Evaluation Report Summary: PE00-07a

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

The MnSCU Merger

August 22, 2000

There has been progress toward the goals of the merger, but significant issues remain.

Major Findings:

- The Minnesota State Colleges and Universities (MnSCU) system is still a "work in progress," moving in the right direction on many fronts but not as far along as it could have been. (p. 44)
- The merger has helped make it easier for students to transfer credits, but MnSCU could take additional steps. (pp. 13-14)
- The merger contributed to improved financial oversight of institutions, the creation of 11 "consolidated" community and technical colleges, and improved working relationships among staff from various colleges and universities. (pp. 28, 35, 19)
- MnSCU has implemented a uniform information system, but users at institutions still have concerns about the system's ability to meet their needs. (pp. 31-32)
- MnSCU's overall direction and purpose have not been sufficiently clear. (p. 46)
- Poor relationships among MnSCU's board, central office, and institution presidents have adversely affected organizational cohesion and morale. (p. 58)
- MnSCU presidents have divided opinions about whether the net impact of the MnSCU merger has been positive or negative. (p. 50)

Recommendations:

The MnSCU Board of Trustees and central office should:

- Develop a full array of performance measures, including measures that relate to higher education objectives identified in state law (*Minn. Stat*. (1998) §135A.053). (p. 49)
- Conduct periodic reviews of selected academic programs on a statewide basis. (p. 25)
- Clarify the role of the board as a whole compared to that of individual trustees. (p. 55)
- Evaluate options for addressing problems caused by the present faculty bargaining arrangements at two-year colleges. (p. 42)
- Increase their efforts to resolve the curriculum-related barriers to transferring occupational/technical credits to four-year institutions. (p. 21)

The full evaluation report, *The MnSCU Merger* (#pe00-07), includes the agency's response and is available at 651/296-4708 or:

www.auditor.leg.state.mn.us/ped/2000/pe0007.htm

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MnSCU needs clearer direction and continued progress on academic issues.

Report Summary

In 1991, the Minnesota Legislature passed a law that merged the previously separate state university, community college, and technical college systems—effective on July 1, 1995. Today, the Minnesota State Colleges and Universities (MnSCU) system has 35 institutions on 53 campuses, and it serves about half of all post-secondary education students in Minnesota.

MnSCU's Direction Has Sometimes Been Unclear

State law says that MnSCU's governing board should improve academic opportunities for students, make credit transfer easier, and reduce administrative and program duplication. Not all legislators thought that the merger was necessary to accomplish these goals, and there were several unsuccessful legislative efforts to repeal the merger law between 1991 and 1995. During this time, there was limited progress in preparing for the merger, partly due to the possibility that the merger law might be repealed.

Since the merger, there has been some confusion within MnSCU about the organization's overall direction. Some board members and institution officials think that MnSCU policy makers have paid too little attention to educational issues, and some think the organization needs a clearer long-term vision. Some institution officials have been unclear about what "plan" is guiding the system, and MnSCU leaders have not yet decided whether systemwide plans for academics and facilities should be developed.

MnSCU's central office has done limited measurement of progress toward key goals. MnSCU has not prepared a report on its performance that is required by Minnesota law, and most college and university presidents rate MnSCU's board and chancellor/central office as "fair" or "poor" in setting performance expectations for institutions and monitoring progress. MnSCU officials say they are working to develop better performance measures but that problems with the MnSCU information system have hindered progress.

Credit Transfer Has Improved, But State-Level Program Review Has Not

The MnSCU Board of Trustees and central office have taken several steps to address the goal of easier credit transfer. First, the board has developed a uniform, statewide transfer policy and a student grievance procedure to help resolve individual credit transfer disagreements. Second, the central office encourages MnSCU colleges and universities to jointly develop agreements that set forth how credits transfer between participating institutions. Third, MnSCU's central office is trying to make information more readily available through its transfer website and management information system.

Most MnSCU presidents, board members, institution and central office staff, and student association representatives agree that the merger has resulted in improved credit transfer, especially between MnSCU's two- and four-year institutions. Many presidents and staff also say that much work remains to be done, especially regarding occupational/technical credits. Progress has been slow, partly because MnSCU's board and central office rely largely on the institutions to take the necessary steps—and not all of them have done so.

Another goal of the merger was improved oversight of academic programs. The MnSCU board reviews all institution requests for new programs, considering issues such as duplication with other programs, student demand, and market demand. However, contrary to board policy, MnSCU's central office does not regularly report to the board on the efficiency or effectiveness of existing programs, nor does it have standards for doing so. Thus, review of existing programs is largely left to individual institutions.

