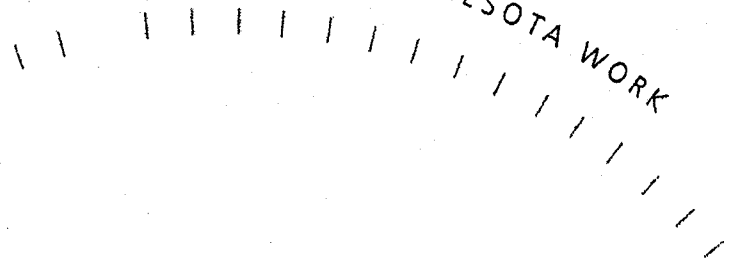


DEGREES OF SUCCESS: MAKING MINNESOTA WORK



Minnesota
STATE COLLEGES
& UNIVERSITIES

Minnesota State Colleges and Universities

Allocation Framework

Presented to the Board of Trustees

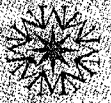
November 14, 2006



Allocation Framework

Part 1. Design Principles

November 14, 2006



Allocation Framework History

- **1995:** Merger of three systems—state universities, community colleges and technical colleges.
- **1996:** Board approved single model in December. Model scrapped due to legislature's response.
- **1997:** Legislature directed temporary base plus allocation model for FY1998 and mandated system to develop permanent framework.
- **1998:** Board approved an allocation framework design for implementation in FY2002. The base+ approach was continued through FY2001. Development spanned two years with nine workgroups involving more than 100 campus administrators.

Allocation Framework History (cont'd)

- **2001:** Legislature asked MnSCU to delay full implementation until FY2004. MnSCU responded by continuing the base+ approach but also distributed approximately 2% of available resources under the allocation framework for FY2004-2005.
- **2003:** Full implementation delayed until FY2006 due to large reductions in state appropriation support during FY2004-2005. However a portion of available resources was distributed using the allocation framework (7% and 5% respectively). A Technical Advisory Committee (TAC) was established to recommend strategies for full implementation.
- **2004:** Full implementation plan approved by the Board for FY2006 and beyond with a hold harmless provision for FY2006 and FY2007.



System Imperatives

- Our colleges and universities are continuing entities – the board charge was to enable all to succeed.
- Each operates in a midwestern regional accreditation environment – program and service decisions are locally driven.
- Presidents are hired as academic planners/leaders for their college/university – local demands will drive programming decisions.
- Board has adopted policies which interface the Board at the system and institutional level, not at the program management level – accountabilities centered on students and financial performance.



Allocation Framework Design Principles

- **Academic goals** should drive financial planning.
- **Delegation of authority to the institution** and the resulting program diversification are necessary to create a responsive system.
- Decentralized management systems require **incentive and accountability mechanisms**.
- **Equitable** distribution of funds is needed which recognizes the diversity of institutions, programs and students.
- Adequate funding is essential to fulfill institutional missions and respond to compelling state needs.
- **Access** is a core element of the system's mission.

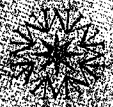


Assumptions

- **Single model** to be developed.
- Allocations should **recognize enrollment changes**.
- Provide **flexibility** to drive state priorities, **collaboration** between institutions and **basic support**.
- Allocation framework should be **sustainable**.
- **Simplicity** is important to stimulate internal and external support for appropriate funding levels.
- **Some historical funding inequities cannot be corrected** (i.e., the size and quality of the physical plant).
- Significant changes in funding levels should be mitigated through **transition funding**.
- Because of the limitations of the data, elements of the formula may be **refined as the data improves**.

Other Allocation Methods Used Nationally

- *Incremental budgeting* – often called base plus/minus
- *Formula budgeting*
 1. Program
 2. Fixed/variable cost
 3. Marginal cost
 4. Percent of base
- *MnSCU method* has elements of 1-3, uses 4 on national benchmarks



MINNESOTA
STATE COLLEGES
AND UNIVERSITIES

Allocation Framework

Part 2. Framework Overview

November 14, 2006

Slide 9

Key Design Elements

- Framework is a “resource allocation” method, not a “resource generator.” We can only allocate available revenue.
- Framework concerned only with state funds, tuition revenues stay on the campuses.
- Intent is a clear set of rules so presidents can predict the financial consequences of their actions.



