



MINNESOTA STATE

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February 22, 2017

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Dear Sir or Madam,

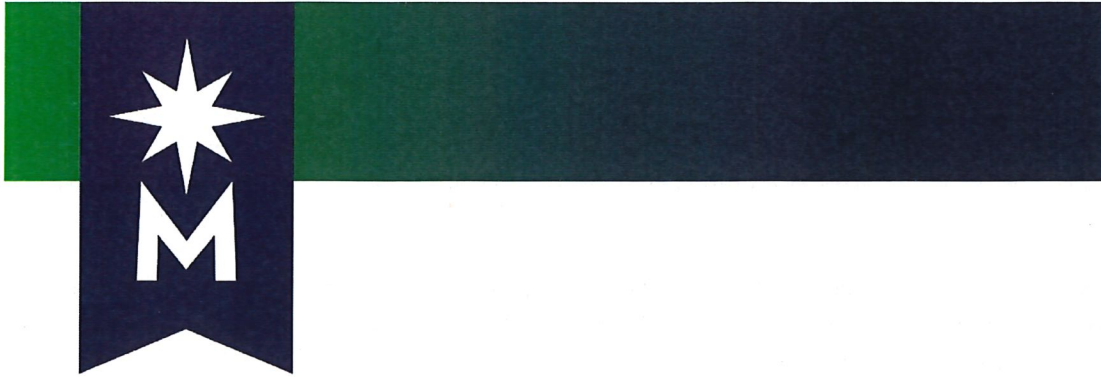
Enclosed please find (2) two hard copies of a report required by 2016 Minn Laws Chap. 189 Art. 1 Sec. 30 concerning allocation of state funds to Minnesota State colleges and universities. Copies of this report were delivered to Senator Michelle Fischbach, Chair of the Senate Higher Education Finance and Policy Committee and Representative Bud Nornes, Chair of the House Higher Education and Career Readiness Policy and Finance Committee.

Please contact me at laura.king@so.mnscu.edu, if you have any questions.

Sincerely,


Laura M. King
Vice Chancellor

cc: Deborah Bednarz
Jaime Simonsen, Managing Director of Government Relations



February 2017

Report to the Minnesota Legislature

Allocating State Funds to the Minnesota State Colleges and Universities

Minnesota State

Charge

The 2016 Legislature instructed Minnesota State Colleges and Universities (Minnesota State) to provide a report to the chairs and ranking minority members of the legislative committees with primary jurisdiction over higher education finance on the factors it considers when allocating state funds to its colleges and universities, including the design and methodology for the allocation of state funds to the colleges and universities and the factors considered in the allocation process.

Introduction

The Board of Trustees of the Minnesota State Colleges and Universities establishes and oversees the process by which state appropriated funds are distributed to the colleges and universities of Minnesota State.

At the system level, the proposed allocation of state funds is presented to the board as part of the annual operating budget in the form of the *Master Green Sheet*. This document details how the annual appropriation is allocated, including:

- Base allocations (determined by the allocation framework, described below)
- Institutional priority allocations (funds distributed to the colleges and universities outside the allocation framework for board and legislative priorities)
- System set asides (funding for enterprise level work provided at the system level)
- The direct appropriation for system office operations
- The Learning Network of Minnesota's legislatively mandated pass-through appropriation

Base allocations are distributed to our colleges and universities through a set of algorithms commonly referred to as the allocation framework, and the framework currently in place was developed in the late 1990s and fully implemented by fiscal year 2006. In November 2016, the board approved a set of modifications to the framework for implementation beginning in fiscal year 2018.

The *Master Green Sheet* allocation document for fiscal years 2016 and 2017 was provided as part of the biennial budget legislative reporting requirements stipulated under Minnesota Statutes 135A.031, subdivision 7. The section on the allocation method is included in this report as Attachment A.

Allocation Framework Components

The allocation framework, as currently designed, is complex and recognizes multiple factors that influence college and university operations. Additionally, there are factors included that are intended to stabilize the model and smooth out extreme fluctuations. The specific components recognized in the current model include:

- **Instruction and academic support**, which provides comparable funding for similar academic programs. This component allows for mission differentiation and flexibility to pursue unique goals and program mix. Instructional cost averages provide a measure by which like programs can be funded at the same level while high cost and low cost programs have allocations adjusted to offset the span.



- **Student services and institutional support** seeks to recognize that all colleges and universities have core administrative cost requirements that are unique to enrollment and institutional type. National peer data is used in this component, and a three year average has been used to increase stability and improve predictability.
- **Facilities** recognition within the model factors in the costs related to operating, maintaining and repairing an institution's physical plant. The facilities component is driven by square feet, headcount and utilities costs.
- **Library** calculation recognizes the unique mission differences between college and university libraries, and uses national benchmarks to assign a share of the allocation.
- **Research and public service** is acknowledged in much the same way as the library calculation—use of national peer data and recognition of mission differences between colleges and universities.
- **Enrollment adjustment** historically provided for the difference in recognition of resident and non-resident students.
- **Tuition off-set** separates the revenue received through tuition and fees from the state appropriation in order to only recognize expense related to appropriation. Colleges and universities with larger tuition and fee collections would receive a lower share of the appropriation.

Attachment A provides actual worksheets showing how the algorithms combine, resulting in an annual allocation by college and university. For greater detail describing these components and the data elements used to calculate each component, see Attachment B.

Modifications Adopted

During 2016, the Allocation Framework Technical Advisory Committee (TAC), a committee composed of college and university chief financial officers and chief academic officers from across the system, met regularly to review the components of the current allocation framework and suggest modifications for improvement. Their work was rooted in principles established by the board and built upon recommendations from the Charting the Future's System Incentives and Rewards group. The changes are intended to promote and support student success, make the framework more responsive to changing conditions, better align the cost of programs and services with available resources, and increase the framework's transparency and simplicity.

The board and system leadership was kept abreast of the TAC's work with regular reports. Additionally, the TAC provided extensive, ongoing consultation opportunities with students, faculty, staff and leadership. As a result of this extensive consultation and ongoing board communication, recommendations from the TAC were modified and refined and presented to the board for consideration at its October 2016 meeting (first reading) and again in November of 2016 (adoption).

These modifications include:

- Adding an outcome-based student success component
- Modifying the student support methodology
- Simplifying the facilities component



- Modifying the revenue buy-down calculation
- Recognizing actual library spending and shifting library recognition into academic support
- Recognizing actual research and public service spending within that component
- Using a two-year rather than a three-year average in two of the components
- Eliminating the enrollment adjustment to mirror repeal of statutory language
- More accurately reflecting the actual costs of concurrent enrollment programs in the allocation model

A comparison of the current components and the related recommended change is available on Attachment C.

A visual illustration of the current model, recommended changes, and policy objectives and data elements is found in Attachment D.

Summary

Minnesota State has allocated state funding to colleges and universities using a set of data-driven algorithms since the model was developed in 1999 and fully implemented in fiscal year 2006. Revisions to that model have been developed, reviewed, consulted, modified and adopted for implementation beginning in fiscal year 2018.

Attachments:

- A. MS 135.031 Biennial Reporting Requirements, Subdivision 7(4) Allocation Method
- B. General Description of the Allocation Framework Components
- C. Adopted Revisions to Minnesota State's Allocation Framework
- D. Allocation Framework Visual Illustrations



Attachment A



MINNESOTA STATE

Subdivision 7(4): Allocation Method

Minnesota State System and Institutional Allocations

This section provides information on how state resources are allocated in the Minnesota State system, including:

- **Minnesota State Master Green Sheet:** This shows the system's state appropriation allocation for fiscal years 2016 and 2017 and how the appropriation was allocated between institutional basic allocations, priority allocations, and systemwide set asides. Specific legislative mandated priorities are included.
- **General Description of the Allocation Framework Components:** This provides a summary of all major components of the allocation framework which is used to distribute institutional basic allocations across the system.
- **College/University Allocations:** These sheets summarize the Minnesota State allocation model and shows the final fiscal years 2016 and 2017 allocations to individual colleges and universities.

Green Sheet

Subdivision 7(4): Allocation Method

*Minnesota State
Fiscal Years 2016 and 2017*

	FY2016	FY2017
Institutional Basic Allocations		
Base	502,867,767	508,826,854
ITC earnings	2,000,000	2,000,000
Tuition Replacement	65,500,000	60,064,117
Subtotal Basic Allocations	570,367,767	570,890,971
Institutional Priority Allocations		
Workforce Education Priorities	5,112,000	5,112,000
Access and Opportunity	9,752,000	9,752,000
NHED - Range Voc Ed	900,696	900,696
Cook County Higher Education	40,000	140,000
Leveraged Equipment	7,278,000	7,278,000
16-17 Legislative Initiatives	782,000	783,000
Subtotal Institutional Priority Allocations	23,864,696	23,965,696
Systemwide Set Asides		
Attorney General	900,000	900,000
Debt Service - system level	17,500,000	17,420,000
- campus level	[16,000,000]	[16,500,000]
Enterprise Technology	20,443,682	20,443,682
Repair and Replacement	400,000	400,000
Leadership Transitions (Searches)	800,000	800,000
System audit program	1,200,000	1,200,000
PALS	1,559,855	1,606,651
Campus Service Cooperative	700,000	700,000
Subtotal - Set Asides	43,503,537	43,470,333
TOTAL COLLEGE/UNIVERSITY ALLOCATIONS	637,736,000	638,327,000
Learning Network of Minnesota	4,115,000	4,115,000
System Office	33,074,000	33,074,000
TOTAL ALLOCATIONS	674,925,000	675,516,000
STATE APPROPRIATION	672,925,000	673,516,000
ITC EARNINGS	2,000,000	2,000,000
TOTAL TARGET RESOURCES	674,925,000	675,516,000
Unallocated resources	0	0

Subdivision 7(4): Allocation Method

Minnesota State

Fiscal Year 2016 Part 1

Institution Name	FY2014 FYE	Allocation for Instruction & Academic Support	Allocation for Administrative & Student Support Services	Allocation for Facilities	Allocation for Library	Allocation for Separately Budgeted Research & Public Service
Alexandria Technical and Community College	2,170	4,973,875	2,678,890	987,836	302,421	104,633
Anoka-Ramsey Community College, Anoka Technical College	7,214	12,404,350	6,525,159	1,676,213	721,200	249,525
Bemidji State University and Northwest Technical College	5,019	9,900,145	5,985,303	1,843,839	1,063,757	492,378
Central Lakes College	3,206	6,504,498	3,782,852	1,252,108	403,881	139,737
Century College	6,955	12,260,773	5,872,433	1,382,079	683,035	236,320
Dakota County Technical College	2,235	5,354,926	2,746,672	1,060,532	320,675	110,949
Fond du Lac Tribal and Community College	1,251	2,077,886	1,726,337	343,912	145,185	50,232
Hennepin Technical College	4,214	10,574,687	5,168,847	2,074,956	623,647	215,773
Inver Hills Community College	3,944	6,740,678	3,619,528	663,597	385,833	133,493
Lake Superior College	3,603	7,104,331	3,691,883	912,917	409,820	141,792
Metropolitan State University	6,192	12,555,932	6,841,498	576,166	1,198,416	554,707
Minneapolis Community and Technical College	6,484	11,901,252	6,063,644	2,017,237	699,375	241,974
Minnesota State College Southeast	1,597	4,023,312	2,642,377	654,714	256,214	88,646
Minnesota State Community and Technical College	4,527	10,320,443	5,466,127	1,496,797	604,918	209,293
Minnesota State University Moorhead	5,987	13,711,912	8,232,800	2,452,240	1,463,817	677,552
Minnesota State University, Mankato	14,180	27,507,107	13,431,199	3,101,681	2,642,399	1,223,079
Minnesota West Technical and Community College	2,099	5,308,084	3,209,868	1,190,260	339,787	117,562
Normandale Community College	6,740	10,873,905	5,295,075	1,091,858	604,129	209,020
North Hennepin Community College	4,813	7,741,195	3,814,479	866,756	434,785	150,429
Northeast Higher Education District	4,034	8,625,401	5,727,136	2,602,954	593,442	205,323
Northland Community and Technical College	2,558	5,952,371	3,185,473	1,155,110	360,253	124,643
Pine Technical and Community College	702	1,543,250	1,430,299	238,797	112,432	38,900
Ridgewater College	3,077	7,414,831	3,788,599	1,415,585	441,666	152,810
Riverland Community College	2,200	5,196,330	3,415,115	1,242,463	344,887	119,326
Rochester Community and Technical College	4,296	8,050,622	3,726,037	1,635,946	469,441	162,420
Saint Paul College	4,825	8,402,937	3,673,253	1,004,507	457,824	158,401
South Central College	2,590	6,273,710	3,360,668	887,237	368,257	127,412
Southwest Minnesota State University	3,679	7,270,905	5,760,844	1,696,966	883,723	409,046
St. Cloud State University	12,381	28,405,143	16,017,242	4,584,953	2,940,440	1,361,032
St. Cloud Technical and Community College	3,483	6,808,296	3,175,287	776,847	376,615	130,303
Winona State University	8,267	16,761,114	8,931,494	2,392,649	1,685,115	779,984
TOTAL	144,522	292,544,202	158,986,419	45,279,713	22,337,390	9,116,691

