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STATE OF MINNESOTA

EVALUATION REPORT

MnSCU System Office

Program Evaluation Division

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Evaluation Staff

James Nobles, *Legislative Auditor*

Joel Alter
Emi Bennett
Valerie Bombach
Jody Hauer
Deborah Junod
David Kirchner
Carrie Meyerhoff
Judith Randall
Sarah Roberts
KJ Starr
Julie Trupke-Bastidas
Jo Vos
John Yunker

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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

February 2010

Members of the Legislative Audit Commission:

In 1995, the Legislature created the Minnesota State Colleges and Universities (MnSCU)
system by merging the previously separate state university, community college, and technical
college systems. Today, MnSCU is one of the nation's largest public postsecondary
education systems, serving approximately 250,000 students a year with nearly 15,000
employees.

In response to legislative questions and concerns about the size and performance of MnSCU's
central administrative office, MnSCU Chancellor James McCormick and Board Chair David
Olson requested an evaluation by the Office of the Legislative Auditor. Their request was
approved by the Legislative Audit Commission in April 2009.

Our evaluation was conducted by Joel Alter (project manager) and Valerie Bombach, with
assistance from Britta Johnson. We received the full cooperation of the MnSCU Board of
Trustees, system office, and campuses.

Sincerely,

James Nobles
Legislative Auditor

Table of Contents

List of Tables and Figures

Summary

MnSCU needs a sizable "system office" to administer its current functions, but there should be greater oversight of the office's performance.

Major Findings:

- In fiscal year 2009, the Minnesota State Colleges and Universities (MnSCU) "system office" spent about $89 million to administer and oversee a system of 32 public colleges and universities. (p. 10)

- In recent years, system office expenditures grew faster than MnSCU's other expenditures. The office's growth was largely due to expanded services to campuses, especially in information technology (IT). (pp. 18-19)

- Campus officials have mixed views of the system office. They see some system office functions (such as legal and finance-related services) as critical supplements to what the campuses provide; they view some other functions (such as centralized fundraising) as adding little value. (pp. 25, 83, 94, 95)

- The system office has made important upgrades to MnSCU's IT network since 2007, while progress on IT projects intended to improve key MnSCU business functions has been mixed. (pp. 72-73)

- There may be opportunities for efficiencies through multi-campus (or perhaps centralized) delivery of some administrative services now provided by each institution. (p. 28)

- The system office has taken steps to improve student credit transfer among campuses, but concerns expressed by campus officials and student associations suggest that more work is needed. Also, the system office's past efforts to create "seamless" student services have had limited impact, although the office is now in the midst of a new effort. (pp. 53, 56-58)

- The Board of Trustees and chancellor have set clear goals for the system. Efforts to monitor progress toward these goals are improved but incomplete. (pp. 33-35)

Recommendations:

- MnSCU leaders should consider changes in organization, staffing, and oversight for certain system office activities. MnSCU should improve its ability to measure the performance of system office and campus administrative activities. (p. 43)

- The Board of Trustees should exercise stronger oversight of the system office. (p. 46)

- MnSCU should delegate authority to classify employee positions to selected campuses, and it should foster multi-campus service delivery for certain administrative services. (pp. 31-32)

- System office officials should improve the process for selecting and implementing new IT projects. (p. 80)

- The board should scrutinize professional/technical contracts more closely, and the system office should evaluate contractors' performance. (pp. 47, 80)

Report Summary

A system office of about 400 staff provides services to campuses, develops policies, helps ensure accountability, and advocates for resources to support MnSCU's mission.

In 1995, legislation created the Minnesota State Colleges and Universities (MnSCU) system by merging three separate systems for technical colleges, community colleges, and state universities. In fiscal year 2009, MnSCU's total revenues exceeded $1.8 billion. MnSCU's 32 colleges and universities served about 143,000 full-year-equivalent students in for-credit courses in fiscal year 2009.

The system is governed by a 15-member Board of Trustees. A chancellor serves as MnSCU's chief executive officer and oversees a "system office" that in fiscal year 2009 spent $89 million and had nearly 400 staff. This office provides services to campuses, develops system-wide policies, helps ensure system-wide accountability and fiscal integrity, and advocates for resources to support MnSCU's mission. MnSCU's 32 college and university presidents are employees of the system office, while other administrative staff for the institutions are not.

System office staffing and expenditures grew in recent years.

Between fiscal years 2002 and 2009, total system office spending (not counting compensation for presidents) grew by 52 percent, or 15 percent when adjusted for inflation. During this time, system office spending grew from 4.1 percent of total MnSCU spending to 4.6 percent. Between 2002 and 2009, the number of full-time-equivalent staff in the system office (not counting presidents) grew from 318 to 385.

This growth largely reflected expanded services to campuses,

addressing a mix of system office and campus-level concerns. There has been particular growth in information technology (IT), which grew from 36 percent of system office spending in fiscal year 2002 to 55 percent by fiscal year 2009. Much of this growth has occurred since 2007, when MnSCU used a significant share of its increase in state appropriations for IT investments.

System office expenditures for professional/technical consultants increased from about 15 percent of system office spending in fiscal year 2002 to nearly 21 percent in fiscal year 2009. Most of these consultants were used for IT-related projects.

MnSCU needs a sizable system office to administer its current functions, but there is also a need for improved oversight of its performance.

By placing all MnSCU institutions under a system-wide governance structure in 1995, state policymakers voiced their support for an ongoing level of system-wide direction, support, consistency, and accountability. Fifteen years after the merger, there are still important system-level activities to accomplish within MnSCU and many campus demands for assistance.

National literature and data on other states provide little basis for assessing the proper role and size of a system office. Thus, it is important to consider the views of campus officials, who are direct users and observers of many system office services. In most areas in which the MnSCU system office provides services, a majority of campus presidents said those services are provided effectively and efficiently. However, the presidents are split between those who think the MnSCU

Campus officials perceive that some system office activities "add value" to their own activities while others do not.

system office is too large and those who think it is about the right size.

The "right" size of the system office depends partly on the division of administrative responsibilities between this office and the campuses. MnSCU should delegate additional authority for tasks—such as employee job classification—to campuses with demonstrated capabilities in these areas. However, there are other tasks—such as payroll processing or financial aid administration—in which it may make sense for services now provided by each campus to be delivered through multi-campus or even centralized arrangements.

There has been limited measurement and board oversight of the system office's performance. The board is uniquely situated to monitor the system office, and it should play a stronger oversight role—for example, by reviewing more expenditure information and periodically reviewing the performance of specific activities.

The system office provides a wide range of services and performance varies.

The MnSCU system office consists of ten divisions, which address the following areas: (1) academic and student affairs, (2) finance and facilities, (3) information technology, (4) human resources, (5) legal counsel, (6) government relations, (7) public affairs, (8) development and fundraising, (9) diversity and multiculturalism, and (10) internal auditing.

Campuses perceive that some of these divisions have been especially helpful in "adding value" to their own services. For example, a survey of presidents showed widespread

opinion that the system office's legal, internal audit, and finance-related services are provided effectively and efficiently.

On the other hand, presidents expressed skepticism about the need for a system office Development Division. Campuses have their own foundations that conduct fundraising, subject to oversight by this division. Over the past four years, the division's fundraising efforts for system-wide purposes have yielded limited return on its expenditures.

The Academic and Student Affairs Division has some responsibilities fundamental to a higher education system, such as helping to ensure student success and overseeing the academic programs offered by campuses. However, the division's performance has been mixed. For example, easier student credit transfer among campuses was a key goal of the MnSCU merger, and the system office has implemented some helpful steps. But MnSCU's student associations and many campus officials cite the need for additional actions to facilitate transfer or better inform students about the transfer-ability of credits. Also, the system office's past efforts to promote "seamless" student services—especially for the benefit of students enrolled at multiple campuses—have had limited impact so far.

In some academic areas—such as oversight of campuses' customized training programs, coordination of professional development for faculty members, assistance to campuses in developing curriculum, and oversight of fire services training programs—the Board of Trustees and chancellor should carefully consider what role, if any, the system office is best suited to perform. In addition, the board should reconsider its credentialing

policies for two-year college faculty. In most fields, the system office has not yet implemented new minimum standards in response to the board's 2006 credentialing policy, and many campus officials perceive this process to be rigid and impractical.

Since 2007, the system office's Information Technology Services Division has successfully upgraded MnSCU's IT network, providing a more stable, reliable foundation for technology services throughout the MnSCU system. However, the system office's process for setting priorities among individual IT projects has not been very effective. For example, the projects initially selected exceeded staff resources and did not adequately recognize project interdependencies. In addition, the system office's management of IT projects has been weak, with too little input regarding user needs, too little user support once projects were implemented, and too little evaluation of contractors' performance.

The system office has implemented useful approaches for ranking investment priorities for capital projects and evaluating building conditions. However, the board and chancellor should consider options for streamlining the process for managing capital projects, particularly for institutions that have (or could develop) project management expertise. Also, improved system office guidance regarding design and budget parameters might help campuses avoid some capital planning expenditures.

The MnSCU system's goals and board-chancellor relationship have improved over time.

In 2000, a report by the Office of the Legislative Auditor concluded that

The system office has established a more stable information technology network, but its management of individual IT projects has been weak.

the five-year-old MnSCU system was moving in the right direction but had some unresolved governance problems. At that time, MnSCU leaders had not articulated sufficiently clear goals, they did not track progress toward these goals, and there was conflict in the board-chancellor relationship.

Today, MnSCU's goals—as expressed in its strategic plans—are clearer and more accepted by institution leaders than they were in 2000. For example, 84 percent of presidents in 2009 said that the board had done an "excellent" or "good" job of defining MnSCU's mission, compared with 48 percent of presidents in 2000.

The board and chancellor have taken important, but incomplete, steps to improve system-wide accountability. The board has adopted an "accountability dashboard," and the system office is tracking performance in six of ten areas in which the board wants measures. The chancellor evaluates presidents annually based on progress toward key goals, although some presidents question the timeliness of the process and the adequacy of the targets.

The current chancellor and board have a strong working relationship with each other. In addition, a majority of MnSCU presidents give the chancellor favorable ratings for his efforts to communicate with them. However, most presidents also think the board and system office sometimes involve themselves in issues the presidents believe are best left to campuses. Comments from campus officials indicate continuing tension about how MnSCU should balance the need for uniform, system-wide policies in certain areas with the desire of institutions for a reasonable amount of flexibility and autonomy.

Introduction

Minnesota has two public higher education systems: the University of Minnesota and the Minnesota State Colleges and Universities (MnSCU) system. The MnSCU system was created in 1995 through a merger of the state university, community college, and technical college systems. As a result, MnSCU's institutions provide a wide array of training and education, ranging from noncredit instruction to programs that result in diplomas, certificates, associate degrees, baccalaureate degrees, and advanced degrees.

In recent years, legislators have questioned the role and size of MnSCU's "system office," which provides a variety of services to MnSCU institutions, in addition to playing key roles in system governance, policy development, and oversight. In early 2009, the chair of MnSCU's governing board and MnSCU's chancellor requested the Legislative Audit Commission to authorize an evaluation of administrative operations within the MnSCU system. In April 2009, the commission directed our office to evaluate the MnSCU system office, and we addressed the following questions:

- **How has the MnSCU system office's spending changed over time, and what accounts for these changes?**

- **Have MnSCU's leaders provided clear direction for the system and monitored progress? Are there good working relationships between MnSCU's key administrative officials and the governing board?**

- **To what extent does the system office provide effective, efficient services? Are there opportunities for more efficiency or cost savings?**

To help us understand the activities of the system office, we interviewed the MnSCU chancellor, directors of each system office division, and numerous other system office staff. We also reviewed documents that described system office functions, and we obtained data related to system office expenditures, staffing, activities, and outcomes (where available). For example, we reviewed documents related to a sample of recent information technology projects to help us assess the process for selecting, planning, and implementing these projects.

Because a primary responsibility of the system office is to provide support and services to MnSCU institutions, we solicited opinions on the system office from campus officials. In August 2009, we sent surveys to the 32 presidents of MnSCU colleges and universities, and all of them responded. Among other things, we asked the presidents to rate the effectiveness and efficiency of 106 system office functions.[1] Appendix A summarizes selected results from this

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[1] We identified these functions based on a review of MnSCU documents and in consultation with MnSCU system office staff.

survey.[2] We surveyed presidents about the role and performance of the system office because we think their opinions deserve serious consideration. Presidents have firsthand experience working with the system office, and they are also in the forefront of delivering MnSCU services to students and local communities. Nevertheless, we recognize that opinion surveys yield subjective results that should be used cautiously. Furthermore, some presidents' opinions may reflect disagreements regarding policy decisions or administrative actions that are properly within the purview of the MnSCU governing board and system office.

To obtain additional perspectives, we surveyed several other groups of institution staff: chief academic affairs officers, chief student services officers, chief financial officers, chief human resources officers, chief information officers, and chief development officers. We also conducted phone and in-person interviews with many campus officials, and we interviewed representatives of MnSCU student associations, faculty bargaining units, the MnSCU Board of Trustees, and selected state agencies. Where possible, we obtained documents and data to independently assess system office activities on which people offered opinions.

We obtained information from higher education agencies in seven other states regarding the staffing and functions of their postsecondary system offices.[3] However, differences in the mission, composition, and size of states' higher education systems complicate efforts to make meaningful comparisons. Thus, we decided to present very limited information in this report based on these inquiries. In addition, we obtained federal data on higher education spending in all 50 states.[4] As we discuss in Chapter 2, these data do not isolate the expenditures of system office activities but have often been used in comparisons of states' overall higher education "administrative" spending.

The MnSCU system office is a large, complex organization. We examined many, but not all, of its activities. For example, MnSCU system office staff spend considerable time providing services to the chancellor, supporting the work of the Board of Trustees, and helping the board update its policies, but we did not systematically examine this work. Although we looked at activities performed by all of the system office's divisions (see Chapters 4 through 6), we gave greater attention to the two largest divisions (Academic and Student Affairs; Information Technology Services) that account for a majority of system office staff and expenditures. In addition, Chapter 2 provides aggregate information on the salaries and benefits of system office staff, but we did not conduct systematic comparisons of individual MnSCU officials with those of peers in other higher education systems.

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[2] Appendix A only summarizes responses from closed-ended questions; our survey also contained many open-ended questions.

[3] We obtained data on the following higher education systems: the University System of Georgia, the California State University System, the University of Wisconsin System, the Wisconsin Technical College System, the Oregon University System, the Oregon Community College System, the University of North Carolina System, the Virginia Community College System, and the University of Missouri System.

[4] The U.S. Department of Education's National Center for Education Statistics oversees collection of data for the Integrated Postsecondary Educational Data System (IPEDS).

1 MnSCU Overview

The Minnesota State Colleges and Universities (MnSCU) system is one of the largest higher education systems in the United States. This chapter provides background on the system and its governance structure, funding sources, and enrollment trends. The chapter also discusses interstate comparisons of system-wide administrative spending.

MISSION AND INSTITUTIONS

Until 1995, Minnesota's technical colleges, community colleges, and state universities were part of separate higher education systems, and each system had its own governing board. However, the 1991 Legislature required these three systems to merge under a single governing board, effective July 1995.[1] According to state law, the mission of the MnSCU system is:

> [T]o provide programs of study that meet the needs of students for occupational, general, baccalaureate, and graduate education…. The board shall develop administrative arrangements that make possible the efficient use of the facilities and staff of the technical colleges, community colleges, and state universities for providing these several different programs of study, 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.[2]

This statute also mandates that the various types of institutions in the merged system shall retain distinct missions. Table 1.1 lists the missions of each type of institution.

Today, the MnSCU system consists of 25 colleges and 7 state universities.[3] Colleges offer programs that can be completed by full-time students in two years or less; state universities offer baccalaureate and advanced degree programs. Figures 1.1 and 1.2 show the locations of these institutions. Several of the

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[1] *Laws of Minnesota* 1991, chapter 356, art. 9.

[2] *Minnesota Statutes* 2009, 136F.05.

[3] In reporting its number of institutions, MnSCU generally counts the Northeast Higher Education District (which includes five colleges under one president) as a single college. Also, it does not separately count Northwest Technical College, which is administered by the president of Bemidji State University.

Table 1.1: Missions of MnSCU Institutions

Technical colleges shall offer vocational training and education to prepare students for skilled occupations that do not require a baccalaureate degree.

Community colleges shall offer lower division instruction in academic programs, occupational programs in which all credits earned will be accepted for transfer to a baccalaureate degree in the same field of study, and remedial studies, for students transferring to baccalaureate institutions and for those seeking associate degrees.

Consolidated community technical colleges shall offer the same types of instruction, programs, certificates, diplomas, and degrees as the technical colleges and community colleges offer.

State universities shall offer undergraduate and graduate instruction through the master's degree, including specialist certificates, in the liberal arts and sciences and professional education, and may offer applied doctoral degrees in education, business, psychology, physical therapy, audiology, and nursing.

SOURCE: *Minnesota Statutes* 2009, 135A.052, subd. 1.

institutions have campuses at more than one location. One of MnSCU's significant accomplishments in the year following the 1995 merger was the creation of 11 consolidated colleges from community and technical colleges that previously were administered separately.[4]

GOVERNANCE

States use a variety of models for governance and coordination of their public higher education institutions. All but two states (Vermont and Michigan) have at least one statewide higher education agency established in statute. Among the 48 states with statutory higher education agencies, two general approaches are the most common. The first approach is a statewide **governing board**, with broad authority to set academic policy and oversee financial management of the institutions under its authority. Twenty-three states (including Minnesota) organize all public higher education under one or two statewide governing boards.[5] Minnesota has two statewide governing boards: the MnSCU Board of Trustees and the University of Minnesota Board of Regents.[6] The second approach is a statewide **coordinating board**, typically with authority limited to certain functions. Twenty-three states have statewide coordinating boards.[7]

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[4] Minnesota Office of the Legislative Auditor, *The MnSCU Merger* (St. Paul, 2000), 35-37.

[5] Vermont has a statewide voluntary planning entity that is not established in statute, and we did not count Vermont as having a statewide governing board or coordinating board.

[6] Minnesota is also one of five states with "higher education service agencies" that perform certain administrative functions. Two of these states have higher education service agencies but not governing or coordinating boards. In Minnesota, the Office of Higher Education administers some financial aid programs and is a statewide clearinghouse for some postsecondary information.

[7] In most of these states, the coordinating board has authority to approve new academic programs proposed by institutions, but some coordinating boards are advisory only. Statewide coordinating boards sometimes have other higher education functions, such as strategic planning, budget review, and data analysis.

Figure 1.1: MnSCU Institutions Outside the Twin Cities Metropolitan Area

Rainy River Community College
◆ *International Falls*

Northland Community and Technical College
◆ *Thief River Falls*

◆ *East Grand Forks*

Northeast Higher Education District

Vermilion Community College
◆ *Ely*

Mesabi Range Community and Technical College
◆ *Virginia and Eveleth*

Bemidji State University
Bemidji ◆

Northwest Technical College

Hibbing Community College
Hibbing ◆

Itasca Community College
◆ *Grand Rapids*

◆ Minnesota State University Moorhead
◆ *Moorhead*

◆ *Detroit Lakes*

Minnesota State Community and Technical College

Wadena ◆

◆ *Fergus Falls*

Fond du Lac Tribal and Community College
Cloquet ◆

Lake Superior College
◆ *Duluth*

Central Lakes College
◆ *Staples*   ◆ *Brainerd*

Alexandria Technical College
◆ *Alexandria*

Pine Technical College
◆ *Pine City*

St. Cloud Technical and Community College
St. Cloud ◆
St. Cloud State University ◆

◆ *Cambridge*

Anoka-Ramsey Community College

◆ *Willmar*

Ridgewater College
◆ *Hutchinson*

◆ *Granite Falls*

◆ *Canby*

Southwest Minnesota State University
Marshall

Minnesota West Community and Technical College

◆ *Pipestone*

South Central College
◆ *Faribault*

Minnesota State University, Mankato
◆ *North Mankato*
◆ *Mankato*

◆ *Red Wing*

Minnesota State College - Southeast Technical

Rochester Community and Technical College
◆ *Rochester*

◆ *Winona*
◆ Winona State University

◆ *Owatonna*

Riverland Community College
◆ *Austin*

Worthington ◆   *Jackson* ◆

◆ *Albert Lea*

NOTES: Locations are approximate. Shading indicates colleges with multiple campuses.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU, *Amazing Facts* (St. Paul, June 2009).

Figure 1.2: MnSCU Institutions Inside the Twin Cities Metropolitan Area

Anoka Technical College
◆ *Anoka*
Anoka-Ramsey Community College
◆ *Coon Rapids*

North Hennepin Community College

Hennepin Technical College
Brooklyn Park ◆ ◆ *Brooklyn Park*

Century College
◆ *White Bear Lake*

Minneapolis Community and Technical College
Minneapolis ◆

Saint Paul College
St. Paul
◆ ◆ Metropolitan State University
St. Paul

Hennepin Technical College
Eden Prairie ◆

◆ *Bloomington*
Normandale
Community
College

◆ Inver Hills Community College
Inver Grove Heights

Dakota County Technical College
◆ *Rosemount*

NOTE: Locations are approximate.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU, *Amazing Facts* (St. Paul, June 2009).

MnSCU is governed by a 15-member Board of Trustees.

MnSCU's Board of Trustees is the sole governing board for all of the MnSCU institutions, and the individual MnSCU colleges and universities do not have their own governing bodies. This is a common governance arrangement in public higher education systems. While the governing boards of America's private postsecondary institutions usually oversee a single institution, most of the country's public postsecondary governing boards oversee higher education systems that include multiple campuses.[8]

Minnesota statutes provide that:

> The [MnSCU] board shall have the authority needed to operate and govern the state colleges and universities unless otherwise directed or prohibited by law. The board is responsible for its operations and necessary decisions unless these are specifically delegated by law to a state department or agency.[9]

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[8] Aims C. McGuinness, *Governance and Coordination: Definitions and Distinctions* (Denver: Education Commission of the States, December 2001).

[9] *Minnesota Statutes* 2009, 136F.06, subd. 2.

The Governor appoints the 15 members of the MnSCU Board of Trustees with the advice and consent of the Senate.[10] Trustees serve six-year terms, except for three student trustees who serve two-year terms. The board must have at least one member who lives in each of Minnesota's eight congressional districts, and one trustee must be appointed to represent organized labor.

State law authorizes the board to appoint a chancellor for the system, and the chancellor has powers and duties as delegated by the board.[11] Since the merger, there have been three chancellors: Judith Eaton (1995-97), Morris Anderson (1997-2001), and James McCormick (2001-present). According to board policy:

> The chancellor shall be the chief executive officer of the Minnesota State Colleges and Universities system and shall have full executive responsibility for higher education leadership and effective management and operation of the system according to Board policies and state and federal laws. The chancellor's duties and responsibilities shall include but not be limited to implementing Board policy; providing for educational leadership; recommending operating and capital budgets; recommending allocation of resources; planning; oversight of collective bargaining; providing information systems; management of personnel resources; annual evaluation of the presidents; and establishment of committees, including a presidents' advisory council.[12]

The chancellor is MnSCU's chief executive officer, and he is supported by 32 presidents and a "system office" of nearly 400 employees.

The chancellor administers the MnSCU system with the help of a staff of about 400 people.[13] The Office of the Chancellor is often called the "system office." Figure 1.3 shows the organization of the system office. About three-fourths of system office staff (excluding campus presidents) are based in MnSCU's St. Paul headquarters.[14] The chancellor has more than 40 staff in the St. Paul headquarters and at campuses who report directly to him, including all 32 college and university presidents.

Minnesota statutes do not contain a specific requirement for MnSCU to operate a system office, although a few provisions in law reference this office.[15] Thus, the MnSCU board and chancellor have wide latitude to determine the system office's size and scope. A 2002 MnSCU study identified several key system office functions: (1) providing services to campuses; (2) developing system-wide

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[10] *Minnesota Statutes* 2009, 136F.02, subd. 1.

[11] *Minnesota Statutes* 2009, 136F.07.

[12] MnSCU Board of Trustees Policy 1A.3, part 2.

[13] As noted in Chapter 2, MnSCU had 385 full-time-equivalent employees in fiscal year 2009, not counting the college and university presidents.

[14] With a few exceptions, the system office staff who are based at locations other than St. Paul work in the Information Technology Services Division.

[15] State law requires each MnSCU institution, in consultation with the system office, to develop procedures for entering into professional and technical contracts (*Minnesota Statutes* 2009, 136F.581, subd. 4). This chapter's other references to "system office" or "board office" appear to authorize, but not require, certain system office activities.