Components of the Allocation Framework

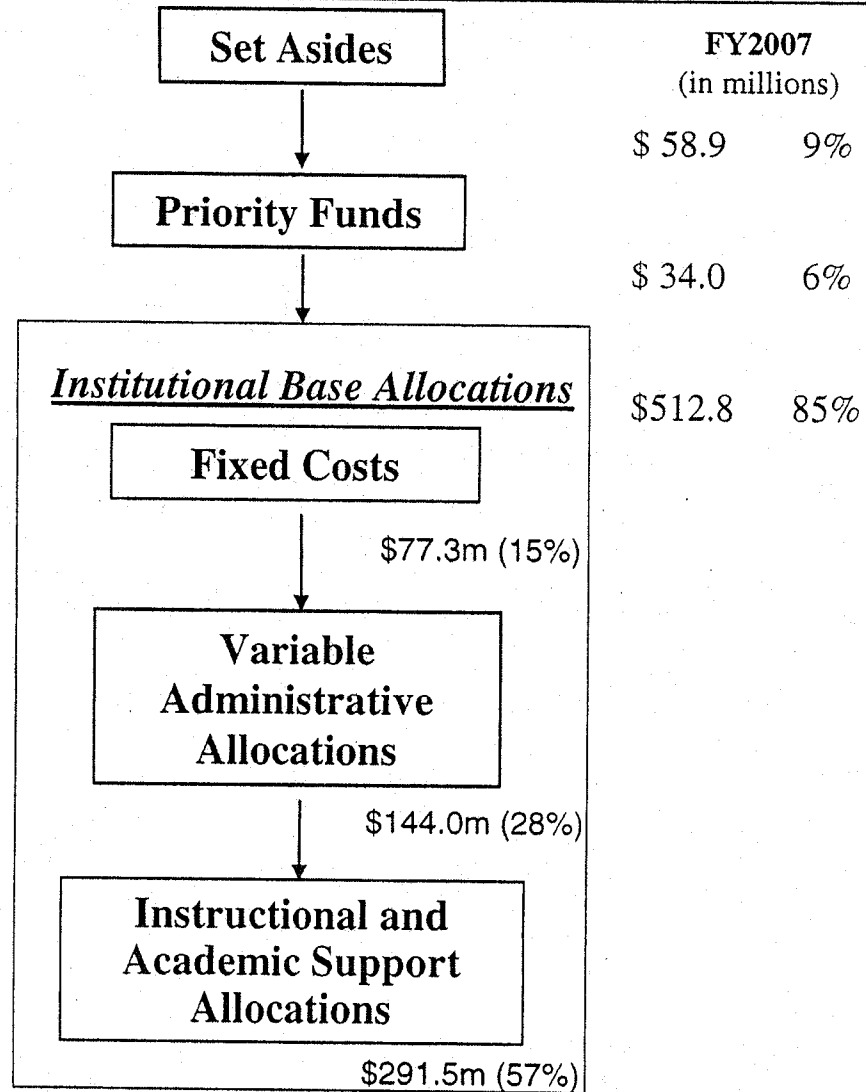
Set Asides - Allocations for which the model does not apply.

Priority Funds - Incentive and performance funds that are used to drive compelling educational interests.

Fixed Cost Allocations - Allocations for factors that are unlikely to vary due to enrollment (library, most of facilities, research & public service), include some national benchmarks.

Variable Administrative Allocations - Administrative expenditures that vary considering headcount and FYE enrollment, and national spending.

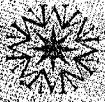
Instructional Allocations - Direct instructional and academic support allocations which recognize the level of instruction and actual cost of programs and national spending.





Data Sets Used in Institutional Base Allocations

<u>Allocation Category</u>	<u>Actual Cost</u>	<u>Actual Enrollment</u>	<u>Actual Square Footage</u>	<u>National Spending or Benchmark</u>
Facilities (<i>Fixed</i>)	X	X	X	X
Library (<i>Fixed</i>)				X
Separately budgeted research and public service (<i>Fixed</i>)				X
Administrative and student support services (<i>Variable</i>)		X		
Instruction and academic support (<i>Variable</i>)	X	X		X



Fixed vs. Variable Costs

<u>Allocation Category</u>		<u>Factors</u>
Instruction and academic support	Variable	Enrollment; academic program mix; staffing; supplies; equipment
Administrative and student support services	Fixed	Core based on type of institution
	Variable	Enrollment; spending levels of national data set
Facilities	Fixed	Square footage; utilities
	Variable	Enrollment; leases
Library	Fixed	National benchmark
Separately budgeted research and public service	Fixed	National benchmark



Steps Taken to Build Allocation

- Instructional cost study, enrollment, national spending/benchmarks, and square footage.
- Calculate an amount for each category within the allocation framework for each college and university.
- Sum the categories.
- Calculate percent share of allocation framework for each college and university.