Subdivision 7(4): Allocation Method

*Minnesota State
Fiscal Year 2016 Part 2*

Institution Name	Allocation for Enrollment Adjustment	TOTAL ALLOCATION FRAMEWORK	% Share of Allocation	FY2015 Base Allocation	% Share of FY2015 Base	50% FY2015 Base % Share
Alexandria Technical and Community College	161,060	9,208,714	1.74%	8,258,472	1.77%	4,450,499
Anoka-Ramsey Community College, Anoka Technical College	397,283	21,973,731	4.16%	20,403,455	4.37%	10,995,444
Bemidji State University and Northwest Technical College	(91,573)	19,193,849	3.63%	17,249,502	3.70%	9,295,776
Central Lakes College	262,850	12,345,926	2.34%	10,851,137	2.33%	5,847,690
Century College	(287,966)	20,146,674	3.81%	17,991,039	3.86%	9,695,391
Dakota County Technical College	3,618	9,597,372	1.82%	8,594,498	1.84%	4,631,585
Fond du Lac Tribal and Community College	(11,818)	4,331,734	0.82%	3,829,025	0.82%	2,063,466
Hennepin Technical College	(55,926)	18,601,984	3.52%	16,629,029	3.56%	8,961,402
Inver Hills Community College	66,126	11,609,256	2.20%	9,771,621	2.09%	5,265,938
Lake Superior College	92,943	12,353,685	2.34%	10,778,340	2.31%	5,808,459
Metropolitan State University	571,158	22,297,876	4.22%	18,658,019	4.00%	10,054,827
Minneapolis Community and Technical College	(489,350)	20,434,131	3.87%	17,733,511	3.80%	9,556,609
Minnesota State College Southeast	(18,096)	7,647,167	1.45%	6,666,091	1.43%	3,592,364
Minnesota State Community and Technical College	20,267	18,117,845	3.43%	16,258,920	3.48%	8,761,950
Minnesota State University Moorhead	(393,732)	26,144,590	4.95%	23,529,432	5.04%	12,680,037
Minnesota State University, Mankato	(348,569)	47,556,895	9.00%	42,082,890	9.02%	22,678,516
Minnesota West Technical and Community College	25,081	10,190,643	1.93%	9,468,318	2.03%	5,102,487
Normandale Community College	95,632	18,169,618	3.44%	14,964,834	3.21%	8,064,565
North Hennepin Community College	(15,996)	12,991,648	2.46%	10,738,661	2.30%	5,787,076
Northeast Higher Education District	49,798	17,804,054	3.37%	15,888,910	3.41%	8,562,551
Northland Community and Technical College	23,902	10,801,753	2.04%	9,902,352	2.12%	5,336,389
Pine Technical and Community College	102,284	3,465,962	0.66%	2,872,246	0.62%	1,547,857
Ridgewater College	184,111	13,397,601	2.54%	12,137,000	2.60%	6,540,643
Riverland Community College	(87,512)	10,230,610	1.94%	9,487,373	2.03%	5,112,756
Rochester Community and Technical College	(262,206)	13,782,260	2.61%	12,773,416	2.74%	6,883,608
Saint Paul College	(167,013)	13,529,909	2.56%	11,531,115	2.47%	6,214,131
South Central College	221,080	11,238,364	2.13%	10,079,341	2.16%	5,431,768
Southwest Minnesota State University	(64,395)	15,957,089	3.02%	13,536,974	2.90%	7,295,090
St Cloud State University	(83,749)	53,225,061	10.08%	48,240,547	10.34%	25,996,884
St Cloud Technical and Community College	263,490	11,530,839	2.18%	10,054,032	2.15%	5,418,129
Winona State University	(162,783)	30,387,574	5.75%	25,607,668	5.49%	13,800,000
TOTAL	0	528,264,415	100.00%	466,567,767	100.00%	251,433,884

Subdivision 7(4): Allocation Method
Minnesota State
Fiscal Year 2016 Part 3

Institution Name	50% Allocation Framework % Share	FY2016 Base Allocation
Alexandria Technical and Community College	4,383,000	8,833,499
Anoka-Ramsey Community College, Anoka Technical College	10,458,665	21,454,109
Bemidji State University and Northwest Technical College	9,135,546	18,431,322
Central Lakes College	5,876,194	11,723,884
Century College	9,589,055	19,284,446
Dakota County Technical College	4,567,986	9,199,571
Fond du Lac Tribal and Community College	2,061,742	4,125,207
Hennepin Technical College	8,853,841	17,815,243
Inver Hills Community College	5,525,567	10,791,505
Lake Superior College	5,879,887	11,688,346
Metropolitan State University	10,612,946	20,667,773
Minneapolis Community and Technical College	9,725,874	19,282,482
Minnesota State College Southeast	3,639,762	7,232,126
Minnesota State Community and Technical College	8,623,409	17,385,359
Minnesota State University Moorhead	12,443,836	25,123,873
Minnesota State University, Mankato	22,635,284	45,313,799
Minnesota West Technical and Community College	4,850,361	9,952,848
Normandale Community College	8,648,051	16,712,617
North Hennepin Community College	6,183,533	11,970,609
Northeast Higher Education District	8,474,056	17,036,608
Northland Community and Technical College	5,141,226	10,477,614
Pine Technical and Community College	1,649,667	3,197,523
Ridgewater College	6,376,752	12,917,394
Riverland Community College	4,869,383	9,982,139
Rochester Community and Technical College	6,559,834	13,443,442
Saint Paul College	6,439,725	12,653,856
South Central College	5,349,036	10,780,804
Southwest Minnesota State University	7,594,971	14,890,061
St Cloud State University	25,333,116	51,330,000
St Cloud Technical and Community College	5,488,243	10,906,372
Winona State University	14,463,336	28,263,336
TOTAL	251,433,884	502,867,767

Subdivision 7(4): Allocation Method

*Minnesota State
Fiscal Year 2017 Part 1*

Institution Name	FY2015 FYE	Allocation for Instruction & Academic Support	Allocation for Administrative & Student Support Services	Allocation for Facilities	Allocation for Library	Allocation for Separately Budgeted Research & Public Service
Alexandria Technical and Community College	2,046	5,195,041	2,884,266	1,023,147	318,586	110,226
Anoka-Ramsey Community College, Anoka Technical College	7,123	13,392,638	7,013,455	1,788,662	776,816	268,767
Bemidji State University and Northwest Technical College	4,953	11,051,626	6,811,917	1,994,494	1,191,482	551,497
Central Lakes College	2,993	6,748,351	3,964,632	1,361,959	422,623	146,222
Century College	6,410	12,888,755	6,292,823	1,454,095	722,249	249,888
Dakota County Technical College	2,069	5,424,647	2,861,719	1,228,413	333,017	115,219
Fond du Lac Tribal and Community College	1,223	2,269,535	1,922,587	383,068	160,132	55,403
Hennepin Technical College	3,927	10,476,494	5,255,482	2,161,521	626,272	216,681
Inver Hills Community College	3,809	7,306,370	4,121,311	718,634	425,121	147,086
Lake Superior College	3,431	7,682,271	4,112,726	1,003,483	447,947	154,983
Metropolitan State University	6,052	14,749,372	8,055,190	752,263	1,413,409	654,220
Minneapolis Community and Technical College	6,026	12,140,090	6,223,587	2,032,495	713,866	246,987
Minnesota State College Southeast	1,454	4,133,809	2,810,469	705,904	267,756	92,640
Minnesota State Community and Technical College	4,398	10,798,225	5,779,480	1,609,472	636,551	220,238
Minnesota State University Moorhead	5,697	14,914,534	8,620,494	2,549,117	1,565,049	724,409
Minnesota State University, Mankato	13,861	30,967,131	14,665,460	3,363,168	2,939,746	1,360,710
Minnesota West Technical and Community College	1,948	5,501,634	3,393,666	1,267,078	355,683	123,061
Normandale Community College	6,799	11,980,687	5,981,852	1,096,662	667,072	230,797
North Hennepin Community College	4,644	8,819,383	4,532,084	1,059,071	504,369	174,504
Northeast Higher Education District	3,742	9,054,263	6,082,554	2,667,112	623,138	215,597
Northland Community and Technical College	2,299	6,183,340	3,393,697	1,228,184	378,183	130,846
Pine Technical and Community College	723	1,703,311	1,495,936	236,635	120,256	41,607
Ridgewater College	2,860	7,704,172	4,029,408	1,506,157	463,391	160,327
Riverland Community College	2,078	5,394,067	3,520,824	1,334,693	358,735	124,117
Rochester Community and Technical College	4,134	8,641,577	4,067,808	1,750,431	506,094	175,101
Saint Paul College	4,642	9,109,690	4,081,618	1,019,996	497,396	172,092
South Central College	2,490	6,527,267	3,556,072	907,137	384,667	133,089
Southwest Minnesota State University	3,679	7,993,761	6,293,323	1,718,236	960,319	444,500
St Cloud State University	11,851	31,220,698	17,479,728	4,790,052	3,209,429	1,485,538
St Cloud Technical and Community College	3,462	7,261,647	3,435,499	847,773	404,072	139,803
Winona State University	8,149	18,925,125	10,041,286	2,360,656	1,879,624	870,015
TOTAL	138,972	316,159,509	172,780,954	47,919,767	24,273,049	9,936,171

Subdivision 7(4): Allocation Method

Minnesota State

Fiscal Year 2017 Part 2

Institution Name	Allocation for Enrollment Adjustment	TOTAL ALLOCATION FRAMEWORK	% Share of Allocation	FY2016 Base Allocation	% Share of FY2016 Base	50% FY2016 Base % Share	50% Allocation Framework % Share
Alexandria Technical and Community College	193,860	9,725,126	1.70%	8,833,499	1.76%	4,469,089	4,332,577
Anoka-Ramsey Community College, Anoka Technical College	445,838	23,686,177	4.15%	21,454,109	4.27%	10,854,172	10,552,274
Bemidji State University and Northwest Technical College	(99,095)	21,501,922	3.77%	18,431,322	3.67%	9,324,868	9,579,181
Central Lakes College	254,543	12,898,330	2.6%	11,723,884	2.33%	5,931,407	5,746,251
Century College	(295,504)	21,312,305	3.73%	19,284,446	3.83%	9,756,485	9,494,706
Dakota County Technical College	(64,323)	9,898,693	1.73%	9,199,571	1.83%	4,654,294	4,409,902
Fond du Lac Tribal and Community College	(4,913)	4,785,813	0.84%	4,125,207	0.82%	2,087,046	2,132,096
Hennepin Technical College	(97,425)	18,639,026	3.26%	17,815,243	3.54%	9,013,179	8,303,751
Inver Hills Community College	111,186	12,829,708	2.25%	10,791,505	2.15%	5,459,693	5,715,680
Lake Superior College	154,745	13,556,155	2.37%	11,688,346	2.32%	5,913,428	6,039,314
Metropolitan State University	686,979	26,311,432	4.61%	20,667,773	4.11%	10,456,345	11,721,835
Minneapolis Community and Technical College	(562,044)	20,794,982	3.64%	19,282,482	3.83%	9,755,492	9,264,237
Minnesota State College Southeast	(118,422)	7,892,156	1.38%	7,232,126	1.44%	3,658,914	3,515,983
Minnesota State Community and Technical College	363,480	19,407,446	3.40%	17,385,359	3.46%	8,795,690	8,646,085
Minnesota State University Moorhead	(388,695)	27,984,908	4.90%	25,123,873	5.00%	12,710,798	12,467,374
Minnesota State University, Mankato	(517,859)	52,778,356	9.24%	45,313,799	9.01%	22,925,389	23,512,941
Minnesota West Technical and Community College	33,032	10,674,155	1.87%	9,952,848	1.98%	5,035,395	4,755,373
Normandale Community College	56,928	20,013,999	3.50%	16,712,617	3.32%	8,455,332	8,916,306
North Hennepin Community College	(20,108)	15,069,304	2.64%	11,970,609	2.38%	6,056,232	6,713,427
Northeast Higher Education District	30,535	18,673,198	3.27%	17,036,608	3.39%	8,619,248	8,318,975
Northland Community and Technical College	104,730	11,418,978	2.00%	10,477,614	2.08%	5,300,888	5,087,195
Pine Technical and Community College	113,189	3,710,933	0.65%	3,197,523	0.64%	1,617,707	1,653,234
Ridgewater College	207,551	14,071,006	2.46%	12,917,394	2.57%	6,535,234	6,268,682
Riverland Community College	(74,220)	10,658,217	1.87%	9,982,139	1.99%	5,050,215	4,748,273
Rochester Community and Technical College	(336,072)	14,804,939	2.59%	13,443,442	2.67%	6,801,375	6,595,652
Saint Paul College	(197,129)	14,683,663	2.57%	12,653,856	2.52%	6,401,903	6,541,623
South Central College	216,199	11,724,430	2.05%	10,780,804	2.14%	5,454,279	5,223,274
Southwest Minnesota State University	(111,255)	17,298,884	3.03%	14,890,061	2.96%	7,533,256	7,706,713
St Cloud State University	(168,358)	58,017,086	10.16%	51,330,000	10.21%	25,969,135	25,846,814
St Cloud Technical and Community College	264,688	12,353,482	2.16%	10,906,372	2.17%	5,517,807	5,503,519
Winona State University	(182,063)	33,894,643	5.94%	28,263,336	5.62%	14,299,131	15,100,182
TOTAL	0	571,069,450	100.00%	502,867,767	100.00%	254,413,427	254,413,427