Figure 1.3: MnSCU System Office Organization Chart

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                          ┌──────────────┐
                          │   Board of   │
                          │   Trustees   │
                          └──────────────┘
     ┌───────────────┐           │
     │  Office of    │───────────┤
     │  Internal     │           │
     │  Auditing     │- - - ┌──────────────┐
     └───────────────┘      │  Chancellor  │
                            └──────────────┘
                                   │
  ┌────────┬────────┬────────┬─────┴────┬────────┬────────┬────────┬────────┐
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| Academic and Student Affairs Division | Develop-ment Division | Diversity and Multi-culturalism Division | Finance and Facilities Division | Government Relations Division | Human Resources Division | Information Technology Services Division | Office of General Counsel | Public Affairs Division |
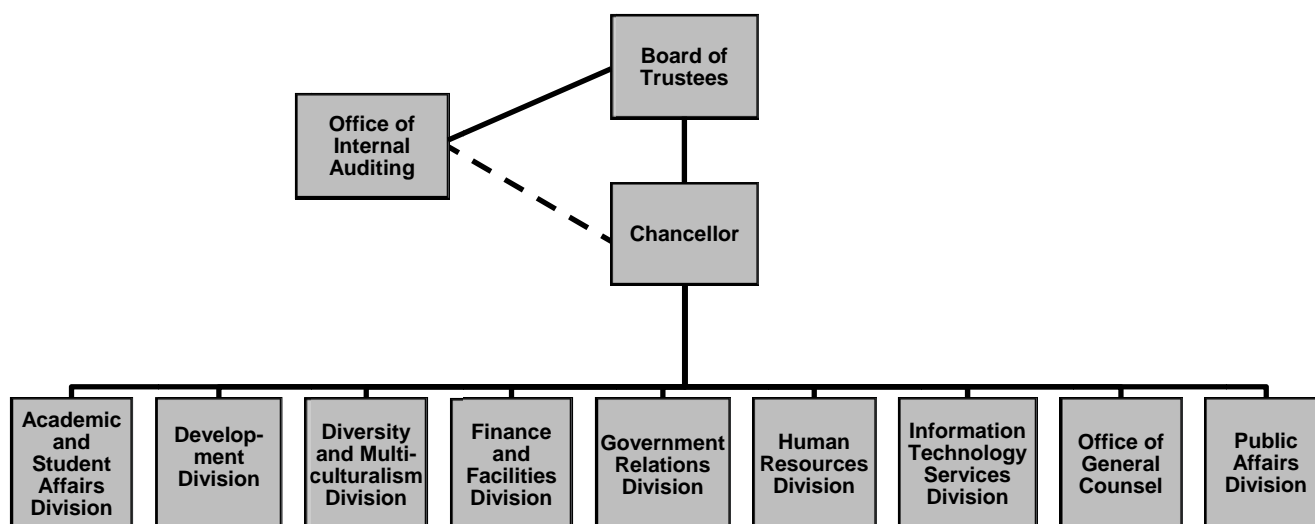
SOURCE: Office of the Legislative Auditor, based on MnSCU documents.

policies; (3) ensuring system-wide accountability for fiscal integrity, student success, and progress toward key objectives; and (4) advocating for resources to support the system's mission.[16] As we discuss in Chapter 2, most of the system office's resources are spent on services to campuses.

The Board of Trustees and chancellor have discretion to determine the division of administrative responsibilities between the system office and campuses. In general, the system office provides services that the board or chancellor have decided can be provided more effectively, efficiently, or consistently in a centralized manner. In addition, the system office conducts some activities to comply with state or federal mandates (such as state-mandated approvals of academic programs and federally mandated reviews of compliance with civil rights laws). State law directs the governing board and system administrators to (1) prevent wasteful or unnecessary public spending; (2) use innovative fiscal and human resources practices; (3) coordinate activities where appropriate with those of the University of Minnesota and state agencies; (4) use technology to increase productivity, improve services, and increase public access to information and services; and (5) use constructive labor-management practices.[17]

Upon the recommendation of the chancellor, the MnSCU board appoints presidents to be the chief administrators of MnSCU colleges and universities.

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[16] Leadership Council Human Resources Committee, *Functional Assessment of the Office of the Chancellor: Report and Recommendations* (St. Paul, May 2002), 9. Based on this report, MnSCU began tracking expenditures for the system office's "campus services" (sometimes called "shared services") separately from system office expenditures for its policy, planning, oversight, and governance activities.

[17] *Minnesota Statutes* 2009, 135A.052, subd. 1(b).

The chancellor delegates authority to each president to manage the affairs of his or her institution, subject to federal and state laws, board policies, system office procedures, and state agency policies. Presidents are considered to be employees of the system office.

FUNDING

In fiscal year 2009, state appropriations accounted for 36 percent of MnSCU's $1.8 billion in total revenues.

Funding for the MnSCU system comes from a mix of state and federal funds, tuition, fees, and private sources, as shown in Figure 1.4. MnSCU's total funding for fiscal year 2009 exceeded $1.8 billion. About 39 percent of MnSCU's revenues came from student tuition, fees, and room and board, followed by state appropriations (36 percent), federal, state, and private grants (17 percent), and other revenues (8 percent).[18]

Figure 1.4: MnSCU System Revenues, Fiscal Years 2002, 2005, 2009

Dollars (in Thousands)
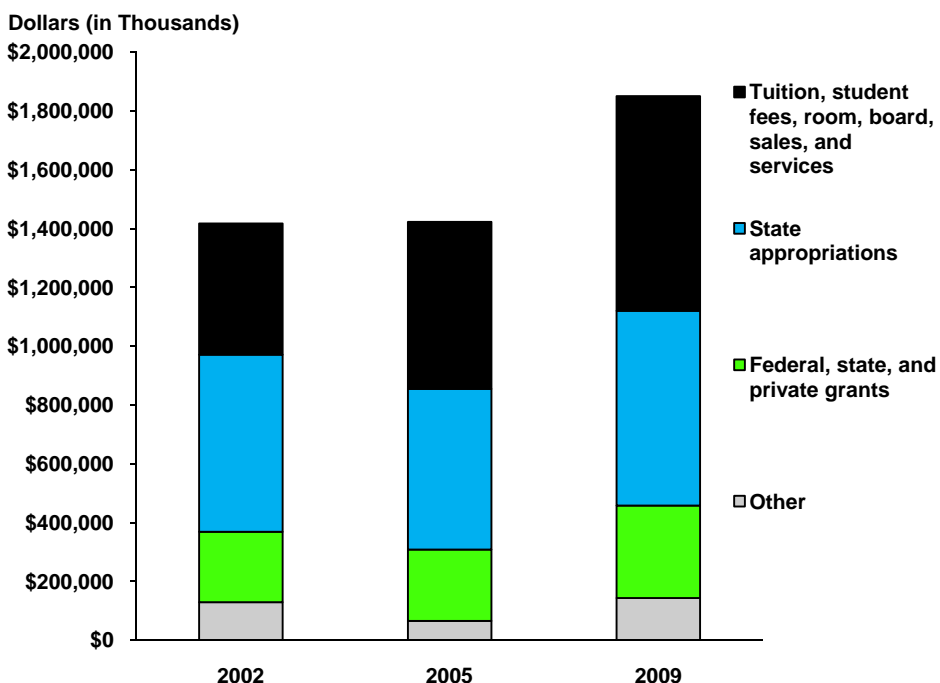
NOTES: Revenues are unadjusted for inflation. "Other" category includes capital appropriations, interest, lending income, and other revenues.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU annual financial statements.

State law says MnSCU's general fund appropriations should be based on performance in advancing higher education objectives for the state, available budget resources, and other factors.[19] As a percentage of MnSCU revenues, state

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[18] "Other" category includes capital appropriations, interest, lending income, and other revenues.

[19] *Minnesota Statutes* 2009, 135A.031, subds. 1 and 7.

appropriations decreased from 42 percent in 2002 to 36 percent in 2009, while revenues from tuition and fees increased from 31 percent to 39 percent. Unadjusted for inflation, state general fund appropriations to the MnSCU system overall increased from $602 million to $662 million (10 percent) during this period.[20] Meanwhile, tuition and fees increased from $446 million in 2002 to $730 million in 2009, a 64 percent increase.[21]

System office expenditures totaled about $89 million in fiscal year 2009.

Unlike institutions in the MnSCU system, the MnSCU system office is funded mostly by state general fund appropriations. System office expenditures (from all fund sources) totaled about $88.7 million in fiscal year 2009, with about 93 percent coming from state appropriations, 4 percent from grants, and 3 percent from other funds. In fiscal year 2009, system office spending represented 5.1 percent of total MnSCU expenditures.[22] This included about $8.3 million for the 32 campus presidents' salaries and benefits.

The MnSCU system office receives funding for its operations in a number of ways. First, the system office allocates the state's general fund appropriation among itself and the system's institutions. Before allocating appropriations to the institutions, the system office holds back an amount for certain services it provides for the benefit of campuses—such as computer support services—and for presidents' compensation. Second, the system office sets aside state general funds for priorities or initiatives identified by the Board of Trustees or the Legislature. For example, the system office held back $1.9 million in fiscal year 2008 for items ranging from $50,000 for a human resources applicant tracking system to $600,000 for system-level marketing expenses. Third, the system office charges some or all institutions for mid-year initiatives it undertakes, such as leadership training for institution staff. (We discuss issues pertaining to system office charges to the institutions in Chapter 3.) Finally, the system office receives funding from other sources to cover the costs for some system office employees. For instance, MnSCU's director of risk management and some other staff are paid for out of dividends returned to the institutions from the state's risk management fund.

ENROLLMENT

Figure 1.5 shows recent trends in MnSCU's enrollment in courses taken for credit, measured by (1) the annual unduplicated student headcount and (2) the number of full-year-equivalent (FYE) students.[23] During the 2002-09 period,

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[20] This amount was reduced from $689 million following budget reductions in February 2009.

[21] When adjusting for inflation using the Higher Education Price Index, state general fund appropriations decreased 16 percent from fiscal year 2002 to fiscal year 2009, while tuition and fees increased 24 percent.

[22] Chapter 2 discusses trends in system office spending. However, it is worth noting that the 2009 Legislature imposed a cap on system office spending for the fiscal year 2010-11 biennium (*Laws of Minnesota* 2009, chapter 95, art. 1, sec. 4, subd. 3).

[23] Headcount enrollment represents the number of individuals enrolled in at least one course during this period, with each individual counted only once. Full-year-equivalent enrollment represents the total number of undergraduate credits awarded in a given year divided by 30 (30 credits is considered a full course load) and the total number of graduate-level credits divided by 20.

Figure 1.5: MnSCU Student Enrollment in For-Credit Courses, Fiscal Years 2002-09

Between fiscal years 2002 and 2009, MnSCU's full-year-equivalent enrollment grew by 14 percent.
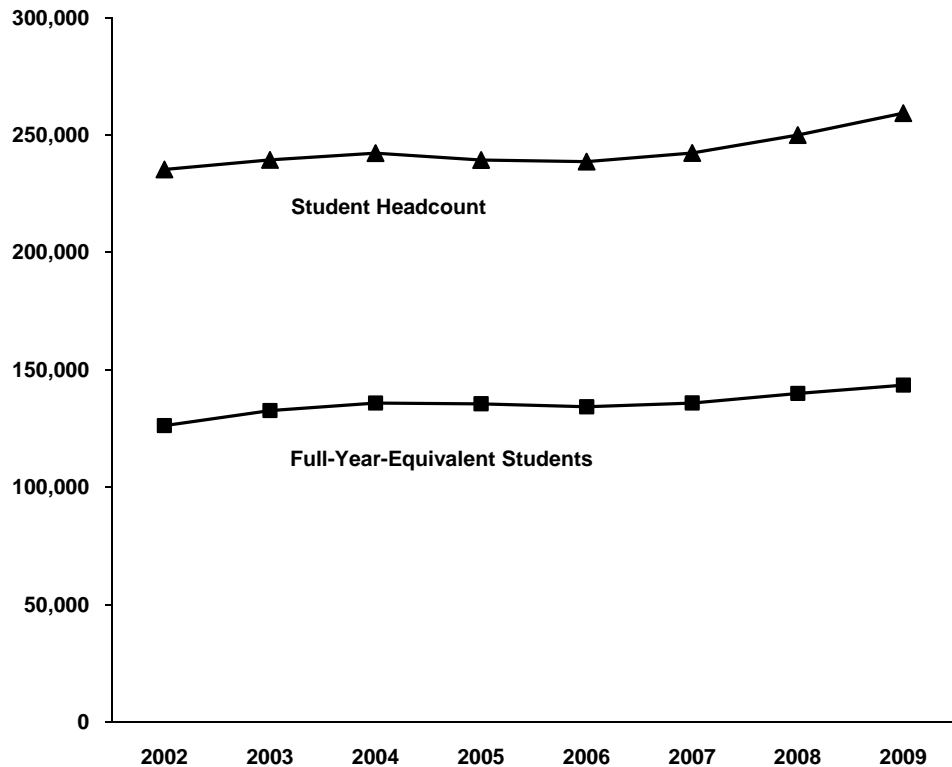
NOTES: "Headcount" is the unduplicated number of students enrolled over the course of the year. "Full-year-equivalent" is the total number of credits taken during the year divided by the number of credits considered to be a full-time course load.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU student enrollment data.

headcount enrollment increased about 10 percent, while FYE enrollment increased about 14 percent.

MnSCU institutions vary greatly in size, which can affect their administrative capabilities. Enrollments at MnSCU institutions in fiscal year 2009 ranged from 260 full-year-equivalent students at Rainy River Community College to 14,534 at St. Cloud State University.[24] Individual administrative staff at MnSCU's smallest institutions are often responsible for multiple tasks, while larger institutions are more likely to have full-time, specialized staff for these activities. Unadjusted for inflation, overall system spending increased about 18 percent per FYE and 22 percent per student headcount between 2002 and 2009. Adjusted for inflation using the Higher Education Price Index, spending per FYE decreased 10 percent, and spending per student headcount decreased 7 percent.

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[24] Enrollment numbers are based on MnSCU's March 2009 projections.

In fiscal year 2009, MnSCU institutions also served about 183,000 students (unduplicated headcount) in noncredit continuing education and "customized training" courses.

SYSTEM-WIDE ADMINISTRATIVE SPENDING

MnSCU's "system-wide" administrative responsibilities are divided between those performed by the system office and those performed by individual institutions. MnSCU officials have used data collected by the federal government to compare MnSCU's system-wide (campus plus system office) administrative expenditures with those of higher education systems in other states. In 2009 testimony to legislators and the Board of Trustees, system office officials said MnSCU had lower system-wide administrative costs per student than comparable systems in nearly all other states. Some trustees told us that if this was not the case, the board might be inclined to review system office expenditures more closely. We analyzed the federal data and found that:

- **MnSCU's national ranking on system-wide administrative spending per student depends on which categories of spending are included in the analysis.**

In 2009, MnSCU officials testified that MnSCU's system-wide administrative spending per student ranked 46th highest among 50 states.[25] This analysis was based solely on costs categorized as "institutional support" for federal reporting purposes.[26] We verified MnSCU's analysis, finding that its aggregate reported fiscal year 2007 costs per full-year-equivalent student in the institutional support category ($1,194) were, in fact, 18 percent lower than the average costs reported by comparable institutions nationally ($1,456).[27]

However, higher education researchers sometimes define administrative expenditures more broadly, looking at the sum of expenditures for the federal government's "institutional support," "academic support," and "student services"

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[25] MnSCU officials discussed this analysis at the January 29, 2009, meeting of the Minnesota House of Representatives Higher Education and Workforce Development Finance and Policy Committee and the February 12, 2009, meeting of the MnSCU Board of Trustees Finance, Facilities, and Technology Committee. The analysis was based on an analysis of public institutions that were comparable to those in MnSCU.

[26] According to the federal government's Integrated Postsecondary Education Data System, the "institutional support" category should include: general administrative services; central executive-level activities related to management and long-range planning; legal and fiscal operations; space management; employee personnel and records; information technology related to institutional support; public relations; development; and logistical activities such as purchasing and printing. Three-fourths of system office expenditures are categorized as institutional support costs.

[27] In fiscal year 2007, MnSCU's total system office spending per full-year-equivalent student was $464, not counting the salaries of presidents. Thus, system office costs are a significant share of system-wide administrative costs, however "administrative" is defined.

MnSCU's ranking among state higher education systems depends on which definition of "administration" is used.

categories.[28] Although the academic support and student services categories sometimes include nonadministrative expenditures (such as intercollegiate athletics and libraries), they also include expenditures for campuses' registrars, admissions offices, financial aid offices, academic deans, and various other administrative activities in academic and student services.[29] Also, the definitions of the federal spending categories provide institutions with some flexibility to accommodate differences in their budgeting and financial reporting practices.

When we analyzed aggregate costs per student for institutional support, academic support, and student services, the federal 2007 data showed that MnSCU's costs per student ($3,988) were 16 percent higher than those of comparable institutions nationally ($3,439). In addition, when we compared the costs reported by individual MnSCU schools with those of institutions deemed comparable to them by the federal government, the MnSCU institutions nearly always had lower institutional support costs and higher costs for academic support and student services.[30]

Thus, rankings of MnSCU's overall "administrative" costs with other states depend considerably on the definition of administrative costs used. Based solely on the category (institutional support) that is used to report most of MnSCU's system office's expenditures, MnSCU has below-average system-wide administrative costs. Based on a broader measure of administrative spending, MnSCU's system-wide administrative spending is somewhat above average.

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[28] For example, see Larry L. Leslie and Gary Rhoades, "Rising Administrative Costs: Seeking Explanations," *Journal of Higher Education* 66, n. 2: 187-212 (1995); and David W. Hedrick, Charles S. Wassell, Jr., and Steven E. Henson, "Administrative Costs in Higher Education: How Fast Are They Really Growing?" *Education Economics* 17, n. 1: 123-137 (2009).

[29] Among MnSCU's 37 institutions (separately counting colleges that are jointly administered with other MnSCU institutions), 24 participate in some intercollegiate athletics. MnSCU institutions report intercollegiate athletics costs as "student services" expenditures for federal reporting purposes, but some institutions in other states report these costs as "auxiliary enterprise" or other costs.

[30] We used the Integrated Postsecondary Education Data System's online "executive peer tool" to identify institutions deemed comparable to each MnSCU institution by the federal government.

2 System Office Spending and Staffing

Given MnSCU's size and organizational complexity and the Legislature's push for more coordination among its various parts, it is reasonable for MnSCU to have a central administrative office under the direction of the chancellor. However, the functions this office should perform—and, thus, the office's size—are open to debate. This chapter reviews trends in the MnSCU system office's spending and staffing, and it discusses possible changes in the division of responsibilities between the system office and campuses.

BACKGROUND

Before the 1995 MnSCU merger, the central offices of the previously separate higher education systems played different roles. The community college system office performed many administrative functions on behalf of its member institutions. A 1992 Office of the Legislative Auditor report said that the central office accounted for 39 percent of the community college system's total administrative expenditures.[1] The state university system's institutions tended to be larger and more self-sufficient. The report said the central office of that system was relatively small, accounting for only 12 percent of the state university system's total administrative expenditures.

A report by our office in 2000 said there were "unresolved questions about the proper size and function of MnSCU's central office staff."[2] Particularly at larger institutions, staff complained that the system office was too big, required too much paperwork, responded too slowly to requests, or was indifferent to unique institutional needs. In contrast, staff from smaller institutions were more likely to express a desire for more centralized assistance.

We reviewed national literature and data in search of benchmarks against which the MnSCU system office could be measured. We found:

- **National literature and data on other states provide little basis for assessing the proper role and size of a higher education system office.**

First, there are no accepted standards for evaluating a system office's performance or configuration. Few studies have attempted to assess whether higher education systems "add value" to the contributions of individual

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[1] Minnesota Office of the Legislative Auditor, *Higher Education Administrative and Student Services Spending: Technical Colleges, Community Colleges, and State Universities* (St. Paul, 1992), 128-129. This analysis was based only on "institutional support" activities (as defined for federal reporting purposes) at both the system office and campuses.

[2] Minnesota Office of the Legislative Auditor, *The MnSCU Merger* (St. Paul, 2000), 40.

institutions.[3] Also, states use very different models for overseeing their public higher education systems, so it is difficult to generalize from the experience of individual states. Fewer than half the states have a statewide governing board and system office (like MnSCU), and these systems oversee a diverse array of institution types and sizes.

Second, data on system office staffing we obtained from higher education systems in seven other states provided limited insight on the "right" size of a system office.[4] At a broad level, we observed that the categories of functions provided by the MnSCU system office—for example, financial management, facilities planning, human resources administration, oversight of academic affairs, legal counsel, and external relations—are similar to functions provided by most of the other system offices we reviewed. However, differences in the staffing levels of the system offices depend on the size and nature of the institutions in the system, the system office's role in governance, whether some services are delivered by state agencies, and other factors.

The lack of comparative data and standards complicated the task of evaluating MnSCU's system office.

Third, the federal government collects extensive data on higher education expenditures, but the data provide no basis for directly comparing system office expenditures. Federal law requires U.S. institutions that participate in federal student aid programs to annually report data on their finances and other characteristics. However, the federal government has no specific requirements for how institutions should report system office expenditures made on their behalf.[5] Although institutions may incorporate system office expenditures into the data they report to the federal government, there is no separate reporting in the federal data regarding system office spending.

Fourth, there are limited data within the MnSCU system that enable comparisons of the "unit costs" of specific campus-level administrative services. For example, it would be useful to see differences among MnSCU institutions in the average cost for each payroll processing transaction. Such data might help identify campuses that are more or less efficient in providing these services. However, system office officials told us that the institution-level data available for such comparisons are generally inadequate. Lacking this data, it is difficult to empirically assess whether there are opportunities for greater efficiencies through additional centralization of services.

The lack of clear standards and comparative data complicate the task of evaluating a higher education system office. However, it is important to consider that a primary function of the MnSCU system office is leading and serving the colleges and universities that compose the system. This is why our evaluation examined issues related to governance and system oversight (Chapter 3) and system office services (Chapters 4 through 6). In fact, MnSCU data indicate that 85 percent of system office expenditures were for direct services to campuses in

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[3] Mark G. Yudof, "Are University Systems A Good Idea?" *Chronicle of Higher Education*, February 15, 2008, A37.

[4] We selected these systems based partly on advice from national higher education experts and MnSCU officials.

[5] In addition, the federal government does not provide specific instructions about how or whether system office expenditures should be allocated to the member institutions.

fiscal year 2009.[6] Because services to campuses account for such a large share of the system office's spending, it is important to consider the views of campus officials regarding the system office's effectiveness and efficiency. Thus, while we considered objective data on system office performance where possible, we also relied on surveys we conducted of presidents and other campus officials.

STAFFING AND SPENDING TRENDS

Table 2.1 shows several measures of MnSCU's system office spending and staffing between fiscal years 2002 and 2009. During this period, total spending by the system office grew from $53.2 million to $80.4 million, a 52 percent increase. Adjusted for inflation using an index of higher education prices, the growth in system office expenditures from 2002 to 2009 was 15.4 percent. Table 2.1 does not include the increase in system office costs that occurred when MnSCU started in fiscal year 2007 to count institution presidents' salaries and benefits as system office expenditures rather than campus expenditures.[7] As

Table 2.1: System Office Expenditures and Staffing, Fiscal Years 2002, 2005, 2009

	FY 2002	FY 2005	FY 2009	Percentage Change 2002-09
Total System Office Expenditures (in thousands)				
Unadjusted for Inflation	$53,022	$52,545	$80,369[a]	51.6%
In 2009 Dollars	69,625	60,947	80,369	15.4
System Office Expenditures per Full-Year-Equivalent Student				
Unadjusted for Inflation	$420	$388	$560	33.4%
In 2009 Dollars	552	450	560	1.6
System Office Expenditures per Student Headcount				
Unadjusted for Inflation	$225	$220	$310	37.6%
In 2009 Dollars	296	255	310	4.8
System Office Expenditures as a Percentage of Total MnSCU Expenditures	4.1%	3.8%	4.6%	12.8%
System Office Full-Time-Equivalent Employees	318	314	385[b]	21.3

NOTE: Expenditures reported in 2009 dollars were adjusted using the Higher Education Price Index.

[a] Excludes about $8.3 million for presidents' salaries, benefits, and related expenditures.

[b] Excludes 32 full-time-equivalent campus presidents.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU expenditures, staff, and student enrollment data.

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[6] This excludes expenditures for presidential compensation, debt service, and grants to outside agencies.

[7] Each institution reimburses the system office for its president's salary and benefits.

Table 2.1 shows, all of the system office's 2002-09 spending increase occurred since fiscal year 2005.

In addition, we found that:

- **In recent years, system office expenditures grew faster than other MnSCU expenditures.**

Between fiscal years 2002 and 2009, MnSCU's total expenditures grew 34 percent, compared with the 52 percent increase in system office expenditures. Consequently, as shown in Table 2.1, system office spending as a percentage of total MnSCU spending grew from 4.1 percent in fiscal year 2002 to 4.6 percent in fiscal year 2009. If compensation of MnSCU presidents is included, system office expenditures in fiscal year 2009 were 5.1 percent of MnSCU's total expenditures.

Table 2.1 also shows measures of system office spending per student. For example, system office spending per full-year-equivalent student increased 33 percent between fiscal years 2002 and 2009, or less than 2 percent when adjusted for inflation. However, a system office's size should not necessarily increase in direct proportion to growth in student enrollment.[8]

Finally, Table 2.1 shows that there has been growth in the total number of system office employees. Before the MnSCU merger, the combined size of the system offices of the three separate systems grew from about 165 full-time-equivalent (FTE) staff in 1981 to 233 FTE in 1992. A 2002 internal MnSCU report said:

> In the course of the Chancellor's travels across Minnesota and his visits with legislators, businesspersons, and campus faculty, staff and administrators, a fairly common sentiment has been that the Office of the Chancellor has become too large to be efficient.[9]

Since the 2002 report was issued, the number of system office FTE grew from 318 in fiscal year 2002 to 417 in fiscal year 2009 (or 385 if excluding the 32 campus presidents).[10]

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[8] As we discuss later in this chapter, research on higher education institutions suggests that administrative costs per student typically decrease as institution enrollment increases.

[9] MnSCU Leadership Council Human Resources Committee, *Functional Assessment of the Office of the Chancellor: Report and Recommendations* (St. Paul, May 2002), 5.

[10] Early in fiscal year 2010, the chancellor eliminated seven previously filled system office positions in response to the Governor's "unallotment" of $50 million in state appropriations to MnSCU for the current biennium.

FACTORS AFFECTING SYSTEM OFFICE EXPENDITURES

Service Expansions

Demands and requests from various sources affect the services provided by the MnSCU system office. In some cases, sources external to the system office have an impact on system office decisions. For example, in 2009 the Governor set a goal of having 25 percent of MnSCU's credits earned online by 2015. To meet this goal, the system office will have to work with campuses to market online instruction and ensure that online instruction is efficient and effective. Similarly, legislative directives sometimes affect system office activities, such as when the 2005 Legislature mandated the establishment of at least three "centers of excellence" within the MnSCU system. The need for individual institutions to comply with other agencies' requirements sometimes creates pressure for the system office to develop coordinated, system-wide responses. For example, the Minnesota Pollution Control Agency deemed the Board of Trustees to be responsible for violations uncovered in the agency's inspections of hazardous waste management practices at MnSCU colleges and universities. The system office subsequently ramped up its efforts to review institutions' facilities and academic programs involved with hazardous materials.

