

Background

SUMMARY

In 1991, the Minnesota Legislature passed a law mandating the merger of the state's community colleges, technical colleges, and state universities into one system on July 1, 1995. The Higher Education Board, which was created to oversee the merger process, made only limited progress in preparing for the merger, partly due to legislative attempts to repeal the merger law and limited financial and human resources. The 35 institutions that make up the MnSCU system currently serve approximately half of all post-secondary education students in Minnesota.

The Legislature mandated the MnSCU merger.

In 1991, the Minnesota Legislature passed a law mandating the merger of the state's community colleges, technical colleges, and state universities into one system on July 1, 1995.¹ Some legislators suspected that, operated separately, the three systems contained duplicate programs, campuses with excess capacity (while others were crowded), and duplicative administrative and student services among schools located in close proximity. In addition, they thought that lack of institutional cooperation created difficulty for some students transferring between systems. More generally, some legislators thought that the way higher education was organized in Minnesota resulted in too much focus on the systems' interests rather than on the higher education needs of the state or its students.

In this chapter, we address the following questions:

- **What factors affected the merger's progress between 1991 and 1995?**
- **What is MnSCU's current organizational structure?**

CREATION OF MnSCU

Prior to 1995, Minnesota had four systems of public higher education: the University of Minnesota, community colleges, technical colleges, and state universities. Each system had its own governance structure and mission. Governance of the technical college system was shared by a state board and local school districts; faculty were employed by school districts and belonged to 18 different local unions. Technical colleges focused on vocational and occupational education and only a limited number were accredited. Community colleges had a strong central office system that was directly involved with campus-level

¹ *Minn. Laws* (1991), ch. 356, art. 9. The University of Minnesota was not included in the merger.

Legislators wanted the merged system to improve education and increase efficiency.

administrative decisions and provided services to the campuses. Community colleges focused on two-year academic and occupational programs. State universities were governed by a state board but were allowed considerable independence in administering their academic programs. State universities focused primarily on four-year baccalaureate programs but also offered some master's degrees.

The University of Minnesota was not included in the merger. The university was established before Minnesota became a state, and it was granted significant autonomy under the state's constitution. In addition, the university's mission focuses a large proportion of its resources on graduate programs and advanced research.

The 1991 law mandating the merger of the public colleges and state universities also created the Higher Education Board to guide the process.² The Higher Education Board's mission, as stated in law, suggested that legislators expected the merger to result in improved education and increased efficiency. Specifically, the board was to:

develop administrative arrangements that make possible the efficient use of the facilities and staff of the former technical colleges, community colleges, and state universities . . . so that students may have the benefit of improved and broader course offerings, ease of transfer among schools and programs, integrated course credit, coordinated degree programs, and coordinated financial aid. In carrying out the merger of the three separate systems, the board shall control administrative costs by eliminating duplicative administrative positions and course offerings.³

The Legislature instructed the newly-established board to use the ensuing four-year interim to prepare for the merger. However, according to MnSCU staff and some published accounts of the merger, the Higher Education Board and its staff accomplished little in the four years leading to merger.⁴

There are several possible reasons for the lack of progress leading up to the merger. First, the merger was controversial and did not always have complete legislative support. In at least three legislative sessions subsequent to 1991, the House of Representatives passed bills to repeal the merger law.⁵ Although the Senate did not pass these bills, the Legislature did enact several bills that modified the 1991 merger law. For example, the 1993 Legislature passed a bill specifying that the three systems should maintain distinct missions.⁶ A later law specified that "the board shall provide autonomy to the campuses while holding them

² The Higher Education Board was the predecessor to the MnSCU Board of Trustees.

³ *Minn. Laws* (1991), ch. 356, art. 9, sec. 4.