Steps Taken to Build Allocation (cont'd.)

- Distribute 50% of available resources on percent share of allocation framework and 50% on percent share of prior year base.
- Compare each college and university allocation to their FY2005 level.
- If FY2007 allocation is less than FY2005, calculate amount needed to hold at FY2005 level and redistribute that amount from other colleges and universities. The hold harmless amount was \$26K in FY2006 and \$1.2M in FY2007.



Allocation Framework

Part 3. Leadership Imperatives

November 14, 2006



Results of Full Implementation

- Beginning in FY2006, allocation framework is fully implemented with 50% of funds being distributed on prior year base and 50% on results of the allocation framework.
- Moving colleges and universities more quickly toward their targeted percent share in the allocation framework.
- Hold harmless provision in effect through FY2007 to mitigate any large reduction in funding resulting from full implementation. This provides the necessary lead time to restructure operations.
- State appropriation is following students (enrollment).
- Responsive to changes in factors such as enrollment, program mix, and facilities size.
- Technical Advisory Committee (TAC) in place as part of commitment to continuous improvement.

Management Imperatives

- Lower cost per FYE and cost effectiveness are rewarded. Efficiency can be increased by lowering overall academic program costs while maintaining enrollment or increasing FYEs while maintaining expenditure levels.
- Presidential incentive to manage cost margins. Resources stay at college and university for reinvestment. Reallocations provide the resources to fund activities such as program development, enhancement or redesign or expanded services to students.
- Broad knowledge of college and university program trends provides environment for cost competition.



Leadership Imperatives

- Presidents need 18-24 months planning window - allocation framework supports that.
- Design supports formula results and policy driven allocations.
- Level of state funding drives results – as appropriation per FYE flattens out, Presidents have tough balancing decisions between high/low cost programs.
- Priority funds can be used to target academic programs or services and recognize innovation and collaboration.



Allocation Framework

Part 4. Exhibits

November 14, 2006

Minnesota State Colleges and Universities
 FY2007 COLLEGE/UNIVERSITY ALLOCATIONS
 (FRAMEWORK BASED ON FY2005 DATA)
 FINAL - October 31, 2005