Subdivision 7(4): Allocation Method
Minnesota State
Fiscal Year 2017 Part 3

Institution Name	FY2017 Base Allocation
Alexandria Technical and Community College	8,801,666
Anoka-Ramsey Community College, Anoka Technical College	21,406,446
Bemidji State University and Northwest Technical College	18,904,050
Central Lakes College	11,677,658
Century College	19,251,191
Dakota County Technical College	9,064,196
Fond du Lac Tribal and Community College	4,219,142
Hennepin Technical College	17,316,930
Inver Hills Community College	11,175,373
Lake Superior College	11,952,742
Metropolitan State University	22,178,180
Minneapolis Community and Technical College	19,019,729
Minnesota State College Southeast	7,174,897
Minnesota State Community and Technical College	17,441,774
Minnesota State University Moorhead	25,178,172
Minnesota State University, Mankato	46,438,330
Minnesota West Technical and Community College	9,790,768
Normandale Community College	17,371,638
North Hennepin Community College	12,769,659
Northeast Higher Education District	16,938,222
Northland Community and Technical College	10,388,083
Pine Technical and Community College	3,270,941
Ridgewater College	12,803,916
Riverland Community College	9,798,487
Rochester Community and Technical College	13,397,027
Saint Paul College	12,943,526
South Central College	10,677,554
Southwest Minnesota State University	15,239,969
St Cloud State University	51,815,949
St Cloud Technical and Community College	11,021,327
Winona State University	29,399,313
TOTAL	508,826,854

Attachment B



MINNESOTA STATE

General Description of Allocation Framework Components

INSTRUCTION AND ACADEMIC SUPPORT

Rationale for method: Provides comparable funding for similar programs. Allows for mission differentiation and flexibility to pursue unique goals and program mix.

Data Used:

- 1) Actual instruction and academic support expenditures for each program at each institution at the level of instruction (lower division, upper division, and graduate).
- 2) Actual FYE for each program at each institution at the level of instruction.
- 3) Institutional academic support expenditures per total FYE is added to each academic program when calculating instruction and academic support costs.

How it works:

A 20% band around the system average (10% above and 10% below) for each instructional program is calculated. If the cost per FYE of an institution's program is:

- 1) **“Average Cost”**(within the band), the institution is allocated the same level of expenditures per FYE for that program;
- 2) **“High cost”** (above the upper 10% band), the institution's allocation is reduced to the level of the upper band for that program.
- 3) **“Low Cost”** (below the lower 10% band), the institution's allocation is increased to the level of the lower band.

The amount per FYE that a program is above or below the band is then multiplied by the number of FYE in the program to get a total allocation for the program. The total instructional and academic support allocation for the institution is arrived at by summing the total allocation for each of its programs. The program cost increases (or decreases) are added (or subtracted) from the institution's base to arrive at a net adjustment to the base instructional expenditures. Beginning in FY2006, a three year rolling average of instruction and academic support was added to improve predictability and create stability with this category.

Principle Policy Choices that Impact Outcomes

Lowering overall program costs while maintaining enrollment; and increasing FYE's while maintaining expenditure levels.

STUDENT SERVICES & INSTITUTIONAL SUPPORT

Rationale for approach: Recognize core administrative activities and account for differences in enrollment and institutional type. The component is composed of Institutional Support and Student Services based on IPEDS definitions.

Data:

- 1) Expenditures of college and university peer groups
 - 2) FTE enrollment of college and university peer groups
 - 3) MnSCU college and university FTE enrollment
- * “Peers” are a set of institutions throughout the U.S. comparable to MnSCU institutions.

How it works:

A core cost and a variable cost is estimated using the expenditures and enrollments of MnSCU's peer institutions. The core and variable costs are calculated separately for colleges and universities. Beginning in FY2006, a three year rolling average of student services & institutional support was added to improve predictability and create stability with this category.

Principle Policy Choices that Impact Outcomes

The allocation calculation is based on an external measure. As long as an institution's expenditures are below the estimated peer level, an institution's costs will be covered.

General Description of Allocation Framework Components

FACILITIES

Rationale for approach: Recognize the costs related to the operation, maintenance and repair of an institution's physical plant.

Data:

1) Square feet (current operating square feet of buildings); 2) Headcount enrollment and 3) Utility costs.

How it works:

Benchmarks of \$1.80 per square foot for maintenance and operations and \$1.50 per square foot for repair and replacement. Other smaller impacts include costs for utilities (average expenditures of previous three years or an adjustment for institutions with a steam plant), large leases for instructional purposes, multiple campus factor, residential living factor.

Principle Policy Choices that Impact Outcomes

Keep costs below the allocation per square foot for operations and repair and replacement. Most institutions are well below this threshold.

LIBRARY

Rationale for approach: Recognizes the unique mission differences between college and university libraries. Fund institutions close to national benchmarks.

Data:

1) Total operating costs from the Instruction and Academic Support, Student Services & Institutional Support, and Facilities categories of the allocation framework.

How it works:

The Library function is calculated as a percentage of an institution's total operating costs. Colleges are allocated 3.5% of total operating expenditures and universities are allocated 6% of total operating expenditures. There is a minimum level of funding of \$70,000.

Principle Policy Choices that Impact Outcomes

The measure is based on an external measure, and consequently, as long as an institution's expenditures are below the estimated peer level, an institutions costs will be covered.

RESEARCH AND PUBLIC SERVICE

Rationale for approach: Funds colleges and universities at a rate similar to national peers.

Data:

1) Expenditures of peer groups (unrestricted funds)
2) Total operating costs from the Instruction and Academic Support, Student Services & Institutional Support, Library and Facilities categories of the allocation framework

How it works:

The peers of MnSCU's colleges spend 1.36% of operating expenditures on research and public service. The peers of MnSCU's universities spend 2.51% of operating expenditures on these activities. These percentages are applied to an institution's total operating costs.

Principle Policy Choices that Impact Outcomes

The measure is based on an external measure. As long as an institution's expenditures are below the estimated peer level, an institutions costs will be covered.

General Description of Allocation Framework Components

ENROLLMENT ADJUSTMENT

Rationale for Approach: Accounts for the difference between how the state funding formula recognizes Non-resident and Non-reciprocity (NR/NR) and Midwest Student Exchange Program (MSEP) students and how the allocation framework does.

Data:

- 1) Total Expenditures (from the Instruction and Academic Support, Administration, Library, Facilities and Research and Public Service categories) per total FYE
- 2) NRNR and MSEP enrollment (FYE)

How it works:

- 1) Determine the total allocation per FYE to arrive at a simulated “per FYE allocation”.
- 2) Multiply the number of NR/NR and MWC FYE at each institution by 50%.
- 3) Reduce an institution’s per FYE allocation from #1 by the number of NR/NR and MWC in #2.
- 4) Redistribute the total amount reduced for all institutions based on percent share of total allocation.

Principle Policy Choices that Impact Outcomes

Reduce the number of non-resident and non-reciprocity students.

TUITION OFF-SET (REVENUE BUYDOWN)

Rational for Method: The allocation framework allocates only state appropriations. State appropriation revenue is isolated from the other general fund revenue (primarily tuition) as a means to recognize only the state appropriation expenditures in the instructional cost comparisons and in other framework categories.

Data:

- 1) Total institutional General Fund expenditures
- 2) Total institutional General Fund revenue, categorized by: a) state appropriation revenue; and
b) All “other” revenue -- revenue that is not state appropriation (primarily tuition revenue)

How it works:

For each institution, divide the “other” revenue by total general fund expenditures to arrive at a percentage. This percentage is applied against institutional expenditures to isolate the state appropriations. The greater reliance on state appropriation, the lower the tuition off-set.

Principle Policy Choices that Impact Outcomes:

The tuition offset has an impact on all allocation framework categories. In all categories except instruction, the tuition offset is applied at the end of the calculation becoming, in a sense, a discount on the allocation. Consequently, institutions with a relatively higher tuition offset would receive lower appropriation allocation, all else being equal.

Within the instruction and academic support category, the tuition buy down is applied in two steps in the calculation. In the first step, the tuition revenue offset creates a direct discount on total instructional expenditures. Consequently, a relatively low tuition offset results in a higher state appropriation allocation. In the second step, where expenditures for similar programs are compared, a program with a higher discount (and lower cost) would perform better in the direct comparisons, all else being equal. The first step has a greater impact than the second step.

Attachment C



MINNESOTA STATE

Proposed Revisions to Minnesota State’s Allocation Framework

Allocation Framework Redesign

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
Instruction and Academic Support	<ul style="list-style-type: none"> • Compares direct instructional and academic support spending by program and by level of instruction to allow for mission differentiation and to recognize differences in program costs • Calculates a 20% band around the system average by program and rewards those below the band and penalizes those above the band • Calculates a three-year average of results to determine allocation • Does not recognize library expenses in the academic support category (see libraries below) 	<ul style="list-style-type: none"> • Calculates a two-year rather than three-year average • Recognizes actual library spending rather than calculating a value based on a set percentage • Eliminates the separate library component and incorporates library spending in academic support, its correct IPEDS classification • Retains the current practice of comparing instructional and academic support costs 	<ul style="list-style-type: none"> • Increases responsiveness to changing conditions by using a two-year average • Acknowledges mission differentiation by recognizing actual library expenses • Simplifies the framework by eliminating a separate component for libraries and recognizing these expenses in the correct IPEDS category (academic support)
Student Services and Institutional Support	<ul style="list-style-type: none"> • Provides a base amount and a variable amount based on FYE enrollment for both colleges and universities, using a national regression analysis • Provides additional funding for institutions with more than one campus • Calculates a three year average of results to determine allocation 	<ul style="list-style-type: none"> • Uses headcount, not FYE, to calculate the student services variables • Gives additional weight to underrepresented students • Uses a two-year rather than three-year average • Retains national regression analysis, multi-campus recognition, and FYE use in the institutional support calculation 	<ul style="list-style-type: none"> • Acknowledges that headcount is a better measure of demand for student services than FYE • Recognizes that underrepresented students need more support than more traditional students • Increases responsiveness to changing conditions by using a two-year average

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
Facilities	<ul style="list-style-type: none"> Recognizes operation and maintenance cost on a square footage basis using most recent square footage data Recognizes repair and replacement costs on a square footage basis using square footage data from the prior year Recognizes utility spending using a three year average Recognizes student headcount, residential beds, central stream plants, and multiple campuses in the calculation 	<ul style="list-style-type: none"> Freezes square footage used in the calculation of the facilities component, using only one year of square footage data, not two Calculates a combined amount for operations, maintenance, repair and replacement Eliminates recognition of utility spending, headcount, residential beds, and central steam plants in the calculation of the facilities allocation Retains multi-campus recognition 	<ul style="list-style-type: none"> Allows the campus to keep savings from reducing square footage Simplifies the allocation framework by eliminating several components that drive small dollar amounts
Libraries	<ul style="list-style-type: none"> Recognizes library activity based on established percentages (3.5% for colleges and 6% for universities) 	<ul style="list-style-type: none"> Recognizes actual library expenses in academic support 	<ul style="list-style-type: none"> Acknowledges mission differentiation by recognizing actual library expenses Simplifies the framework by eliminating a separate component for libraries and recognizing these expenses in the correct IPEDS category (academic support) Does not over-allocate resources based on percentages not supported by actual costs
Research and Public Service	<ul style="list-style-type: none"> Recognizes research and public service activity based on established percentages (1.17% for colleges and 2.62% for universities) 	<ul style="list-style-type: none"> Recognizes actual research and public service expenses Retains a separate research and public service component 	<ul style="list-style-type: none"> Supports mission differentiation through recognition of actual costs Does not over-allocate resources based on percentages not supported by actual costs