To a large extent, however, system office expenditures have reflected decisions and initiatives of MnSCU's board and chancellor, often in response to demands within the system. For example, the system office added a real estate manager several years ago partly to respond to increased campus requests for assistance in the acquisition, sale, and leasing of buildings (the system uses more than 850 buildings). Also, the board's strategic planning process annually identifies initiatives and priorities for the system to work towards in the coming years.

In general, we found that:

The system office's information technology expenditures have grown 90 percent since fiscal year 2005.

- **Recent growth in system office spending and staffing was largely due to expansions of services provided to campuses, particularly in information technology (IT).**

Between fiscal years 2005 and 2009, growth in the system office's information technology-related expenditures (90 percent) was greater than growth in the system office's non-IT spending (24 percent). Including all types of expenditures—such as personnel, system development, equipment, licenses, and training—system office spending related to IT projects and services grew from about $19 million in 2002 to about $44 million in 2009, as shown in Figure 2.1. About 36 percent of all system office spending in 2002 was for IT services and related activities, compared with 55 percent in 2009.

Much of the growth in system office expenditures occurred since 2007, when MnSCU used a significant share of its increase in state appropriations to improve its technology infrastructure, online learning, and IT-related administrative

Figure 2.1: Information Technology and Other System Office Expenditures, Fiscal Years 2002, 2005, 2009
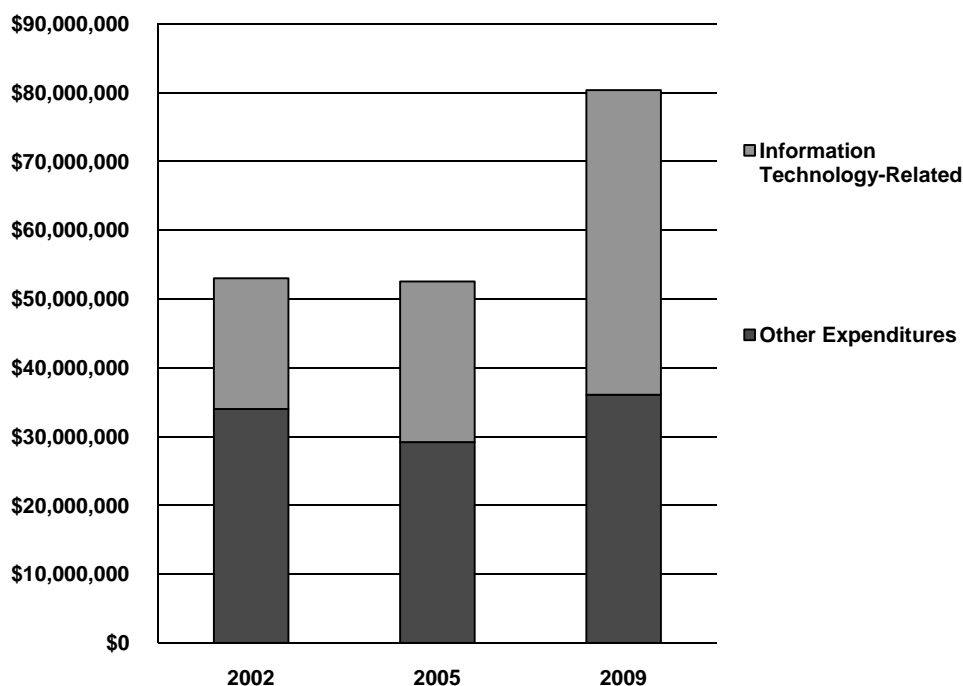
Information technology accounted for 55 percent of system office spending in fiscal year 2009.

NOTES: 2009 expenditures exclude about $8.3 million for institution presidents' compensation. "Information technology-related" expenditures include all types of expenditures—such as personnel, system development, equipment, licenses, and training—related to IT projects and services.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU expenditure data.

systems.[11] These initiatives were in part prompted by campus-level dissatisfaction with the performance and functionalities of the MnSCU IT systems. Some longstanding IT initiatives have also contributed to MnSCU's information technology expenses. For instance, system office IT spending related to ISEEK—a workforce and employment search engine—totaled about $1.1 million in 2008 and $1.2 million in 2009.[12]

These IT investments are intended to bring about improved, more cost-effective services. However, IT systems also require significant resources for upkeep. The system office estimates that its budget for IT operations and ongoing system maintenance exceeds $33 million for fiscal year 2010—a 65 percent increase

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[11] *Laws of Minnesota* 2007, chapter 144, art. 1, sec. 4, subd. 2, also directed MnSCU to enhance its eFolio system, a technology-based employment and workforce tool used by students and employers.

[12] As noted in Chapter 4, non-MnSCU funding accounts for most of ISEEK's ongoing revenues.

over the estimated $20 million in fiscal year 2007. We discuss IT initiatives and services in greater detail in Chapter 5.

Staffing-Related Costs

Employee Salaries and Benefits

In fiscal year 2009, employee salaries and benefits accounted for about half of MnSCU's system office costs. Between fiscal years 2002 and 2009, total system office expenditures for salaries and benefits (not counting those of institution presidents) grew from $25.5 million to $39.6 million, a 55 percent increase. Adjusted for inflation, the increase in system office expenditures for salaries and benefits over this period was 18 percent.[13] We found that:

- **Growth in MnSCU's salary and benefits expenditures in recent years reflected growth in the number of staff, not in the cost per system office employee.**

The system office's number of employees grew from 318 in fiscal year 2002 to 385 in 2009.

Earlier, we noted that the number of full-time-equivalent staff employed by the system office increased by 21 percent between fiscal years 2002 and 2009 (from 318 to 385). During this same period, the average salary and benefits per full-time-equivalent system office employee—as measured in 2009 dollars—decreased by about 3 percent.[14] This apparently occurred mainly because the newly hired staff tended to have salaries and benefits below the system office average.[15]

In fiscal year 2009, about 77 percent of MnSCU's system office staff were covered by state government's employee classification plan, and their salaries and other compensation were usually determined by collective bargaining agreements.[16] MnSCU has limited impact on the contracts negotiated on behalf of these "classified" employees. Bargaining agreements for classified employees are negotiated primarily by the state's human resources agency and the respective statewide bargaining units.

The system office's remaining employees (23 percent) were not covered by the state's classification plan.[17] These "unclassified" employees were covered by the

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[13] We adjusted for inflation using the Higher Education Price Index.

[14] In 2009, the average salary and benefits expenditure per full-time-equivalent system office employee was $98,993.

[15] Over this period, MnSCU data indicate there was a small reduction in the number of system office administrators defined as "unclassified" by *Minnesota Statutes* 2009, 43A.08; these staff tend to have the system office's highest salaries. Meanwhile, additions of staff represented by the Minnesota Association of Professional Employees accounted for 97 percent of the 2002-09 growth in system office employees.

[16] *Minnesota Statutes* 2009, 43A.07, requires the state commissioner of management and budget to develop a classification plan for state employees, except those employees excluded by *Minnesota Statutes* 2009, 43A.08.

[17] *Minnesota Statutes* 2009, 43A.08, specifies positions that are not subject to the state classification plan and addresses the establishment of job titles and salary rates for these employees.

MnSCU Personal Plan for Administrators, not a collective bargaining agreement. The MnSCU Board of Trustees has direct control over this compensation plan, although it is required to submit the plan to the Legislature for approval.[18] We reviewed recent years' salary increases for MnSCU's unclassified administrators. In general, these increases have been in line with those of other compensation plans subject to legislative approval.[19]

It is worth noting, however, that the base salaries for many of MnSCU's unclassified administrators are higher than those of top administrators in Minnesota state government. MnSCU's unclassified administrators are not subject to the compensation limits that pertain to state agency administrators. MnSCU's "compensation philosophy" has emphasized setting compensation for top administrative positions at levels comparable to the salaries of peers in other higher education systems. As of June 1, 2009, 55 system office employees had salaries higher than $120,000. This included the chancellor ($360,000 base salary) and all MnSCU presidents (with base salaries ranging from $140,000 to $274,300).

Professional/Technical Contracts

MnSCU supplements its staff by entering into contracts for professional or technical services. Professional or technical services are provided by contractors, are "intellectual in character," and result in the production of a report or the completion of a task.[20] We found that:

Professional and technical contracts accounted for more than 20 percent of system office expenditures in fiscal year 2009.

- **In recent years, the system office significantly increased its use of professional/technical contract services to support its operations.**

System office expenditures for professional/technical consultants increased more than 110 percent between fiscal years 2002 and 2009, with most of this growth occurring since 2005 (an average annual increase of 26 percent since then).[21] As shown in Table 2.2, professional/technical services expenditures in 2009 exceeded $16.5 million (down from a peak of $19.6 million in 2008). As a percentage of system office spending, professional/technical expenditures grew from 14.9 percent in fiscal year 2002 to 20.6 percent in fiscal year 2009. During this same period, the share of system office expenditures for employee salaries and benefits grew slightly, from 48 percent to 49 percent.

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[18] *Minnesota Statutes* 2009, 43A.18, subd. 3a.

[19] Over the past six biennia, there were four in which the salary settlement of the MnSCU Personnel Plan for Administrators was somewhat less than the average for other legislatively-approved plans and two in which it was somewhat more. For fiscal years 2010-11, the percentage increase (over the previous biennium) of the salary settlement in the MnSCU Personnel Plan for Administrators was 0.3 percent, compared with a 1.5 percent increase for other legislatively approved compensation plans. For fiscal years 2008-09, the increase in this MnSCU plan was 10.2 percent, compared with 11.3 percent for other plans.

[20] *Minnesota Statutes* 2009, 16C.08, subd. 1. Examples of professional/technical services include consulting, analysis, evaluating, predicting, planning, or programming.

[21] These totals include spending for professional/technical services provided by both public and private entities.

Table 2.2: System Office Staffing-Related Expenditures, Fiscal Years 2002, 2005, 2009

Expenditure Category	Expenditures (in thousands)			Percentage Change 2002- 2009
	FY 2002	FY 2005	FY 2009	
Salaries and Benefits	$25,531	$27,372	$39,592[a]	55.1%
Salaries and Benefits as a Percentage of System Office Expenditures	48.2%	52.1%	49.3%	2.3%
Professional/Technical Services	$7,874	$6,555	$16,560	110.3%
Professional/Technical Services as a Percentage of System Office Expenditures	14.9%	12.5%	20.6%	38.7%

NOTE: Expenditures are unadjusted for inflation.

[a] Excludes about $8.3 million for presidents' salaries and benefits.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU expenditure data.

The system office has used professional/technical services to supplement staff resources or for project-specific purposes in many service areas. In reporting expenditures for professional/technical services, the system office has categorized most of its spending as "other" rather than in meaningful categories, such as general management or education services. Based on additional information we obtained, we estimated that professional/technical services related to information technology totaled about $11 million dollars in fiscal year 2009, or about 67 percent of all professional/technical expenditures. For example, professional and technical consultants hired to work on technology projects provided such skills as programming and code development. Other divisions in the system office hired professional/technical consultants for a range of purposes, such as to provide training to institutional staff.

Other System Office Expenditures

Table 2.3 shows noteworthy changes in selected categories of nonpersonnel system office expenditures. We looked only at summary data to identify spending trends; we did not evaluate individual expenditures in these categories. The table focuses on spending during the most recent five-year period. In several categories, there were spending reductions between fiscal years 2008 and 2009.

Expenditures for some categories grew significantly. For instance, spending for memberships for system office staff grew by 226 percent. A large share of spending for memberships (59 percent) was for IT staff to participate in and access various research services. System office officials assert that these memberships help ensure that staff have access to new information about IT topics.

Table 2.3: Examples of Other System Office Expenditures, Fiscal Years 2005, 2008, 2009

Expenditure Type	FY 2005	FY 2008	FY 2009	Percentage Change 2005-2009
Memberships	$150,799	$348,879	$490,971	226%
Advertising/Marketing	192,077	502,722	543,323	183
Library Subscriptions and Materials	119,513	285,101	308,777	158
Contracted Food Service	247,159	337,849	310,660	26
In-State Travel	182,156	252,138	241,171	33
Out-of-State Travel	121,595	206,836	90,654	-25

NOTE: We used 2005-2009 data for this analysis due to differences in reporting in 2002.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU expenditure data.

In contrast, the system office curtailed out-of-state travel spending in fiscal year 2009. Out-of-state travel expenditures grew 70 percent from fiscal years 2005 to 2008, followed by a 56 percent reduction in fiscal year 2009.[22]

POSSIBLE CHANGES IN SYSTEM OFFICE SIZE

MnSCU's system office spending and staffing have grown since 2002, leading some people to question whether the system office is too large. At the beginning of the chapter, we noted that there are no generally accepted standards to help determine the proper size of a system office. However, when considering the system office's size, we think it would be useful for legislators and MnSCU leaders to consider the following topics, discussed below: (1) the opinions of college and university presidents about the size of the system office, (2) service areas in which it might make sense for MnSCU to delegate duties to certain campuses, and (3) services now delivered by campuses that might be more effectively or efficiently delivered on a multi-campus or centralized basis. At the end of this chapter, we offer recommendations that could affect the scope of the system office's responsibilities.

Opinions of Campus Officials on System Office Size

Most of the MnSCU system office's activities are intended to provide guidance, accountability, support, and services to MnSCU campuses. In an August 2009 survey, we asked institution presidents to rate many specific services and functions performed by the MnSCU system office. In 93 of 106 system office service areas addressed by our survey, a majority of campus presidents said these

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[22] These expenditures include only travel and mileage costs. They exclude living expenses, state motor pool expenditures, and registration fees for conferences or other events attended out of state.

services are provided effectively and efficiently.[23] Appendix A provides campus presidents' ratings of 106 system office services, and we discuss many of these services in chapters 4 through 6.

We also asked for presidents' opinions related to MnSCU's overall size. We found that:

- **MnSCU institution presidents are split between those who think the system office is too large and those who think it is about the right size.**

Figure 2.2 shows the responses of presidents when asked about the overall size of the MnSCU system office. The presidents who said the system office is too large (47 percent) far outnumber those who said it is too small (6 percent), but 41 percent said it is about the right size. In addition, when asked whether the system office has taken sufficient steps to eliminate unnecessary or inefficient services in the system office, 44 percent said it has; 53 percent said it has not. Presidents of

Figure 2.2: MnSCU Presidents Survey Responses Regarding the System Office's Size

Campus presidents have divided opinion when asked how large the system office should be.
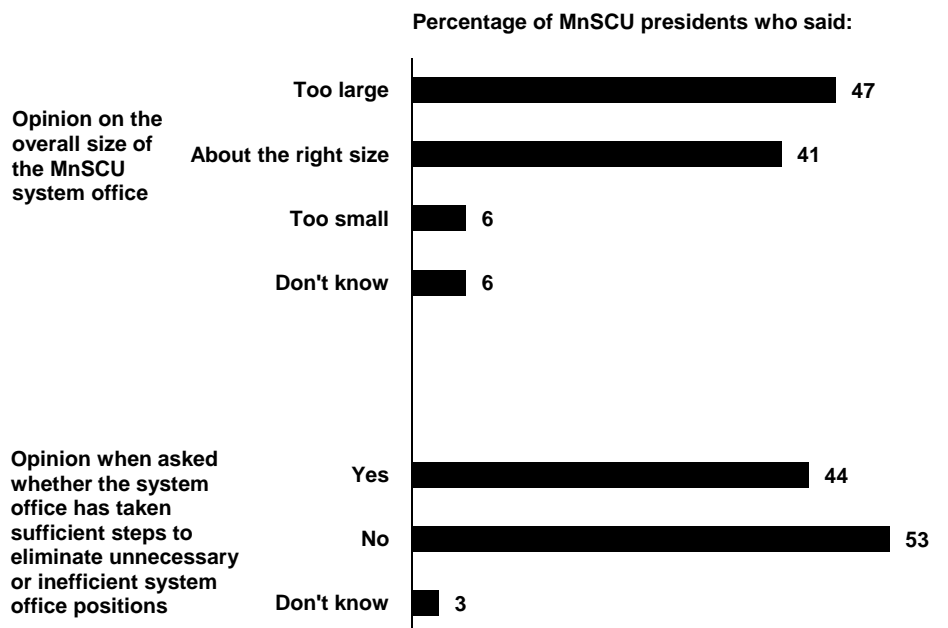
Percentage of MnSCU presidents who said:

Opinion on the overall size of the MnSCU system office

Too large	47
About the right size	41
Too small	6
Don't know	6

Opinion when asked whether the system office has taken sufficient steps to eliminate unnecessary or inefficient system office positions

Yes	44
No	53
Don't know	3

SOURCE: Office of the Legislative Auditor, August-September 2009 survey of MnSCU presidents.

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[23] For some functions in which a majority of presidents said that system office services were effective and efficient, subgroups of presidents or other campus officials expressed significant, credible concerns or other evidence we reviewed suggested a need for greater scrutiny of the service.

state universities were more likely than two-year college presidents to express concerns related to the system office's size, perhaps reflecting the universities' larger size and greater capacity to assume responsibility for certain system office functions.[24]

Opportunities for Delegating System Office Services to Campuses

The "right" size of the system office depends partly on the division of administrative responsibilities between the office and the campuses. Typically, the system office has not taken into account differences in the capabilities of individual campuses when determining how to divide duties between the system office and campuses. Officials at some small institutions welcome system office services that officials at some larger institutions would prefer to deliver themselves. We examined whether there are services for which the division of responsibility between the system office and campuses should be reconsidered. In our view,

- **There are at least two areas—authority to classify employee positions and authority to make purchases—in which there is justification for the system office to delegate additional authority to selected campuses or clarify the delegation that already occurs.**

Job Classification

Campuses perceive that some system office decisions regarding job classification are too rigid or not timely.

An important role of the MnSCU system office's Human Resources Division is classifying new positions or reclassifying existing ones. About 41 percent of presidents said the MnSCU system office does not provide efficient, effective services in this area. Some institutions' presidents expressed concerns to us about the timeliness of system office classification decisions. Table 2.4 shows the amount of time it took to classify individual MnSCU jobs over a recent two-year period. The data show that it took a median of 8 to 11 days to classify filled positions, and it took a median of 1 to 2 days to classify vacant positions.[25] However, some individual classification decisions were made months after the system office received all information. Also, the data in Table 2.4 do not always fully capture the timeliness of the job classification process. For example, sometimes institutions engage in prolonged discussions with the system office about a position—including discussions about which bargaining unit should represent the position—before the institution submits its application for classification to the system office. Institution officials sometimes perceive that the system office is overly rigid in its classification preferences, lacks an

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[24] Although there was little sentiment for increasing the size of the system office, some campus officials suggested a need for additional staff in certain areas. For example, several presidents suggested a need for more staff for certain human resources functions.

[25] The Minnesota Department of Management and Budget does the classification of MnSCU's human resources jobs, and the department took much longer than MnSCU to process classifications. However, the cases classified by the department accounted for only 1.5 percent of all classifications during this period.

Table 2.4: Time (in Days) to Process MnSCU Job Classification Requests, Fiscal Years 2008 and 2009

Vacant Positions

	FY 2008				FY 2009		
N	Mean	Median	Longest		*N*	Mean	Median	Longest
705	6.6	2	86		434	5.1	1	90

Filled Positions

	FY 2008				FY 2009		
N	Mean	Median	Longest		*N*	Mean	Median	Longest
312	19.5	11	374		253	15.5	8	178

NOTE: Processing time (measured in calendar days) was calculated from the date the classification request was complete, according to the MnSCU Human Resources Division. A complete request processed on the date it was received would be counted as taking zero days to process. A small number of cases were excluded from the analysis because they did not have complete date information. The data include MnSCU classifications done by the MnSCU Human Resources Division and the Minnesota Department of Management and Budget, except for appeals cases.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU data.

understanding of individual campus needs, or is not sufficiently helpful in finding workable solutions when classification issues arise. Some institutions are so dissatisfied with the classification process that they expressed a desire for the training and authority to do classifications themselves.[26] MnSCU has authority to delegate to campuses the authority to conduct job classifications, but it has done this for only 18 job categories.

Purchasing Authority

In addition, we think there is a need for MnSCU to clarify system-level policies on purchasing authority, which have been the subject of considerable confusion among campuses. This confusion results partly from the existence of multiple Board of Trustees procedures that address purchasing authority. Board procedures require campuses to obtain system office approval for purchases exceeding $50,000—and to enter into professional/technical contracts exceeding $15,000—"unless the college or university has received increased authority."[27] On the other hand, system office staff told us they allow campus presidents to

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[26] Several presidents and chief human resources officials also perceive that there are job classification hierarchies within MnSCU, with comparable positions classified differently for two-year institutions, state universities, and the system office. System office staff said that classification differences between the two- and four-year institutions exist for certain positions because the state universities system has a separate bargaining unit for administrative positions. For other positions, however, system office staff said that campus perceptions about classification inequities are incorrect, asserting that classification differences reflect differences in job scope and responsibility, as documented by system office reviews. We did not conduct an independent review of classification decisions.

[27] MnSCU Board of Trustees Procedures 5.14.5, part 2, and 5.14.2, part 2.

make purchases up to $100,000 without system office approval, based on a separate board procedure which specifies that presidents must receive system office approval for any purchase over $100,000.[28] Nevertheless, the system office still processes paperwork submitted by institutions seeking approval of purchases of less than $100,000, and it acknowledges that there is a need to clarify existing procedures.

Opportunities for Regionalizing or Centralizing Campus Services

Minnesota law requires the MnSCU Board of Trustees to "develop administrative arrangements that make possible the efficient use of the facilities and staff" at MnSCU institutions.[29] Thus, we considered whether there are some MnSCU services now delivered by campuses for which the board and chancellor should consider multi-campus or centralized service delivery. For example, the system office has used the MnSCU system's large size to leverage better prices for purchased goods. A team of system office and campus staff research bulk purchasing opportunities and then solicit proposals and develop contracts. Among other things, this team developed a process for collecting and disposing of computers and other electronics throughout the MnSCU system. System office staff estimate that this team's collaborative activities produced savings of more than $400,000 in fiscal year 2009. Our surveys and interviews indicated that these efforts have been viewed favorably by campus officials.

Earlier in this chapter, we noted that the MnSCU system lacks data on the "unit costs" of many campus-level administrative services. Such data might help identify campuses that are more or less efficient in providing certain services. Despite the lack of this data, research on "economies of scale" and the opinions of campus and system office officials suggest that:

- **There may be opportunities for administrative efficiencies through multi-campus or centralized delivery of some services.**

In general, national and Minnesota research suggests that small institutions tend to have higher noninstructional spending per student than their larger counterparts. The most exhaustive research summary on higher education "economies of scale" was compiled in 1986, analyzing the findings of 60 years of research.[30] This summary reported that institutions 200 to 300 percent larger than other institutions had, on average, administrative costs per student that were 34 percent lower. The researchers also reported that there are typically greater economies of scale in administrative services than in other higher education functions.

A 1992 evaluation by our office found evidence of economies of scale in the state university, community college, and technical college systems prior to the

The system office sometimes uses MnSCU's large size to leverage better prices when purchasing goods.

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[28] MnSCU Board Procedure 1A.2.2, part 1.

[29] *Minnesota Statutes* 2009, 136F.05.

[30] Paul T. Brinkman and Larry L. Leslie, "Economies of Scale in Higher Education: Sixty Years of Research," *The Review of Higher Education* 10, n. 1 (1986): 1-28.

MnSCU merger.[31] Specifically, the analysis showed that doubling enrollment was associated with 12 to 25 percent reductions in administrative and student services spending per student.[32]

In our current evaluation, we looked for evidence of economies of scale based on data reported to the federal government for fiscal year 2007. For two-year MnSCU colleges, we found relatively strong inverse relationships between college enrollment and noninstructional costs per student, meaning that costs per student tended to be lower in colleges with larger enrollments.[33] We also found inverse relationships between enrollment and noninstructional costs per student among MnSCU's state universities, but the relationships were weaker and based on a small number of institutions.[34] Finally, we examined data for nearly 1,200 institutions in other states that were classified as types comparable to MnSCU institutions. Again, the analysis indicated that larger schools tended to have lower costs per student for noninstructional services.[35] Thus, previous studies and our analyses of 2007 federal data suggests that it is important for MnSCU leaders to examine options for which multi-campus or centralized service delivery might be feasible and cost-effective.

There are additional opportunities for administrative cost savings through multi-campus service delivery.

Our evaluation also considered the opinions of campus and system office staff regarding opportunities for regional or centralized services. In our survey of presidents, only 38 percent said the MnSCU system office has taken sufficient steps to foster efficiencies in campuses' noninstructional services.[36] Table 2.5 shows some service areas in which multi-campus delivery could be considered, according to campus officials. The former vice chancellor of MnSCU's Human Resources Division told us he tried several times to initiate pilot projects that would involve multi-campus delivery of payroll processing services. However, he said campuses did not volunteer for these projects, partly due to concerns that service consolidations might result in layoffs or budget reductions. Similarly, campuses' chief financial officers told us that institutions sometimes resist

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[31] Minnesota Office of the Legislative Auditor, *Higher Education Administrative and Student Services Spending: Technical Colleges, Community Colleges, and State Universities* (St. Paul, 1992).

[32] *Ibid.*, xviii. There were larger economies of scale among the state universities than among the two-year colleges.

[33] For MnSCU colleges participating in intercollegiate athletics, we found a -0.72 correlation coefficient for enrollment and aggregate institutional support, academic support, and student services expenditures. For colleges not participating in intercollegiate athletics, the correlation coefficient was -0.65.

[34] The correlation coefficient for enrollment and aggregate institutional support, academic support, and student services expenditures was -0.35.

