, and other non-classroom activities paid experiences. We also heard about the need for additional student services in the form of mental health resources, social workers, community resource connectors, and additional college and university staffing to provide services, including campus counselors.

Business and industry partners consistently provided testimony on the value of the relationships they have with college and university faculty and leadership in providing graduates to meet the workforce needs of the region and the state. Specific examples were given where workforce shortages are still being experienced and more graduates are needed.

Participants also spoke about expanding career, technical, and professional programs, including funding for equipment, additional supplies, and for competitive salaries to be able to recruit and retain faculty. In addition to existing programs, participants talked about the need to fund new, innovative programs, including non-credit training opportunities and adult learning opportunities. We also heard from employers about the need to remove or reduce financial barriers in materials and other costs outside of tuition (i.e., cost of tools for certain programs).

There was strong support to build off the industry sector programming funding and the upgrading of equipment and learning environment funding that was received in the 2024-2025 biennium. In addition, many supported the continuance and expansion of the leveraged equipment program and workforce development scholarships.

Increased funding for basic college and university operations was also recognized as an essential need area. Participants supported direct campus support to cover inflation to address local cost pressures. Without that support, examples were given of budget reductions and unfilled faculty and staff positions at some institutions that were implemented to support unfunded inflationary increases. Faculty and staff compensation not keeping up with the market and inflation was a concern. There was testimony about making sure the system asks for what we need, not what we think we can get and to continue to advocate for the state to return to funding two thirds of a student's education. The more the state invests in campus operations, the less reliance there will be on tuition revenue to support campus operations. Flexibility in setting tuition and fee rates was also high on participants' minds, as there are local factors that need to be considered such as the costs of high demand programs and ensuring the student's campus needs are met by providing an appropriate level of student services and student life experiences.

All sessions also included testimony about the need for asset preservation funding. The backlog of deferred maintenance continues to grow at a faster pace than the resources received from the state to address those issues. There was concern expressed about there being no bonding bill last session that has added to that backlog. The lack of a continuous predictable investment in facilities has had an impact not only on the operating budget, but more importantly on the students' learning experiences. At a few sessions, there were also requests from campus leadership to seek demolition funding to address buildings that are at the end of their useful life or have been mothballed.

PROPOSED BIENNIAL BUDGET REQUEST

The proposed fiscal 2026-2027 legislative operating budget request focuses on protecting Minnesota State's commitment to inclusive excellence and ensuring all Minnesotans receive an extraordinary, affordable, accessible education and provide our businesses with the workforce they need. The proposed request totals \$465 million in additional funding over the biennium, with ongoing funding for the most crucial operating needs and one-time funding to address immediate critical infrastructure needs.

The request is designed to support students, strengthen communities through workforce and economic development, and provide the system resources necessary to maintain the programs and services critical for the success of all students.

Table 2 provides a summary of the components of the request.

Table 2: Proposed Fiscal 2026-2027 Biennial Budget Request

\$365 million in Requests for Ongoing State Funding Support	\$100 million in FY2026 in Requests for One-Time Critical State Funding
<p>\$285 million to address cost increases across personnel and non-personnel budgets and to limit tuition changes to instances with compelling need to align rates better with costs and related rates</p> <p>\$40 million for campus-based services and assistance to address</p> <ul style="list-style-type: none"> *textbook and other costs above tuition *navigating school and life challenges *mental health support *emergency grants to address unforeseen needs *other local student support needs <p>\$40 million to renew funding for undergraduate, graduate, and non-credit programs that address high-demand workforce needs but have high infrastructure and student costs, including</p> <ul style="list-style-type: none"> *advanced, industry-specific equipment *related infrastructure upgrades *scholarship support for students 	<p>\$50 million to address critical asset preservation needs</p> <p>\$25 million for the costs of building demolition and site restoration to avoid on-going maintenance for un-usable facilities that undermine a campus’s sense of community</p> <p>\$25 million to develop the new Workday student planning system, a system significantly more complex than any yet developed in the nation, to provide students with extensively valuable online resources</p>

Combining the one-time funds into one request, Table 3 shows biennial amounts for each area.