Inst ID	Institution Name	FY2005 FYE	A THRU F							
			A	B	C	D	E	F	G	H
			Allocation for Instruction & Academic Support	Allocation for Administrative & Student Support Services	Allocation for Facilities	Allocation for Library	Allocation for Separately Budgeted Research & Public Service	Allocation for Enrollment Adjustment	TOTAL ALLOCATION FRAMEWORK	% Share of Allocation
0203	Alexandria TC	2,145	6,398,456	2,961,953	1,069,689	365,053	126,303	197,990	11,119,445	1.93%
0152	Anoka Ramsey CC	4,550	8,146,249	4,442,723	1,086,397	478,638	165,602	258,840	14,578,450	2.53%
0202	Anoka TC	1,559	4,456,665	2,220,330	916,458	265,771	91,953	145,040	8,096,217	1.41%
0070	Bemidji SU & Northwest TC-Bemidji	4,990	13,205,861	7,119,605	2,669,098	1,379,674	638,605	(333,312)	24,679,531	4.29%
0301	Central Lakes College	2,362	6,830,205	3,634,067	1,673,218	424,812	146,979	129,250	12,838,532	2.23%
0304	Century College	6,133	12,138,794	5,778,168	1,500,191	679,600	235,132	104,952	20,436,838	3.55%
0211	Dakota County TC	2,245	6,388,853	2,885,746	1,276,288	369,281	127,766	186,472	11,234,406	1.95%
0163	Fond du Lac Tribal & CC	1,121	1,780,984	868,448	140,775	97,657	33,788	(10,557)	2,911,095	0.51%
0204	Hennepin TC	3,642	11,569,807	5,095,227	2,470,187	669,733	231,718	356,271	20,392,943	3.54%
0157	Inver Hills CC	3,380	5,878,581	2,974,327	596,234	330,720	114,424	163,753	10,058,039	1.75%
0302	Lake Superior College	3,505	7,841,848	3,915,963	836,237	440,792	152,508	39,250	13,226,597	2.30%
0076	Metropolitan SU	4,598	11,498,913	6,396,237	1,655,606	1,173,045	542,964	51,217	21,317,982	3.70%
0305	Minneapolis College	5,013	11,539,071	5,687,600	3,006,854	708,173	245,018	(30,330)	21,156,386	3.67%
0213	Minnesota SC-Southeast Technical	1,558	4,050,638	2,261,299	811,141	249,308	86,257	26,445	7,485,087	1.30%
0442	Minnesota State College	4,414	10,415,717	5,301,002	1,554,114	604,479	209,141	233,800	18,318,254	3.18%
0072	Minnesota SU Moorhead	7,009	17,958,891	9,079,550	2,880,635	1,795,145	830,913	(136,184)	32,408,949	5.63%
0071	Minnesota SU, Mankato	13,373	32,699,525	15,095,227	3,664,077	3,087,530	1,429,115	(479,796)	55,495,677	9.64%
0209	Minnesota West College	2,154	6,455,140	3,674,732	1,702,285	414,125	143,281	(41,638)	12,347,925	2.14%
0156	Normandale CC	6,108	10,463,286	4,903,740	1,032,995	574,001	198,596	237,851	17,410,469	3.02%
0153	North Hennepin CC	4,283	7,323,558	3,502,634	813,687	407,396	140,953	176,671	12,364,898	2.15%
0311	Northeast Higher Education District	4,474	11,166,462	6,664,349	2,760,544	720,697	249,351	(414,785)	21,146,618	3.67%
0403	Northland College	2,785	7,902,249	3,793,483	1,376,366	457,523	158,297	(39,242)	13,648,676	2.37%
0205	Pine TC	422	1,226,244	1,024,605	265,954	88,088	30,477	29,828	2,665,196	0.46%
0308	Ridgewater College	3,292	9,067,385	4,151,140	1,780,417	524,963	181,630	164,524	15,870,058	2.76%
0307	Riverland College	2,421	6,614,254	3,649,860	1,454,940	410,167	141,912	12,817	12,283,950	2.13%
0306	Rochester College	4,383	8,623,282	3,892,177	1,397,829	486,965	168,483	(41,453)	14,527,283	2.52%
0206	Saint Paul College	3,012	8,405,018	3,809,117	1,399,627	476,482	164,856	192,943	14,448,043	2.51%
0309	South Central College	2,514	8,577,366	3,980,037	1,176,830	480,698	166,315	275,461	14,656,706	2.55%
0075	Southwest Minnesota SU	3,695	8,737,432	5,403,382	1,642,314	946,988	438,329	(483,810)	16,684,634	2.90%
0073	St. Cloud SU	13,934	34,154,723	15,067,118	4,078,294	3,198,008	1,480,251	(313,945)	57,664,449	10.02%
0208	St. Cloud TC	2,738	6,982,169	3,042,429	762,088	377,534	130,621	223,225	11,518,067	2.00%
0074	Winona SU	7,682	18,845,011	9,393,050	2,691,098	1,855,750	858,965	(881,546)	32,762,327	5.69%
TOTAL		135,494	327,342,637	161,669,325	52,142,466	24,538,796	10,060,502	0	575,753,726	100.00%

**Minnesota State Colleges and Universities
FY2007 COLLEGE/UNIVERSITY ALLOCATIONS
(FRAMEWORK BASED ON FY2005 DATA)
FINAL - October 31, 2005**