[35] The relationships were fairly modest but statistically significant. For two-year colleges outside Minnesota comparable to MnSCU institutions, the correlations between enrollment and spending were -0.18 for institutional support, -0.17 for student services, and -0.14 for academic support. For universities outside Minnesota comparable to MnSCU universities, the correlations were -0.34 for institutional support, -0.15 for student services, and -0.18 for academic support. All correlations were significant at the 0.01 level. We did not control for other factors that might affect costs, and we did not examine the possibility that enrollment and costs may be related in a nonlinear way.

[36] Fifty percent said the system office has not taken sufficient steps, and 13 percent responded "don't know."

Table 2.5: Examples of Campus Administrative Services That Could be Candidates for Multi-Campus or Centralized Service Delivery

- Employee payroll processing
- Human resources investigations (e.g., regarding harassment or equal opportunity issues)
- Campus diversity training and recruiting
- Campus financial aid administration
- Planning for emergencies and pandemics
- Software licensing
- Development of reports on students and programs that requires use of system office data
- Determination of faculty supplemental retirement eligibility
- Accounts receivable and cashier services
- Accounts payable
- Management of auxiliary services (e.g., bookstores, food service)

SOURCE: Office of the Legislative Auditor, based on suggestions received during surveys and interviews with MnSCU campus officials.

cooperative service delivery because they want to maintain control of their operations and are competing with other institutions for the same students.

Some institution officials even suggested to us that MnSCU leaders should consider merging entire campuses. In our survey of presidents, only 29 percent said the MnSCU system office has given sufficient consideration to the merits of consolidating individual institutions.[37] For example, one president said: "A new regional model should be adopted that pairs universities and colleges together under one presidential leader in order to be more cost-effective and to promote close working relationships to aid in a seamless transfer of students."

DISCUSSION AND RECOMMENDATIONS

During our evaluation, some people suggested to us that the MnSCU system should have a dramatically smaller system office. In our view,

- **It is reasonable for the Board of Trustees to have a sizable system office at this time, but with greater efforts to ensure that this office is efficient, effective, accountable, and responsive to campus needs.**

The system office's exact size will depend partly on which services can be delegated, centralized, or regionalized and the extent to which it purchases professional/technical services through contracts. Also, subsequent chapters identify specific system office services and divisions that need greater scrutiny

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[37] Another 58 percent said the system office has not given sufficient consideration to institution-level consolidation, and 13 percent responded "don't know."

from the Board of Trustees and chancellor. However, we think that two observations weigh against large reductions in system office staffing at this time.

First, as we note throughout this report, campuses have demanded many services from the system office and, more often than not, believe that system office services are provided effectively and efficiently. Some of MnSCU's smaller institutions could not conduct certain administrative activities cost-effectively without significant external assistance.

MnSCU needs a sizable system office, but there are opportunities to delegate additional administrative authority to campuses.

Second, nearly 15 years after the merger, there is still plenty of system-level work to accomplish within MnSCU. By placing all MnSCU institutions under a system-wide governance structure in 1995, state policymakers voiced their support for some ongoing level of system-wide direction, support, consistency, and accountability. Later chapters of this report suggest that the system office needs to play a continuing role in various system-wide issues, such as improving information systems (Chapter 5), easing the transfer of student credits across institution boundaries (Chapter 4), and eliminating some inconsistencies in campus business practices that adversely affect students enrolled at multiple campuses (Chapter 4).

Although MnSCU will need a sizable system office (at least for the near term), we also think MnSCU leaders should consider opportunities to delegate additional administrative authority to selected campuses.

RECOMMENDATION

The MnSCU Board of Trustees and chancellor should delegate authority to classify employee positions to campuses that can demonstrate they meet system-specified standards of quality, efficiency, and consistency.

In our view, the system office should delegate job classification services if it can ensure that the institution receiving this authority has the necessary skills. We suggest that MnSCU explore such delegations in consultation with the state human resources agency (the Minnesota Department of Management and Budget), which has delegated job classification authority to MnSCU. Following a trial period of delegation to selected campuses, MnSCU should carefully evaluate whether such delegations should be continued or modified.

In addition, we think the system office should clarify its delegation of purchasing authority to campuses. System office officials told us that all campus presidents have authority to make purchases up to $100,000, but some board procedures set forth lower thresholds that have caused confusion among campuses.

RECOMMENDATION

To clarify that presidents have authority to make purchases or contract for services up to at least $100,000 without system office approval, the MnSCU chancellor should (1) recommend changes in board procedure or (2) amend the system office's formal agreements with each institution.

In addition, the system office should consider whether some campuses have demonstrated the financial management skills to merit general purchasing authority (without system office approval) for items and contracts costing more than $100,000. Board procedure already authorizes campuses to enter into contracts for capital projects (without approval) for up to $250,000.[38]

We also think MnSCU leaders should consider instances in which multi-campus—or even centralized—delivery of certain administrative services might be more preferable to delivery by each institution. This would be consistent with MnSCU's statutory directive to seek administrative efficiencies. In addition, the opinions of MnSCU administrators (at campuses and in the system office) and research on economies of scale suggest that multi-campus service delivery offers potential for improved efficiency.

RECOMMENDATION

The MnSCU Board of Trustees and chancellor should foster expanded use of multi-campus service delivery for certain administrative services.

The system office could foster multi-campus service delivery in various ways—by seeking voluntary arrangements, by offering financial incentives, by hiring single administrators for multiple campuses, or by mandating consolidations in cases where campuses do not meet performance benchmarks. If the results of pilot projects involving a limited number of services and campuses are favorable, MnSCU officials should consider ways to facilitate consolidations or shared services on a broader scale. MnSCU should ensure that institution staff are involved in a meaningful way in planning for these projects. Also, as we recommend in Chapter 3, MnSCU leaders should work toward the development of clearer performance standards so it can better evaluate these projects.

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[38] MnSCU Board Procedure 6.5.5.

| 3 | # Key Governance and System Oversight Issues |

In 2000, our office's evaluation of the 1995 MnSCU merger concluded that the five-year-old system was "moving in the right direction on many fronts but not as far along as it could have been."[1] This chapter evaluates the status of three governance issues that we examined in the 2000 report—specifically, the need for MnSCU to: (1) set clear goals; (2) track progress toward these goals; and (3) establish effective working relationships among the board, system office, and institution presidents.

Also, based on our review of a wide variety of system office activities, this chapter highlights several other issues that we think merit the attention of MnSCU's top governing officials. First, we summarize the need for changes in certain system office services, based on information presented elsewhere in this report. Related to this, we discuss the adequacy of the Board of Trustees' oversight of the system office. The board has delegated key administrative responsibilities to the system office and is uniquely situated to oversee this office. Finally, given the impact of system funding policies on campus budgets and services, we discuss campus concerns about MnSCU's method for allocating state funds to campuses and charging institutions for certain services.

PROVIDING SYSTEM DIRECTION

In our review of MnSCU's first five years, we said that the system's overall direction and purpose were not sufficiently clear. At that time, we noted legislative disagreement about what the merger was supposed to accomplish and even some legislative interest in repealing the merger. The first strategic plan approved by the Board of Trustees in 1997 was difficult to understand and was not well received by legislators. Within MnSCU, there was disagreement about whether system goals should be articulated through system-wide or regional plans. Even in 2000, there was confusion about which of MnSCU's strategic plans was guiding the system.[2]

To update our assessment of efforts by the board and chancellor to establish a clear direction for the system, we reviewed documents, interviewed key system office officials, and surveyed presidents. We found that:

- **MnSCU's strategic plans today are clearer and more accepted by institution leaders than they were in 2000, and these plans play a significant role in setting system priorities.**

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[1] Minnesota Office of the Legislative Auditor, *The MnSCU Merger* (St. Paul, 2000), ix.

[2] *Ibid.*, 45-47.

Today, the Board of Trustees operates under the strategic directions and goals shown in Table 3.1. The board also annually adopts an "action plan" that identifies short-term initiatives and objectives related to the broader strategic plan.[3] Increasingly, these action plans have identified measurable performance targets, not just the procedures to be taken in pursuit of system goals.

The MnSCU board adopts annual plans that identify specific actions for achieving longer-term goals.

Table 3.1: MnSCU Strategic Directions and Goals, 2008-12

Strategic Direction 1: Increase access and opportunity

- Raise Minnesota's participation and achievement in post-secondary education by meeting the needs of students with diverse backgrounds and educational goals.
- Work with other organizations to prepare all young people to graduate from high school and enroll in college prepared for college-level work.
- Maintain an affordable cost of attendance for Minnesota residents.

Strategic Direction 2: Promote and measure high-quality learning programs and services

- Promote accountability for results through a system of accessible reports to the public and other stakeholders.
- Produce graduates who have strong, adaptable, and flexible skills.
- Provide multiple delivery options for educational programs and student services.

Strategic Direction 3: Provide programs and services that enhance the economic competitiveness of the state and its regions

- Be the state's leader in identifying workforce education and training opportunities and seizing them.
- Support regional vitality by contributing artistic, cultural, and civic assets that attract employees and other residents seeking a high quality of life.
- Develop each institution's capacity to be engaged in and add value to its region and meet the needs of employers in its region.

Strategic Direction 4: Innovate to meet current and future educational needs

- Build organizational capacity for change to meet future challenges and remove barriers to innovation and responsiveness.
- Reward and support institutions, administrators, faculty, and staff for innovations that advance excellence and efficiency.
- Hire and develop leaders who will initiate and support innovation throughout the system.

SOURCE: MnSCU, *Designing the Future: Minnesota State Colleges and Universities Strategic Plan, 2008-2012* (St. Paul, July 2008), 1.

The system-wide strategic directions adopted by the board appear to be more widely accepted by institution presidents today than they were in 2000. Table 3.2 shows presidents' ratings of the board and chancellor in defining MnSCU's mission, setting system-wide goals, and setting strategies for achieving these

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[3] The current chancellor initiated annual work plans in 2001.

goals. In each of these areas, presidents gave the board and chancellor higher ratings in 2009 than in 2000. For example, 84 percent of presidents said in 2009 that the board had done an "excellent" or "good" job of defining MnSCU's mission, compared with only 48 percent of presidents in 2000. In addition, 53 percent of presidents said in 2009 that the board had done an "excellent" or "good" job of setting strategies and timelines for achieving MnSCU's goals, compared with 29 percent in 2000.

Table 3.2: Presidents' Ratings of Adequacy of System Direction, 2000 and 2009

	2000				2009			
	Percentage of Presidents Who Rated the **Board** As:							
Activity	Excellent	Good	Fair	Poor	Excellent	Good	Fair	Poor
Defining MnSCU's mission	6%	42%	33%	18%	25%	59%	16%	0%
Setting goals for achieving the mission	3	39	30	24	19	56	22	3
Setting strategies and timelines	3	26	32	26	13	41	38	9

	2000				2009			
	Percentage of Presidents Who Rated the **Chancellor/Cabinet** As:							
Activity	Excellent	Good	Fair	Poor	Excellent	Good	Fair	Poor
Defining MnSCU's mission	9%	50%	18%	18%	44%	41%	13%	3%
Setting goals for achieving the mission	6	50	24	18	22	53	25	0
Setting strategies and timelines	9	50	26	15	16	53	16	16

SOURCES: Office of the Legislative Auditor, survey of MnSCU presidents, August-September 2009; and Office of the Legislative Auditor, *The MnSCU Merger* (St. Paul, 2000), 68-69.

MONITORING PROGRESS TOWARD SYSTEM GOALS

It is important for system leadership to not only set the overall direction for the system but also to monitor progress. In 2000, we found that MnSCU had not systematically tracked and reported progress toward its strategic goals. For instance, the system office had not prepared statutorily required performance reports, and the system's primary information system was able to provide only a limited amount of reliable performance-related data.[4] We think there has been progress since that time. In our view,

- **The MnSCU board and chancellor have taken important, but incomplete, steps to improve system-wide accountability.**

Some of MnSCU's actions to improve accountability have occurred in response to legislative directives. The 2001 Legislature identified several accountability

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[4] Office of the Legislative Auditor, *The MnSCU Merger*, 47-48.

measures for which it required periodic reporting by MnSCU—for example, the percentage of state university students graduating within four, five, and six years.[5] In 2003, the MnSCU board adopted a system-level "accountability framework" to develop common expectations about system outcomes and guide the chancellor's management of performance. MnSCU officials then began developing a "scorecard" (later called the "Accountability Dashboard") for reporting on system-wide performance. The system office first posted its Accountability Dashboard online in mid-2008. A recent review of states' higher education accountability systems named Minnesota (based on the MnSCU dashboard) as one of only three states to receive a "best practice" label for presenting its information in a user-friendly way.[6]

The Accountability Dashboard is still a work in progress. As of January 2010, as shown in Table 3.3, the system office was tracking performance in six of the ten areas in which the Board of Trustees wants measures. While information such as graduates' job placement rates has been collected and reported by Minnesota higher education institutions for many years, other measures—such as the extent to which students are receiving high-quality instruction or the extent of innovation within MnSCU—have proven challenging for MnSCU to quantify.

MnSCU is in the process of implementing an "Accountability Dashboard" to measure progress toward key goals.

Table 3.3: MnSCU Accountability Dashboard Measures

What the Indicator Measures	Indicator Status
Condition of MnSCU facilities	In use
Student pass rates on licensure exams in certain fields	In use
Net tuition as a percentage of median income	In use
Percentage change in student enrollment	In use
Percentage of students who graduated or stayed in school	In use
Employment of graduates in jobs related to their programs of study	In use
Whether institutions provide high-quality learning	Under development
Extent of innovation in the MnSCU system	Under development
Institutions' partnerships with external entities	Under development
Extent to which students are actively engaged in their educational experience and satisfied with it	Near completion[a]

[a] According to system office officials, the surveys for this indicator have been completed, and data should be publicly available in February 2010.

SOURCE: Office of the Legislative Auditor summary of measures defined at Minnesota State Colleges and Universities, http://www.mnscu.edu/board/accountability/index.html, accessed December 15, 2009, and interviews with MnSCU officials.

MnSCU's board and chancellor have used system-wide goals and dashboard measures to help direct the activities of individual institutions. Each year, the chancellor approves a workplan for each president, including measurable performance objectives. Employment contracts negotiated with the presidents

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[5] *Laws of Minnesota* First Special Session 2001, chapter 1, art. 1, sec. 3, subd. 3b.

[6] Chad Aldeman and Kevin Carey, *Ready to Assemble: Grading State Higher Education Accountability Systems* (Washington DC: Education Sector, June 2009), 7.

link a portion of their compensation to performance in achieving system and institution objectives.[7] Table 3.4 shows that presidents generally gave the board and chancellor higher ratings in 2009 than in 2000 for setting performance expectations for institutions and holding the system accountable for progress toward goals. For example, 75 percent of presidents gave the board "excellent" or "good" ratings for holding the MnSCU system accountable for progress,

Table 3.4: Presidents' Ratings of System Performance Expectations and Accountability, 2000 and 2009

	2000				2009			
	Percentage of Presidents Who Rated the **Board** As:							
Activity	Excellent	Good	Fair	Poor	Excellent	Good	Fair	Poor
Setting performance expectations for institutions	3%	24%	41%	29%	13%	31%	31%	25%
Monitoring progress toward system goals[a]	0	26	38	32	22	53	22	3

	2000				2009			
	Percentage of Presidents Who Rated the **Chancellor/Cabinet** As:							
Activity	Excellent	Good	Fair	Poor	Excellent	Good	Fair	Poor
Setting performance expectations for institutions	9%	32%	32%	24%	25%	28%	19%	28%
Monitoring progress toward system goals[b]	6	32	26	26	28	31	38	3

[a] The 2009 survey asked presidents to rate the board's performance on the following: "Holding the MnSCU system accountable for progress toward the system's goals." The comparable question in 2000 asked presidents to rate the board's performance in "monitoring progress toward MnSCU's goals."

[b] The 2009 survey asked presidents to rate the chancellor and cabinet's performance on the following: "Holding campuses accountable for progress toward the system's goals." The comparable question in 2000 asked presidents to rate the chancellor and system office staff's performance in "monitoring progress toward MnSCU's goals."

SOURCES: Office of the Legislative Auditor, survey of MnSCU presidents, August-September 2009; and Office of the Legislative Auditor, *The MnSCU Merger* (St. Paul, 2000), 68-69.

compared with only 26 percent in 2000. Despite improvements in overall ratings, a substantial number of presidents in 2009 still gave the board and system office only "fair" or "poor" ratings for their efforts to set performance expectations. The following comments from presidents exemplify some of their concerns:

> While I am in general agreement with performance measures, I believe that the Board's approach is not cognizant of the tremendous variation in MnSCU institutions. The challenges of small, rural colleges in areas of declining population are far

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[7] For fiscal year 2008, each president determined by the chancellor to have met performance expectations received a $2,000 "performance incentive." For fiscal year 2009, presidents determined by the chancellor to have met expectations received "performance bonuses" ranging from $3,000 to $12,000 each.

different from those of the multiculturally diverse Metro institutions.

The target-setting process for reaching system goals should be much more of a partnership process than it currently is. Institutional voices are not as clearly heard in this process as they might be.

Presidents also expressed concern that performance measures and objectives used for their annual evaluations have not been finalized until months into the fiscal year. System office officials agreed that this is an area needing improvement.

SYSTEM OFFICIALS' KEY RELATIONSHIPS

The relationship between the board and chancellor is better today than it was a decade ago.

In our 2000 evaluation, we noted that "poor relationships among MnSCU's board, central office, and institution presidents have adversely affected organizational cohesion and morale."[8] For instance, board members expressed frustration that the chancellor at that time did not communicate effectively with them. In addition, some board members in 2000 said the Board of Trustees had not adequately reviewed the chancellor's performance.[9]

We found that, for the most part,

- **The current chancellor has a strong working relationship with the Board of Trustees.**

Based on our interviews, it appears to us that board members and the chancellor have mutual respect for each other. The chancellor told us that board members have worked well with him since he began his current position in 2001. Board members described the chancellor as hard-working, trustworthy, sincere, and strong in establishing relationships with the Legislature. Trustees said the board has worked especially well with the chancellor on key issues such as collective bargaining and developing strategic plans. Some individual board members identified issues on which they thought the chancellor could have provided stronger leadership, or areas in which the division of responsibilities between the board and chancellor could have been clearer. But, overall, current board members expressed very positive opinions of the chancellor, and the board gave

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[8] Office of the Legislative Auditor, *The MnSCU Merger*, ix.

[9] *Ibid.*, 58-60.

the chancellor sizable discretionary bonuses based on performance in fiscal years 2008 and 2009.[10]

We also found that:

- **Most MnSCU presidents gave the chancellor favorable ratings for his efforts to communicate with them, but they also expressed concern that the board and system office are not sufficiently collaborative with campuses.**

There appears to be more cohesion among institutions than there was in the MnSCU system's early years.

In general, there appears to be greater cohesion among MnSCU institutions than there was in the years immediately following the 1995 merger. Many two-year institutions that once defined themselves by their pre-merger affiliation (community colleges or technical colleges) are now hybrids of these earlier institutions.[11] Only 2 of the 32 MnSCU presidents have tenures as president that predate the 1995 merger, and presidents seem to accept the merged governance structure rather than advocating for its repeal. As one president said:

> The level of communication and cooperation among the colleges and universities still isn't perfect, but it is hugely better than it was 15 years ago. Schools actually work together to expand learning opportunities for students, and that is BIG. The chancellor's appreciation of the role of the campus and his commitment to communications improvements have brought much greater cohesion and transparency to decisions.

A majority of campus officials expressed positive opinions about the chancellor's communication efforts. In 2001, the current chancellor initiated regular meetings of a MnSCU "Leadership Council," made up of the chancellor, cabinet, and all campus presidents. About 78 percent of presidents said this council provides an effective forum for campus input into system office decisions. Sixty-six percent of presidents rated the chancellor and his cabinet as "excellent" or "good" in communicating with MnSCU institutions.[12] For instance, one president said the "chancellor does a great job of staying in contact and being supportive. The cabinet is dedicated and connected."

Institution officials' overall opinions about their relationships with the system office were mixed, and some expressed concern that system office staff are not

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[10] Until fiscal year 2008, the board did not have real discretion about the amount of the performance-based bonus it would give the chancellor. If the board determined that the chancellor met its performance expectations, the chancellor's contract required payment of the full amount of a contractually established "performance incentive;" in fiscal years 2002 through 2007, this payment ranged from $37,800 to $54,588. For fiscal year 2008, the chancellor's contract was modified to allow for a performance incentive *up to* $25,000 (the board authorized $23,500). For fiscal year 2009, the chancellor's contract allowed for a performance incentive *up to* $50,000 (the board authorized $32,500).

[11] Of MnSCU's 30 colleges (including those that are jointly administered with other MnSCU institutions), 14 describe themselves as "colleges" or "community and technical colleges" rather than "community colleges" or "technical colleges."

[12] In 2000, 65 percent of presidents rated the chancellor's communication with institutions as "excellent" or "good."

always sufficiently collaborative in their interactions with institutions. For example, one president said: "The culture of the system office is generally…one of command and control, not one of support and service." Similarly, a college's chief human resources officer said: "Overall, we need the guidance of the [system office.] But sometimes we get the feeling that we're here for them and not that they are there for us." Many campus officials said that certain parts of the system office need to improve their customer service—whether by responding promptly to campus inquiries, or by providing templates or training to help campuses address areas of common concern. Institution officials frequently said that too few system office officials have worked on campuses or adequately understand the work of campuses. On the other hand, it is important to note that the system office facilitates a large number of task forces, work groups, and committees that provide advice on system-wide issues. These groups include faculty members, administrators, students, and others.

In general, comments we heard from campuses indicated tension about how MnSCU should balance the need for uniform, system-wide policies in certain areas with the desire of institutions for a reasonable amount of flexibility and autonomy. As shown in Table 3.5, only 40 percent of presidents in our 2009 survey gave the board "excellent" or "good" ratings for attending to issues of broad or strategic importance. Also, many institution officials perceive that the board and system office sometimes delve unnecessarily into issues best left to the campuses. The table shows that a majority of presidents gave the

Table 3.5: Presidents' Ratings of the Board and Chancellor's Attention to System-Wide and Institution-Level Issues, 2000 and 2009

	2000				2009			
	Percentage of Presidents Who Rated the **Board** As:							
Activity	Excellent	Good	Fair	Poor	Excellent	Good	Fair	Poor
Attending to issues of broad or strategic importance	3%	35%	21%	41%	9%	31%	56%	3%
Allowing institutions to decide issues best addressed at the local level	18	24	24	26	16	16	44	25
Considering the needs and priorities of individual institutions	3	33	21	33	6	25	31	34

	2000				2009			
	Percentage of Presidents Who Rated the **Chancellor/Cabinet** As:							
Activity	Excellent	Good	Fair	Poor	Excellent	Good	Fair	Poor
Attending to issues of broad or strategic importance	15%	56%	9%	21%	25%	44%	19%	13%
Allowing institutions to decide issues best addressed at the local level	38	32	15	12	16	28	34	22
Considering the needs and priorities of individual institutions	21	32	24	21	19	28	38	16

SOURCES: Office of the Legislative Auditor, survey of MnSCU presidents, August-September 2009; and Office of the Legislative Auditor, *The MnSCU Merger* (St. Paul, 2000), 68-69.

The board and chancellor have expanded the opportunities for campus presidents to provide input on system-wide issues, but most presidents still want more flexibility to act on issues affecting their campuses.

chancellor/cabinet and Board of Trustees "fair" or "poor" ratings in (1) allowing institutions to make decisions best addressed at the local level and (2) considering the needs and priorities of institutions.[13] For example, a 2006 board policy required each MnSCU institution to apply to all students a benchmark of "satisfactory academic progress" that previously applied only to students receiving federal financial aid. Some institution officials contend that mandating this uniform policy was unnecessary and imposed significant new costs on campuses. However, system office officials said they consulted extensively with presidents on this issue, noting that leaders of MnSCU's wide range of institutions often have differing opinions on policy issues. Ultimately, the board decided that applying the same standard to all students was desirable.

In a large, complicated higher education system, the governing board needs various mechanisms for receiving and assessing campus input. MnSCU's board now has a campus president serving as a liaison to each MnSCU board committee, providing opportunities for campus-level input that did not exist a few years ago. Likewise, a president gives a report on behalf of the presidents at each of the board's executive committee meetings. Also, since 2001, the MnSCU Leadership Council has provided an important forum for presidents to discuss key policy and administrative issues with the chancellor before these issues are brought to the board. Fifty-six percent of presidents said the chancellor has done an "excellent" or "good" job of conveying the perspectives of institutions to the Board of Trustees, although some expressed concern that informal protocols seem to discourage presidents from discussing their concerns directly with trustees.

Finally, we examined the relationship between MnSCU governing officials and the Legislature. We found:

- **MnSCU has had considerable latitude about how to spend its state appropriation, but MnSCU officials said legislators have occasionally involved themselves in issues the officials believe are better left to the board or chancellor.**

We examined higher education appropriations bills for the five previous biennial budgets. Until 2009, the Legislature made its biennial appropriations to MnSCU in the form of a single lump sum. Consequently, MnSCU had authority to make allocation decisions that were subject only to an overall spending constraint. After some legislators disagreed with MnSCU's spending priorities for funds appropriated in 2007, the 2009 Legislature gave MnSCU a separate appropriation for its "central office and shared services unit," effectively capping system office spending.[14] MnSCU officials generally think that decisions regarding the level of

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[13] Several presidents also expressed concern to us that individual board members have occasionally tried to "micro-manage" on topics better left to campus and system administrators, and some board members we spoke with agreed with this assessment.

[14] *Laws of Minnesota* 2009, chapter 95, sec. 4, subds. 3 and 4. Some legislators thought that MnSCU allocated too much of its 2007 appropriation to information technology projects. However, without specific constraints in the 2007 appropriations bill, MnSCU had authority to spend its appropriation as directed by the Board of Trustees.

system office spending should be made by the system's governing board, not the Legislature.