Table 3: Proposed Fiscal 2026-2027 Biennial Budget Request by Area

FY2026-FY2027 Biennial Appropriation Request (dollars in thousands)			
Request Area	Base Funding	One-Time Funding	Total
Student Affordability and System Operations	\$285,000	\$0	\$285,000
Critical Infrastructure	\$0	\$100,000	\$100,000
Student Support	\$40,000	\$0	\$40,000
Workforce-Focused Support	\$40,000	\$0	\$40,000
Total	\$365,000	\$100,000	\$465,000

ADDITIONAL CONSULTATION SINCE FIRST READING

Following the first reading of this potential request, ongoing and additional consultation has occurred with bargaining units, statewide student associations, Leadership Council, and other system interest groups. Overall, there was broad support for the priorities of the request. The

need for additional resources for college and university operating support was strongly endorsed with some of the feedback indicating the request needs to be more than the proposed \$285 million for student affordability and system operations. Specifically, there was concern expressed if this level of funding was adequate to fill current faculty and staff vacancies as well as ensuring that future compensation changes address equity, market, and inflationary issues.

What tuition rates would be in the 2025-2026 and the 2026-2027 academic years and how levels of increases would be determined was discussed with both statewide student associations and most bargaining units. The board having more flexibility in setting tuition rates was generally endorsed. Bargaining units requested more information on specific examples of how differential tuition rates might be adjusted. The statewide student associations stressed the continued importance of affordability and the need for ongoing communication as more information is received in the coming months in the budget request process.

Additional support for students was the priority that overall received the most attention in the meetings with both the statewide student associations and the bargaining units. Having funding to increase campus resources was stressed. Topics discussed included improvements in the current process of distributing emergency grants, increasing awareness of Mantra Health, and providing additional support for basic needs and student parents. In addition to increased funding for emergency grants, one of the student associations also asked for consideration of financial aid or grants specifically to help with securing affordable housing.

Related to the \$100 million for critical infrastructure, there was general agreement on an increased investment in campus facilities. There were questions related to how demolition projects would be determined and if there could be subsidies included for revenue fund operations. For the \$25 million proposed request related to Workday Student implementation, there was concern expressed of why there are no additional funds being requested to assist with the stabilization of the implementation of the Workday platform (finance and human capital management). There also was a suggestion that this priority could be expanded to include designated funds for early retirement incentives (BESIs).

Even though the overall priorities and proposed requests have not changed since the first reading. Several of the suggestions received in these meetings helped further refine the narrative as well as inform discussions that will occur throughout this process between now and the end of the 2025 legislative session.

STUDENT AFFORDABILITY AND SYSTEM OPERATIONS

This request is designed to meet the evolving needs of ongoing college, university, and system office operations while allowing the Board of Trustees to set tuition through its extensive consultation process. This process allows decision making to be respected at the campus level. Both the state appropriation side of college and university funding and the tuition revenue side of funding would be addressed by this request. Potential overall tuition increases would be directly related to the amount of additional base funding received out of the \$285 million

request. Specific tuition rate changes would focus on instances where compelling needs exist to align rates better with costs and other rates within the institution or system. The \$285 million amount is calculated to allow for an average increase across all costs of 5 percent, based on the fiscal year 2025 approved budget. The approved fiscal year 2025 budget includes the budgets of the 26 colleges, the 7 universities, and the system office. Table 4 shows the calculations.

Table 4: Calculations, Student Affordability and System Operations

General Fund Operating Budgets (June 2024) and Biennial Budget Request Calculations				
Expenses (\$s in millions)	FY2025 Budget	FY2026 5% Increase	FY2027 5% Increase	Total Increase over FY2026-FY2027 Biennium
Compensation	\$1,371	\$68	$\$68 + \$73 = \$141$	\$209
Operating Costs	\$499	\$25	$\$25 + \$26 = \$51$	\$76
Total	\$1,870	\$93	$\\$93 + \\$99 = \\$192$	\$285

Freezes on tuition increases enacted in recent bienniums have kept increases in student costs minimal. Limited exceptions have been provided. For example, differential tuition rates have been allowed to increase where costs for course or program delivery have increased due to extraordinary circumstances beyond the control of the college or university. Also, during the fiscal 2022-2023 biennium, universities were allowed to increase base tuition to adjust for the reduction of online differential charges, provided the change was revenue-neutral to the university's operating revenue. This adjustment was made by most of the universities, based on student input showing that rate simplification and acknowledgement that all courses now use online content made sense to them. Pressure to choose a lower-priced on-campus version of the same course but worry about transportation was one concern expressed by students.