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
<p>Revenue Buydown The allocation framework allocates <i>only</i> state appropriation, not tuition or other general fund revenues. For this reason, a revenue buydown calculation is used to recognize <i>only</i> state appropriation expenditures in the instructional cost comparison and in other framework components.</p>	<ul style="list-style-type: none"> Calculates a percentage by dividing general fund revenue (excluding state appropriation) by total general fund expenses Uses the calculated percentage in all components to recognize only state appropriation expenses The lower the percentage of the revenue buydown, the more expenses are recognized and, all else being equal, the larger the allocation of state appropriation 	<ul style="list-style-type: none"> Calculates a percentage by dividing general fund revenue (excluding state appropriation) by total general fund revenue Continues the use of the revenue buydown calculation in the framework 	<ul style="list-style-type: none"> Eliminates the impact of spending decisions, including the use of fund balance, from the revenue buydown calculation
<p>Enrollment adjustment</p>	<ul style="list-style-type: none"> Reallocates dollars away from colleges and universities with higher non-resident/non-reciprocity (NR/NR) enrollment to those with lower NR/NR enrollment to reflect statutory language that has since been repealed 	<ul style="list-style-type: none"> Eliminates the enrollment adjustment for non-resident/non-reciprocity students 	<ul style="list-style-type: none"> Recognizes the repeal of statutory language that this component was originally intended to address Simplifies the allocation framework by eliminating this outdated component
<p>50/50 (smoothing)</p>	<ul style="list-style-type: none"> Allocates state appropriation based on 50% of the prior year's percent share allocation and 50% based on the results of the current year in order to provide some level of stability and predictability 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Aids in providing a smooth transition to the new model by allocating half of allocation on the current model and half on the new model

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
Student Success (Outcome)	<ul style="list-style-type: none"> No recognition of student success outcomes 	<ul style="list-style-type: none"> Calculates expected persistence and completion rates for colleges and universities based on the student population they serve Expected rates recognize differences in student characteristics at our colleges and universities that impact student success and are adjusted as the characteristics change Colleges and universities with actual rates that exceed a band around their expected rates (margin of error) receive a student success allocation Colleges and universities that report improvement in their actual rates receive a student success allocation Approximately 1-2% of appropriation to be allocated through this component initially 	<ul style="list-style-type: none"> Rewards student success rates that exceed expectations Rewards improvement in student success rates Focuses attention on the strategic goal of improving student success

Concurrent Enrollment Recognition in the Allocation Framework

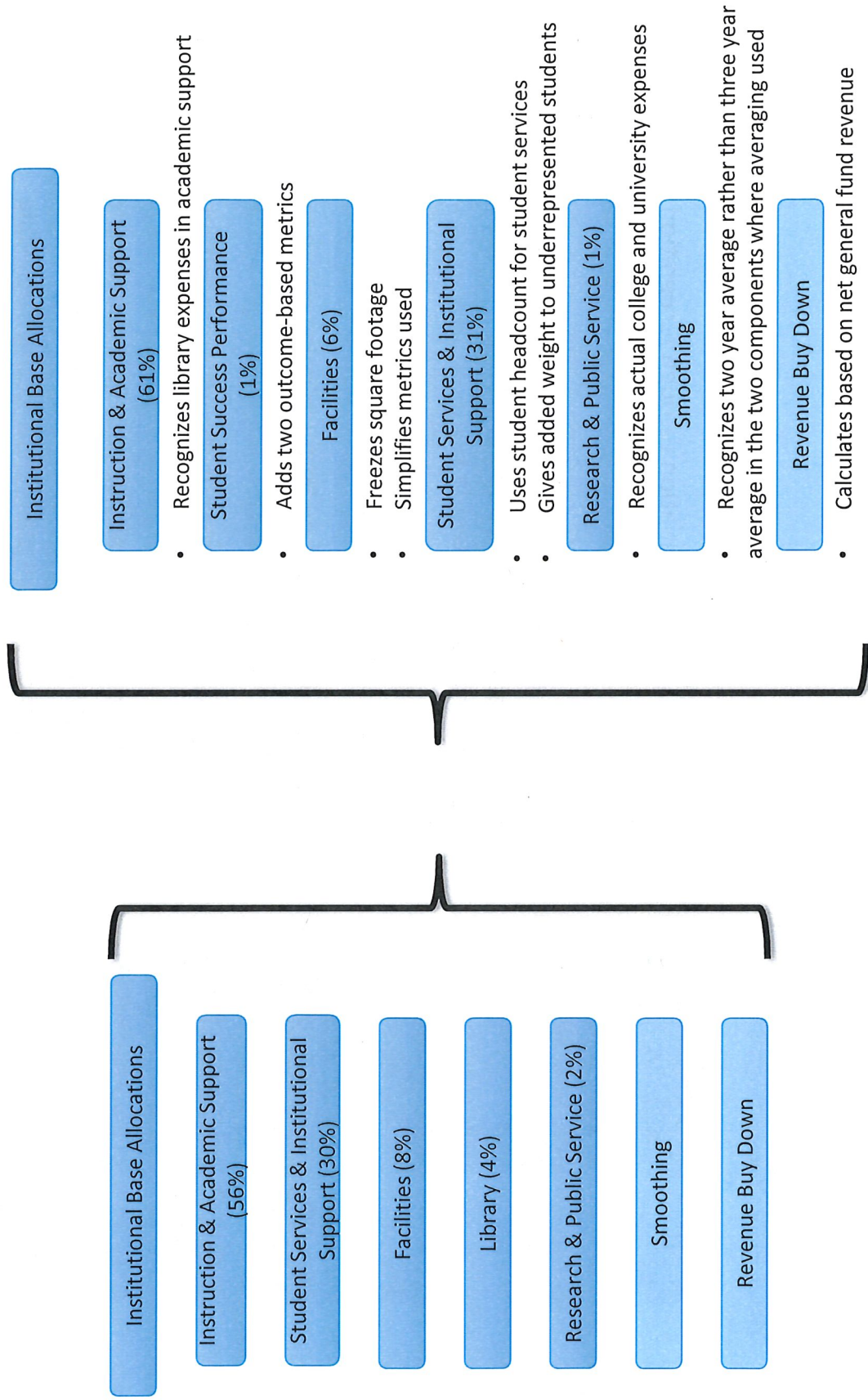
Component	Current Practice	Proposed Practice	Rationale for Change
Student Services and Institutional Support	<ul style="list-style-type: none"> Treats concurrent enrollment FYE like any other FYE in the calculation for both student services and institutional support 	<ul style="list-style-type: none"> Weights concurrently enrolled student headcount at 0.75 in FY2018 in the student service calculation Conducts analysis to determine additional adjustments to weighting for concurrent enrollment students in future years Does not change the treatment of concurrent FYE in the calculation for institutional support 	<ul style="list-style-type: none"> Recognizes the cost of student services for concurrently enrolled students is lower than other students Acknowledges that additional research and analysis of actual costs is needed and additional adjustments may be made in the future
Instruction and Academic Support	<ul style="list-style-type: none"> Compares concurrent courses to other courses in the same Classification of Instructional Programs (CIP) code taught by Minnesota State faculty (lower division level) 	<ul style="list-style-type: none"> Compares concurrent courses to other concurrent courses in the same CIP (new level of instruction recognized) Requires coding changes that will be implemented in FY2018 and will impact the FY2020 allocation framework May require an additional implementation strategy for certain colleges and universities 	<ul style="list-style-type: none"> Recognizes the cost to our colleges and universities of delivering instruction to concurrently enrolled students is lower than other students who are taught by Minnesota State faculty
Facilities	<ul style="list-style-type: none"> Treats concurrent headcount like any other student in the module 	<ul style="list-style-type: none"> Headcount will no longer be used in the facilities module; there will be no recognition of concurrent or any other student in the module 	<ul style="list-style-type: none"> Eliminates the recognition of students who are not on campus