Some MnSCU board members and administrators also perceive that legislators have sometimes intervened unnecessarily in MnSCU issues. For example, they cited the passage of a statutory cap on the number of credits in MnSCU degree programs; a statutory requirement for one member of the Board of Trustees to represent organized labor; distribution of a letter critical of MnSCU spending decisions (signed by some legislators) at a critical point during labor negotiations; caps in appropriations bills on MnSCU tuition increases; and advocacy by some legislators of a cap on enrollment in MnSCU's electrician programs.

Acting through its committees and oversight staff, the Legislature has a legitimate role in reviewing MnSCU's operations.

The Legislature—as the body that created MnSCU and provides it with much of its funding—has a legitimate role in collectively overseeing MnSCU's administration and operations. The Minnesota Constitution does not contain special provisions limiting the Legislature's authority over MnSCU (although the Constitution and case law *do* place important limits on the Legislature's authority to intervene in the operations of the University of Minnesota).[15] In fact, state law says the Board of Trustees has authority to govern MnSCU operations "unless otherwise directed or prohibited by law."[16] Ultimately, the extent of the Legislature's intervention in MnSCU's business depends on the Legislature's level of trust in MnSCU's top officials. MnSCU officials should continue their efforts to earn legislators' trust, but we offer no recommendation for specific actions to address the view of some MnSCU officials that the Legislature has intervened inappropriately.

POSSIBLE CHANGES IN SYSTEM OFFICE SERVICES AND OVERSIGHT

A key challenge for the governing officials of a higher education system is to ensure that system-level activities "add value" to the activities of individual institutions. System-level direction, management, and services should enhance what the institutions provide on their own—by improving efficiency, effectiveness, consistency, and accountability.[17] While the system office works with campuses to help achieve system-wide goals and performance targets, it is worth noting that:

- **There has been limited measurement of the system office's own performance.**

In some cases, the adequacy of services provided by the system office are not easily quantified. For example, it would be difficult to objectively measure the

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[15] For a discussion of the University of Minnesota's autonomy, see Minnesota House of Representatives Research, *University of Minnesota Constitutional Autonomy: A Legal Analysis* (St. Paul, October 2004).

[16] *Minnesota Statutes* 2009, 136F.06, subd. 2.

[17] *Minnesota Statutes* 2009, 135A.052, subd. 1(b)(2), directs the MnSCU system to use innovative fiscal practices to manage the state's resources and operate the system as efficiently as possible.

quality of the legal advice provided by MnSCU's Office of General Counsel or the impact of advocacy by its Government Relations Division. In other cases, system office officials acknowledged to us that they have not collected adequate information. For example, system office officials told us that it is difficult to extract information from MnSCU's personnel and payroll system for the purpose of assessing the performance of system office or institution human resources activities.

Some parts of MnSCU's system office need additional scrutiny by the Board of Trustees and chancellor.

We examined a wide variety of system office functions, using available data and documents, but also considering comments from system office staff, campus officials, and others. Many system office activities appear to be performed effectively and efficiently—as indicated, for example, by the ratings of campus presidents in Appendix A. Chapters 4 through 6 of this report discuss system office divisions in more detail, highlighting functions and services that need closer scrutiny from the MnSCU Board of Trustees and chancellor. Table 3.6 summarizes key areas that, in our view, should be considered for reorganizations, improvements, or closer scrutiny.

RECOMMENDATIONS

To address areas of concern in certain system office activities (such as those identified in Table 3.6), the MnSCU Board of Trustees and chancellor should consider changes in organization, staffing, or oversight.

Where feasible, the MnSCU system office should (1) improve its ability to monitor the administrative productivity and efficiency of institutions and (2) measure institution and system office administrative costs against reasonable benchmarks.

We think MnSCU leaders should have latitude to consider the specific actions needed in the areas identified in Table 3.6, but there are several options. One option is **organizational changes**, with the intention of improving the effectiveness or efficiency of services.[18] While some of the system office's small divisions (such as General Counsel, Internal Auditing, and Government Relations) were rated highly by campus officials, other small divisions (such as Development, Public Affairs, and Diversity and Multiculturalism) were viewed more skeptically, according to our survey of presidents.[19] Some campus officials

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[18] We did not estimate cost savings that might result from organizational changes.

[19] The survey asked each president to identify which system office activities (either specific functions or entire organizational divisions) are the least essential, based on their "value added" to the campuses. Presidents could identify up to three activities. The most common responses (in order) were the Development Division, Public Affairs Division, and Diversity and Multiculturalism Division.

Table 3.6: System Office Divisions and Services Needing Attention from Top MnSCU Officials

System Office Division	Issues	Discussed in:
Academic and Student Affairs	Important division to retain, but campus concerns regarding the value of various individual functions.	Chapter 4
Information Technology Services	Important division, but questions regarding strategic decision making, project management, and the value of some recent system enhancements.	Chapter 5
Development	Presidents skeptical of need for this division. Modest funds raised by division for system-wide foundation.	Chapter 6

Specific Functions	Issues	Discussed in:
Job classification	Campuses view some system office classifications as too rigid or not timely. Authority could be delegated to selected institutions.	Chapter 2
Oversight of student credit transfer	Easier transfer was a key merger goal, but campuses and student associations report continued problems.	Chapter 4
Development of seamless student services	Past efforts have resulted in limited progress, but system leaders are making renewed attempts.	Chapter 4
System-wide academic planning and curriculum development	Some campuses want system office to more actively foster program ideas and reduce duplication.	Chapter 4
Approval of campus proposals to begin, revise, or close programs	Campus concerns about system office's timeliness, clarity of standards, and responsiveness.	Chapter 4
Faculty professional development	Campuses could play a stronger role, although the system office has provided good support.	Chapter 4
Impact and cost-effectiveness of online instruction	Need better assurance of the quality and cost-effectiveness of online instruction.	Chapter 4
Oversight of customized training and continuing education	System office role is unclear; many presidents don't see clear purpose or leadership in this area.	Chapter 4
Credentialing for two-year college faculty	Board should consider policy changes to ensure a less rigid, more timely process.	Chapter 4
Oversight of specialized training in firefighting and emergency medical services	Unclear why system office needs specialized staff to oversee these programs. Mixed views of system office performance by customers.	Chapter 4
Strategic planning for information technology (IT) projects	Projects authorized in the past did not always address the most pressing needs of the institutions.	Chapter 5
Project management of IT projects	Need to continue improving cost estimates, project sequencing, management of staff resources, and performance of new IT systems.	Chapter 5
IT assistance to campuses	Need to improve training and system manuals for campus users.	Chapter 5
Professional/technical services	Significant spending growth in recent years. System office should review contractor performance; board should scrutinize overall use of contractors.	Chapter 5
Planning for capital projects	System office should provide earlier, clearer guidance on design and spending parameters for projects, where possible.	Chapter 6
Project management of capital projects	System office should use and foster campus-level expertise to a greater degree.	Chapter 6

SOURCE: Office of the Legislative Auditor.

questioned the need to have separate divisions for these functions. For example, perhaps system-wide fundraising activities could be overseen by staff in the Finance and Facilities Division, rather than having a separate Development Division. Or, perhaps the system office could create an External Relations Division that encompasses government relations, public affairs, and development-related functions.

A second option for MnSCU leaders to consider is **staffing changes**. This could include changes affecting the staff who are assigned to particular areas. It could also include increases or decreases to staffing levels. For example, some campus officials seemed to question whether the Academic and Student Affairs Division needs to be as large as it is, such as the following comment from one president:

> Many of the services provided through [the Academic and Student Affairs Division] are beneficial but are also duplicative of the strongest expertise on campuses. We may not NEED the help here as much as we do in [human resources], finance, legal counsel, and technology services.

In addition, as discussed in Chapter 4, some academic programs (such as firefighter training) are unusual because they are overseen by specialized staff in the system office. It is unclear that such programs need more system-level oversight and coordination than other academic programs.

The system office should develop better measures of administrative performance, and they should be periodically reviewed by the board.

A third option for the services identified in Table 3.6—and throughout the system office—is **improved oversight**. Even in cases where organizational or staffing changes are unnecessary, system leaders should consider ways to monitor and improve service delivery. This should include development of improved administrative performance measures, where possible. If it is not possible to develop measures of service outcomes in key areas, the system office should at least strive to develop measures of workload. System leaders should also help ensure that the system office provides good customer service—perhaps by providing templates that campuses can tailor to their needs, clarifying system office criteria for making decisions, providing training on policies and information systems, or making prompt, courteous responses to campus inquiries.

For some services listed in Table 3.6, there may be differences of opinion among system office and campus officials about the need for fundamental changes. In such cases, the chancellor and Board of Trustees should solicit additional input about the nature of the perceived problems and possible solutions. For example, system leaders should initiate a discussion about whether the Academic and Student Affairs Division should play a stronger role in curriculum development and centralized academic planning, as some campus officials suggested. Also, the system office has provided useful assistance to campuses with faculty professional development, but system leaders should discuss the appropriate division of responsibility for this function as budgets tighten.

We also looked at the extent of the MnSCU Board of Trustees' ongoing oversight of the system office. This is important because the board delegates considerable authority to the system office and is uniquely situated to assess its performance. The board has relied largely on the chancellor and his cabinet to

oversee the system office's operations. By board policy, the chancellor acts as the system's chief executive officer.[20] The board provides broad direction to the chancellor and his staff by adopting system-level policies, budgets, strategic plans, and accountability frameworks. Annually, the board reviews the chancellor's performance, based on goals and challenges outlined by the board chair at the beginning of the year. However,

- **Despite longstanding questions about the role and size of the system office, the board's level of system office oversight has been limited.**

Board members told us they have tried to focus on policy issues more than system office management, although they said they would welcome the development of administrative performance measures for the system office. The board's review of system office budgets and spending has occurred at a very broad level. For example, the system office has relied heavily on professional/technical contract services in recent years to supplement staff, but the board has exercised minimal contract oversight. The board pre-approves contracts exceeding $2 million and, in response to board policy, the system office produces a very brief annual summary of expenditures for MnSCU contracts exceeding $50,000.[21] The board does not approve additions or eliminations of staff positions within the system office. Information presented to the board on system office expenditures have sometimes provided an incomplete picture, excluding the salaries and benefits of some system office staff.

In addition, many of the campus presidents would like the board to scrutinize the system office more closely. When asked to rate the Board of Trustees' oversight of the system office's size and scope, 38 percent of MnSCU presidents rated the board's performance as "excellent" or "good," while 56 percent rated this oversight as "fair" or "poor."

RECOMMENDATION

The Board of Trustees should exercise stronger ongoing oversight of the system office.

We think the board can oversee the system office more closely without micro-managing it. To help with this oversight, the chancellor should annually provide the board with multi-year data showing the system office's staffing and spending from all funding sources. To place system office spending in context, the board should also review trends in system office spending as a percentage of all MnSCU expenditures.

In addition, the board should more closely scrutinize the system office's use of professional/technical contracts. The contracting report produced by the system

The Board of Trustees is uniquely situated to oversee the role and size of the system office.

[20] MnSCU Board of Trustees Policy 1A.3, part 2.

[21] MnSCU Board Policy 5.14 requires pre-approval of contracts over $2 million, and it requires that the annual report on contracts over $50,000 be posted on the MnSCU web site. As of late 2009, the most recent annual report on the web site was a one-page November 2008 summary covering fiscal year 2008. This report contained only summary data; there were no details on individual contracts.

office in response to Board Policy 5.14 is not very useful. It might be more helpful for the board to periodically consider the cost-effectiveness of professional/technical contracts, the results of the contracts, and the circumstances in which contracts are appropriate. This could help the board scrutinize the system office's deployment of its staff resources, in addition to providing additional information on a large part of the system office's expenditures.[22]

Also, because the board is uniquely situated to hold the system office accountable for performance, it should periodically review selected system office functions. We suggest that board committees incorporate periodic reviews of selected system office functions into their work agendas. Such reviews could examine the purpose, management, and performance of these functions.

FUNDING ALLOCATION AND SYSTEM OFFICE CHARGES FOR SERVICES

The MnSCU system office plays an important role in determining the institutions' share of state funds and their financial stake in system office costs. We found that:

- **There is discontent among many institution officials with the methods used by the system office to allocate state funds and apportion system-level costs to institutions.**

MnSCU uses a board-adopted method to allocate state funds to individual colleges and universities.

MnSCU's "allocation framework" is the method adopted by the Board of Trustees to allocate state funds among individual colleges and universities. The framework was developed and implemented with considerable input from system office and campus officials over a period of many years. However, in our survey of institution presidents, about 61 percent said the allocation method is not fair and appropriate. For example, some said the formula does not adequately account for differences in student demographics or high-cost programs. Also, some said that institutions must wait several years for the allocations to "catch up" with the costs associated with new or expensive academic programs.

Some campus officials also expressed concern that the system office's assignment of certain costs to institutions has adversely affected their efforts to budget for operations. Each year, before allocating state funds to campuses, the system office retains enough state funding to cover part of its estimated costs for the coming year. These funds are tied to services that the system office and institution leaders have previously agreed should be paid for by institutions.[23] However, the system office also finances some of its initiatives through other charges to institutions. For example, the system office hired a consultant to assess institutions' compliance with security requirements pertaining to the use of

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[22] One option would be for the board to review the use and outcomes of contracting as part of its discussion of the system office's annual "demographic report," which contains information on the number and characteristics of employees in the MnSCU system.

[23] Other agreed-upon expenses, such as presidents' compensation and institutions' debt service, are also paid for by the institutions periodically during the year.

Campuses expressed concern that the system office has assessed some charges with little advance notice.

credit cards. Institutions were notified after the annual budget was established that they would be required to cover a portion of the consultant's costs ($20,000 to $40,000 per institution, depending on its size) and to purchase whatever hardware the consultant recommended. The system office has also used these types of charges to pay for some permanent staff.

System office staff told us that institutions are always given information about institution costs that will result from system office decisions. They said this often occurs through the MnSCU Leadership Council, in which presidents participate. However, campus officials said some of these costs have been assessed with little advance notice.

We offer no recommendations for specific changes in the allocation framework. We did not independently evaluate the framework, and there has been periodic board consideration of the framework's components. However, MnSCU leaders should be aware that there are lingering campus concerns about the adequacy of the framework, despite the participation by campus officials on committees leading to the development and revision of the framework.[24] In addition, we think the system office should ensure that the Board of Trustees is fully informed about service charges imposed outside the regular process for allocating funds to institutions and withholding funds for the system office.

RECOMMENDATION

System office officials should notify the Board of Trustees about the amount and purpose of any charges imposed on institutions outside of the regular allocation process.

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[24] Board members and system office officials suggested that some campus concerns might reflect dissatisfaction with the outcome of the allocation process, rather than specific concerns about the model used to allocate funds.

4 Academic and Student Affairs Issues

The Academic and Student Affairs Division is the system office's second largest division. As shown in Appendix B, the division had about 90 full-time-equivalent staff in fiscal year 2009. The division has a significant impact on campuses through its oversight of instructional programs and student services. It also plays a key role in system-wide governance through its role in strategic planning and performance measurement. This chapter provides general background on this division and highlights areas that we think need additional attention from system officials.

GENERAL COMMENTS

Figure 4.1 shows the Academic and Student Affairs Division's organization and key functions. The division adopted a leaner leadership structure in July 2009, reducing the number of associate vice chancellor positions from six to four.[1]

Mandates in state statute and board policy have a fairly limited impact on the workload of the Academic and Student Affairs Division. State law provides broad directives for MnSCU to "avoid duplicate program offerings" and "place a high priority on ensuring the transferability of credit."[2] The Legislature has occasionally passed more specific mandates, such as a 2007 requirement for the MnSCU Board of Trustees to cap the length of degree programs, and a 2005 requirement for MnSCU to create at least three academic "centers of excellence."[3] In addition, policies and procedures adopted by the Board of Trustees direct the Academic and Student Affairs Division's work in certain areas, such as approval of academic programs and establishment of minimum qualifications for two-year college faculty.[4] In general, however, the division has considerable latitude to define work activities that help fulfill broad strategic directions developed by the board and chancellor.

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[1] The division had four associate vice chancellors from 1995 to 1999. In 2002, when the division had five associate vice chancellors, a MnSCU committee said presidents perceived this to be a "difficult and cumbersome" structure (Leadership Council Human Resources Committee, *Functional Assessment of the Office of the Chancellor: Report and Recommendations* (St. Paul, May 2002), 13).

[2] *Minnesota Statutes* 2009, 136F.30. This statute also says the board "shall review and approve or disapprove campus proposals for adding, deleting, or substantially changing programs of study."

[3] *Laws of Minnesota* 2007, chapter 144, article 1, sec. 4, subd. 3, required the board to set the maximum number of credits at 120 for a baccalaureate degree and 60 for an associate degree, and it required a waiver process for exceptions. *Laws of Minnesota* 2005, chapter 107, art. 2, sec. 31, required the board to designate centers of excellence and established criteria for them.

[4] For example, see MnSCU Board of Trustees Policies 3.32 and 3.36.

Figure 4.1: Organization of the Academic and Student Affairs Division

		Senior Vice Chancellor for Academic and Student Affairs		

Associate Vice Chancellor for Learning, Technology, and Programmatic Innovations	**Associate Vice Chancellor for Strategic Partnerships, Career, and Workforce Development**	**Associate Vice Chancellor for System Research, Planning, and Effectiveness**	**Associate Vice Chancellor for Student Services**
• Acts on institution proposals to begin, redesign, suspend, or close academic programs • Sets minimum qualifications for two-year college faculty • Promotes professional development for faculty • Facilitates development of online learning • Oversees MnSCU institution libraries and a consortium (MnPALS) that serves a wide variety of Minnesota libraries • Assists institutions on intellectual property issues • Liaison with state universities on graduate education issues • Liaison with institutions on international education issues	• Administers federal Carl D. Perkins career and technical education grant • Administers online employment and career services systems (ISEEK and CareerOneStop) • Provides system-wide oversight of customized training and continuing education • Provides system-wide oversight of institutions' agriculture and small business programs • Promotes development of programs and curriculum to respond to workforce or economic development needs • Administers the Fire/Emergency Medical Services/Safety Center	• Conducts system-wide strategic planning • Oversees presidential workplan development and presidential evaluation process • Conducts research on behalf of the system and institutions • Facilitates collaboration with K-12 education system • Develops and manages the MnSCU "Accountability Dashboard"	• Helps campuses administer financial aid programs • Facilitates system-wide services for military veterans • Develops and administers mechanisms to facilitate student credit transfer • Oversees and assists campuses regarding other services for students at campuses (disability services, counseling, health, athletics, etc.) • Monitors need for changes in system-wide academic and student affairs policies

NOTE: The division implemented this organization in July 2009.

SOURCE: Office of the Legislative Auditor, based on information from MnSCU.

When compared with higher education systems in other states, some functions in MnSCU's Academic and Student Affairs Division appear to be unique or fairly

unusual.[5] Table 4.1 shows some examples; two other examples (services for military veterans and the Fire/Emergency Medical Services Center) are discussed later in this chapter. Some of these functions—such as MnSCU's career information activities—have been funded largely by sources other than MnSCU's state appropriations.[6] In fiscal year 2009, about 21 full-time-

Table 4.1: Examples of Unique or Unusual Academic Functions in MnSCU's System Office

Career and job information systems. About 20 system office staff administer two online career and job information systems. One of these systems (ISEEK) is Minnesota-specific; MnSCU operates it under a joint powers agreement and provides 27 percent of its annual budget. A U.S. Department of Labor grant pays for MnSCU's administration of a second system (CareerOneStop) that provides the federal government with career and job information on all 50 states.

Analysis intended to identify factors affecting student success. Higher education systems in other states use student and institution data to conduct research, but MnSCU's "action analytics" initiative would involve more sophisticated analysis and modeling than most systems have implemented. For example, officials would like to examine MnSCU-specific data to determine if indicators of student "engagement" are predictive of academic success. System office officials said that such analysis is essential at a time when policymakers and the public demand greater accountability, and they said MnSCU's integrated information systems will enable the system office to do its analysis in a cost-effective way. MnSCU's action analytics expenditures totaled $268,500 in fiscal year 2009, with $320,000 budgeted in fiscal year 2010.[1]

Coordinators of institution services in certain specialized workforce areas. The division has three "system directors" who help oversee campus programs in the following areas: customized training and continuing education; farm and small business management; and emerging industries, such as biosciences and renewable energy.

Library oversight. A "system director" splits his time overseeing MnSCU campus libraries and a consortium (called MnPALS) of public and private Minnesota libraries. MnPALS' operations are funded by member libraries, but this system office position is funded by MnSCU.

[1] This does not include expenditures ($507,000 in fiscal year 2009 and $158,000 budgeted in fiscal year 2010) for an Accountability, Planning, and Performance System (APPS) related to MnSCU's Accountability Dashboard (discussed in Chapter 3). APPS is part of MnSCU's broader action analytics initiative.

SOURCE: Office of the Legislative Auditor, based on information obtained from MnSCU.

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[5] We collected staffing information from system offices in seven other states. In addition, the Academic and Student Affairs Division recently compared its functions with those of counterpart systems in eight states, and we reviewed the division's findings. It is difficult to directly compare staffing levels in system offices, due to differences in systems' enrollment, missions, and size of institutions. However, for all but one of the system offices in seven states from which we obtained information, MnSCU has more system office staff devoted to academic and student affairs activities. The California State University system had about the same number of staff as MnSCU but its enrollment (437,000 headcount in Fall 2008) was much larger than MnSCU's (199,000 headcount in Fall 2009).

[6] Some services have generated revenues to help cover their costs. For example, MnSCU developed an electronic portfolio system for students, institutions, and others, and the system office estimates that it will generate $175,000 in user revenues for MnSCU in fiscal year 2010.

equivalent staff in the division were funded by nonstate grants. Academic and Student Affairs Division officials told us they have placed a high priority on collaborations with other agencies and the pursuit of external funding.

In our surveys, some campus officials singled out individual staff in the division for their leadership and hard work. However, our surveys also indicated that:

- **Institution presidents and top academic officials have considerable ambivalence about the overall performance of the Academic and Student Affairs Division.**

On one hand, 14 of 32 presidents indicated in our survey that this division is one of the "most essential" activities of the system office, based on the value that it adds to campus services.[7] On the other hand, when offered opportunities to discuss positive or negative observations about the division, the concerns conveyed by presidents far outnumbered their favorable comments. In addition, this division accounted for nearly half of the system office functions for which at least one-third of presidents said that system office services were not efficient and effective. These functions are shown in Table 4.2 (with additional survey results in Appendix A). In the sections below, we discuss selected functions of the Academic and Student Affairs Division that we think merit attention from the MnSCU board and chancellor.

In Chapter 3, we recommended that the MnSCU board and chancellor consider possible organizational, staffing, or oversight changes in this division and several of its activities. In the sections below, we discuss these issues in more detail and provide an additional recommendation related to Board of Trustees' policy (related to credentialing faculty at two-year colleges).

CREDIT TRANSFER

One of the Legislature's main goals in merging the state university, community college, and technical college systems was to create a "seamless" system in which students could move between MnSCU institutions with minimal loss of credit. As noted earlier, Minnesota law requires the MnSCU Board of Trustees to place a high priority on ensuring credit transfer.[8]

Students who complete a program of study at a two-year MnSCU institution generally receive a certificate, a diploma, or one of several types of associate degrees. While some students use these awards to pursue immediate employment, others seek to apply the credits toward baccalaureate degrees. However, the transferability of credits from MnSCU's two-year colleges to its

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Campuses have mixed opinions about the services provided by the Academic and Student Affairs Division.

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[7] Three other presidents included individual academic affairs functions on their lists of "most essential" functions. Survey respondents could identify up to three system office activities (or entire divisions) on their lists of "most essential" functions.

[8] In addition, *Minnesota Statutes* 2009, 135A.052, subds. 1(2) and (3), says that community colleges and consolidated community technical colleges shall offer "occupational programs in which all credits earned will be accepted for transfer to a baccalaureate degree in the same field of study."

Table 4.2: Academic and Student Affairs Activities About Which MnSCU Presidents Most Frequently Expressed Concerns

Function	Percentage of Presidents Who Said This Activity is Not Provided Effectively and Efficiently
Works with campuses to develop new curriculum opportunities.	68%
Coordinates the MnSCU system's customized training network.	63
Fosters the provision of seamless student services within MnSCU.	59
Develops and maintains system-wide mechanisms for seamless student transfer.	50
Promotes student readiness for postsecondary education.	50
Promotes the development of programs in fields with significant economic impacts.	44
Administers minimum qualification standards for two-year colleges.	40
Acts on proposals to begin, redesign, suspend, or close academic programs.	38
Facilitates institutions' development of online learning opportunities.	38
Conducts research on behalf of the system and campuses.	38

NOTES: Based on presidents who responded "disagree" or "strongly disagree" when asked whether the system office's performance has been effective and efficient. For "administers minimum qualification standards for two-year colleges," the percentage was based only on responses of two-year college presidents (N=25).

SOURCE: Office of the Legislative Auditor, August-September 2009 survey of MnSCU presidents (N=32).

state universities is not automatic. For example, college-level courses might not transfer (or might be counted only as electives) if the university determines that the courses' content or instructor qualifications do not meet the university's standards.

Academic and Student Affairs Division officials told us they believe that credit transfer—and the mechanisms MnSCU has implemented to foster it—are generally working well. We found that:

- **There have been important efforts within MnSCU to facilitate the transfer of credits between institutions, but there is a need for additional work.**

During the past two decades, there was important progress in addressing credit transfer issues. One area of progress was the development of the Minnesota General Education Transfer Curriculum, in response to directives by the 1991

Legislature.[9] This curriculum identifies a set of courses that students can take in one MnSCU institution that, if completed in total, would satisfy the general education requirements at other MnSCU institutions. By 2000, all of MnSCU's two-year institutions had formally adopted this curriculum, but only two of the MnSCU state universities had done so. The 2001 Legislature required the Board of Trustees to ensure that all MnSCU institutions adopt the Minnesota General Education Transfer Curriculum, and the remaining institutions did so.[10]

Another area of progress was MnSCU's development of a new type of degree, the Bachelor of Applied Science (BAS). With BAS degrees, four-year institutions agree to accept transferred credits from related Associate in Science degrees, Associate in Applied Science degrees, and diplomas offered by two-year colleges. As of late 2009, there were 21 BAS degrees in place at MnSCU universities.