For the fiscal 2026-2027 biennium, the intention would be that institutions would be allowed to increase tuition in limited instances where:

- costs for course or program delivery have increased due to circumstances beyond the control of the college or university,
- online differential tuition rates are combined into base tuition rates to reduce the complexity of tuition choices,
- high-cost programs are not covering unique program costs with the current rate, and
- other compelling reasons indicate that tuition adjustments are justified.

CRITICAL INFRASTRUCTURE

This funding would address the most urgent immediate needs in critical infrastructure.

Asset preservation is a critical need that has increased over many years due to budgetary limitations and limited funding received through the Higher Education Asset Preservation and Replacement (HEAPR) program. \$50 million in one-time funding would be allocated to work towards addressing the backlog of asset preservation needs. As noted in the system's FY2024

Capital Request, almost \$3 billion is needed over the next decade to address Minnesota State's backlog renewal need.

Funding for building demolition and associated site repurposing, such as creating additional campus green space, is another pressing need on several campuses. Demolition of a facility that can no longer be used is not a cost that can be supported with state bond proceeds. However, the need is significant because costs of maintaining un-usable facilities take funds away from other areas where they are urgently needed. Also, having run-down and unattractive facilities on campus undermines the campus's sense of community. \$25 million in one-time funding would be allocated to support campuses that have identified buildings in their comprehensive facilities plan that need to be demolished.

The Workday student system, part of the broader NextGen Enterprise Resource Planning system, is in the beginning stages of development. This student system will be significantly more complex than any yet developed in the nation. The data that will be tracked, managed, and made readily accessible to students will provide colleges and universities with extensively valuable new online resources. \$25 million in one-time funding would be allocated to the development and the implementation of this system.

STUDENT SUPPORT

This request would increase critical campus-based services and assistance that enable student success. Many of the challenges students face are outside of the classroom, but they can be significant barriers to academic completion even when students are progressing in the classroom. Core student support staff continues to evolve to address more timely issues of mental health and life challenge navigation. The request would be distributed as follows.

- \$32.5 million to provide campus staffing to connect students to essential resources that have been created like basic needs supports, emergency grants, the Mantra Health mental health resource, and other campus-based resources
- \$5.5 million for emergency grants, which would add \$2.75 million per year to the \$2.25 million per year currently available through OHE
- \$2 million (\$1 million per year) to continue current funding levels for the development of free course materials

Campus leaders consistently report that they are seeing increases in the number of students that are seeking support resources and services including, but not limited to, basic needs and mental health. Coordinated, collaborative work across the Minnesota State system has identified food, housing, mental health, transportation, child/familial care, emergency financial support, and certain aspects of technology/internet access as components of student basic needs. With increased enrollment and programs in place like the North Star Promise, American Indian Scholars, and others designed to increase access to higher education, student support resources designed to support persistence and retention are increasingly important so we can provide the support necessary for our students to be successful. Minnesota State students come to our campuses at many different ages, different points in their personal and professional lives, with different family needs, with different financial needs, with different emotional and mental health needs. Student support services help students plan how their educational efforts will fit into their other life activities, coordinate educational concerns with other concerns, navigate

requirements, take advantage of opportunities, and manage complex activities made more difficult by a student's personal challenges.

Each college and university will have access to a specific allocation of funds to provide support for basic needs, mental health, and other high need student services. One-time funding in the current biennium has been distributed using the Access & Opportunity funding allocation formula, which focuses on underrepresented students based on the combination of the number of first generation and Pell-eligible students in addition to overall fall headcount.

Campuses will continue to coordinate new and enhanced services that are being scaled systemwide so that resources are not duplicated unnecessarily. This work includes consultation with campus staff engaged in work related to basic needs; clinical health; mental health; public health; health promotion; diversity, equity, and inclusion; student success/student life; and/or other faculty and staff who are leading and participating in ongoing mental health, basic needs, and student support efforts. Campuses also engage with their student senate and solicit real-time feedback from students when planning utilization of these one-time funds. Deliberate efforts will be made to evaluate and affirm the inclusive nature and cultural relevance of the activities supported with these funds.

A new mental health resources service was launched through Mantra Health in September 2024 and is now available at all 33 of our colleges and universities. Maintenance of this and other mental health services is incredibly important in aiding staff and faculty as they help students navigate and become aware of resources available to provide the support they need.