Attachment D

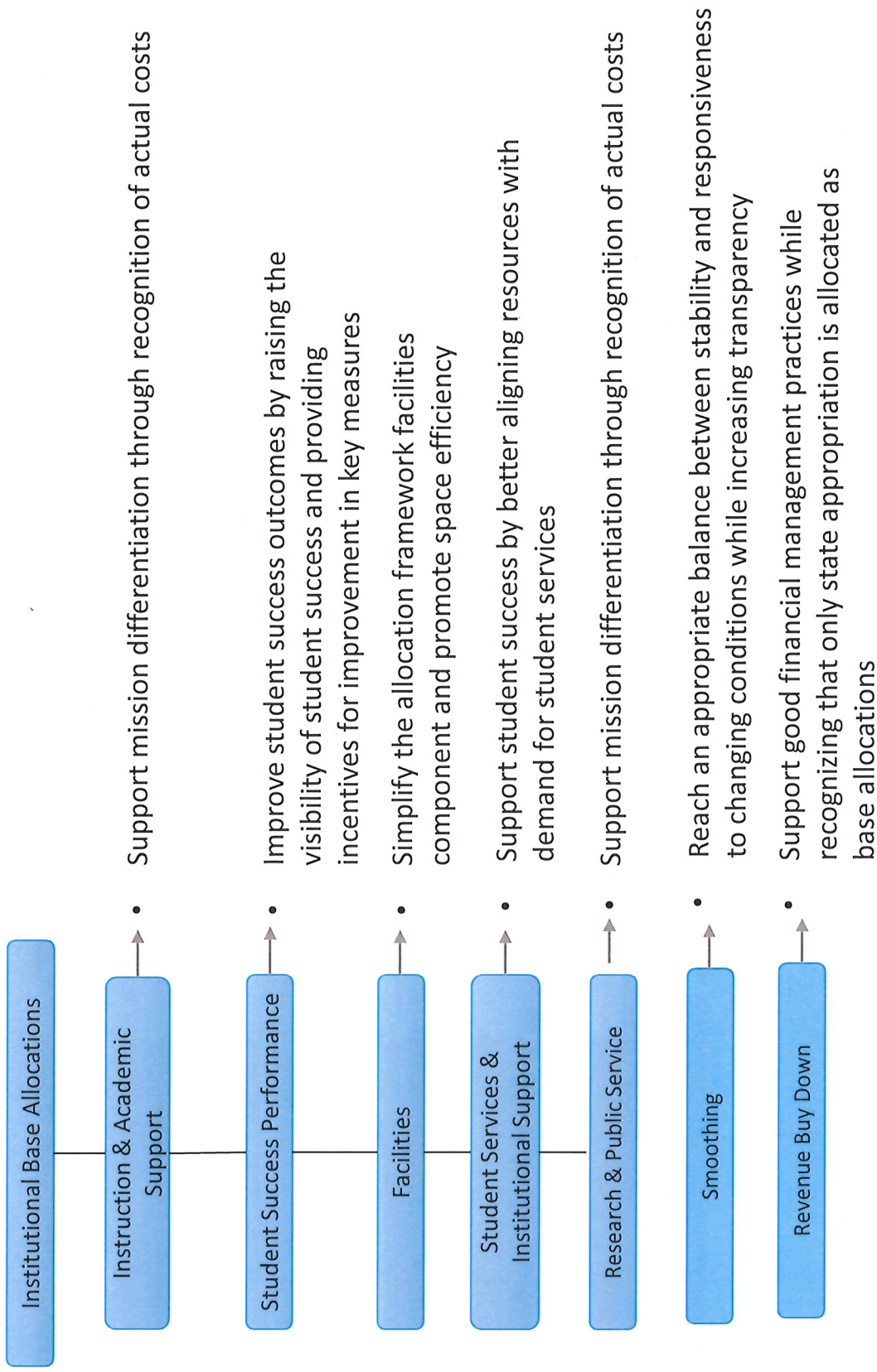


MINNESOTA STATE

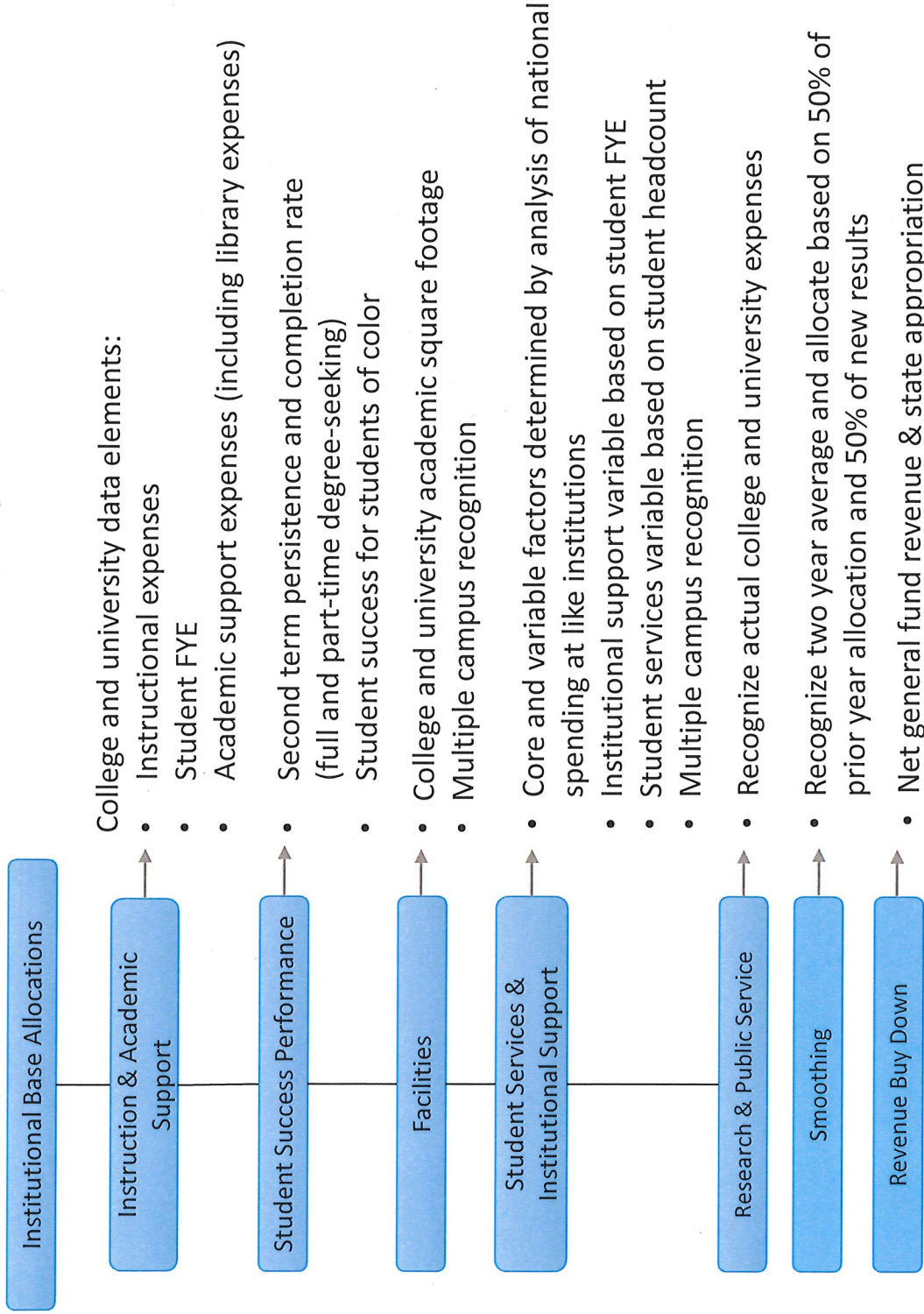
Current vs. Recommendations



Recommendations – Policy Objectives



Recommendations – Data Elements





February 2017

Report to the Minnesota Legislature

Allocating State Funds to the Minnesota State Colleges and Universities

Minnesota State

Charge

The 2016 Legislature instructed Minnesota State Colleges and Universities (Minnesota State) to provide a report to the chairs and ranking minority members of the legislative committees with primary jurisdiction over higher education finance on the factors it considers when allocating state funds to its colleges and universities, including the design and methodology for the allocation of state funds to the colleges and universities and the factors considered in the allocation process.

Introduction

The Board of Trustees of the Minnesota State Colleges and Universities establishes and oversees the process by which state appropriated funds are distributed to the colleges and universities of Minnesota State.

At the system level, the proposed allocation of state funds is presented to the board as part of the annual operating budget in the form of the *Master Green Sheet*. This document details how the annual appropriation is allocated, including:

- Base allocations (determined by the allocation framework, described below)
- Institutional priority allocations (funds distributed to the colleges and universities outside the allocation framework for board and legislative priorities)
- System set asides (funding for enterprise level work provided at the system level)
- The direct appropriation for system office operations
- The Learning Network of Minnesota’s legislatively mandated pass-through appropriation

Base allocations are distributed to our colleges and universities through a set of algorithms commonly referred to as the allocation framework, and the framework currently in place was developed in the late 1990s and fully implemented by fiscal year 2006. In November 2016, the board approved a set of modifications to the framework for implementation beginning in fiscal year 2018.

The *Master Green Sheet* allocation document for fiscal years 2016 and 2017 was provided as part of the biennial budget legislative reporting requirements stipulated under Minnesota Statutes 135A.031, subdivision 7. The section on the allocation method is included in this report as Attachment A.

Allocation Framework Components

The allocation framework, as currently designed, is complex and recognizes multiple factors that influence college and university operations. Additionally, there are factors included that are intended to stabilize the model and smooth out extreme fluctuations. The specific components recognized in the current model include:

- **Instruction and academic support**, which provides comparable funding for similar academic programs. This component allows for mission differentiation and flexibility to pursue unique goals and program mix. Instructional cost averages provide a measure by which like programs can be funded at the same level while high cost and low cost programs have allocations adjusted to offset the span.



- **Student services and institutional support** seeks to recognize that all colleges and universities have core administrative cost requirements that are unique to enrollment and institutional type. National peer data is used in this component, and a three year average has been used to increase stability and improve predictability.
- **Facilities** recognition within the model factors in the costs related to operating, maintaining and repairing an institution's physical plant. The facilities component is driven by square feet, headcount and utilities costs.
- **Library** calculation recognizes the unique mission differences between college and university libraries, and uses national benchmarks to assign a share of the allocation.
- **Research and public service** is acknowledged in much the same way as the library calculation—use of national peer data and recognition of mission differences between colleges and universities.
- **Enrollment adjustment** historically provided for the difference in recognition of resident and non-resident students.
- **Tuition off-set** separates the revenue received through tuition and fees from the state appropriation in order to only recognize expense related to appropriation. Colleges and universities with larger tuition and fee collections would receive a lower share of the appropriation.

Attachment A provides actual worksheets showing how the algorithms combine, resulting in an annual allocation by college and university. For greater detail describing these components and the data elements used to calculate each component, see Attachment B.

Modifications Adopted

During 2016, the Allocation Framework Technical Advisory Committee (TAC), a committee composed of college and university chief financial officers and chief academic officers from across the system, met regularly to review the components of the current allocation framework and suggest modifications for improvement. Their work was rooted in principles established by the board and built upon recommendations from the Charting the Future's System Incentives and Rewards group. The changes are intended to promote and support student success, make the framework more responsive to changing conditions, better align the cost of programs and services with available resources, and increase the framework's transparency and simplicity.

The board and system leadership was kept abreast of the TAC's work with regular reports. Additionally, the TAC provided extensive, ongoing consultation opportunities with students, faculty, staff and leadership. As a result of this extensive consultation and ongoing board communication, recommendations from the TAC were modified and refined and presented to the board for consideration at its October 2016 meeting (first reading) and again in November of 2016 (adoption).

These modifications include:

- Adding an outcome-based student success component
- Modifying the student support methodology
- Simplifying the facilities component



- Modifying the revenue buy-down calculation
- Recognizing actual library spending and shifting library recognition into academic support
- Recognizing actual research and public service spending within that component
- Using a two-year rather than a three-year average in two of the components
- Eliminating the enrollment adjustment to mirror repeal of statutory language
- More accurately reflecting the actual costs of concurrent enrollment programs in the allocation model

A comparison of the current components and the related recommended change is available on Attachment C.

A visual illustration of the current model, recommended changes, and policy objectives and data elements is found in Attachment D.

Summary

Minnesota State has allocated state funding to colleges and universities using a set of data-driven algorithms since the model was developed in 1999 and fully implemented in fiscal year 2006. Revisions to that model have been developed, reviewed, consulted, modified and adopted for implementation beginning in fiscal year 2018.

Attachments:

- A. MS 135.031 Biennial Reporting Requirements, Subdivision 7(4) Allocation Method
- B. General Description of the Allocation Framework Components
- C. Adopted Revisions to Minnesota State's Allocation Framework
- D. Allocation Framework Visual Illustrations



Attachment A



MINNESOTA STATE

Subdivision 7(4): Allocation Method

Minnesota State System and Institutional Allocations

This section provides information on how state resources are allocated in the Minnesota State system, including:

- **Minnesota State Master Green Sheet:** This shows the system's state appropriation allocation for fiscal years 2016 and 2017 and how the appropriation was allocated between institutional basic allocations, priority allocations, and systemwide set asides. Specific legislative mandated priorities are included.
- **General Description of the Allocation Framework Components:** This provides a summary of all major components of the allocation framework which is used to distribute institutional basic allocations across the system.
- **College/University Allocations:** These sheets summarize the Minnesota State allocation model and shows the final fiscal years 2016 and 2017 allocations to individual colleges and universities.

Green Sheet

Subdivision 7(4): Allocation Method

*Minnesota State
Fiscal Years 2016 and 2017*

Institutional Basic Allocations	FY2016	FY2017
Base	502,867,767	508,826,854
ITC earnings	2,000,000	2,000,000
Tuition Replacement	65,500,000	60,064,117
Subtotal Basic Allocations	570,367,767	570,890,971
Institutional Priority Allocations		
Workforce Education Priorities	5,112,000	5,112,000
Access and Opportunity	9,752,000	9,752,000
NHED - Range Voc Ed	900,696	900,696
Cook County Higher Education	40,000	140,000
Leveraged Equipment	7,278,000	7,278,000
16-17 Legislative Initiatives	782,000	783,000
Subtotal Institutional Priority Allocations	23,864,696	23,965,696
Systemwide Set Asides		
Attorney General	900,000	900,000
Debt Service - system level	17,500,000	17,420,000
- campus level	[16,000,000]	[16,500,000]
Enterprise Technology	20,443,682	20,443,682
Repair and Replacement	400,000	400,000
Leadership Transitions (Searches)	800,000	800,000
System audit program	1,200,000	1,200,000
PALS	1,559,855	1,606,651
Campus Service Cooperative	700,000	700,000
Subtotal - Set Asides	43,503,537	43,470,333
TOTAL COLLEGE/UNIVERSITY ALLOCATIONS	637,736,000	638,327,000
Learning Network of Minnesota	4,115,000	4,115,000
System Office	33,074,000	33,074,000
TOTAL ALLOCATIONS	674,925,000	675,516,000
STATE APPROPRIATION	672,925,000	673,516,000
ITC EARNINGS	2,000,000	2,000,000
TOTAL TARGET RESOURCES	674,925,000	675,516,000
Unallocated resources	0	0

Subdivision 7(4): Allocation Method

Minnesota State

Fiscal Year 2016 Part 1

Institution Name	FY2014 FYE	Allocation for Instruction & Academic Support	Allocation for Administrative & Student Support Services	Allocation for Facilities	Allocation for Library	Allocation for Separately Budgeted Research & Public Service
Alexandria Technical and Community College	2,170	4,973,875	2,678,890	987,836	302,421	104,633
Anoka-Ramsey Community College, Anoka Technical College	7,214	12,404,350	6,525,159	1,676,213	721,200	249,525
Bemidji State University and Northwest Technical College	5,019	9,900,145	5,985,303	1,843,839	1,063,757	492,378
Central Lakes College	3,206	6,504,498	3,782,852	1,252,108	403,881	139,737
Dakota County Technical College	6,955	12,260,773	5,872,433	1,382,079	683,035	236,320
Fond du Lac Tribal and Community College	1,251	2,077,886	2,746,672	343,912	145,185	50,232
Hennepin Technical College	4,214	10,574,687	5,168,847	2,074,956	623,647	215,773
Inver Hills Community College	3,944	6,740,678	3,619,528	663,597	385,833	133,493
Lake Superior College	3,603	7,104,331	3,691,883	912,917	409,820	141,792
Metropolitan State University	6,192	12,555,932	6,841,498	576,166	1,198,416	554,707
Minneapolis Community and Technical College	6,484	11,901,252	6,063,644	2,017,237	699,375	241,974
Minnesota State College Southeast	1,597	4,023,312	2,642,377	654,714	256,214	88,646
Minnesota State Community and Technical College	4,527	10,320,443	5,466,127	1,496,797	604,918	209,293
Minnesota State University Moorhead	5,987	13,711,912	8,232,800	2,452,240	1,463,817	677,552
Minnesota State University, Mankato	14,180	27,507,107	13,431,199	3,101,681	2,642,399	1,223,079
Minnesota West Technical and Community College	2,099	5,308,084	3,209,868	1,190,260	339,787	117,562
Normandale Community College	6,740	10,873,905	5,295,075	1,091,858	604,129	209,020
North Hennepin Community College	4,813	7,741,195	3,814,479	866,756	434,785	150,429
Northeast Higher Education District	4,034	8,625,401	5,727,136	2,602,954	593,442	205,323
Northland Community and Technical College	2,558	5,952,371	3,185,473	1,155,110	360,253	124,643
Pine Technical and Community College	702	1,543,250	1,430,299	238,797	112,432	38,900
Ridgewater College	3,077	7,414,831	3,788,599	1,415,585	441,666	152,810
Riverland Community College	2,200	5,196,330	3,415,115	1,242,463	344,887	119,326
Rochester Community and Technical College	4,296	8,050,622	3,726,037	1,635,946	469,441	162,420
Saint Paul College	4,825	8,402,937	3,673,253	1,004,507	457,824	158,401
South Central College	2,590	6,273,710	3,360,668	887,237	368,257	127,412
Southwest Minnesota State University	3,679	7,270,905	5,760,844	1,696,966	883,723	409,046
St Cloud State University	12,381	28,405,143	16,017,242	4,584,953	2,940,440	1,361,032
St Cloud Technical and Community College	3,483	6,808,296	3,175,287	776,847	376,615	130,303
Winona State University	8,267	16,761,114	8,931,494	2,392,649	1,685,115	779,984
TOTAL	144,522	292,544,202	158,986,419	45,279,713	22,337,390	9,116,691