Since the merger, MnSCU has taken steps to improve the ability of students to transfer credits among MnSCU institutions.

MnSCU also developed some system-wide tools to help students track their progress toward completion of a program and determine which courses will transfer to other institutions. The 1999 Legislature appropriated $1.2 million to MnSCU to implement the Degree Audit Reporting System (DARS), and it subsequently appropriated about $500,000 in annual funding for DARS. DARS helps students identify equivalent courses, which can be useful when students transfer to other institutions. MnSCU officials directed institutions to implement DARS by the end of 2002. They also directed institutions to implement a related tool (the Course Applicability System, or CAS) by the end of 2004.[11] An October 2007 study found that many MnSCU institutions had not yet implemented these tools.[12] However, the MnSCU Board of Trustees subsequently required all institutions to implement DARS and CAS before the end of the 2007-08 academic year, and MnSCU's internal audit staff confirmed that they were implemented by July 2008. MnSCU also operates a web site (http://www.mntransfer.org/) that provides information on credit transfer for students and staff.

In a 2000 report, our office found that 71 percent of MnSCU presidents said that credit transfer between MnSCU's two- and four-year institutions had improved because of the 1995 MnSCU merger. In our August 2009 survey of presidents, we asked whether the system office has developed effective, efficient mechanisms for credit transfer. Half of the presidents said it has, while half said it has not. Concerns expressed by campus administrators included the following:

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[9] *Laws of Minnesota* 1991, chapter 356, art. 2, sec. 8.

[10] *Laws of Minnesota* First Special Session 2001, chapter 1, art. 1, sec. 3, subd. 2.

[11] The Course Applicability System—subsequently renamed to "U.Select"—helps students determine how their previous coursework will transfer and apply to particular programs at other institutions.

[12] MnSCU Office of Internal Auditing, *Student Success Measures & Systems* (St. Paul, October 17, 2007), 18-22. Reasons cited by institutions for slow implementation included lack of appropriate staff, the complexity of DARS, and resistance by campus leaders, faculty, or advisors to implement or use these tools.

However, campus presidents and student leaders see a need for additional actions to address credit transfer problems.

> Students transfer from one college or university to another very frequently, and as a system we do not make this process easy. There has been very little progress on this in the past few years.
>
> It is still too difficult to transfer within MnSCU. It is often easier to transfer with the Wisconsin colleges (especially UW-River Falls and UW-Stout) than MnSCU universities. [Private colleges] are especially good at accepting credits. MnSCU should work harder to align curriculum and insist that program transfers be automatic.
>
> The system must implement protections to ensure transfer of credits earned at two-year colleges to four-year institutions within MnSCU. Currently, students graduating with an [Associate of Arts] degree cannot be assured universally of junior status upon transfer to a MnSCU university.

Some presidents said the system office has not devoted sufficient staff to credit transfer or that its attention to these issues has been distracted by other projects. Others said that the system office requires cumbersome documentation for transfer-related agreements with other MnSCU institutions, making the process more time-consuming for campus staff than similar processes with non-MnSCU institutions.

The two statewide associations that advocate on behalf of MnSCU students told us they have heard many concerns about transfer-related problems. In particular, they expressed concerns about the following: (1) information developed by the system office on transferring credits is difficult to find online and has not been adequately publicized to students; (2) there is inadequate training for campus-level staff on credit transfer, resulting in inaccurate and inconsistent advice to students enrolling in programs; (3) universities often require transferring students to obtain syllabi from previously completed courses (to demonstrate the equivalency of those courses to ones at universities), but instructors sometimes refuse to provide the syllabi due to "intellectual property" concerns; (4) it sometimes takes long periods of time for transcripts of transferring students to be forwarded to their new schools and processed;[13] (5) only 40 of the 60 credits required for an Associate of Arts degree are covered by the Minnesota General Education Transfer Curriculum, and institutions vary in how they treat the remaining credits;[14] and (6) the transferability of credits from Associate of Science and Associate of Applied Science degrees is covered by differing agreements between individual schools, so students may have to determine the school they will transfer to early in their postsecondary career to maximize their ability to transfer credits. Student association representatives said the system

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[13] MnSCU recently implemented an electronic transcript system to help improve access to transcript information across institutions.

[14] In addition, system office and campus officials noted that some state universities have established institution-specific liberal arts requirements, and there is no guarantee that courses taken to meet these requirements that are not part of the Minnesota General Education Transfer Curriculum will transfer to another MnSCU state university.

office has lacked a comprehensive, system-wide process for reviewing the adequacy of existing transfer policies and tools.

MnSCU policy establishes an appeals process for students who wish to challenge transfer decisions, but it is unclear how effective this process has been. The system office does not collect system-wide information on the number or outcomes of campus-level appeals. Students have the option of appealing campus transfer decisions to the system office, but there were only three transfer-related appeals filed with the system office in the past four years. One of MnSCU's statewide student associations told us that students have not been adequately informed about their option to appeal transfer decisions to the system office.

MnSCU's web site has incomplete information regarding the agreements established by campuses to facilitate credit transfer.

Finally, we observed that the system office has incomplete information on inter-institution agreements intended to facilitate credit transfer. Institutions often enter into "articulation agreements" to specify how credits for specific academic programs will be accepted when students transfer between the institutions. In September 2009, we reviewed information from a MnSCU web site showing institutions' number of articulation agreements. The web site indicated that two state universities (at Winona and Marshall) had fewer than 20 agreements each; in contrast, three state universities (at Bemidji, St. Paul, and Moorhead) each had at least 246 agreements with other MnSCU institutions. Winona State University officials told us they do not have a complete inventory of the articulation agreements their institution has entered into, resulting in incomplete information on the MnSCU site. Officials from Southwest Minnesota State University (at Marshall) provided us with information showing more articulation agreements than those documented on the MnSCU web site, but still far fewer than those at some other universities. Whatever agreements exist, it is important for the system office to ensure that its web site contains complete information. A web site intended to provide comprehensive information on existing articulation agreements may do a disservice to students if it is incomplete.

In late 2009, the MnSCU chancellor directed his staff to work with the statewide student associations to develop a survey of transfer students. It will be useful to see whether the survey—scheduled for early 2010—reveals significant student concerns. However, the concerns already expressed by the student associations and campus administrators clearly suggest room for improvement in this critical academic affairs area.

STUDENT SERVICES

Another key function of the Academic and Student Affairs Division has been to oversee and assist with campus provision of key support services to students at MnSCU institutions. We found that:

- **The MnSCU system office has provided useful assistance to campuses in delivering some student services, but its efforts to create "seamless" student services have had limited impact so far.**

Campuses strongly support the system office's services to support military veterans.

For example, the system office has provided helpful assistance to campuses regarding student financial aid. The system office advises campuses on changes in federal and state financial aid regulations, serves as a system-wide liaison with government and private agencies (for example, the U.S. Department of Education, Minnesota Office of Higher Education, guaranty agencies, and lenders), and monitors the compliance of MnSCU institutions with financial aid requirements. System office financial aid staff started reviewing individual institutions' compliance a few years ago (following serious problems discovered by federal reviewers at one institution), and compliance in recent years has generally been good. MnSCU's external auditors questioned few institution-level determinations of financial aid in the two most recent reviews (for fiscal years 2007 and 2008), and the total amount MnSCU repaid to the federal government as a result of problems found in the audits was only about $10,000.[15] Also, in our survey of MnSCU presidents, 84 percent said the system office has provided efficient, effective assistance in helping campuses administer financial aid.

Campus officials have also been pleased with the system office's efforts to provide services to returning military veterans. Since 2007, MnSCU has been the recipient of two special congressional appropriations—totaling more than $2 million—intended to enhance veterans' education and employment opportunities.[16] One college's top academic administrator said the system office's "coordinated approach has been highly effective to support our veterans and their families on most of the campuses. They were extremely helpful in getting our veteran's center on campus set up." Also, the system office is in the midst of projects to help veterans receive academic credit for training they previously received in the military. In our survey of MnSCU presidents, 100 percent said the system office's services for military veterans have been effective and efficient.

Past system office efforts to foster "seamless" student services have had limited impact.

On the other hand, there has been limited progress in fostering "seamless" student services, despite several years of efforts. In early 2002, the MnSCU system office initiated the Seamless Project to provide students at all institutions with access to programs and services in an integrated way. According to a planning document, this project "must be driven by alignment and organization of policies, procedures, and practices [across institutions] within the following areas: admissions, registration, financial aid, tuition payment, orientation, academic advising, technical support, career services, library services, services for students with disabilities, instructional support/tutoring, bookstore, and curriculum development and offerings."[17] One of the intended benefits was to have simpler, less confusing processes for students enrolled at more than one institution—such as receiving a single tuition bill, or being able to use a single registration process. In response to priorities established by the Board of Trustees, a committee of MnSCU presidents and vice chancellors started work in 2003 on addressing some of the business practices and student services variations

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[15] In contrast, the "questioned costs" identified by auditors in prior years totaled $5.7 million (2003), $676,000 (2004), $141,000 (2005), and $1.5 million (2006).

[16] These appropriations were "earmarked" in federal legislation specifically for the MnSCU system.

[17] *Seamless Project Visioning Team Report* (St. Paul, May 2002), 2.

identified by the Seamless Project.[18] These efforts contributed to some important accomplishments, such as the establishment of uniform semester start dates by all institutions (starting in 2008) and the definition of "core data" on each student that does not change when the student enrolls at a different institution. Overall, however, limited past progress toward the Seamless Project's goals is one reason MnSCU officials today have started new efforts in this area.

System office officials believe that differences of opinion among institutions and bargaining groups have significantly contributed to the lack of progress toward seamless services. On the other hand, only 41 percent of MnSCU presidents said the system office has effectively and efficiently fostered the provision of seamless student services within MnSCU, while 59 percent said it has not. This was a source of frustration among a number of campus administrators we surveyed, as illustrated by the following comments:

> Students still cannot move from institution to institution seamlessly due to business practice differences and inability of [MnSCU's main information system] to support this.

> Though there has been progress in this area, it has been slow and seems somewhat unfocused. There seems to be a need for collaboration between divisions who are involved and a better system for identifying realistic priorities and timelines.

MnSCU leaders have initiated a new effort—called "Students First"—to address variation among campuses in student services and business practices.

Many MnSCU administrators—at campuses and within the system office—are hopeful that a new initiative (known as "Students First") by the board and chancellor can help address the student services and business practices issues that earlier efforts did not. As described to the Board of Trustees,

> The overarching goal of Students First is to make it possible for a student to access system curriculum and resources easily through a single source of initial information with standard, consistent processes, along with a focus on efficiency and effectiveness.[19]

The MnSCU chancellor set a goal of "substantial progress" in six key Students First areas by June 30, 2010, with completion of the project by June 30, 2011.[20] Recently, system office officials noted that one key Students First project—the single, system-wide billing and payment process—cannot be fully completed by June 2011 because staff will be needed in coming months to work on a state-mandated change in MnSCU's accounting and procurement software.

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[18] This was known as the Business Practice Alignment Committee, or BPAC.

[19] MnSCU Board of Trustees Information Item, *Students First Initiative*, September 8, 2009, 3.

[20] The six areas involve development or implementation of: (1) a single search tool to get curriculum information online; (2) a single application process, rather than separate processes at each institution; (3) a graduation planner to help students stay on track for timely completion of their educational goals; (4) a system-wide registration process for undergraduate and noncredit students; (5) a single bill and payment process, even for students enrolled at multiple institutions; and (6) shared student services and common business processes in selected areas.

Some institution officials have questioned fundamental elements of Students First. For example, some state university officials believe the goal of a single, system-wide application process does not recognize the differences between institutions with competitive admissions processes and those without them. Some others are concerned that implementation of Students First projects might place a significant burden on campus information technology staff.

We offer no recommendations for Students First. System office officials deserve credit for their renewed efforts to address inconsistencies in business practices, but they also must be accountable for the limited progress that occurred in past efforts. The Students First project will test the system office's ability to get consensus on complex issues within a very ambitious timeline.

PROGRAM DEVELOPMENT AND APPROVAL

Minnesota law says the Board of Trustees "shall review and approve or disapprove campus proposals for adding, deleting, or substantially changing programs of study."[21] Statewide governing or coordinating boards in a large majority of states have authority to approve new programs; MnSCU's role in this area is not unusual.[22]

The MnSCU system office requires proposals for new academic programs to meet certain criteria, such as aligning with the institution's mission, responding to demonstrated student interest and occupational demand, and avoiding unnecessary duplication with other MnSCU programs.[23] We reviewed a limited sample of the system office's recent actions on campus program proposals.[24] Based on this sample, we found that:

Campuses wishing to add new academic programs must receive system office approval.

- **The MnSCU system office has usually conducted reviews of new program proposals in a reasonable amount of time.**

We reviewed system office actions on a sample of 25 proposals for new programs submitted by campuses during 2008. MnSCU policy does not establish a specific standard on what constitutes a timely review of a campus proposal, but Academic and Student Affairs Division documents describe the process as typically taking one to six weeks (except for doctoral programs, which it says typically take two to six months). In our sample, a majority of program approvals occurred within these timeframes. Instances in which undergraduate

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[21] *Minnesota Statutes* 2009, 136F.30. The board has assigned this authority to the chancellor under MnSCU Board Policy 3.36, part 5.

[22] Robert J. Barak, *Thirty Years of Academic Review and Approval by State Postsecondary Coordinating and Governing Boards* (State Higher Education Executive Officers, 2007), 9-10, reported that 45 of 48 state boards surveyed approve at least some new programs, and 38 approve program terminations.

[23] MnSCU Board Procedure 3.36.1, part 5, subpart A.

[24] We focused entirely on campus proposals to establish new programs. We did not review proposals for program closure, suspension, and redesign, which together compose a majority of the program changes submitted to the system office.

program approval took longer than six weeks usually occurred because institutions did not initially provide all of the required information, or because concerns raised by other institutions about the proposals needed to be considered. Often, the system office conducted market analyses for proposed programs when the proposing institutions did not supply this.[25] Overall, most (but not all) cases we reviewed appeared to be processed in a reasonable amount of time.

Nevertheless, many campus officials expressed dissatisfaction with the system office's program approval process.[26] In our August 2009 survey, 38 percent of MnSCU presidents said the Academic and Student Affairs Division did not act efficiently and effectively on campus proposals for program changes.[27] In addition, presidents and chief academic affairs officers from about half of MnSCU's institutions provided us with written comments that cited concerns about the program approval process. Many of these officials expressed concerns about timeliness and lack of clear rationales for system office decisions, such as the following:

> The [program approval] process is currently slow, cumbersome, and does not thoroughly consider the industry needs/job research that colleges have accomplished. It's currently a heavy-handed review that fails to consider local demands. The process appears arbitrary, since it's so far removed from the colleges, program advisory committees, and business requirements.

> [Helping campuses comply with legal or statutory requirements] is a good function for the system office and one that is appreciated by most system presidents. The processes involved with academic program approval seem to be far more discretionary and inconsistent.

Despite such concerns about the system office's performance, we heard considerable sentiment among campus officials for having the system office play a larger—not smaller—role in academic program oversight. Specifically,

- **Many campus officials have not been satisfied with the Academic and Student Affairs Division's efforts to foster ideas for new academic programs and reduce program duplication among campuses.**

The system office usually acted promptly on program proposals we reviewed, but campus officials expressed concerns about the approval process.

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[25] In a 2009 report, our office said the system office "did most or all of the labor market analysis" for 29 of 35 approved program proposals we reviewed. See Minnesota Office of the Legislative Auditor, *MnSCU Occupational Programs* (St. Paul, 2009), 62.

[26] It is possible that the institution officials we surveyed overstated the extent of problems in the academic program approval process, but it is also possible that some institutions experienced delays more significant than those in the limited sample of cases we reviewed. Also, some concerns expressed by institution officials reflected issues we did not assess, such as the clarity of the system office's standards for evaluating program proposals.

[27] During fiscal year 2008, all 934 actions taken by the system office on applications for program additions, modifications, or closures were "approvals." It is possible that some institutions withdrew applications during this period, but the system office did not formally disapprove any applications.

Many presidents would like the system office to play a larger role in curriculum development and reduction of program duplication.

In our survey of presidents, only 32 percent said this division has worked effectively with campuses to identify new curriculum opportunities (68 percent said it has not). Some presidents and chief academic affairs officers advocated for a statewide academic plan, or a group of regional plans, that would address the need for particular programs throughout the state. Also, while 42 percent of presidents said the system office has taken sufficient steps to eliminate or restructure unnecessarily duplicative or low-demand instructional programs, 48 percent said it has not. Some said that the system office should disapprove more of the applications it receives for new programs, or that it should periodically scrutinize existing programs. The following comment from a campus official exemplifies some of the concerns we heard:

> I think the [system office] needs to take a hard look at all academic programs, especially those that are duplicative. Nursing is one example of this. In order to have a successful, high-quality nursing program, institutions must have sufficient clinical sites…. By growing academic programs without growing clinical sites, we are only splintering what is available. It is essential that the system help identify how many programs can be supported… and [the] cost of the programs before adding programs. This has not been the case for nursing and other high-demand programs.

Staff from the Academic and Student Affairs Division said they do not have the resources to do additional curriculum development or program planning. They also said that centralized academic planning—which could reduce the number of locations at which certain programs are offered—is contrary to MnSCU's emphasis on maximizing student access to programs.

PROFESSIONAL DEVELOPMENT FOR FACULTY

Students at MnSCU colleges and universities are served by more than 7,000 full-time-equivalent faculty. The MnSCU system office operates a six-person Center for Teaching and Learning (CTL) that promotes faculty professional development "in order to improve student learning through enhanced teaching effectiveness."[28]

Early in our evaluation, top MnSCU officials told us there has been mixed opinion within the system office and among campuses about the system office's role in faculty professional development. Consequently, we took a close look at this function. In our view:

- **The system office has played a reasonable role in promoting the professional development of faculty members, but this role should be re-evaluated as budgets grow tighter.**

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[28] MnSCU, http://www.ctl.mnscu.edu/about/mission.html, accessed November 3, 2009.

First, it is important to note that the system office is obligated under MnSCU's contract with the two-year college faculty to provide "system-level faculty development." The contract requires MnSCU to allocate an amount of funding annually to provide statewide or regional conferences, workshops, or other staff development activities.[29] A representative of the two-year college faculty union told us that college faculty have generally supported CTL's actions to promote professional development.

Most campus presidents have supported the system office's efforts to promote faculty professional development.

Second, campus-based resources for professional development vary widely, so system office assistance has helped to equalize opportunities among campuses. As an example of varied resources even among larger institutions, two state universities have faculty development centers with full-time staff, while two have no staff devoted to this function.[30] For colleges and universities with limited professional development capabilities on campus, CTL provides an annual two-day conference for MnSCU faculty. Organizing this conference centrally has enabled CTL to (1) take advantage of economies of scale and (2) focus portions of the conference on topics identified by the Board of Trustees as strategically important to the system (such as online learning, or science and math instruction).[31] MnSCU employees are not charged registration fees for CTL-sponsored training or events.

Third, campus administrators are mostly supportive of the center's services. In our survey of presidents, 75 percent said the system office effectively and efficiently provides professional development services for faculty. Even among state universities (some of which have campus-based professional development centers, as noted above), a majority of presidents gave favorable ratings to the Center for Teaching and Learning.

Fourth, a key part of the center's role has been supporting campus-based professional development. In the 2008-09 school year, 26 of MnSCU's colleges and universities had teams of administrators and faculty doing institution-based faculty development with CTL support.[32]

Nevertheless, there have been challenges to providing professional development through a centralized office. For example, we determined that only 16 percent of the more than 1,200 attendees at CTL's 2009 annual conference were from MnSCU institutions located outside the seven-county Twin Cities area. Thus, it has been difficult to draw participants from significant distances.[33] Also, budget

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[29] There is no comparable provision in the contract for the state university faculty.

[30] The other three state universities have faculty development centers with part-time staff.

[31] More than 1,200 people attended the 2009 conference. Not counting CTL staff time to help plan the conference, the 2009 conference costs were about $28 per participant.

[32] A few institutions had "teams" with a single member; 15 institutions had teams with at least three members.

[33] CTL-sponsored activities besides the annual conference have provided additional opportunities for professional development throughout the state. For example, about 2,400 faculty in selected disciplines from all MnSCU institutions participated in "discipline workshops" during the 2008-09 school year. About 1,000 faculty also attended CTL's on-campus workshops on topics of general interest in 2008-09, which were held at 75 percent of the MnSCU colleges and 29 percent of the state universities.

cuts reduced CTL's nonstaff budget from $599,000 in fiscal year 2002 to $205,000 in fiscal year 2010, limiting the center's ability to support campus-based professional development efforts.

MnSCU colleges and universities must play a leading—and perhaps larger—role in professional development of their faculty.

While the Center for Teaching and Learning has been a good resource with considerable support from campuses, its status should be re-evaluated as budgets grow tighter. On one hand, it may be challenging when budgets are lean for individual MnSCU institutions to assume greater responsibility for faculty professional development. Also, smaller institutions may struggle more than larger ones to provide these services in a cost-effective way. On the other hand, the institutions that hire and directly oversee faculty members *necessarily* play an important role in professional development, and perhaps it is reasonable for institutions to assume a larger role—either on their own, or by collaborating with each other. One college president told us: "As great as [the Center for Teaching and Learning] may be, it isn't an essential service in these times." Finding the proper balance between the roles of the system office and the institutions in professional development will be a continuing challenge, and this is why we highlighted this issue in Chapter 3 as one that will require the attention of the MnSCU board and chancellor.

MINNESOTA ONLINE

During the past decade, postsecondary institutions nationwide have seen increased numbers of students enroll in online courses. One recent report estimated that 22 percent of postsecondary students in the U.S. took at least one online course in Fall 2007, more than double the percentage from six years earlier.[34] In late 2008, Governor Pawlenty and the MnSCU Board of Trustees chair announced a goal of having 25 percent of MnSCU credits earned through online courses by 2015, up from 9 percent in the 2007-08 school year.

In 2002, the MnSCU system office created "Minnesota Online," a unit of the Academic and Student Affairs Division that focuses on online education and services.[35] In the current fiscal year, 84 percent of Minnesota Online's $3.3 million budget is from a $5 fee per online credit levied by the system office on each of its institutions. Most of Minnesota Online's expenditures are for (1) system office personnel costs, (2) campus license fees for online software, and (3) a contract with a MnSCU institution to operate a call center and coordinate marketing efforts.

We found that:

- **A majority of MnSCU presidents are satisfied with the system office's activities supporting online education, but the overall impact of Minnesota Online has not yet been systematically assessed.**

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[34] I. Elaine Allen and Jeff Seaman, *Staying the Course: Online Education in the United States, 2008* (Needham, MA: Sloan Consortium, 2008), 5.

[35] Minnesota Online is governed by the Minnesota Online Council, a body of institution, system office, faculty, and student representatives. The council reports and makes recommendations to the senior vice chancellor for academic and student affairs. Creation of Minnesota Online and the council was based on the recommendations of a 2002 MnSCU E-Learning Task Force.

In light of ambitious goals for expansion of online learning, MnSCU should carefully monitor the effectiveness and efficiency of this approach.

In our August 2009 survey, 63 percent of MnSCU presidents said the system office's support for online learning is effective and efficient; 38 percent disagreed. Some campus officials commented that they do not perceive a strong return on investment for Minnesota Online's per-credit fees, and others said they would like additional assistance in developing online courses.

MnSCU's online education services have expanded significantly but with little information on educational outcomes. It is important to consider whether online courses and services are providing a high-quality educational experience for students. In 2003, the Minnesota Online Council approved a Minnesota Online Assessment and Effectiveness Plan. To measure program effectiveness, the plan proposed an "impact study," and it said that a scorecard on "academic quality and operation efficiencies for Minnesota Online" was under development. So far, the system office has not developed performance benchmarks or conducted impact studies. The system office has contracted in recent years for an annual survey of MnSCU's online learners. Past surveys have suggested that MnSCU's online users have lower levels of satisfaction with online services than online users nationally.[36]

Minnesota Online is currently working with Academic and Student Affairs Division research staff to identify measures of student success by the end of fiscal year 2010.[37] In addition, the system office hopes to implement an electronic resource in fiscal year 2011 to provide faculty with tools for improving their online interactions with students. Given the ambitious growth goals that have been established for MnSCU's online services, we think it will be critical for the board and chancellor to carefully monitor the effectiveness and efficiency of these new approaches to teaching and learning.

CUSTOMIZED TRAINING AND CONTINUING EDUCATION

In addition to courses offered for academic credit, MnSCU institutions offer a variety of noncredit courses. Institutions often work with local employers to develop training tailored to the businesses' specific needs; this is known as "customized training." In fiscal year 2009, more than 5,000 businesses and more than 180,000 individuals enrolled in customized training or continuing education courses. Revenues for these courses totaled $54.5 million, including $11.8 million from state appropriations, $4.6 million from grants, and $38.0 million from tuition, fees, and other revenues. We found that:

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[36] Based on its 2008 survey, the Noel-Levitz firm reported that MnSCU online learners had lower satisfaction scores than online learners nationally in the following areas: academic services, instructional services, student services, and institutional perceptions. These differences were statistically significant at the .001 level. Noel-Levitz reported that 17 percent of MnSCU's online learners responded to the survey and respondents tended to be female and white, so survey findings could be biased if nonrespondents' views are substantially different from those of respondents.