⁴ Terrence J. MacTaggart, "The Human Side of Restructuring: Minnesota," in Terrence J. MacTaggart and Associates, eds., *Restructuring Higher Education: What Works and What Doesn't in Reorganizing Governing Systems* (San Francisco: Jossey-Bass Publishers, 1996), 132-156; and Steven Wallace, "In Search of Vision and Values: The Minnesota Higher Education Merger," in John Stewart Levin, ed., *Organizational Change in the Community College: A Ripple of a Sea Change?*, New Directions for Community Colleges, no. 102 (San Francisco: Jossey-Bass Publishers, 1998), 5-17.

⁵ *Minn. House* (1992), H.F. no. 2042; *Minn. Senate* (1993), S.F. no. 1407 (House amendment); and *Minn. House* (1995), H.F. no. 1856.

⁶ *Minn. Laws* (1Sp1993), ch. 2, art. 9, sec. 3.



During its transition years, the new system had limited resources to implement the merger.

accountable.”⁷ Other laws changed the authority originally granted to the board from “manage, supervise, and control” to “govern,” and from prescribing programs to approving them.⁸

Second, financial resources to facilitate the merger were limited. A \$1 million appropriation that was passed with the 1991 merger law was vetoed by Governor Carlson.⁹ According to an early report by the Higher Education Board, the Legislative Advisory Commission provided the board with limited funding during fiscal years 1992 and 1993. The board received legislative appropriations of \$900,000 for each of fiscal years 1994 and 1995, but an additional \$1.26 million appropriation to the board was vetoed, along with a \$3 million appropriation to the Department of Finance intended to help the department and board develop a new accounting system.¹⁰

A third factor affecting early planning efforts was human resources. In its early years, the Higher Education Board experienced turnover in the chancellor position and had a limited staff. The board had three interim chancellors between 1991 and 1995. Initially, the board’s staff consisted of one half-time assistant provided by

⁷ *Minn. Laws* (1996), ch. 398, sec. 33.

⁸ *Minn. Laws* (1995), ch. 212, art. 4, sec. 10, and *Minn. Laws* (1996), ch. 398, sec. 33.

⁹ This was one of several line-item vetoes to the higher education bill. Governor Carlson’s veto message said he made the line-item vetoes “in order to bring the higher education budget closer to my original recommendation.” (State of Minnesota, *Journal of the House*, 1991 77th Session, vol. 4, 8,795.)

¹⁰ These were two of several line-item vetoes to the higher education bill. Governor Carlson’s veto message said, “The items deleted...can and should be transacted in a regular budget year...” He also noted that, “Signing the bill does preserve the language authorizing the next steps in the higher education merger process, which I have consistently supported.” (State of Minnesota, *Journal of the Senate*, 78th Legislature, vol. 5, 1994 Session and Special Session with Index, 10,485.)

the Higher Education Coordinating Board.¹¹ A 1993 law said that the Higher Education Board should rely on staff in the existing post-secondary systems and elsewhere in government to the extent possible.¹² A 1994 board report said that the board's budget allowed for "a small core staff of seven full or part-time administrators."¹³ When the merger formally occurred in 1995, staff for the merged central office numbered just over 200.¹⁴

In spite of difficulties, the Higher Education Board and staff did engage in merger-related planning during the 1991-95 period, especially in the latter two years. Staff from the three merging systems participated in task forces that addressed different areas, such as student services, finance, human resources, and information systems.¹⁵ The work of these task forces resulted in recommendations to the Higher Education Board in several policy areas. Prior to and shortly after merger, the board adopted policies for admissions, post-secondary enrollment options, and chancellor-initiated program review, among others. And though there were problems with the new accounting and personnel information systems, they were in place by the time of the merger. In addition, Interim Chancellor Jay Noren and the board had started the process of consolidating some technical and community colleges.

On July 1, 1995, much remained to be done to build a single system of higher education. For example, there was not a systemwide student information system and the board had not adopted a policy on credit transfer, even though enabling legislation directed the board "to place a high priority on the transferability of credit among the institutions it governs."¹⁶ Some people told us that the four-year time lag between the passage of the merger law and the actual merger was an unproductive time, characterized by repeated legislative threats to the merger and too much planning with too little implementation.