Subdivision 7(4): Allocation Method

Minnesota State
Fiscal Year 2016 Part 2

Institution Name	Allocation for Enrollment Adjustment	TOTAL ALLOCATION FRAMEWORK	% Share of Allocation	FY2015 Base Allocation	% Share of FY2015 Base	50% FY2015 Base % Share
Alexandria Technical and Community College	161,060	9,208,714	1.74%	8,258,472	1.77%	4,450,499
Anoka-Ramsey Community College, Anoka Technical College	397,283	21,973,731	4.16%	20,403,455	4.37%	10,995,444
Bemidji State University and Northwest Technical College	(91,573)	19,193,849	3.63%	17,249,502	3.70%	9,295,776
Central Lakes College	262,850	12,345,926	2.34%	10,851,137	2.33%	5,847,690
Century College	(287,966)	20,145,674	3.81%	17,991,039	3.86%	9,695,391
Dakota County Technical College	3,618	9,597,372	1.82%	8,594,498	1.84%	4,631,585
Fond du Lac Tribal and Community College	(11,818)	4,331,734	0.82%	3,829,025	0.82%	2,063,466
Hennepin Technical College	(55,926)	18,601,984	3.52%	16,629,029	3.56%	8,961,402
Inver Hills Community College	66,126	11,609,256	2.20%	9,771,621	2.09%	5,265,938
Lake Superior College	92,943	12,353,685	2.34%	10,778,340	2.31%	5,808,459
Metropolitan State University	571,158	22,297,876	4.22%	18,658,019	4.00%	10,054,827
Minneapolis Community and Technical College	(489,350)	20,434,131	3.87%	17,733,511	3.80%	9,556,609
Minnesota State College Southeast	(18,096)	7,647,167	1.45%	6,666,091	1.43%	3,592,364
Minnesota State Community and Technical College	20,267	18,117,845	3.43%	16,258,920	3.48%	8,761,950
Minnesota State University Moorhead	(393,732)	26,144,590	4.95%	23,529,432	5.04%	12,680,037
Minnesota State University, Mankato	(348,569)	47,556,895	9.00%	42,082,890	9.02%	22,678,516
Minnesota West Technical and Community College	25,081	10,190,643	1.93%	9,468,318	2.03%	5,102,487
Normandale Community College	95,632	18,169,618	3.44%	14,964,834	3.21%	8,064,565
North Hennepin Community College	(15,996)	12,991,648	2.46%	10,738,661	2.30%	5,787,076
Northeast Higher Education District	49,798	17,804,054	3.37%	15,888,910	3.41%	8,562,551
Northland Community and Technical College	23,902	10,801,753	2.04%	9,902,352	2.12%	5,336,389
Pine Technical and Community College	102,284	3,465,962	0.66%	2,872,246	0.62%	1,547,887
Ridgewater College	184,111	13,397,601	2.54%	12,137,000	2.60%	6,540,643
Riverland Community College	(87,512)	10,230,610	1.94%	9,487,373	2.03%	5,112,756
Rochester Community and Technical College	(262,206)	13,782,260	2.61%	12,773,416	2.74%	6,883,608
Saint Paul College	(167,013)	13,529,909	2.56%	11,531,115	2.47%	6,214,131
South Central College	221,080	11,238,364	2.13%	10,079,341	2.16%	5,431,768
Southwest Minnesota State University	(64,395)	15,957,089	3.02%	13,536,974	2.90%	7,295,090
St Cloud State University	(83,749)	53,225,061	10.08%	48,240,547	10.34%	25,996,884
St Cloud Technical and Community College	263,490	11,530,839	2.18%	10,054,032	2.15%	5,418,129
Winona State University	(162,783)	30,387,574	5.75%	25,607,668	5.49%	13,800,000
TOTAL	0	528,264,415	100.00%	466,567,767	100.00%	251,433,884

Subdivision 7(4): Allocation Method
Minnesota State
Fiscal Year 2016 Part 3

Institution Name	50% Allocation Framework % Share	FY2016 Base Allocation
Alexandria Technical and Community College	4,383,000	8,833,499
Anoka-Ramsey Community College, Anoka Technical College	10,458,665	21,454,109
Bemidji State University and Northwest Technical College	9,135,546	18,431,322
Central Lakes College	5,876,194	11,723,884
Century College	9,589,055	19,284,446
Dakota County Technical College	4,567,986	9,199,571
Fond du Lac Tribal and Community College	2,061,742	4,125,207
Hennepin Technical College	8,853,841	17,815,243
Inver Hills Community College	5,525,567	10,791,505
Lake Superior College	5,879,887	11,688,346
Metropolitan State University	10,612,946	20,667,773
Minneapolis Community and Technical College	9,725,874	19,282,482
Minnesota State College Southeast	3,639,762	7,232,126
Minnesota State Community and Technical College	8,623,409	17,385,359
Minnesota State University Moorhead	12,443,836	25,123,873
Minnesota State University, Mankato	22,635,284	45,313,799
Minnesota West Technical and Community College	4,850,361	9,952,848
Normandale Community College	8,648,051	16,712,617
North Hennepin Community College	6,183,533	11,970,609
Northeast Higher Education District	8,474,056	17,036,608
Northland Community and Technical College	5,141,226	10,477,614
Pine Technical and Community College	1,649,667	3,197,523
Ridgewater College	6,376,752	12,917,394
Riverland Community College	4,869,383	9,982,139
Rochester Community and Technical College	6,559,834	13,443,442
Saint Paul College	6,439,725	12,653,856
South Central College	5,349,036	10,780,804
Southwest Minnesota State University	7,594,971	14,890,061
St Cloud State University	25,333,116	51,330,000
St Cloud Technical and Community College	5,488,243	10,906,372
Winona State University	14,463,336	28,263,336
TOTAL	251,433,884	502,867,767

Subdivision 7(4): Allocation Method
 Minnesota State
 Fiscal Year 2017 Part 1

Institution Name	FY2015 FYE	Allocation for Instruction & Academic Support	Allocation for Administrative & Student Support Services	Allocation for Facilities	Allocation for Library	Allocation for Separately Budgeted Research & Public Service
Alexandria Technical and Community College	2,046	5,195,041	2,884,266	1,023,147	318,586	110,226
Anoka-Ramsey Community College, Anoka Technical College	7,123	13,392,638	7,013,455	1,788,562	776,816	268,767
Bemidji State University and Northwest Technical College	4,953	11,051,626	6,811,917	1,994,494	1,191,482	551,497
Central Lakes College	2,993	6,748,351	3,964,632	1,361,959	422,623	146,222
Century College	6,410	12,888,755	6,292,823	1,454,095	722,249	249,888
Dakota County Technical College	2,069	5,424,647	2,861,719	1,228,413	333,017	115,219
Fond du Lac Tribal and Community College	1,223	2,269,535	1,922,587	383,068	160,132	55,403
Hennepin Technical College	3,927	10,476,494	5,255,482	2,161,521	626,272	216,681
Inver Hills Community College	3,809	7,306,370	4,121,311	1,183,634	425,121	147,086
Lake Superior College	3,431	7,682,271	4,112,726	1,003,483	447,947	154,983
Metropolitan State University	6,052	14,749,372	8,055,190	752,263	1,413,409	654,220
Minneapolis Community and Technical College	6,026	12,140,090	6,223,587	2,032,495	713,866	246,987
Minnesota State College Southeast	1,454	4,133,809	2,810,469	705,904	267,756	92,640
Minnesota State Community and Technical College	4,398	10,798,225	5,779,480	1,609,472	636,551	220,238
Minnesota State University Moorhead	5,697	14,914,534	8,620,494	2,549,117	1,565,049	724,409
Minnesota West Technical and Community College	13,861	30,967,131	14,665,460	3,363,168	2,939,746	1,360,710
Normandale Community College	1,948	5,501,634	3,393,666	1,267,078	355,683	123,061
North Hennepin Community College	6,799	11,980,687	5,981,852	1,096,662	667,072	230,797
Northeast Higher Education District	4,644	8,819,388	4,532,084	1,059,071	504,369	174,504
Northland Community and Technical College	3,742	9,054,263	6,082,554	2,667,112	623,138	215,597
Pine Technical and Community College	2,299	6,183,340	3,393,697	1,228,184	378,183	130,846
Ridgewater College	723	1,703,311	1,495,936	236,635	120,256	41,607
Riverland Community College	2,860	7,704,172	4,029,408	1,506,157	463,391	160,327
Rochester Community and Technical College	2,078	5,394,067	3,520,824	1,334,693	358,735	124,117
Saint Paul College	4,134	8,641,577	4,067,808	1,750,431	506,094	175,101
South Central College	4,642	9,109,690	4,081,618	1,019,996	497,396	172,092
Southwest Minnesota State University	2,490	6,527,267	3,556,072	907,137	384,667	133,089
St Cloud State University	3,679	7,993,761	6,293,323	1,718,236	960,319	444,500
St Cloud Technical and Community College	11,851	31,220,698	17,479,728	4,790,052	3,209,429	1,485,538
St Cloud State University	3,462	7,261,647	3,435,499	847,773	404,072	139,803
Winona State University	8,149	18,925,125	10,041,286	2,360,656	1,879,624	870,015
TOTAL	138,972	316,159,509	172,780,954	47,919,767	24,273,049	9,936,171

Subdivision 7(4): Allocation Method

*Minnesota State
Fiscal Year 2017 Part 2*

Institution Name	Allocation for Enrollment Adjustment	TOTAL ALLOCATION FRAMEWORK	% Share of Allocation	FY2016 Base Allocation	% Share of FY2016 Base	50% FY2016 Base % Share	50% Allocation Framework % Share
Alexandria Technical and Community College	193,860	9,725,126	1.70%	8,833,499	1.76%	4,469,089	4,332,577
Anoka-Ramsey Community College, Anoka Technical College	445,838	23,686,177	4.15%	21,454,109	4.27%	10,854,172	10,552,274
Bemidji State University and Northwest Technical College	(99,095)	21,501,922	3.77%	18,431,322	3.67%	9,324,868	9,579,181
Central Lakes College	254,543	12,898,330	2.26%	11,723,884	2.33%	5,931,407	5,746,251
Century College	(295,504)	21,312,305	3.73%	19,284,446	3.83%	9,756,485	9,494,706
Dakota County Technical College	(64,323)	9,898,693	1.73%	9,199,571	1.83%	4,654,294	4,409,902
Fond du Lac Tribal and Community College	(4,913)	4,785,813	0.84%	4,125,207	0.82%	2,087,046	2,132,096
Hennepin Technical College	(97,425)	18,639,026	3.26%	17,815,243	3.54%	9,013,179	8,303,751
Inver Hills Community College	111,186	12,829,708	2.25%	10,791,505	2.15%	5,459,693	5,715,680
Lake Superior College	154,745	13,556,155	2.37%	11,688,346	2.32%	5,913,428	6,039,314
Metropolitan State University	686,979	26,311,432	4.61%	20,667,773	4.11%	10,456,345	11,721,835
Minneapolis Community and Technical College	(562,044)	20,794,982	3.64%	19,282,482	3.83%	9,755,492	9,264,237
Minnesota State College Southeast	(118,422)	7,892,156	1.38%	7,232,126	1.44%	3,658,914	3,515,983
Minnesota State Community and Technical College	363,480	19,407,446	3.40%	17,385,359	3.46%	8,795,690	8,646,085
Minnesota State University Moorhead	(388,695)	27,984,908	4.90%	25,123,873	5.00%	12,710,798	12,467,374
Minnesota State University, Mankato	(517,859)	52,778,356	9.24%	45,313,799	9.01%	22,925,389	23,512,941
Minnesota West Technical and Community College	33,032	10,674,155	1.87%	9,952,848	1.98%	5,035,395	4,755,373
Normandale Community College	56,928	20,013,999	3.50%	16,712,617	3.32%	8,455,332	8,916,306
North Hennepin Community College	(20,108)	15,069,304	2.64%	11,970,609	2.38%	6,056,232	6,713,427
Northeast Higher Education District	30,535	18,673,198	3.27%	17,036,608	3.39%	8,619,248	8,318,975
Northland Community and Technical College	104,730	11,418,978	2.00%	10,477,614	2.08%	5,300,888	5,087,195
Pine Technical and Community College	113,189	3,710,933	0.65%	3,197,523	0.64%	1,617,707	1,653,234
Ridgewater College	207,551	14,071,006	2.46%	12,917,394	2.57%	6,535,234	6,268,682
Riverland Community College	(74,220)	10,658,217	1.87%	9,982,139	1.99%	5,050,215	4,748,273
Rochester Community and Technical College	(336,072)	14,804,939	2.59%	13,443,442	2.67%	6,801,375	6,595,652
Saint Paul College	(197,129)	14,683,663	2.57%	12,653,856	2.52%	6,401,903	6,541,623
South Central College	216,199	11,724,430	2.05%	10,780,804	2.14%	5,454,279	5,223,274
Southwest Minnesota State University	(111,255)	17,298,884	3.03%	14,890,061	2.96%	7,533,256	7,706,713
St Cloud State University	(169,358)	58,017,086	10.16%	51,330,000	10.21%	25,969,135	25,846,814
St Cloud Technical and Community College	264,688	12,353,482	2.16%	10,906,372	2.17%	5,517,807	5,503,519
Winona State University	(182,063)	33,894,643	5.94%	28,263,336	5.62%	14,299,131	15,100,182
TOTAL	0	571,069,450	100.00%	502,867,767	100.00%	254,413,427	254,413,427