The emergency grant program that was launched in March 2024 has now surpassed \$1.3 million in funding distributed. This number demonstrates that the need for this program is widespread among our students. One campus indicated that its allocation was gone in two days and there seems to be extensive need for this type of funding. It does not appear that current funding of \$2.25 million per year through the budget of the Office of Higher Education (OHE) will be able to meet this need.

This request would also allow for the continuation of efforts that reduce students' total cost of attendance by seeking out and expanding free offerings for a wide range of course materials and resources. Additional open educational resources (OERs) will be provided or developed for high-demand fields of study, transfer pathways, and gaps in the existing marketplace. This request will also support expanding and sustaining the degrees students can complete with zero cost for textbooks, an effort that has already saved Minnesota State students over \$8 million in textbook costs.

WORKFORCE DEVELOPMENT

This request would help to power effective workforce and economic development activities across the system. The request would build on current successes by continuing what is currently one-time funding and would add flexibility to enable responsiveness to evolving industry needs, statewide workforce projects, and expanded partnerships with businesses and economic development agencies. Effective use of these funds will include support for non-credit and contract training aligned with industry opportunities and expansion of access to workforce

scholarships to non-credit programs to reach a broader range of learners, particularly underserved populations. The request would be distributed as follows.

- \$13.5 million to continue the work of upgrading college and university equipment and learning environments for high-cost, high-need workforce programs,
- \$13.5 million to continue to develop and expand industry sector programming to build capacity and support new and redesigned curricular options with an emphasis on offering students work-based learning experiences,
- \$8.5 million to support the maintenance of high-cost and high-demand career & technical, baccalaureate, and graduate programs, and
- \$4.5 million for workforce scholarships, which would increase the base for these scholarships by \$2.25 million (50 percent) per year and broaden the types of programs the scholarships can be used for.

One-time funding of \$27 million (\$13.5 million for upgrading college and university equipment and learning environments and \$13.5 million to develop and expand industry sector programming) was not included as base funding for the fiscal 2026-2027 biennium. Continuing this funding would build upon the highly successful 2024-2025 support for the equipment and programming required to address the most in-demand workforce needs of the state. As with the current funding, these funds will continue to enhance state-of-the-art skills and applied research laboratories using interactive, hands-on, and multi-disciplinary approaches in science, technology, and career or technical programs. State-of-the-art equipment and learning environments are defined as those that are the best available because they represent the most modern techniques and technology. Minnesota is at risk of falling behind investments made by neighboring states in learning environments that attract and retain students and workers. Also, with the current funding, non-state match requirements will leverage the appropriated dollars in the second year of the biennium.

The Centers of Excellence will play a pivotal role in this initiative, serving as project managers and industry experts to guide colleges in non-credit program assessment and development. Each Center will provide specialized knowledge within key sectors—such as advanced manufacturing, healthcare, IT, and transportation—ensuring that new and expanded non-credit programs reflect the latest industry standards and respond directly to employer needs. By leveraging the expertise of the Centers of Excellence, we can efficiently translate workforce trends into targeted, high-quality non-credit training, positioning Minnesota’s workforce programs as a national model for industry alignment. With a focus on Minnesota’s key industry sectors this request will support development of new or multi-disciplinary programs at colleges and universities. Funding will support programs that include work-place experiences, such as “earn & learn”; micro-credentials; internships; or applied research, and will be used to address skills gaps, support non-credit and contract training aligned with industry opportunities.

The integration of non-credit and for-credit pathways is an important component of this strategy because non-credit programs aligned with industry needs act as entry points and allow students to gain job-ready skills and to experience success in a short timeframe. Once in the workforce, these students can continue their education by transferring their non-credit learning to for-credit programs, pursuing advanced credentials that further their careers and meet the ongoing needs of Minnesota's economy. This model not only supports individual student growth but also builds

a more resilient workforce prepared for long-term employment and career advancement.

\$8.5 million will support high-cost and high-demand baccalaureate and graduate programs that are experiencing extraordinary changes in occupational skills due to technological changes in Minnesota’s increasingly advanced and diverse economy. Focusing on industry partnerships, these program developments will build capacity and adequate support for new and re-designed curricular options. As a growing number of students pursue certificates or industry-recognized credentials, engaging with students over their careers to address emerging skills rather than only focusing on traditional degrees, is vital to the relevance of our college and university programs.