THE MnSCU SYSTEM

The MnSCU merger resulted in dramatic organizational changes to Minnesota's systems of higher education. MnSCU now operates under a "shared governance" structure with powers, duties, and responsibilities delegated from the Legislature to the Board of Trustees, the chancellor, and college and university presidents. This section provides a brief description of the current MnSCU board and central office, as well as the size, location, and enrollments of institutions in the MnSCU system.

¹¹ Higher Education Board, *Preparing for Merger: Preliminary Plan and Timetable*, March 1, 1992, 26.

¹² *Minn. Laws* (1Sp1993), ch. 2, art. 1, sec. 8, subd. 3.

¹³ Higher Education Board, *Administrative Restructuring Issues*, January 1, 1994, 3.

¹⁴ Minnesota State Colleges and Universities, *Putting Students First: MnSCU's Plan for Minnesota*, 1997-2000, 7.

¹⁵ Higher Education Board, *Preparing for Merger*, March 1, 1992 and Higher Education Board, *Preliminary Merger Plan and Timetable*, September 1, 1993.

¹⁶ *Minn. Laws* (1991), ch. 356, art. 9, sec. 5, subd. 6.

The Board of Trustees

The Minnesota State Colleges and Universities system is governed by a 15-member citizen board. Trustees are appointed by the Governor, with the advice and consent of the Senate. The board must include three students and a resident of each congressional district.

The board has five committees: audit, educational policy, executive, finance/facilities policy, and personnel policy. It currently has an ad hoc legislative committee, a subcommittee on futures, and a subcommittee on trustees. The board holds its meetings over two days each month, with committee meetings followed by a full board meeting. The board has its own staff, consisting of an executive director/board secretary, two support staff, and an internal auditing unit that provides the board with information regarding various financial management and other practices of institutions and various operations within MnSCU.

In statute, the board is granted “the authority needed to operate and govern the state colleges and universities unless otherwise directed or prohibited by law.”¹⁷ The board has the authority to appoint a chancellor and all presidents, instructors, and employees; prescribe conditions of admission; set tuition and fees; review and approve or disapprove campus proposals for adding, deleting, or substantially changing programs of study; merge, reorganize, or close campuses; and approve institutions’ missions.

MnSCU operates under a “shared governance” structure.

In practice, the board delegates much of its authority to the chancellor and college and university presidents. For example, the chancellor directly appoints system administrators below the vice chancellor level without the board’s involvement. College and university presidents hire their own administrators. Additionally, the institutions are given the latitude to propose tuition rates, although the rates must be approved by the board before they can be implemented. The board directly oversees the chancellor, and the board makes final decisions on the selection of college and university presidents.

The Chancellor and Central Office

The chancellor serves as MnSCU’s chief administrative officer. As shown in Table 1.1, there have been six chancellors since the merger legislation was passed in 1991, including three chancellors who served between 1991 and 1995 and three since the actual merger in 1995.

According to statute, “the chancellor shall possess powers and perform duties as delegated by the board.”¹⁸ Under board policy, college and university presidents report directly to the chancellor, who is responsible for conducting their annual reviews and making recommendations for presidential appointments when there are vacancies. The chancellor also has responsibility for a wide range of tasks related to system management, budgeting, and planning. The chancellor is

¹⁷ *Minn. Stat.* (1998) §136F.06, subd. 2.

¹⁸ *Minn. Stat.* (1998) §136F.07.

Table 1.1: MnSCU Chancellors

<u>Pre-Merger</u>	
1991-1992	Mary Reider
1992-1993	Eric Radke (acting chancellor, December-January)
1993-1995	Jay Noren
<u>Post-Merger</u>	
1995-1995	Harry Peterson (acting chancellor, July-August)
1995-1997	Judith Eaton
1997-2001	Morris Anderson*

*Anderson was appointed as interim chancellor in May 1997 and permanent chancellor in November 1998. Anderson's contract expires in June 2001.