Subdivision 7(4): Allocation Method
Minnesota State
Fiscal Year 2017 Part 3

Institution Name	FY2017 Base Allocation
Alexandria Technical and Community College	8,801,666
Anoka-Ramsey Community College, Anoka Technical College	21,406,446
Bemidji State University and Northwest Technical College	18,904,050
Central Lakes College	11,677,658
Century College	19,251,191
Dakota County Technical College	9,064,196
Fond du Lac Tribal and Community College	4,219,142
Hennepin Technical College	17,316,930
Inver Hills Community College	11,175,373
Lake Superior College	11,952,742
Metropolitan State University	22,178,180
Minneapolis Community and Technical College	19,019,729
Minnesota State College Southeast	7,174,897
Minnesota State Community and Technical College	17,441,774
Minnesota State University Moorhead	25,178,172
Minnesota State University, Mankato	46,438,330
Minnesota West Technical and Community College	9,790,768
Normandale Community College	17,371,638
North Hennepin Community College	12,769,659
Northeast Higher Education District	16,938,222
Northland Community and Technical College	10,388,083
Pine Technical and Community College	3,270,941
Ridgewater College	12,803,916
Riverland Community College	9,798,487
Rochester Community and Technical College	13,397,027
Saint Paul College	12,943,526
South Central College	10,677,554
Southwest Minnesota State University	15,239,969
St Cloud State University	51,815,949
St Cloud Technical and Community College	11,021,327
Winona State University	29,399,313
TOTAL	508,826,854

Attachment B



MINNESOTA STATE

General Description of Allocation Framework Components

INSTRUCTION AND ACADEMIC SUPPORT

Rationale for method: Provides comparable funding for similar programs. Allows for mission differentiation and flexibility to pursue unique goals and program mix.

Data Used:

- 1) Actual instruction and academic support expenditures for each program at each institution at the level of instruction (lower division, upper division, and graduate).
- 2) Actual FYE for each program at each institution at the level of instruction.
- 3) Institutional academic support expenditures per total FYE is added to each academic program when calculating instruction and academic support costs.

How it works:

A 20% band around the system average (10% above and 10% below) for each instructional program is calculated. If the cost per FYE of an institution's program is:

- 1) **“Average Cost”**(within the band), the institution is allocated the same level of expenditures per FYE for that program;
- 2) **“High cost”** (above the upper 10% band), the institution's allocation is reduced to the level of the upper band for that program.
- 3) **“Low Cost”** (below the lower 10% band), the institution's allocation is increased to the level of the lower band.

The amount per FYE that a program is above or below the band is then multiplied by the number of FYE in the program to get a total allocation for the program. The total instructional and academic support allocation for the institution is arrived at by summing the total allocation for each of its programs. The program cost increases (or decreases) are added (or subtracted) from the institution's base to arrive at a net adjustment to the base instructional expenditures.

Beginning in FY2006, a three year rolling average of instruction and academic support was added to improve predictability and create stability with this category.

Principle Policy Choices that Impact Outcomes

Lowering overall program costs while maintaining enrollment; and increasing FYE's while maintaining expenditure levels.

STUDENT SERVICES & INSTITUTIONAL SUPPORT

Rationale for approach: Recognize core administrative activities and account for differences in enrollment and institutional type. The component is composed of Institutional Support and Student Services based on IPEDS definitions.

Data:

- 1) Expenditures of college and university peer groups
- 2) FTE enrollment of college and university peer groups
- 3) MnSCU college and university FTE enrollment

* “Peers” are a set of institutions throughout the U.S. comparable to MnSCU institutions.

How it works:

A core cost and a variable cost is estimated using the expenditures and enrollments of MnSCU's peer institutions. The core and variable costs are calculated separately for colleges and universities. Beginning in FY2006, a three year rolling average of student services & institutional support was added to improve predictability and create stability with this category.

Principle Policy Choices that Impact Outcomes

The allocation calculation is based on an external measure. As long as an institution's expenditures are below the estimated peer level, an institution's costs will be covered.

General Description of Allocation Framework Components

FACILITIES

Rationale for approach: Recognize the costs related to the operation, maintenance and repair of an institution's physical plant.

Data:

1) Square feet (current operating square feet of buildings); 2) Headcount enrollment and 3) Utility costs.

How it works:

Benchmarks of \$1.80 per square foot for maintenance and operations and \$1.50 per square foot for repair and replacement. Other smaller impacts include costs for utilities (average expenditures of previous three years or an adjustment for institutions with a steam plant), large leases for instructional purposes, multiple campus factor, residential living factor.

Principle Policy Choices that Impact Outcomes

Keep costs below the allocation per square foot for operations and repair and replacement. Most institutions are well below this threshold.

LIBRARY

Rationale for approach: Recognizes the unique mission differences between college and university libraries. Fund institutions close to national benchmarks.

Data:

1) Total operating costs from the Instruction and Academic Support, Student Services & Institutional Support, and Facilities categories of the allocation framework.

How it works:

The Library function is calculated as a percentage of an institution's total operating costs. Colleges are allocated 3.5% of total operating expenditures and universities are allocated 6% of total operating expenditures. There is a minimum level of funding of \$70,000.

Principle Policy Choices that Impact Outcomes

The measure is based on an external measure, and consequently, as long as an institution's expenditures are below the estimated peer level, an institutions costs will be covered.

RESEARCH AND PUBLIC SERVICE

Rationale for approach: Funds colleges and universities at a rate similar to national peers.

Data:

1) Expenditures of peer groups (unrestricted funds)
2) Total operating costs from the Instruction and Academic Support, Student Services & Institutional Support, Library and Facilities categories of the allocation framework

How it works:

The peers of MnSCU's colleges spend 1.36% of operating expenditures on research and public service. The peers of MnSCU's universities spend 2.51% of operating expenditures on these activities. These percentages are applied to an institution's total operating costs.

Principle Policy Choices that Impact Outcomes

The measure is based on an external measure. As long as an institution's expenditures are below the estimated peer level, an institutions costs will be covered.

General Description of Allocation Framework Components

ENROLLMENT ADJUSTMENT

Rationale for Approach: Accounts for the difference between how the state funding formula recognizes Non-resident and Non-reciprocity (NR/NR) and Midwest Student Exchange Program (MSEP) students and how the allocation framework does.

Data:

- 1) Total Expenditures (from the Instruction and Academic Support, Administration, Library, Facilities and Research and Public Service categories) per total FYE
- 2) NRNR and MSEP enrollment (FYE)

How it works:

- 1) Determine the total allocation per FYE to arrive at a simulated “per FYE allocation”.
- 2) Multiply the number of NR/NR and MWC FYE at each institution by 50%.
- 3) Reduce an institution’s per FYE allocation from #1 by the number of NR/NR and MWC in #2.
- 4) Redistribute the total amount reduced for all institutions based on percent share of total allocation.

Principle Policy Choices that Impact Outcomes

Reduce the number of non-resident and non-reciprocity students.

TUITION OFF-SET (REVENUE BUYDOWN)

Rational for Method: The allocation framework allocates only state appropriations. State appropriation revenue is isolated from the other general fund revenue (primarily tuition) as a means to recognize only the state appropriation expenditures in the instructional cost comparisons and in other framework categories.

Data:

- 1) Total institutional General Fund expenditures
- 2) Total institutional General Fund revenue, categorized by: a) state appropriation revenue; and
b) All “other” revenue -- revenue that is not state appropriation (primarily tuition revenue)

How it works:

For each institution, divide the “other” revenue by total general fund expenditures to arrive at a percentage. This percentage is applied against institutional expenditures to isolate the state appropriations. The greater reliance on state appropriation, the lower the tuition off-set.

Principle Policy Choices that Impact Outcomes:

The tuition offset has an impact on all allocation framework categories. In all categories except instruction, the tuition offset is applied at the end of the calculation becoming, in a sense, a discount on the allocation. Consequently, institutions with a relatively higher tuition offset would receive lower appropriation allocation, all else being equal.

Within the instruction and academic support category, the tuition buy down is applied in two steps in the calculation. In the first step, the tuition revenue offset creates a direct discount on total instructional expenditures. Consequently, a relatively low tuition offset results in a higher state appropriation allocation. In the second step, where expenditures for similar programs are compared, a program with a higher discount (and lower cost) would perform better in the direct comparisons, all else being equal. The first step has a greater impact than the second step.

Attachment C



MINNESOTA STATE

Proposed Revisions to Minnesota State's Allocation Framework

Allocation Framework Redesign

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
Instruction and Academic Support	<ul style="list-style-type: none"> • Compares direct instructional and academic support spending by program and by level of instruction to allow for mission differentiation and to recognize differences in program costs • Calculates a 20% band around the system average by program and rewards those below the band and penalizes those above the band • Calculates a three-year average of results to determine allocation • Does not recognize library expenses in the academic support category (see libraries below) 	<ul style="list-style-type: none"> • Calculates a two-year rather than three-year average • Recognizes actual library spending rather than calculating a value based on a set percentage • Eliminates the separate library component and incorporates library spending in academic support, its correct IPEDS classification • Retains the current practice of comparing instructional and academic support costs 	<ul style="list-style-type: none"> • Increases responsiveness to changing conditions by using a two-year average • Acknowledges mission differentiation by recognizing actual library expenses • Simplifies the framework by eliminating a separate component for libraries and recognizing these expenses in the correct IPEDS category (academic support)
Student Services and Institutional Support	<ul style="list-style-type: none"> • Provides a base amount and a variable amount based on FYE enrollment for both colleges and universities, using a national regression analysis • Provides additional funding for institutions with more than one campus • Calculates a three year average of results to determine allocation 	<ul style="list-style-type: none"> • Uses headcount, not FYE, to calculate the student services variables • Gives additional weight to underrepresented students • Uses a two-year rather than three-year average • Retains national regression analysis, multi-campus recognition, and FYE use in the institutional support calculation 	<ul style="list-style-type: none"> • Acknowledges that headcount is a better measure of demand for student services than FYE • Recognizes that underrepresented students need more support than more traditional students • Increases responsiveness to changing conditions by using a two-year average