[37] For example, MnSCU hopes to eventually examine the rates at which online students remain in school and complete their programs, as compared with other students.

- **The system office plays a limited role in oversight of customized training, and many institution presidents question the value of this system-level oversight.**

The system office does not approve campus-level programs or courses in customized training, and there is little board policy related to customized training. The system office's customized training staff allocate MnSCU's modest allocation of state funds for noncredit training to institutions.[38] The staff also serve as liaisons with campuses and other entities on customized training issues. Until late 2009, the system office also funded a staff person in each of several regions of the state to work with customized training programs from institutions in those regions. Following the elimination of these regional positions, the system office established a Business and Industry Outreach Council (composed of nine institution officials, a system office representative, and a representative from the Minnesota Department of Employment and Economic Development) to help provide strategic guidance in customized training.[39]

In our survey of MnSCU presidents, 63 percent said the system office's statewide coordination of customized training has not been effective or efficient. Comments included the following:

> The involvement of the [system office] with regard to customized training is really not necessary. Universities and colleges are staffed and capable of managing this function locally. The system's attempt to have regional coordinators did not work…. Institutions network without the need for a statewide customized training network directed by the [system office].

> The vision for customized training needs to be better articulated at the system level…. I do see a role for customized training coordination at the system level in enhancing access and opportunity in areas such as the development and maintenance of a statewide customized training online registration system.

Campus-level customized training directors we spoke with expressed support for a continued system office role in customized training, although some questioned whether the system office has performed this role effectively. Some directors said it is important to have system office staff who can advocate within MnSCU for additional state resources on behalf of campuses.[40] Another director said the system office customized training staff help communicate essential information to campuses regarding system-level actions and resources.

Customized training is an important MnSCU service to employers, but the role of the system office in this activity is not well defined.

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[38] About 1.25 full-time-equivalent system office staff oversee customized training and continuing education.

[39] The purposes of the council—all related to customized training and continuing education—are to identify emerging issues, help identify strategic directions for institutions' training units, advocate for adequate resources, facilitate communication within MnSCU, and advise the chancellor.

[40] Between fiscal years 2005 and 2009, the state appropriations allocated by MnSCU to customized training and continuing education stayed essentially constant, ranging from $11.5 to $11.8 million.

Customized training is an important campus function, but MnSCU leadership should consider what role the system office should play in its oversight. At a minimum, the system office must play a role in the allocation of state funds to campuses for customized training. However, the Board of Trustees has not specifically mandated regulation or coordination of customized training programs, and it is unclear to us that the system office should employ staff to advocate on behalf of campuses' customized training activities. Furthermore, despite the system office's long history of customized training oversight, the organization of these services has been in flux (following the recent elimination of the regional positions) and presidents expressed considerable discontent about the system office's performance.

COLLEGE FACULTY CREDENTIALING

Board of Trustees policy requires that college faculty meet system-established minimum qualifications for education and experience.[41] The board has delegated credentialing authority to the chancellor. Board procedures and the collective bargaining agreement for college faculty specify that a Joint Committee on Credential Fields shall make recommendations to the chancellor on minimum qualifications in each "credential field." This committee is composed of college administrators and faculty members.[42] Individuals offered employment for a faculty position must meet the minimum qualifications.[43]

We found:

> - **Development of minimum standards for two-year college faculty has not occurred in a timely manner, and many institution officials view the credentialing requirements as rigid and impractical.**

It has been difficult for the system office to update minimum standards for college faculty in a timely manner.

First, it has been difficult for the system office to update minimum standards for faculty in credential fields in a timely manner. There are about 275 credential fields for which the system office must review standards for possible revision, and new ones are occasionally added. As of early 2010, reviews had been completed in 30 percent of the credential fields since new board policies on credentialing took effect in 2006.[44] Staff estimated that it will take three to four years to update standards in the remaining credential fields.[45] However, some college presidents told us that it is unacceptable to have outdated standards in rapidly changing fields, and they said that some minimum standards that have been updated since 2006 are already obsolete.

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[41] MnSCU Board Policy 3.32.

[42] MnSCU's contract with two-year college faculty implies that the Joint Committee on Credential Fields is not merely advisory to the chancellor, suggesting that minimum qualifications should be based on "agreement" between the committee and system office.

[43] The system office makes this determination for "unlimited" (or permanent) faculty positions, while institutions make this determination for temporary or adjunct faculty positions. Board procedures outline circumstances in which exceptions to the general policy can be made.

[44] In another 10 percent of credential fields, MnSCU reviewers determined that programs were no longer offered.

[45] For fields with previously adopted minimum qualifications, those qualifications remain in effect until new standards are adopted.

The MnSCU board should consider more flexible, timely ways to ensure the quality of college faculty.

Second, some administrators think board policies on minimum standards and occupation-specific standards adopted by the system office have been inflexible. For example, a campus official said that an experienced carpenter did not meet the minimum standards to teach carpentry because he had worked in recent years as a construction manager, not a carpenter. Another campus official described how the person who designed a physical education course at a college was deemed by the system office to be unqualified to teach it, due to lack of proper credentials. The system office's Human Resources Division has no formal provisions to allow campuses to appeal its credentialing decisions. Some college officials believe the Board of Trustees should give college presidents greater latitude to make hiring decisions, so long as these decisions comply with guidance from their accreditation body (the Higher Learning Commission).[46]

Third, college officials expressed concern about requirements in MnSCU's credentialing policy for job candidates to obtain completed forms from past employers verifying their work experience.[47] They said it has sometimes been difficult for job candidates to obtain this information in a timely manner, especially in cases where the previous employers have moved or gone out of business. According to campus officials, this can delay salary discussions and employment offers, and it sometimes causes candidates to consider other employment options. For example, we heard comments such as the following:

> Where else do you apply for a position, interview, be offered, and then accept the position but are told that you will not be able to know your salary until you provide proof of your previous work experience? If we are going to continue to require proof for [salary] placement, then the burden should be on the employer to obtain that proof or abandon needing the proof altogether.

> We are unable to provide a salary figure to new faculty until weeks (or longer) after their hire. This strikes most new faculty as very odd and suspect.

RECOMMENDATION

The MnSCU Board of Trustees should pursue changes in Board Policy 3.32 and the college faculty bargaining agreement to provide a more flexible, timely way to ensure the quality of two-year college faculty.

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[46] The Higher Learning Commission, which accredits MnSCU institutions, has recommended a "tested experience" criterion for assessing faculty qualifications. See Higher Learning Commission, *Commission Guidance on Determining Qualified Faculty* (undated), http://www.ncahlc.org/.

[47] For faculty jobs in occupational fields, MnSCU Board Procedure 3.32.1, part 5, subpart D.3, requires a minimum of two years of verified paid work experience in the credential field, including at least one year of this experience during the past five years. The MnSCU Human Resources Division implements this policy by requiring prospective faculty members to obtain information from previous employers.

In our view, the issue of college credentialing is primarily one of policy, not the performance of system office staff.[48] The board's adoption of its current credentialing policy in 2006 was done partly to reconcile differing credentialing practices of technical colleges and community colleges, whose faculty unions merged in 2002. But, given the difficulties the system office and campuses have had implementing the current policy, we think it would make sense for the board to revisit its policy and review existing contract provisions.

FIRE/EMS CENTER

As indicated in Table 4.3, this center started more than 50 years ago as a training and research unit focused entirely on firefighting. Today, the center still serves as a resource to local fire departments and MnSCU institutions' fire services training programs. In addition, since 1990 the center has been a training resource for MnSCU's and municipalities' emergency medical services (EMS) programs.

Table 4.3: History of Fire/EMS/Safety Center

Year	Event
1957	Minnesota Department of Education's vocational education division established the State Firemanship Training Program
1969	University of Minnesota established the Fire Information Research and Education (FIRE) Center
1986	FIRE Center transferred to State Board of Technical Colleges
1990	FIRE Center added an Emergency Medical Services (EMS) specialist
1995	FIRE Center became part of Metropolitan State University
1998	Fire/EMS Center moved from Metro State to the MnSCU system office
2005	Center added a safety/compliance manager
2007	Center added an emergency preparedness manager

NOTES: The changes shown here represent key changes in the organizational location and scope of the center's activities. The staff added in 2005 and 2007 are funded by the Finance and Facilities Division, not the Academic and Student Affairs Division.

SOURCE: Office of the Legislative Auditor, based on information from the Minnesota State Colleges and Universities system.

The need for a specialized Fire/EMS Center in the MnSCU system office is unclear.

In recent years, the center has overseen health, safety, and emergency preparedness issues at all MnSCU campuses; staff working on these issues (unlike others at the Fire/EMS Center) are funded by the system office's Finance and Facilities Division. This section focuses on the center's role in the firefighting and EMS programs, not its role in health and safety services. We found that:

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[48] The system office's credentialing activities are primarily the responsibility of two staff—one in the Academic and Student Affairs Division, and one in the Human Resources Division.

- **The Fire/EMS Center is a less essential part of the MnSCU system office than it once was, and the need for specialized oversight of firefighting and EMS training by the system office is unclear.**

Today, the Fire Center's role in firefighter training is more indirect than it used to be. In the Fire Center's early years, it directly provided training to firefighters around the state. Later, as MnSCU institutions developed their own firefighter training programs, the Fire Center shifted to a role in which it "trained the trainers." In other words, the center helped campuses develop firefighter education programs around the state, while providing less direct training of its own. In addition, the 2000 Legislature established a Firefighter Board of Training and Education to, among other duties, establish standards for firefighter training programs and their instructors.[49]

MnSCU leaders should consider whether to retain the Fire/EMS Center in the system office.

The Fire Center's role in providing subsidies to local fire departments is no longer unique. Since 1985, local fire departments that take courses at MnSCU institutions have received vouchers (paid for from MnSCU's state appropriation), which they can apply toward the cost of subsequent training purchased from MnSCU institutions. However, the 2006 Legislature created a statewide Fire Safety Account, administered by the Firefighter Board of Training and Education.[50] In 2009, that board provided fire departments with $840,000 in training reimbursements, well above the $279,000 set aside by MnSCU in fiscal year 2009 for training vouchers.

It is also worth noting that MnSCU's use of system office specialists to oversee firefighter training is an approach different from the one it uses in most academic program areas. MnSCU's system office generally does not provide specialized oversight in academic fields, such as teaching, engineering, or law enforcement. Some higher education systems—such as Wisconsin's Technical College System—employ a significant number of system office specialists that oversee particular occupational areas. However, this has not been the approach typically used within MnSCU.

The Fire Center's continued existence within the MnSCU system office might be easier to justify if its customers expressed overwhelmingly favorable views of its performance. However, we heard very mixed opinions about the Fire Center. We solicited opinions from MnSCU presidents, directors of MnSCU firefighter training programs, and various local and state fire officials. Some people told us the center has been a good resource for firefighters and training programs around the state. For example, they said the Fire Center has helped standardize the content of firefighter training programs in MnSCU institutions, alerted local officials to upcoming training opportunities, provided useful information through its specialized library, and provided administrative support for training programs (such as an annual statewide conference for fire chiefs). In contrast, some officials told us the Fire Center has little impact on training programs and local fire agency practices, does not provide information in a timely manner, and duplicates the services and information provided by other agencies.

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[49] *Laws of Minnesota* 2000, chapter 344.

[50] *Laws of Minnesota* 2006, chapter 217.

The Fire/EMS Center has provided assistance to training programs and local agencies for many years. But, as we suggested in Chapter 3, MnSCU leaders should question whether it is necessary to keep this function in the system office. The Fire/EMS Center serves as Minnesota's official "point of contact" with the federal government for firefighter training. However, most states' points of contact are in state fire marshal offices or other state agencies. Perhaps Minnesota's Fire Safety Account—administered by the Minnesota Department of Public Safety—would be a more logical funding source than the MnSCU system office for services such as the Fire/EMS Center's library or regional training representatives.

5 Information Technology Services Issues

In defining the purpose and mission of postsecondary education in Minnesota, state law directs the MnSCU system to use technology to increase system productivity and improve services and public access.[1] Individuals throughout the system are involved to varying degrees in carrying out this mission. The system office, through its Information Technology Services (ITS) Division, oversees the MnSCU technology infrastructure and information systems that support online learning and administrative services for 54 campuses. Decisions about system improvements and investments, however, are made through a strategic planning process that involves system office and institution leaders. These decisions are then carried out by staff in the ITS Division. In Chapter 2, we noted that increases in information technology expenditures accounted for much of the system office's recent growth. In fiscal year 2009, the ITS Division had about 153 full-time-equivalent employees and spent about $40.6 million.[2]

STATUS OF RECENT PROJECTS

In the past, MnSCU's ability to gain system efficiencies was hampered by a lack of funding for information technology (IT) and an aging infrastructure ill-equipped to meet growing administrative and academic demands. A 2006 report said that MnSCU spent less on "enterprise" IT services than many other higher education organizations.[3] At the time of that report, the majority of MnSCU system office IT resources were spent on system maintenance and addressing network failures and service outages, rather than enhancing system functionality.

During the 2007 legislative session, the Board of Trustees requested additional state funding to overhaul and strengthen the MnSCU information technology infrastructure. MnSCU requested funds to improve key service areas by the end of fiscal year 2011, including network and data center modernization, advanced security management, retooled administrative systems, and enhanced student services and online learning.[4] With an increased state appropriation from the Legislature, the Board of Trustees subsequently authorized about $30 million in

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[1] *Minnesota Statutes* 2009, 135A.052, subd. 1(b)(4).

[2] These totals include expenditures and FTE for the ITS Division only. The expenditure total excludes IT-related expenditures incurred by other system office divisions.

[3] In-Sight Solutions Group, Inc., *Building MnSCU's Capacity for Innovation and Excellence in Enterprise IT Services* (St. Paul, March 2006), 8. "Enterprise" projects are projects to develop or enhance system functionality for unique administrative, student, or other system-wide services.

[4] The board's four key initiatives were (1) provide easy and reliable 24-hour access to all MnSCU IT systems and tools; (2) significantly enhance security and identity management; (3) renovate current administrative systems to keep up with technology advancements and improve efficiencies; and (4) facilitate user access to the systems and data they need through portal technology.

2008 and again in 2009 for numerous technology projects.[5] We reviewed the system office's activities and progress in these initiatives, and we found that:

- **Since 2007, the system office has made important improvements to the MnSCU system's information technology network that will help support current and future IT needs.**

Most notably, the ITS Division upgraded the MnSCU network's capacity to provide a stable, reliable infrastructure that can better handle the increasing volume of network traffic throughout the system. These improvements included: (1) greatly expanded system bandwidth, (2) disaster recovery and backup networks, (3) conversion to an improved operating system, and (4) consolidation of 37 separate databases supporting the institutions into a single system-wide database. The system office also upgraded outdated hardware and software that, in some cases, no longer had vendor support.   These investments have improved the MnSCU network's availability and significantly reduced service interruptions to users system-wide.[6] As of late 2009, the ITS Division had completed nearly a dozen major infrastructure projects since 2007, with several more underway.

The division also expanded its activities to improve network security and control user access by (1) installing additional firewalls system-wide, (2) training institutions' IT staff on security issues, and (3) assessing and troubleshooting security problems for institutions' systems, among other efforts. The division has also collaborated with the Minnesota Office of Enterprise Technology in transitioning to the state's secured network and vulnerability management initiatives, and it is implementing new intrusion detection capabilities.

These infrastructure upgrades and security-related projects were well received by the institutions, according to our survey of presidents. About 91 percent of presidents said the ITS Division was effective and efficient in operating a central data center, and 84 percent approved of the division's performance in providing a stable, reliable wide-area network. The presidents also gave the division high ratings for developing system-wide IT security policies and standards, and for its security awareness training to faculty and staff.[7]

In addition, the system office initiated numerous IT projects between 2006 and 2009 to improve efficiencies in system office and institution business functions. MnSCU staff at both the system office and campus level identified many of these projects as potentially important for saving time and resources in daily operations. We found that:

Upgrades to the system-wide information network helped ensure that the network can handle MnSCU's increasing volume of traffic.

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[5] As of late 2009, the system office reported having about 36 enterprise projects and 6 infrastructure projects that were either in development or partially executed.

[6] For example, the system office keeps performance data on the availability and "down time" for its IT enterprise systems. The systems' total down time over a four-month period (August to November) in 2009 was 75 percent less than down time during a comparable period in 2007.

[7] About 94 percent of presidents said the system office has been efficient and effective in developing system-wide IT security policies and standards, and 84 percent said the office has been efficient and effective in providing security awareness training.

- **Progress on IT projects to improve MnSCU business functions has been mixed.**

Among the completed projects is one that will facilitate electronic transfer of student transcript data among campuses. This application became available for system-wide use in early 2010. Another IT initiative aimed to help campuses and the system office plan and develop their operating budgets. The enhancements already completed in this project have been well received by the institutions. However, an important component of this project that would facilitate data transfer from the institutions and eliminate duplicate data entry has been delayed.

Some other IT projects intended to facilitate MnSCU's administrative processes: (1) have not progressed much beyond the planning stage, (2) have been completed but are available to the system office only, or (3) are still being pilot tested by campus users before widespread implementation. For example, a 2008 initiative developed a general plan for integrating the student application, registration, and payment systems into a more efficient and user-friendly system, but the technical work has yet to be undertaken. One project to improve human resources administration— a labor grievance management system—is still in progress, and will be available only to the system office until additional work occurs. Overall, many campus officials supported upgrades of key IT systems for business operations but expressed some concern that too little work has been completed. In our survey of presidents, 69 percent said the ITS Division was effective and efficient in developing and maintaining administrative systems for campus business functions.

Some information technology projects to enhance administrative and student services have been completed, but many are still underway.

The system office's IT initiatives to enhance student services have also shown mixed progress. Several recently completed projects improved MnSCU's learning and teaching tools and facilitated student access to services. For instance, the system office upgraded the system that supports MnSCU's online learning services. More than 80 percent of presidents rated the division's IT activities related to online learning systems as effective or efficient. Also, a recently completed IT project known as "GPS LifePlan" assists students in career, educational, and life planning, thus supplementing their interactions with faculty and staff. The improvements to the IT infrastructure, security, and administrative processes described earlier will also benefit students, either directly or indirectly. On the other hand, a project to upgrade MnSCU's system for managing student housing needs has been underway for several years, and it is still undergoing final testing and de-bugging. Numerous other IT projects to facilitate students' ability to access current course information, financial aid, and other student–related services were recently launched as part of MnSCU's "Students First" initiative (referenced in Chapter 4) and are scheduled for implementation over the next two years. In our survey of presidents, 63 percent said the ITS Division has been effective and efficient in developing and maintaining software for a common database of information about students and faculty.

PLANNING PROCESS FOR TECHNOLOGY INVESTMENTS

We also examined the system office's process for identifying, prioritizing, and approving IT investments. This process, involving a hierarchy of committees, has changed numerous times in recent years.[8] Since late 2007, the process has been governed by an Enterprise Investment Committee (EIC)—composed of system office administrators and institution presidents—who are charged with prioritizing and recommending projects for final approval by MnSCU's Leadership Council and endorsement by the chancellor.[9] Ideas for projects are developed and filtered through campus user groups or system office IT staff. Figure 5.1 shows the most recent configuration of the organizational structure for prioritizing IT projects and investments.

In 2007, MnSCU initiated far more projects than its system office information technology staff recommended.

The EIC meets periodically to assess the budget and progress of current IT projects, select new projects, and modify or reprioritize the overall project roster. To help with these functions, the EIC developed criteria to assess the extent to which a proposed project: (1) affects campuses, particularly students and faculty; (2) provides visible improvements and is relatively quick to implement; (3) enhances future system capacity and cross-agency partnerships; and (4) benefits administrative functions and avoids costs. In finalizing its recommendations, the EIC must consider whether (1) the top-ranked projects sufficiently and appropriately focus on delivering results to students, faculty, and staff; (2) there are projects conspicuously absent from the top priorities; and (3) the projects are noticeably out of sequence, among other factors. We found that:

- **The system office's process for prioritizing information technology projects has lacked focus and sufficient campus input.**

MnSCU's IT decision-making model has not always achieved its intended outcomes, for several reasons. First, the large number of projects initially selected by the EIC exceeded staff skills and resources, imposed unrealistic expectations for project development, and failed to adequately recognize interdependencies among projects. In 2007, the EIC approved nearly 30 projects for system office staff to begin, about twice as many as were recommended by the ITS Division. The number of projects did not take into account IT staff capacity, particularly since the division had not yet hired additional IT staff with appropriate skills to support the projects. We reviewed documents for a sample of 11 technology projects initiated in recent years to determine their status

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[8] For example, prior to 2008, projects were reviewed by a System Technology Strategy Council and Campus IT Management group, but these groups were disbanded and removed from the process.

[9] The Leadership Council is composed of MnSCU's chancellor, cabinet members, and the 32 institution presidents.

Figure 5.1: MnSCU Organizational Structure for Prioritizing Information Technology Projects, 2009
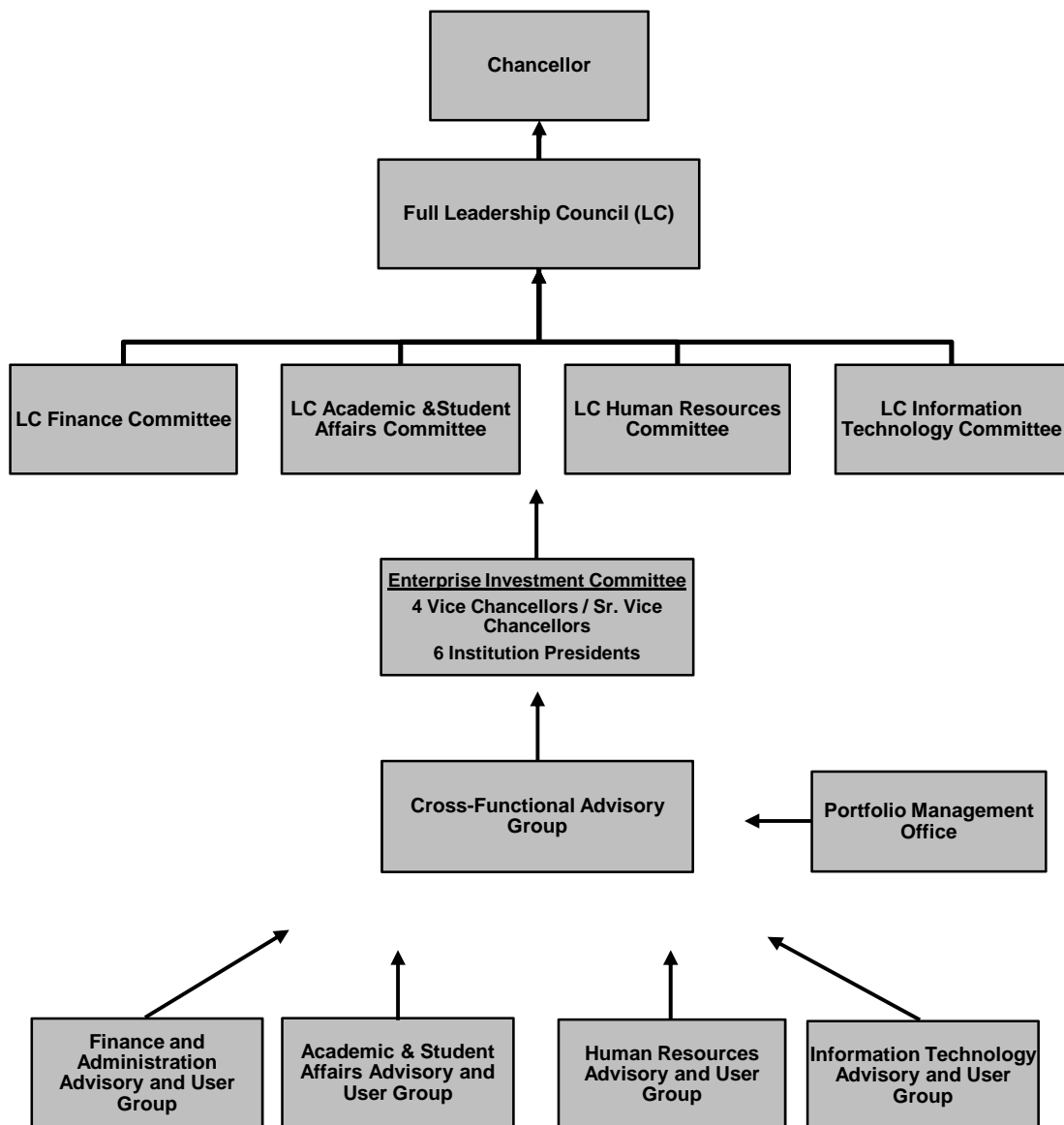
NOTES: This figure represents the most recent configuration of the MnSCU process for prioritizing most information technology projects. Project initiatives come up through the advisory/user groups. The Portfolio Management Office recommends project priorities. Each vice chancellor or senior vice chancellor is responsible for submitting prioritized initiatives to the Enterprise Investment Committee (EIC). The EIC ranks projects and recommends prioritization of information technology initiatives. The Full Leadership Council reviews the EIC list of initiatives. The Chancellor endorses the prioritized list of projects and provides periodic updates to the Board of Trustees. In past years, some IT projects were initiated by various system office divisions outside of the EIC process.

SOURCE: MnSCU.

and outcomes.[10] These documents indicated that EIC decisions sometimes led to inefficient project implementation. For example, the EIC placed a high priority on integrating a web-based capital project reporting system to improve institutions' recordkeeping and facilitate vendor payment processing. However, some project work had to be redone because of system upgrades underway on a different IT project.

Second, some past IT projects have been initiated by system office staff outside of the EIC process, requiring unplanned reassignments of IT development staff to assist with these efforts. For example, the Academic and Student Affairs Division initiated improvements to its academic program management database, and those efforts required assistance from IT staff.[11] System office administrators acknowledged that this has been a problem in the past, but they said that all future IT projects will be incorporated into the EIC selection and governance process.