This request would also expand the Workforce Development Scholarship program to increase affordability for college and university students, encourage enrollment in high-demand fields to meet the state’s workforce needs, and offer workforce scholarships to non-credit programs to meet diverse needs and elevate equitable educational opportunities.

The workforce scholarship program is currently funded with \$9 million over the biennium (\$4.5 million annually), with a 10 percent hold-back of funds matched 1:1 with private dollars. Scholarships may be awarded in the following areas: healthcare, information technology, agriculture, transportation, manufacturing, early childhood education, construction, education and public safety. Colleges may also select an additional area based on regional workforce needs. Increasing the funding to \$13.5 million over the biennium will help drive enrollment growth in non-credit CECT programs and, in turn, support the pipeline for for-credit programs. As students gain initial skills and workforce exposure in non-credit courses, they are encouraged and prepared to transition into for-credit pathways, ultimately leading to higher levels of educational attainment and better career outcomes.

SUMMARY OF REQUEST BY YEAR

Including the \$100 million requested in one-time critical infrastructure funding, the biennial budget request of \$465 million would increase state funding support for the Minnesota State Colleges and Universities System from \$1.751 billion to \$2.216 billion for the fiscal 2026-2027 biennium. Table 5 shows base and request amount by year, including requested amounts of base funding for the next biennium.

Table 5: Total State Funding Request by Year

State Appropriation Funding (\$s in millions)	FY26-FY27		FY28-FY29 Biennium	FY26-FY27		FY28-FY29 Biennium
	FY2026	FY2027		FY2028	FY2029	
Base Funding	\$875.7	\$875.7	\$1,751.4	\$875.7	\$875.7	\$1,751.4
Budget Request	\$233.0	\$232.0	\$465.0	\$232.0	\$232.0	\$464.0
Total	\$1,108.7	\$1,107.7	\$2,216.4	\$1,107.7	\$1,107.7	\$2,215.4

NEXT STEPS

Major milestones between now and the beginning of the fiscal 2026-2027 biennium include:

Late Nov 2024	State releases November Budget and Economic Forecast
Jan 14, 2025	Legislative Session Begins
Jan 28, 2025	Governor sends budget to legislature; may differ from Board request
Late Feb 2025	State releases February Budget and Economic Forecast
May 19, 2025	Legislative Session Ends
May 20-21, 2025	Board hears first reading of fiscal year 2026 operating budgets
June 17-18, 2025	Board approves fiscal year 2026 operating budgets
July 1, 2025	System begins fiscal year 2026

The 2024-2025 biennial budget request was submitted at a time when the state of Minnesota was projecting an \$18 billion budget surplus. The most recent forecast, issued by MMB in February 2024, showed an improved economic outlook compared to the November 2023 forecast. The February forecast projected that the 2024-25 biennium would end with a surplus of \$3.715 billion, an increase of \$1.324 billion compared to November projections. Higher collections for all major tax types improved the economic outlook, with growth expected to persist through 2027. With spending estimates largely unchanged from November, the higher revenue forecast throughout the fiscal 2024-2027 planning horizon showed improvement to the structural budgetary balance, but spending was still projected to exceed revenue through fiscal year 2027. The October 2024 Monthly Revenue Review report shows that fiscal year 2025 year-to-date receipts are now \$7.6 billion, \$234 million (3.2 percent) more than in the February forecast.

RECOMMENDED ACTION

The Finance and Facilities Committee recommends that the Board of Trustees approves the fiscal 2026-2027 biennial budget request in the amount of \$1,108,689,000 in fiscal year 2026 and \$1,107,700,000 in fiscal year 2027 for a total of \$2,216,389,000. This includes \$285 million for Student Affordability and System Operations, \$100 million for Critical Infrastructure, \$40 million for Student Support, and \$40 million for Workforce-Focused Support. This request strengthens the state's commitment to inclusive excellence and ensuring our students receive an extraordinary, affordable, and accessible education. It further strengthens the economic and workforce viability of Minnesota's communities and the State.

The Board of Trustees has been granted the authority in state statute to govern and operate Minnesota State. The board, after full consultation with Minnesota State constituencies, will make final budget decisions, including setting tuition rates, at the conclusion of the legislative session.

Date Presented to the Finance and Facilities Committee: 11/19/2024
Date Presented to the Board of Trustees: 11/20/2024
Date of Implementation: 11/20/2024