Inst ID	Institution Name	I	J	K	K*\$256.4		H*\$256.4		L+M	N	O	N+O	P/sumP	P-J	R/J	S	P-I	T/I
		FY2005 BASE ALLOCATION	FY2006 BASE ALLOCATION	% Share of FY2006 Base	50% FY2006 Base % Share	50% Allocation Framework % Share	FY2007 Base Allocation	Hold Harmless / Contribution	FY2007 Base Allocation	FY2007 Base Allocation	FY2007 Base Allocation	FY2007 Base Allocation	% Share of FY2007 Base	\$ Change Over FY2006	% Change FY2006	\$ Change Over FY2005	% Change FY2005	
0203	Alexandria TC	9,839,409	10,269,915	2.00%	5,121,381	4,951,335	10,072,715	(24,863)	10,047,852	1.96%	(222,063)	-2.2%	208,443	2.1%				
0152	Anoka Ramsey CC	11,223,079	12,270,993	2.39%	6,119,274	6,491,581	12,610,856	(31,128)	12,579,727	2.45%	308,734	2.5%	1,356,648	12.1%				
0202	Anoka TC	6,742,485	7,293,241	1.42%	3,636,979	3,605,133	7,242,112	(17,876)	7,224,236	1.41%	(69,006)	-0.9%	481,751	7.1%				
0070	Bemidji SU & Northwest TC-Bemidji	20,948,037	22,217,565	4.32%	11,079,411	10,989,453	22,068,864	(54,475)	22,014,389	4.29%	(203,176)	-0.9%	1,066,352	5.1%				
0301	Central Lakes College	11,306,071	11,900,089	2.31%	5,934,313	5,716,820	11,651,133	(28,760)	11,622,373	2.27%	(277,716)	-2.3%	316,302	2.8%				
0304	Century College	15,902,332	17,558,435	3.42%	8,756,005	9,100,240	17,856,246	(44,076)	17,812,169	3.47%	253,734	1.4%	1,909,837	12.0%				
0211	Dakota County TC	9,849,264	10,288,985	2.00%	5,130,890	5,002,525	10,133,416	(25,013)	10,108,403	1.97%	(180,582)	-1.8%	259,139	2.6%				
0163	Fond du Lac Tribal & CC	2,120,631	2,337,889	0.45%	1,165,854	1,296,270	2,462,124	(6,077)	2,456,047	0.48%	118,158	5.1%	335,416	15.8%				
0204	Hennepin TC	17,384,153	18,484,827	3.60%	9,217,977	9,080,695	18,298,672	(45,168)	18,253,503	3.56%	(231,324)	-1.3%	869,350	5.0%				
0157	Inver Hills CC	8,217,810	8,879,289	1.73%	4,427,906	4,478,705	8,906,611	(21,985)	8,884,626	1.73%	5,337	0.1%	666,816	8.1%				
0302	Lake Superior College	10,448,801	11,288,594	2.20%	5,629,373	5,889,620	11,518,994	(28,433)	11,490,560	2.24%	201,967	1.8%	1,041,759	10.0%				
0076	Metropolitan SU	16,832,105	18,471,330	3.59%	9,211,246	9,492,602	18,703,847	(45,168)	18,657,679	3.64%	186,349	1.0%	1,825,574	10.8%				
0305	Minneapolis College	16,840,189	18,562,792	3.61%	9,256,856	9,420,645	18,677,501	(46,103)	18,631,398	3.63%	68,606	0.4%	1,791,209	10.6%				
0213	Minnesota SC-Southeast Technical	5,765,664	6,341,538	1.23%	3,162,385	3,333,006	6,495,391	(16,033)	6,479,358	1.26%	137,820	2.2%	713,694	12.4%				
0442	Minnesota State College	14,734,170	15,964,173	3.11%	7,960,982	8,156,864	16,117,846	(39,785)	16,078,061	3.14%	113,888	0.7%	1,343,891	9.1%				
0072	Minnesota SU Moorhead	26,971,008	29,093,827	5.66%	14,508,452	14,431,255	28,939,707	(71,434)	28,868,273	5.63%	(225,555)	-0.8%	1,897,265	7.0%				
0071	Minnesota SU, Mankato	45,979,049	49,305,764	9.59%	24,587,700	24,711,455	49,299,155	(121,689)	49,177,465	9.59%	(128,299)	-0.3%	3,198,416	7.0%				
0209	Minnesota West College	11,255,796	11,566,914	2.25%	5,768,165	5,498,360	11,266,525	(10,729)	11,255,796	2.20%	(311,118)	-2.7%	0	0.0%				
0156	Normandale CC	13,377,804	14,638,732	2.85%	7,300,014	7,752,640	15,052,654	(37,156)	15,015,498	2.93%	376,766	2.6%	1,637,694	12.2%				
0153	North Hennepin CC	9,444,577	10,482,086	2.04%	5,227,186	5,505,918	10,733,103	(26,493)	10,706,610	2.09%	224,524	2.1%	1,262,033	13.4%				
0311	Northeast Higher Education District	21,175,159	21,175,159	4.12%	10,559,586	9,416,296	19,975,882	1,199,277	21,175,159	4.13%	0	0.0%	0	0.0%				
0403	Northland College	12,009,535	12,469,538	2.43%	6,218,284	6,077,566	12,295,850	(30,351)	12,265,499	2.39%	(204,038)	-1.6%	255,964	2.1%				
0205	Pine TC	2,358,255	2,408,750	0.47%	1,201,191	1,186,775	2,387,966	(5,894)	2,382,071	0.46%	(26,679)	-1.1%	23,816	1.0%				
0308	Ridgewater College	13,696,740	14,519,569	2.82%	7,240,590	7,066,717	14,307,306	(35,316)	14,271,990	2.78%	(247,578)	-1.7%	575,250	4.2%				
0307	Riverland College	10,449,053	11,111,599	2.16%	5,541,110	5,469,873	11,010,982	(27,179)	10,983,803	2.14%	(127,796)	-1.2%	534,750	5.1%				
0306	Rochester College	11,612,305	12,876,106	2.50%	6,421,031	6,468,797	12,889,828	(31,817)	12,858,011	2.51%	(18,095)	-0.1%	1,245,706	10.7%				
0206	Saint Paul College	11,767,842	12,728,953	2.48%	6,347,649	6,433,513	12,781,162	(31,549)	12,749,613	2.49%	20,660	0.2%	981,771	8.3%				
0309	South Central College	11,777,463	12,808,996	2.49%	6,387,565	6,526,428	12,913,992	(31,877)	12,882,116	2.51%	73,120	0.6%	1,104,653	9.4%				
0075	Southwest Minnesota SU	14,774,590	15,423,426	3.00%	7,691,323	7,429,436	15,120,760	(37,324)	15,083,436	2.94%	(339,991)	-2.2%	308,846	2.1%				
0073	St. Cloud SU	49,063,423	52,378,681	10.19%	26,120,096	25,677,179	51,797,275	(127,856)	51,669,419	10.08%	(709,261)	-1.4%	2,605,996	5.3%				
0208	St. Cloud TC	9,174,345	10,057,553	1.96%	5,015,481	5,128,836	10,144,316	(25,040)	10,119,276	1.97%	61,723	0.6%	944,931	10.3%				
0074	Winona SU	26,568,454	28,934,290	5.63%	14,428,894	14,588,610	29,017,504	(71,626)	28,945,878	5.65%	11,587	0.0%	2,377,424	8.9%				
TOTAL		479,609,598	514,109,598	100.00%	256,375,148	256,375,148	512,750,295	0	512,750,295	100.00%	(1,359,303)	-0.3%	33,140,697	6.9%				