Administrative Improvements Have Been Made, But Work Remains

MnSCU has laid the foundation for further administrative improvements.

By many accounts, MnSCU was not ready to meet the merger's significant administrative challenges in 1995. For instance, external audit reports indicate that many MnSCU institutions had significant financial management weaknesses in the years immediately following the merger.

Since the merger, however, MnSCU's governing board and central office have given serious attention to financial and administrative issues. For example, they have set policies to increase institutions' total reserves, monitored institution bank reconciliations, and increased external auditing of MnSCU affairs. In addition, MnSCU conducted systemwide studies of building conditions and space utilization, laying a foundation for improved capital decision making.

The merger of the three systems made possible 11 consolidations of community and technical colleges between 1994 and 1996. Officials at these colleges generally think that the consolidations widened educational options for students, but they have mixed views about whether the consolidations saved money. Also, the consolidated colleges still have two faculty bargaining units with different contract provisions, and this has impeded the full integration of these campuses.

MnSCU's central office assisted in developing a Twin Cities academic plan, which is an important step toward improved coordination of the institutions in the Twin Cities area. Implementing this plan will pose many challenges, but there has been an unprecedented level of cooperation among institution officials.

MnSCU has implemented a new management information system that, for the first time, allows for uniform information on all MnSCU institutions. This could become an important tool for management and accountability purposes. On the other hand, the system still needs work. For example, less than half of MnSCU presidents are satisfied with the information the system provides for managing budgets, personnel, enrollment, and faculty workloads.

MnSCU's central office has annually presented a single budget request to the Legislature for all of its institutions; before the merger, the Legislature received separate requests from the state university, community college, and technical college systems. The merger has not yet resulted in a significant change in the way that operating funds are allocated among MnSCU institutions, although MnSCU is working on a proposed method that it intends to begin implementing in fiscal year 2002.

"Shared Governance" Structure Needs More Cohesion and Support

Continued progress toward merger-related goals would be facilitated by the development of effective working relationships among MnSCU's board, chancellor and central office staff, and college and university presidents. In many cases, however, these relationships have been weak. Participants in this "shared governance" process have many concerns, including inadequate communication, unclear division of responsibilities, and occasional intervention in administrative matters by individual board members. At times, these problems have diverted MnSCU's attention from other matters and have damaged morale.

Changes in leadership have also been an important obstacle to organizational cohesion. For instance, Chancellor Judith Eaton left MnSCU in 1997, less than two years after she was appointed. In 1999, the board decided not to renew Chancellor Morris Anderson's contract, several months after he was selected as permanent chancellor. The board is now conducting a national search for a new chancellor.

MnSCU's board and chancellor rely on the system's institutions to implement the policies they adopt, so the support of these institutions is important to MnSCU's ability to move forward. However, college and university presidents have mixed views about the impact of the MnSCU merger on higher education in Minnesota, with state university presidents expressing particular skepticism. In addition, 35 percent of presidents say that the current governance structure—with one chancellor and one governing board—is the most appropriate one for Minnesota's public two-year colleges and state universities; 44 percent disagree, and 21 percent express no opinion.

MnSCU not only needs stronger internal support, but it also needs support from the Legislature. Many MnSCU officials think that the Legislature has not provided the financial and policy support needed to advance the goals of the merger.

Summary of Agency Response:

In a joint letter dated August 4, 2000, Chancellor Morris Anderson and MnSCU Board Chair Michael Vekich said that they "agree with the direction of the five recommendations" in the report. They cited recent or forthcoming actions by the board and central office that they believe are consistent with these recommendations.

The chancellor and board chair said that "the merger has resulted in increased access, quality and efficiency for public higher education in Minnesota." They noted that "the challenge of achieving success while faced with the complexity of the merger, as indicated in the report, should not be underestimated. Incompatible financial and information management systems had to be replaced and new systems created. New governance conventions had to be adopted, differing cultures had to be recognized, and new leadership styles had to evolve. Curriculum, procedures and protocol had to be examined and revised, where necessary, to fit in with the merged system. Conversion to semesters and Y2K computing problems were added challenges that MnSCU had to address." "Furthermore, it is essential for MnSCU to balance centralization with campus autonomy." The chancellor and board chair said that MnSCU will continue to work toward the goals of the merger, and they hope for the support of the Legislature and Governor.