SOURCE: Office of the Legislative Auditor, July 2000.

assisted in these tasks by a presidents advisory council, three vice chancellors (academic and student affairs, finance, and human resources), and a central office staff of 325 employees.¹⁹

Institutions

Prior to the 1995 merger, the technical college, community college, and state university systems operated a total of 45 institutions on 62 campuses, including: 18 technical colleges on 34 campuses, 20 community colleges on 21 campuses, and 7 state universities each on its own campus. As shown in Table 1.2, there are currently 35 institutions in the MnSCU system on 53 campuses.²⁰

In 1999, 52 percent of all post-secondary education students in Minnesota attended institutions in the MnSCU system.²¹ MnSCU's total enrollment in for-credit courses for the 1999-2000 school year was nearly 150,000 students.²² Over 40 percent of MnSCU students enrolled in for-credit courses attend part time, including about half of the students at MnSCU's two-year institutions and over a quarter of the students at MnSCU's four-year institutions. When enrollment is standardized by credit hour, the number of "full year equivalent" (FYE) students for fiscal year 2000 is currently estimated to be just under 114,000. This is the highest enrollment since the MnSCU merger. Enrollments for institutions in the MnSCU system peaked at nearly 130,000 FYE in 1991.²³

¹⁹ This number includes 168 staff members assigned to a "campus service unit," roughly one-third of whom are information technology staff located on four campuses throughout the system.

²⁰ These numbers exclude Winona State University's Rochester Center and the state university program in Akita, Japan, which is scheduled to close in March 2003.

²¹ Higher Education Services Office, Preliminary Headcount Enrollment; <http://www.mheso.state.mn.us/cfdos/webdirectory/Common/Templates/MasterPg.cfm?PageID=426>; accessed February 7, 2000.

²² MnSCU also served approximately 250,000 students through non-credit customized training and continuing education.

²³ Enrollment levels have fluctuated in large part due to demographic changes in the number of graduating seniors but are also related to changes in the economy, among other factors (see Kerry Kinney Fine, *Higher Education Enrollments: Current Conditions and Recent Trends* (St Paul: Minnesota House of Representatives Research Department, January 1998)).

MnSCU has 35 colleges and universities located throughout Minnesota.

MnSCU receives revenue from a variety of sources including state appropriations and tuition and fees from students. Federal funding is received largely through need-based Pell grants. MnSCU's total operating budget for fiscal year 2000 is \$1.3 billion, with roughly 42 percent coming from state appropriations; 28 percent

Table 1.2: Institutions in the MnSCU System

Institution*	Location	FY99 Enrollment (FYE)
Technical Colleges		
Alexandria Technical College	Alexandria	1,864
Anoka-Hennepin Technical College	Anoka	1,289
Dakota County Technical College	Rosemount	1,592
Hennepin Technical College	Brooklyn Park, Eden Prairie	2,805
Minnesota State College - Southeast Technical	Red Wing, Winona	1,084
Northwest Technical College	Bemidji, Detroit Lakes, East Grand Forks, Moorhead, Wadena	3,415
Pine Technical College	Pine City	367
South Central Technical College	Faribault, Mankato	2,176
St. Cloud Technical College	St. Cloud	1,891
St. Paul Technical College	St. Paul	2,133
Community Colleges		
Anoka-Ramsey Community College	Cambridge, Coon Rapids	3,472
Fergus Falls Community College	Fergus Falls	1,158
Fond du Lac Tribal and Community College	Cloquet	477
Inver Hills Community College	Inver Grove Heights	2,382
Normandale Community College	Bloomington	4,174
North Hennepin Community College	Brooklyn Park	2,881
Rainy River Community College	International Falls	380
Consolidated Colleges		
Central Lakes College	Brainerd, Staples	2,457
Century College	White Bear Lake	4,015
Hibbing Community College	Hibbing	4,176
Lake Superior College	Duluth	2,123
Minneapolis Community and Technical College	Minneapolis	3,921
Minnesota West Community and Technical College	Canby, Granite Falls, Jackson, Pipestone, Worthington	2,079
Northland Community and Technical College	Thief River Falls	1,284
Ridgewater College	Hutchinson, Willmar	3,002
Riverland Community College	Albert Lea, Austin	1,952
Rochester Community and Technical College	Rochester	3,054
State Universities		
Bemidji State University	Bemidji	3,989
Metropolitan State University	St. Paul/Minneapolis	3,314
Minnesota State University, Mankato	Mankato	10,946
Minnesota State University, Moorhead	Moorhead	5,987
Southwest State University	Marshall	2,669
St. Cloud State University	St. Cloud	11,962
Winona State University	Winona, Rochester	6,426
Northeast Higher Education District		
Itasca Community College	Grand Rapids	873
Mesabi Range Community and Technical College	Eveleth, Virginia	1,162
Vermilion Community College	Ely	658