256,375,148

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.

ADMINISTRATIVE SUPPORT

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

Data:

- 1) Expenditures of national data set of colleges and universities in similar Carnegie classifications
- 2) FTE enrollment of national data set of colleges and universities in similar Carnegie classifications
- 3) MnSCU college and university FYE enrollment

How it works:

A core cost and a variable cost is estimated using the administrative expenditures and enrollments of the national data set of colleges and universities in similar Carnegie classifications. The core and variable costs are calculated separately for colleges and universities. Beginning in FY2006, a three year rolling average of administrative support was added to improve predictability and create stability with this category.

General Description of Allocation Framework Components

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 spending level of the national data set, an institution's costs will be covered.

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 3) Utility costs; and 4) Leases.

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, and 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, Administration, 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.

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 benchmark, an institution's costs will be covered.

RESEARCH AND PUBLIC SERVICE

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

Data:

1) FY1999 expenditures of peer groups (unrestricted funds)
2) Total operating costs from the Instruction and Academic Support, Administration, Library and Facilities categories of the allocation framework

How it works:

The peers of MnSCU's colleges spend 1.17% of operating expenditures on research and public service. The peers of MnSCU's universities spend 2.62% of operating expenditures on these activities. These percentages are applied to an institution's total operating costs.

General Description of Allocation Framework Components

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 institution's costs will be covered.

ENROLLMENT ADJUSTMENT

Rationale for Approach: Accounts for the difference between how the state funding formula recognizes Non-resident and Non-reciprocity (NR/NR), Midwest Student Exchange Program (MSEP) and Post Secondary Enrollment Option (PSEO) 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, MSEP and PSEO 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 "existing" NR/NR by 50%.
- 3) Multiply the number of "current" MSEP by 50%.
- 4) Multiply the number of "new" NR/NR by 0% and PSEO by 50%.
- 5) Reduce an institution's per FYE allocation from #1 by the number of NR/NR, MSEP and PSEO in #2, #3 and #4 above.
- 6) Redistribute the total amount reduced for all institutions based on percent share of total allocation.