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
Facilities	<ul style="list-style-type: none"> Recognizes operation and maintenance cost on a square footage basis using most recent square footage data Recognizes repair and replacement costs on a square footage basis using square footage data from the prior year Recognizes utility spending using a three year average Recognizes student headcount, residential beds, central stream plants, and multiple campuses in the calculation 	<ul style="list-style-type: none"> Freezes square footage used in the calculation of the facilities component, using only one year of square footage data, not two Calculates a combined amount for operations, maintenance, repair and replacement Eliminates recognition of utility spending, headcount, residential beds, and central steam plants in the calculation of the facilities allocation Retains multi-campus recognition 	<ul style="list-style-type: none"> Allows the campus to keep savings from reducing square footage Simplifies the allocation framework by eliminating several components that drive small dollar amounts
Libraries	<ul style="list-style-type: none"> Recognizes library activity based on established percentages (3.5% for colleges and 6% for universities) 	<ul style="list-style-type: none"> Recognizes actual library expenses in academic support 	<ul style="list-style-type: none"> Acknowledges mission differentiation by recognizing actual library expenses Simplifies the framework by eliminating a separate component for libraries and recognizing these expenses in the correct IPEDS category (academic support) Does not over-allocate resources based on percentages not supported by actual costs
Research and Public Service	<ul style="list-style-type: none"> Recognizes research and public service activity based on established percentages (1.17% for colleges and 2.62% for universities) 	<ul style="list-style-type: none"> Recognizes actual research and public service expenses Retains a separate research and public service component 	<ul style="list-style-type: none"> Supports mission differentiation through recognition of actual costs Does not over-allocate resources based on percentages not supported by actual costs

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
<p>Revenue Buydown The allocation framework allocates <i>only</i> state appropriation, not tuition or other general fund revenues. For this reason, a revenue buydown calculation is used to recognize <i>only</i> state appropriation expenditures in the instructional cost comparison and in other framework components.</p>	<ul style="list-style-type: none"> Calculates a percentage by dividing general fund revenue (excluding state appropriation) by total general fund expenses Uses the calculated percentage in all components to recognize only state appropriation expenses The lower the percentage of the revenue buydown, the more expenses are recognized and, all else being equal, the larger the allocation of state appropriation 	<ul style="list-style-type: none"> Calculates a percentage by dividing general fund revenue (excluding state appropriation) by total general fund revenue Continues the use of the revenue buydown calculation in the framework 	<ul style="list-style-type: none"> Eliminates the impact of spending decisions, including the use of fund balance, from the revenue buydown calculation
<p>Enrollment adjustment</p>	<ul style="list-style-type: none"> Reallocates dollars away from colleges and universities with higher non-resident/non-reciprocity (NR/NR) enrollment to those with lower NR/NR enrollment to reflect statutory language that has since been repealed 	<ul style="list-style-type: none"> Eliminates the enrollment adjustment for non-resident/non-reciprocity students 	<ul style="list-style-type: none"> Recognizes the repeal of statutory language that this component was originally intended to address Simplifies the allocation framework by eliminating this outdated component
<p>50/50 (smoothing)</p>	<ul style="list-style-type: none"> Allocates state appropriation based on 50% of the prior year's percent share allocation and 50% based on the results of the current year in order to provide some level of stability and predictability 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Aids in providing a smooth transition to the new model by allocating half of allocation on the current model and half on the new model

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
Student Success (Outcome)	<ul style="list-style-type: none"> No recognition of student success outcomes 	<ul style="list-style-type: none"> Calculates expected persistence and completion rates for colleges and universities based on the student population they serve Expected rates recognize differences in student characteristics at our colleges and universities that impact student success and are adjusted as the characteristics change Colleges and universities with actual rates that exceed a band around their expected rates (margin of error) receive a student success allocation Colleges and universities that report improvement in their actual rates receive a student success allocation Approximately 1-2% of appropriation to be allocated through this component initially 	<ul style="list-style-type: none"> Rewards student success rates that exceed expectations Rewards improvement in student success rates Focuses attention on the strategic goal of improving student success

Concurrent Enrollment Recognition in the Allocation Framework

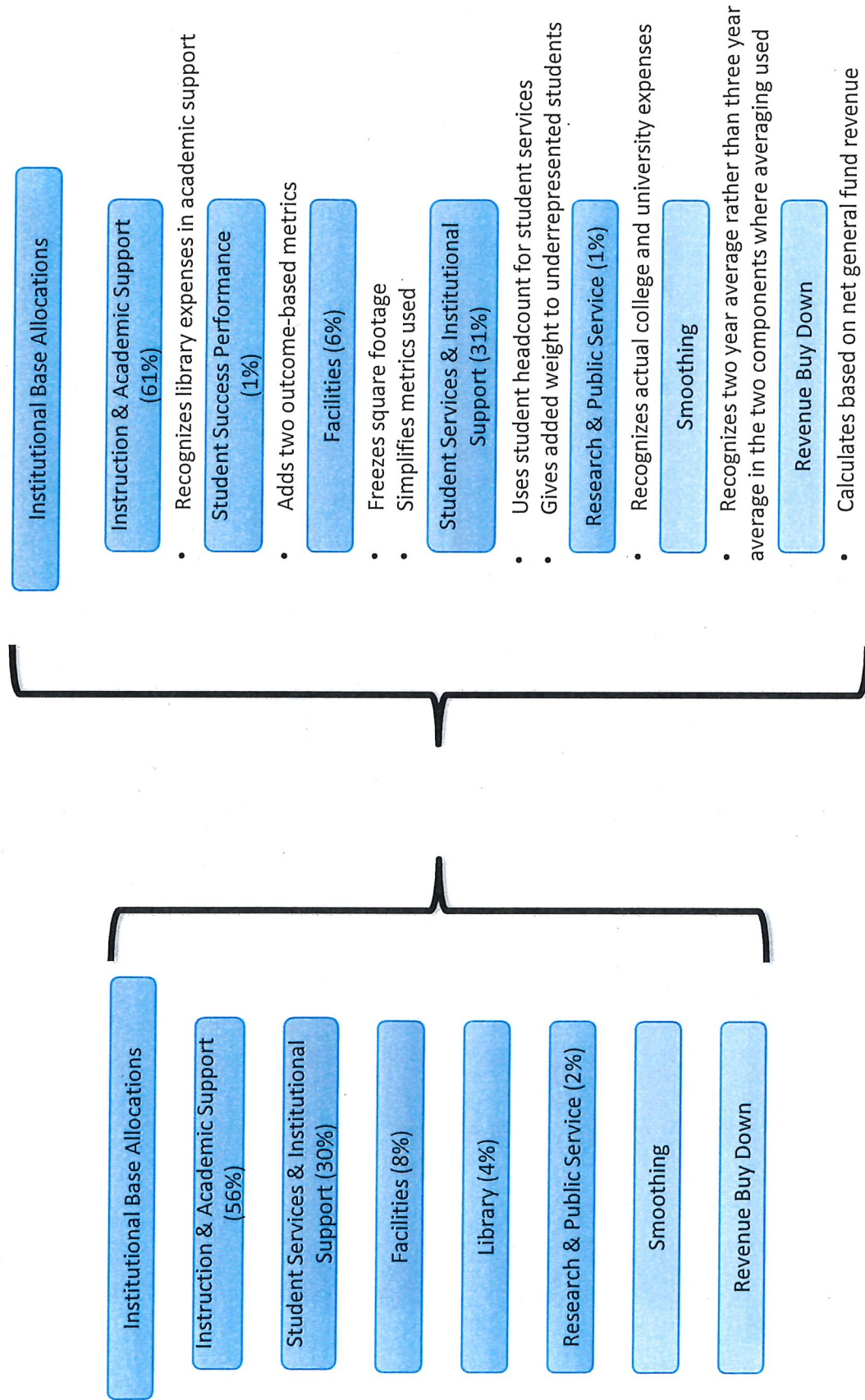
Component	Current Practice	Proposed Practice	Rationale for Change
Student Services and Institutional Support	<ul style="list-style-type: none"> Treats concurrent enrollment FYE like any other FYE in the calculation for both student services and institutional support 	<ul style="list-style-type: none"> Weights concurrently enrolled student headcount at 0.75 in FY2018 in the student service calculation Conducts analysis to determine additional adjustments to weighting for concurrent enrollment students in future years Does not change the treatment of concurrent FYE in the calculation for institutional support 	<ul style="list-style-type: none"> Recognizes the cost of student services for concurrently enrolled students is lower than other students Acknowledges that additional research and analysis of actual costs is needed and additional adjustments may be made in the future
Instruction and Academic Support	<ul style="list-style-type: none"> Compares concurrent courses to other courses in the same Classification of Instructional Programs (CIP) code taught by Minnesota State faculty (lower division level) 	<ul style="list-style-type: none"> Compares concurrent courses to other concurrent courses in the same CIP (new level of instruction recognized) Requires coding changes that will be implemented in FY2018 and will impact the FY2020 allocation framework May require an additional implementation strategy for certain colleges and universities 	<ul style="list-style-type: none"> Recognizes the cost to our colleges and universities of delivering instruction to concurrently enrolled students is lower than other students who are taught by Minnesota State faculty
Facilities	<ul style="list-style-type: none"> Treats concurrent headcount like any other student in the module 	<ul style="list-style-type: none"> Headcount will no longer be used in the facilities module; there will be no recognition of concurrent or any other student in the module 	<ul style="list-style-type: none"> Eliminates the recognition of students who are not on campus

Attachment D

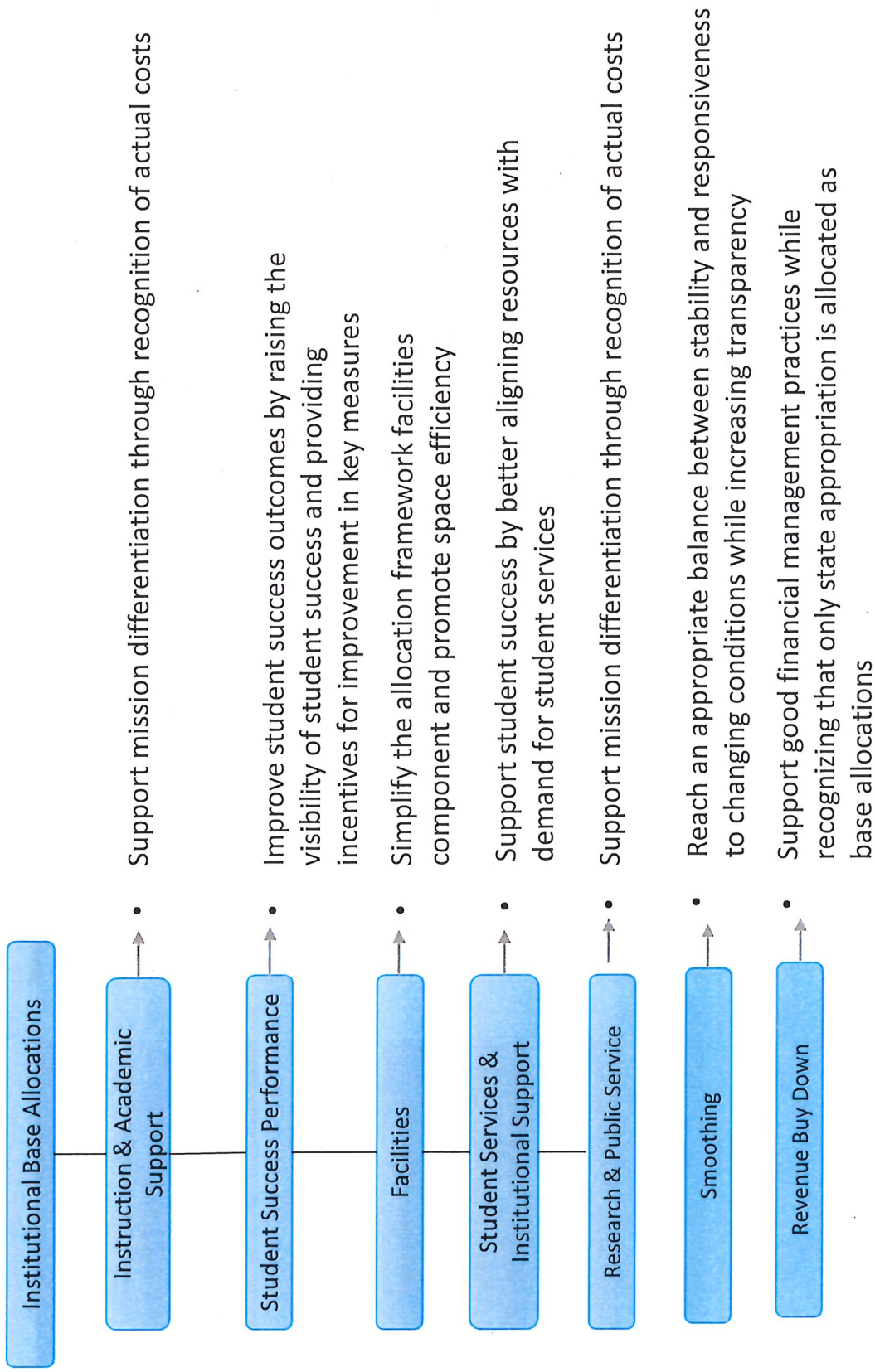


MINNESOTA STATE

Current vs. Recommendations



Recommendations – Policy Objectives



Recommendations – Data Elements