*MnSCU also has a program in Akita, Japan that is scheduled to close in March 2003. In addition to the 43 FYE American student enrollment, approximately 265 Japanese students attend the Akita campus program.

SOURCE: Office of the Legislative Auditor, July 2000.

from student tuition, fees, room, and board; 8 percent from federal grants; and 4 percent from state grants.²⁴

State appropriations to MnSCU's operating budget in the current biennium total \$1.1 billion.²⁵ By law appropriations are linked to both inflation and student enrollment.²⁶ After using the consumer price index (CPI-U) to control for inflation, state appropriations to the institutions that currently make up MnSCU have risen 24 percent since 1981, but they have fallen 1.5 percent since 1991. Enrollments have grown 10 percent since 1981 but fallen 10 percent since 1991. In current dollars, Minnesota appropriated \$4,420 per student in both 1981 and 1991, compared with nearly \$5,000 for fiscal year 2001.²⁷

As a percentage of the state's general fund, current funding levels for higher education in general, and MnSCU in particular, are at a 20-year low. The percentage allocated for higher education increased from 12.4 percent in 1981 to a high of 15.5 percent in 1987, and then decreased to 11.3 percent in 2001. The percentage allocated to MnSCU institutions increased from 5.8 percent in 1981 to a high of 6.7 percent in 1989, and then dropped to 4.8 percent of the total general fund budget in 2001.²⁸ Nationally, Minnesota ranks relatively high in the appropriation of state dollars to higher education: ninth in terms of higher education appropriations per capita, but seventeenth in terms of appropriations as a percent of personal income in the state.²⁹

With over 15,000 employees, MnSCU is the largest employer in state government.

MnSCU is the largest employer in state government, employing over 15,000 people (including 8,531 full-time employees).³⁰ The 8,577 faculty members are the single largest category of employees within MnSCU. The state universities employ approximately 3,000 faculty members, 14 percent of whom are part time. Two-year institutions employ approximately 5,000 faculty members, of whom 40 percent are employed part time.

²⁴ MnSCU, <http://www.budget.mnscu.edu/institution/April%202000%20Board/Current%20Funds%20Budgeted.htm>; accessed May 3, 2000. The remaining 18 percent is split among "carryforward" (10 percent), rents and sales (5 percent), private grants (1 percent), and other (2 percent).

²⁵ *Minn. Laws* (1999), ch. 214, art. 1, sec. 3. The amount listed includes \$13.2 million appropriated by the 2000 Legislature (*Minn. Laws* (2000), ch.489, art. 11, sec. 2).

²⁶ *Minn. Stat.* (1998) §135A.01.

²⁷ Office of the Legislative Auditor analysis of MnSCU data, <http://www.budget.mnscu.edu/Allocation/phase2/studygrps/adequacy/statesum1.htm>; accessed March 22, 2000.

²⁸ MnSCU, <http://www.budget.mnscu.edu/Allocation/phase2/studygrps/adequacy/statesum1.htm>; accessed June 8, 2000.

²⁹ Edward R. Hines, *State Higher Education Appropriations 1997-1998*, State Higher Education Executive Officers (Denver, March 1998). The rankings drop to twelfth and twentieth, respectively, if state and local appropriations are considered.

³⁰ Office of the Legislative Auditor, *State Employee Compensation* (St. Paul, February 2000), 7-8. Employee counts were provided by the Minnesota Department of Employee Relations.