*"Existing" is defined as the enrollment prior to the year on which the framework is being run. "Current" is defined as the enrollment on which the framework is being run. "New" is defined as the change between the prior year (existing) and the year on which the framework is being run (current).

Principle Policy Choices that Impact Outcomes

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

TUITION OFF-SET

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

January 3, 2006

General Description of Allocation Framework Components

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.

Minnesota State Colleges and Universities
Change in Percent Share of Base Allocation: FY2001-2007

Institution	FY2001 Percent Share of Base Allocation	FY2007 Percent Share of Base Allocation	Change in Base Share FY2001-FY2007
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RURAL

Alexandria TC	2.10%	1.96%	-0.14%
Central Lakes College	2.44%	2.27%	-0.17%
Fond du Lac Tribal & CC	0.45%	0.48%	0.03%
Lake Superior College	2.21%	2.24%	0.03%
Minnesota SC-Southeast Technical	1.19%	1.26%	0.07%
Minnesota SU Moorhead	5.75%	5.63%	-0.12%
Minnesota SU, Mankato	9.67%	9.59%	-0.08%
Minnesota West College	2.48%	2.20%	-0.29%
Northeast Higher Education District	4.64%	4.13%	-0.51%
Pine TC	0.51%	0.46%	-0.04%
Ridgewater College	2.95%	2.78%	-0.16%
Riverland College	2.24%	2.14%	-0.10%
Rochester College	2.28%	2.51%	0.23%
South Central College	2.41%	2.51%	0.10%
Southwest Minnesota SU	3.21%	2.94%	-0.26%
St. Cloud SU	10.03%	10.08%	0.05%
St. Cloud TC	1.94%	1.97%	0.03%
Winona SU	5.68%	5.65%	-0.04%
CHANGE			-1.38%

METRO

Anoka Ramsey CC	2.24%	2.45%	0.21%
Anoka TC	1.39%	1.41%	0.02%
Century College	3.13%	3.47%	0.35%
Dakota County TC	2.16%	1.97%	-0.19%
Hennepin TC	3.77%	3.56%	-0.21%
Inver Hills CC	1.54%	1.73%	0.19%
Metropolitan SU	3.49%	3.64%	0.15%
Minneapolis College	3.31%	3.63%	0.32%
Normandale CC	2.51%	2.93%	0.42%
North Hennepin CC	1.76%	2.09%	0.33%
Saint Paul College	2.37%	2.49%	0.12%
CHANGE			1.70%

NOTE: The balance of the change is attributed to the institutions in the northwest part of the state that reconfigured during this period of time and, therefore, are omitted from this display (i.e., Bemidji SU/Northwest TC-Bemidji; Minnesota State College; and Northland College).

MnSCU Finance Division

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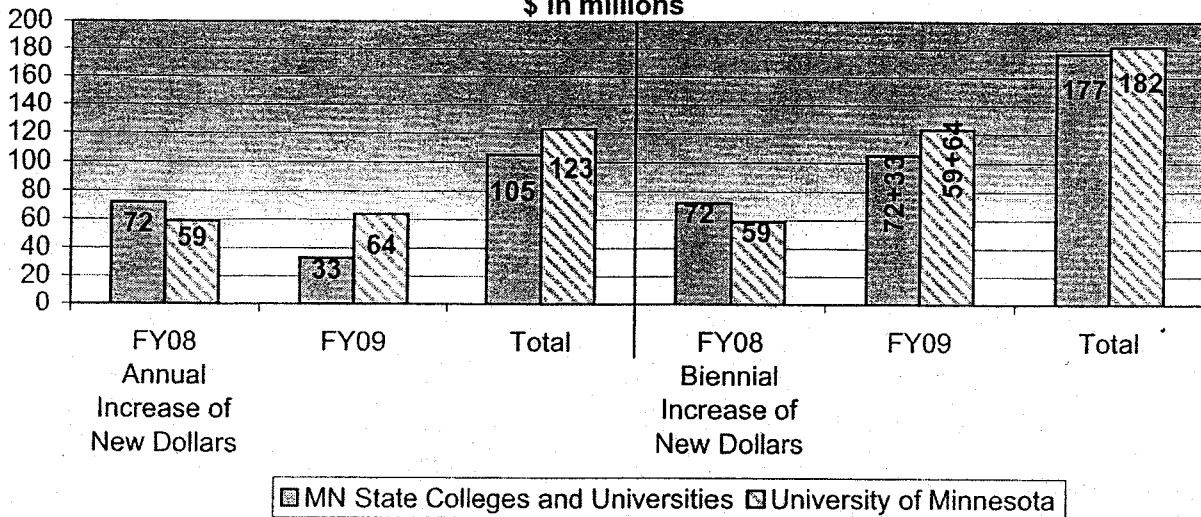
November 2, 2006

Minnesota State Colleges and Universities
 Example of Results of Academic Program Comparisons
 FY2005 data

Institution Name	CIP	CIP Description	LD FYE	Appropriation Expended	Institution Average Per FYE	Floor (92% of MnSCU Average)	Ceiling (112% of MnSCU Average)	Change
Anoka TC	0106	Horticulture/Mgmt	60.63	173,455	2,861	2,434	2,963	0
Anoka TC	1503	Electrical Eng/Tech	42.27	132,938	3,145	3,432	4,178	12,126
Anoka TC	2301	Engl Lang/Lit Gen	68.77	154,360	2,245	1,681	2,047	(13,598)
Anoka TC	2310	Speech/Rhetorical Studies	50.90	83,598	1,642	1,607	1,956	0
Anoka TC	26	Biol/Life Sciences	15.47	56,599	3,659	1,557	1,896	(27,275)
Anoka TC	27	Mathematics	57.97	128,805	2,222	1,617	1,969	(14,688)
Anoka TC	42	Psychology	64.00	70,157	1,096	1,299	1,582	12,990
Anoka TC	4302	Fire Protection	32.90	45,024	1,369	2,051	2,497	22,455
Anoka TC	4501	Social Sciences, Gen	25.33	38,574	1,523	1,691	2,059	4,270
Anoka TC	4603	Elec/Power Transm Install	159.77	351,169	2,198	2,404	2,927	32,939
Anoka TC	4605	Plumbing/Pipefitting	30.57	90,263	2,953	2,407	2,930	(699)
Anoka TC	4706	Vehi/Mobile Equip Mech/Repair	70.28	141,150	2,008	3,198	3,893	83,602
Anoka TC	4801	Drafting	49.80	135,579	2,722	2,961	3,605	11,891
Anoka TC	4805	Precision Metal Work	24.03	121,712	5,064	4,214	5,130	0
Anoka TC	480508	Welder/Welding Tech	43.13	121,392	2,814	2,836	3,453	947
Anoka TC	4901	Air Transport Workers	28.77	89,623	3,116	2,782	3,387	0
Anoka TC	510801	Medical Assistant	87.23	164,768	1,889	2,169	2,641	24,455
Anoka TC	510803	Occupational Therapy Assist	29.97	110,980	3,703	4,163	5,068	13,774
Anoka TC	510904	Emergency Medical Tech	52.67	77,614	1,474	2,368	2,883	47,102
Anoka TC	510909	Surgical/Oper Room Technician	50.07	146,069	2,917	2,656	3,234	0
Anoka TC	511613	Practical Nursing(L.P.N. Training)	189.43	541,250	2,857	2,797	3,405	0
Anoka TC	511614	Nursing Assistant/Aide	55.43	125,645	2,267	2,552	3,107	15,826
Anoka TC	5203	Accounting	20.40	42,074	2,062	2,062	2,510	0
Anoka TC	5204	Admin/Secretarial Serv	165.43	447,181	2,703	2,610	3,178	0
Anoka TC	5210	Human Resources Mgmt	18.43	43,917	2,382	1,831	2,229	(2,831)
Anoka TC	521201	Mgmt Info Sys/Busn Data Proc,	65.73	222,797	3,389	2,921	3,556	0
Anoka TC Total			1,559.38	3,856,695				223,285

FY2008-2009 Biennial Budget Comparison of Costing Methods

\$ in millions



Annual increase of new dollars is the year-to-year funding change. The biennial increase of new dollars is the increase over the last biennium. For example, the MN State Colleges and Universities are requesting \$72 million in FY08. Any new dollars added in FY08 are included in the FY09 funding request for a total biennial request of \$177 million.

Source: Star Tribune: Saturday, October 14, 2006.