Third, campus officials perceive that the MnSCU decision-making process for IT has not sufficiently addressed campus needs. They generally gave the system office good marks for its IT operations and support functions, but they expressed particular concerns about strategic planning and leadership decisions pertaining to IT investments. Some of the comments we heard were:

> The IT Division needs to develop a process for determining priorities and then stick to it! They are constantly changing priorities or rearranging them.

> The process for identifying needs and setting priorities needs to involve people at the campuses more.

> [It is] difficult to get upgrades to the system completed. The [system office] seems to start down a track but then other projects get introduced and the original projects get delayed or cancelled.

Among campus presidents, only 50 percent said the system office follows a sound process for identifying IT needs and setting priorities. Many people we interviewed or surveyed said institution needs were not adequately considered in the selection of projects, and they raised questions about the usefulness of some projects. For example, despite student difficulties navigating MnSCU's online registration system for continuing education and customized training, enhancements to this system have not yet advanced beyond the assessment stage. As we discuss in Chapter 6, some campus officials said MnSCU's centralized payroll and personnel system is in need of attention by the system office. Also, longstanding complaints by students about differences among institutions'

Campus officials gave the system office good marks for its ongoing information technology support services, but many questioned MnSCU's process for setting system-wide IT priorities.

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[10] The 11 information technology projects were: Reporting Enhancements for Campuses, Seamless Core Data, Desire2Learn Upgrade FY09, REGIS (Planning Phase), eTranscript, Budget Module II, Unifier/Integration with ISRS, RDB to Oracle Conversion, FY09 Firewall Replacement, Itanium Migration, and Veterans Education Transfer System.

[11] Unplanned staff reassignments also occurred as a result of the EIC reprioritizing projects—for instance, when staff assigned to work on the student housing and transcript projects were reassigned mid-project to work on projects given higher priority. These reassignments adversely affected the progress of the projects to which the staff were originally assigned.

academic calendars and registration and billing systems have been mostly unaddressed but are now a focus of the Students First initiative. These latter projects have been delayed partly due to: (1) pending system-wide infrastructure upgrades, and (2) unreconciled differences in institution business practices.

Finally, it is important to note that the system office has not conducted recent surveys of administrators, faculty, and students in order to help focus its technology initiatives and get input on newly implemented systems. The office used to do so, but it has not undertaken such a survey since early 2006.

PROJECT MANAGEMENT

The Portfolio Management Office within the ITS Division is charged with overseeing project proposals, managing EIC-approved projects, and coordinating staff resources.[12] The office is also responsible for pulling together information—such as estimates for projects' costs and potential cost savings from the investment—for use by the EIC during project selection. We found that:

Until 2009, the system office did not have a systematic way to track and sequence its information technology projects.

- **The system office's management of IT projects has been weak, partly reflecting (1) unrealistic expectations for project development, and (2) inadequate sequencing of projects and staff resources.**

Until Spring 2009, the division's Portfolio Management Office did not have a systematic method for tracking and sequencing staff resources and project assignments.[13] With more than 30 initial proposals for IT projects, the lack of such information likely undermined attempts at project sequencing by the EIC.

Also, information pertinent to the EIC selection criteria—such as the potential for reducing future costs through technology investments—has not always been analyzed during the project selection process. In our review of 11 projects, only four had project proposals that included substantial information about cost reductions estimated to result from the projects. System office staff attributed the lack of this information to the difficulty of quantifying savings, particularly when predicting efficiencies gained in administrative tasks and workload.

Most of the projects we reviewed also ran over their initial time and budget estimates, again suggesting project management weaknesses. Factors that contributed to these outcomes included: (1) inadequate planning, such as estimating budgets, schedules, and sequencing of tasks; and (2) inadequate descriptions of project scope and deliverables. For example, project control documents sometimes did not clearly tie project tasks with progress and

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[12] A small number of IT projects are managed by staff in other system office divisions.

[13] Project Management Institute, Inc., *A Guide to the Project Management Body of Knowledge, Third Edition*, (Newtown Square, PA, 2004), contains "best practices" for project management. This guidebook says activity sequencing, activity resource estimating, activity duration estimating, and schedule development are all critical to timely completion of a project (pp. 123-156).

expenditures-to-date, or budget estimates were incomplete. We also observed conflicts over the deployment of staff due to inadequate consideration of project interdependencies or underestimating the complexity of tasks. Most notably, many projects could not proceed until the systems' operating system was converted—a project that took more than two years—but this project did not always receive top priority for staff resources.

There has been inadequate training and support following system-wide implementation of IT projects.

We also found that the system office has not set aside sufficient time for project development and testing prior to system-wide implementation, or for user training on the new systems. In our file review, we observed conflicts related to the expected timeframes for task completion and the time allotted for testing new systems. Also, campus officials contend that the system office has not devoted enough time and resources to program implementation and user testing, and they think support services and follow-up have been inadequate. For example, an official from one institution said:

> Some projects tend to get forgotten or dropped after initial implementation. The big push to implement the technology solutions needs to be followed up by better support and upgrades to the initial product.

Early user feedback on some new IT systems suggests that additional work and testing was needed. For example, a project (known as "seamless core data") that was intended to streamline student access and records has not always categorized students enrolled at more than one institution in a way that campuses view as helpful.

Another project management issue pertains to the system office's use of consulting services. State law requires the Board of Trustees to develop policies for entering into contracts, and *allows* the board to utilize contracting options available to state agencies.[14] As we briefly discussed in Chapters 2 and 3,

- **The system office has relied heavily on professional/technical consultants to support IT project development, but it is unclear whether the use of these services has been cost-effective.**

In our review of the ITS Division, we observed that oversight of the $30 million spent on IT-related professional/technical services between fiscal years 2007 and 2009 fell short of state standards set for state agencies.[15] For example, for the 11 projects we looked at, we found that contracts did not always articulate work assignments and vendor deliverables. In particular, some contracts stated general activities the vendor was expected to perform—such as code development and programming—but did not identify specific projects on which this work was to

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[14] *Minnesota Statutes* 2009, 136F.581, states that the board and the colleges and universities are subject to the provisions of *Minnesota Statutes* 2009, 471.345, the uniform municipal contracting law. Board of Trustees Policy 5.14 requires that MnSCU contracting practices comply with pertinent state and federal laws, and Board of Trustees Procedure 5.14.2 addresses requirements for entering into professional or technical contracts.

[15] *Minnesota Statutes* 2009, 16C.08.

be completed. Similarly, the ITS Division does not have a process in place for vendor performance reviews at project completion or prior to contract renewal, nor has it systematically conducted such reviews.[16] Likewise, Board of Trustees policies do not specifically require reviews of the performance of professional/technical contractors.

DISCUSSION AND RECOMMENDATIONS

MnSCU has made important technology improvements, but campuses see a need for a stronger customer focus.

MnSCU has made some important and successful information technology investments during the past several years, especially by improving the basic infrastructure on which many other IT projects depend. Still, there has been campus concern about some of MnSCU's IT investment decisions and the slow pace of some projects. Despite MnSCU's large recent investment in IT services, 31 percent of presidents said the quality of the ITS Division's services declined over the last three years.[17] Among the system office divisions, this division had the second highest percentage of presidents reporting a decline in overall service quality.

In addition, there has been concern that IT projects have been developed without sufficient customer focus. Forty-four percent of presidents said the ITS Division has not allowed sufficient input into project development. Campus officials also frequently cited IT user support and training as areas needing improvement. The system office could help resolve user questions about new or existing IT systems by providing manuals or data dictionaries, but such documentation does not always exist or is sometimes out-of-date. As one campus official said:

> It is inconceivable that for as long as [MnSCU's Integrated Student Record System (ISRS)] has been in place, there still is no data dictionary. New hires have to learn where elements are from others who know.

In this instance, an IT project to develop a data dictionary for ISRS system users has been underway since 2007, but a final product—either a manual or electronic version—is still not completed.

System office staff demonstrated to us they have recently implemented new management practices intended to better coordinate projects, staff resources, and oversight of IT initiatives.[18] The office also hired a chief operating officer to improve oversight of the ITS Division. However, we think the system office should take additional steps to ensure that IT projects better

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[16] *Minnesota Statutes* 2009, 16C.08, subd. 4(c), requires state agencies to evaluate professional/technical services provided under contracts that exceed $50,000, and the evaluation must address the timeliness, quality, cost, and overall performance in meeting the terms and objectives of the contract.

[17] In addition, 25 percent said the division's services had improved, and 38 percent said they had stayed about the same.

[18] For example, the Portfolio Management Office expanded its quality assurance activities to bring about better technology development and functionality.

meet user needs. Although the system office involves campus users early in the project selection process, and campus representatives are involved in testing new systems prior to system-wide release, these efforts appear to be insufficient.[19] Also, with the large roster of IT projects initiated by the system office in recent years, it will be critical for the system office to closely scrutinize project implementation—to ensure that projects are timely, cost-effective, and meeting user needs.

RECOMMENDATION

The system office should improve its selection and implementation of new IT projects by (1) surveying campus users on their needs and the performance of new systems; (2) allotting additional time for user testing and training; (3) improving IT system data dictionaries and user manuals; and (4) closely tracking the status of individual projects to ensure that they are implemented in a timely, cost-effective way.

MnSCU should regularly assess the performance of the contractors it relies on for many large projects.

The system office has relied considerably on professional/technical services to plan and develop its new IT systems. We did not examine whether problems with professional/technical services have contributed to any of the project management or system development issues MnSCU has encountered with its IT initiatives. However, consistent with practices used by state agencies, we think the system office should take steps to address some deficiencies in contract oversight.

RECOMMENDATION

The system office should improve its oversight of professional/technical services by (1) specifying project deliverables more clearly in contracts and (2) implementing a performance review process that appraises contractors' timeliness, quality of deliverables, and overall performance.

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[19] Campus officials said they would like to be more involved in the development of IT projects, but they rarely have the time or resources to do so.

Other System Office Issues

Chapters 4 and 5 discussed issues related to the MnSCU system office's two largest divisions: Academic and Student Affairs, and Information Technology Services. This chapter discusses each of the system office's other divisions. Appendix A contains ratings of each division's service from our survey of MnSCU presidents, and Appendix B has information on the expenditures and staffing of each division.

FINANCE AND FACILITIES DIVISION

The Finance and Facilities Division's primary responsibilities are to ensure the financial stability of the MnSCU system, oversee the financial integrity of the system's $1.8 billion annual budget, and ensure preservation of MnSCU's $1.5 billion in capital assets.[1] In fiscal year 2009, this division had about 67 full-time-equivalent employees. Chapters 2 and 3 addressed some issues related to this division that we do not discuss further below. Specifically, we recommended that MnSCU clarify the limits of campuses' purchasing authority and develop an improved process for considering system office charges to institutions that occur outside of MnSCU's regular allocation process.

Financial Management

Table 6.1 lists some of the division's key financial management functions. State and federal directives affect some of these activities. For example, state law requires the Board of Trustees to develop operating and capital budgets for MnSCU based on consideration of the state's higher education objectives.[2] Also, to improve financial planning and reporting among the institutions, the Legislature required development of a single accounting system for MnSCU's colleges and universities.[3] However, the MnSCU board and chancellor have considerable latitude to determine how to organize and provide financial management services. The system office centrally provides some services—such as student loan collection and cooperative purchasing—for the purpose of gaining efficiencies that it would be difficult for individual institutions to realize. On the other hand, the system office has given institutions responsibility for

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[1] The division has three major units. The Budget unit provides largely centralized functions on behalf of the system office and the campuses. The Financial Reporting unit works to ensure accurate tracking and reporting of financial information by the institutions. The Facilities unit oversees capital planning, construction, environmental safety, emergency planning, real estate management, and risk management at the institutions.

[2] *Minnesota Statutes* 2009, 135A.034 and 135A.046.

[3] *Laws of Minnesota* 1991, chapter 356, art. 9, sec.8, subd. 8.

Table 6.1: MnSCU Financial Management Activities

Entity Responsible	Activity
System Office	Develop and oversee system-wide operating budget
	Develop capital budget and coordinate funding for capital projects
	Develop and oversee financial reporting system
	Manage revenue fund for MnSCU capital projects
	Set standards for institution budget reserves (3-7 percent of annual expenses)
Institutions	Develop financial plan for the institution and oversee budget
	Record and report financial transactions
	Prepare annual financial statements

NOTE: This list represents a summary of financial management activities by the system office and institutions.

SOURCE: Office of the Legislative Auditor, based on information from MnSCU.

preparing their own annual financial statements because division leaders thought this would increase the expertise of campus staff and help them properly manage their finances.

In a 2000 report, our office said MnSCU had made considerable progress in improving financial management during the merger's first five years, but additional work remained. That report noted inadequate financial reporting and institutions with unreconciled bank balances, for example.[4] For our current evaluation, we looked at MnSCU's financial management practices and indicators. We found that,

- **System office activities have contributed to improved financial planning and management practices throughout the system, although some weaknesses persist.**

Over the past decade, the system office has implemented stronger mechanisms for monitoring MnSCU's financial health.

At the time of our 2000 report, MnSCU had not yet prepared a system-wide financial statement. However, MnSCU has prepared externally audited financial statements since 2001, and it began requiring the larger MnSCU institutions to prepare audited financial statements starting in 2002. In addition, the division has helped institutions by (1) training campus staff and administrators on good financial management practices and (2) developing indices to measure institutions' financial soundness. For instance, as part of each president's annual performance review, the chancellor reviews the institution's "Composite Financial Index," operating margin, and unrestricted net assets.[5]

Broad indicators suggest that MnSCU is on fairly sound financial footing, although there is room for improvement. As measured by the system-wide

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[4] Minnesota Office of the Legislative Auditor, *The MnSCU Merger* (St. Paul, 2000), 28-30.

[5] The Composite Financial Index assesses an organization's financial health based on measures of its primary reserves, debt management, return on net assets, and operating margin.

Composite Financial Index, MnSCU's system-wide financial health was comparable in fiscal year 2009 to that of other public higher education institutions with "above average" credit ratings.[6] In addition, MnSCU's total net assets have increased in value in recent years.[7] MnSCU's percentage of revenues spent to cover debt service grew somewhat in recent years, and MnSCU's ability to settle outstanding debts through expendable net assets dropped below the national median in 2008.[8] MnSCU's most recent financial statement noted that the current economic downturn may present challenges, given the system's considerable reliance on state appropriations.

Campus officials believe the system office's financial management activities have been efficient and effective.

Campus officials generally believe that the MnSCU system office's financial management activities have been efficient and effective. Nearly all presidents (94 percent) said the system office has taken sufficient steps to implement good financial management practices throughout the system. Institutions especially value the Finance and Facilities Division's efforts related to developing and overseeing the operating budgets, where nearly all of the presidents (97 percent) said the system office was effective and efficient. Appendix A has more detailed survey results. More than 90 percent of presidents gave the division high marks for each of the following functions: (1) managing revenues for capital projects, (2) helping campuses comply with tax laws and regulations, (3) advising campuses on finance policies and procedures, (4) overseeing the tuition-setting process, and (5) working with campuses as part of the capital planning process. Some campus officials also emphasized that the division of these responsibilities between the system office and institutions was appropriate. Comments from presidents included the following:

> This division is critical to the system. Smaller institutions could not duplicate the services that are provided. The budget unit is exceptional—very responsive and communicative.

> We find excellent support from the financial reporting staff. They are especially helpful with the annual report presentation.

Overall, 63 percent of presidents identified finance-related activities as being among the most essential activities provided by the system office. More than three-fourths of presidents said that the MnSCU System Office has implemented reasonable—and not excessive—requirements for campuses related to financial operations and financial reporting.

In addition, it is worth noting that the MnSCU board has established a comprehensive audit program for the system. This includes the Office of Internal Auditing (which we discuss later in this chapter), the allocation of money to pay

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[6] Minnesota State Colleges and Universities, *Annual Financial Report for the Years Ended June 30, 2009 and 2008* (St. Paul, November 2009), 14. The highest credit ratings of Moody's Investor Services are Aaa (strongest), Aa (very strong), and A (above average). MnSCU's fiscal year 2009 data were compared with fiscal 2008 performance medians for 191 public colleges and universities.

[7] *Ibid.*, 15. MnSCU's total net assets grew from $1.32 billion in fiscal year 2007 to $1.54 billion in fiscal year 2009.

[8] *Ibid.*, 15-16. MnSCU's reserves equal about 2.5 months of operating expenses, a level that is below the median (5.4 months) of other public higher education institutions.

for outside auditors, and a committee of the board that actively reviews all audit reports. Those reports have shown both positive results and concerns that need additional attention. MnSCU's "system-wide" audits have resulted in "unqualified" audit opinions, with no "material weaknesses" cited.[9] However, the most recent system-wide audit reported "significant deficiencies" due to (1) several campuses' local bank accounts that were not reconciled as of June 30, 2009, and (2) issues regarding the security of MnSCU's information technology systems that had not yet been adequately addressed.[10] In addition, the most recent audits of selected campuses by the Office of the Legislative Auditor found that internal controls "generally ensured that the colleges safeguarded assets, accurately paid employees and vendors in accordance with management's authorization, produced reliable financial information, and complied with finance-related legal requirements."[11] However, these audits also resulted in seven "significant and systemic findings" related to internal control weaknesses and compliance concerns in selected areas.[12] The Board of Trustees Audit Committee referred these issues to various board committees to ensure that corrective actions are taken.

The MnSCU board has established a comprehensive audit program for the system.

Facilities Planning and Management

Through the system office's Finance and Facilities Division, MnSCU uses a coordinated approach for reviewing the condition of facilities, planning for building maintenance and preservation, and making targeted investments in new or existing facilities.[13] Institutions play a large role in these efforts, as presidents are required to prepare near- and long-term master plans for their campus facilities. Concurrently, the system office compiles data to quantify building conditions and estimate costs for maintenance, repair, and replacement. The system office uses this information to guide financial choices about MnSCU facilities and prioritize capital projects throughout the system. Selected projects are bundled into a single capital project request for legislative funding. MnSCU has received support in recent years for its bonding proposals, partly because the system office follows an objective, centralized approach for ranking capital projects. For example, as one president told us:

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[9] According to U.S. Government Accountability Office, *Government Auditing Standards* (Washington DC, July 2007), 83, a "material weakness" is a significant deficiency "that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected." An "unqualified" audit opinion is one in which the auditor determines that financial statements have been presented fairly and in conformity with generally accepted auditing principles.

[10] Minnesota State Colleges and Universities*, Annual Financial Report for the Years Ended June 30, 2009 and 2008* (St. Paul, November 2009), 70-71.

[11] Office of the Legislative Auditor, *Minnesota State Colleges and Universities, Internal Control and Compliance Audit, Fiscal Years 2006 through 2008* (St. Paul, September 2009), 1.

[12] *Ibid.*, 9-20. For example, there were "significant and systemic" findings related to security access to financial systems, employee leave benefits, and management of equipment and college-issued credit cards.

[13] *Minnesota Statutes* 2009, 135A.034, subd. 2, establishes criteria for MnSCU to consider when making capital requests.

> The system's work on capital projects has significantly improved over the past few years. Particularly notable has been the degree to which the Legislature has followed the board's priority list for projects. In the old days, every campus was at the Capitol promoting its projects over others.

In addition, the condition of MnSCU-owned buildings has improved in recent years, as measured by periodic facilities condition ratings.[14]

However, we found that:

- **Campus officials said that some of the system office's facilities-related activities add time or costs to their operations, sometimes with little or no added value.**

Multiple layers of managers oversee MnSCU's capital projects.

For example, some institution officials think that the system office's requirements for managing campus-level capital projects result in duplicative oversight. Table 6.2 describes the participants involved in overseeing capital projects and some of their responsibilities. When institutions undertake capital projects, a campus official—someone deemed qualified by the campus president—is delegated responsibility for managing the project. The system office also employs "program managers" to oversee campuses' capital projects, and it charges fees to institutions' projects for these services.[15] The fees have historically been charged at 0.5 to 0.8 percent of a capital project's total costs, and they have been used to pay for a portion of the costs of 13 system office staff.[16] In addition to the campuses' staff resources assigned to a project, the system office also requires institutions to hire consultants for additional project oversight, including "owner's representatives," architects and engineers, and special consultants.

Some institution officials think the multiple layers of managers (1) create confusion among contractors about who is responsible for making decisions, and

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[14] The Facilities Condition Index (FCI) is a nationally accepted measure to evaluate buildings. The FCI is the amount of deferred maintenance (backlog) divided by the replacement cost of the building(s). The lower the FCI, the better the condition. For all MnSCU academic buildings, the FCI ratings in recent years were 0.133 (2006), 0.129 (2007), 0.124 (2008), and 0.114 (2009).

[15] Capital projects funded as a Higher Education Asset Preservation and Renewal (HEAPR) project—for example, one that involves hazardous material abatement—were charged 0.5 percent of total costs. Other capital projects were charged 0.6 to 0.8 percent of total costs. For projects funded in fiscal years 2006-07, the system office charged about $1.8 million to oversee 130 projects. For projects funded in fiscal years 2008-09, these charges totaled nearly $2 million for 250 projects. The size of these projects from 2006 to 2009 ranged greatly, from about $3,000 for a small HEAPR project to $32.9 million for a major construction project.

[16] In the past, the system office did not return funds to campuses' projects if revenues from the charges exceeded the system office's actual staff expenses. A December 2008 financial audit by the Office of the Legislative Auditor noted that the system office methodology for calculating these fees did not meet state requirements. The report said the system office could not allocate project management costs to general obligation bonds based on a flat percentage of total project costs, and could only assign its actual costs incurred to a project. Office of the Legislative Auditor, *General Obligation Bond Expenditures, Internal Control and Compliance Audit* (St. Paul, December 2008), 10-11, 17-18. MnSCU has been waiting for guidance from the Minnesota Department of Management and Budget before modifying its methods.

Table 6.2: MnSCU Capital Project Management

Participants	Sample of Roles and Responsibilities
System Office	
Facilities associate vice-chancellor	• Approves the project schedule and budget
	• Approves the selection of and contract for (1) the architect and engineer design team and (2) the owner's representative
Design and construction director	• Makes recommendations regarding the project schedule and budget
	• Helps initiate the design phase and makes recommendations
Program manager	• Primary point of contact between the system office and campuses
	• Participates in the selection of consultants and contracts
	• Reviews all design and construction documents and makes recommendations
	• Provides input to the campus project manager through all phases of project delegation, design, and construction; recommends project changes
Institutions	
President	• General oversight and purchasing authority
	• Approves the selection of consultants and contracts
	• Approves all design and construction documents and makes recommendations to the Office of the Chancellor
Finance and facilities officer	• Provides input into all aspects of the project, including budget, consultant selection, contracts, and payments
Project manager	• Develops the project schedule and budget
	• Selects and contracts with the architect and engineer design team and owner's representative
	• Reviews design and construction documents and makes recommendations to the institution president
	• Manages construction contracts; reviews and approves change orders
	• Coordinates meetings and prepares reports
	• Reviews and approves payments
Professional/Technical Consultants	
Owner's representative	• Performs project management duties assigned by the campus project manager
	• Monitors the design and construction process; produces observation reports on progress
	• Makes recommendations on payments, project changes, and other documentation
Specialty consultant	• Performs specialty consultant services for design reviews at each project phase
	• Provides input on the project schedule, budget, and reporting
Architect and engineering team	• Leads project schedule during design and construction phases
	• Leads meetings, prepares minutes, conducts design and engineering reviews, prepares estimates, provides project reporting through all phases

NOTE: This table presents a partial list of activities assigned to the participants.

SOURCE: Office of the Legislative Auditor, based on information from MnSCU.

(2) add to the number of meetings and site reviews conducted. In addition, campus officials think the system office has not recognized the ability of some institutions to oversee their own projects (or developed this capacity in other institutions).

System office staff contend that their approach is reasonable and prudent, given the significant state funds allocated to MnSCU capital projects (an amount that exceeded $350 million in fiscal year 2008). System office staff also noted that institutions have discretion to determine the extent of services they receive from the owners' representatives.

We think there may be opportunity for a more flexible, cost-effective approach to managing capital projects. The system office and institutions rely heavily on consultant services to help design and manage building projects. As we recommended in Chapter 5, MnSCU should more closely review the performance of its professional/technical consultants to determine the value of these services. The system office could also enhance expertise at the campuses by providing project management training to institution staff. Doing so might help minimize the need for institutions to have an owner's representative, in addition to having a system office program manager. For example, the Minnesota Department of Administration (which oversees capital projects for state buildings) told us that owner's representatives can significantly increase project costs, and it does not use them on every project. Rather, the department determines the need for these services on a project-by-project basis, and it tries to use them only under limited circumstances.[17] On the other hand, some MnSCU institutions may not want to support in-house expertise in overseeing capital projects, and they might welcome oversight by both a system office project manager and an owner's representative.

MnSCU should pursue greater efficiencies in the management of capital projects.

RECOMMENDATION

The system office should pursue greater efficiencies in the management of capital projects by (1) providing training to facilitate institutions' project management expertise, and (2) determining project management needs on a case-by-case basis.

We observed other opportunities for efficiencies in the planning and selection of capital projects. Specifically,

- **The system office does not provide enough guidance on budget and design parameters for institutions when they are developing capital project proposals.**

Under the current process, institutions spend significant time and resources developing project proposals in accordance with system office directives to

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[17] Department of Administration staff said they use owner's representatives for projects requiring special expertise or involving unique challenges. In past years, the department has occasionally relied on owner's representatives when the state's large roster of projects exceeded its project management resources.

justify their projects. This is done partly because the aggregate cost of projects proposed by institutions far exceeds the state's (and MnSCU's) capacity for funding, thus requiring MnSCU to prioritize the institutions' requests. To help with this process, the system office's facilities staff developed comprehensive requirements for the preparation, content, and submission of capital project proposals or "predesign" documents. For example, institutions must hire an architect or engineering consultant to help in (1) site planning; (2) building or space design; (3) developing cost estimates; (4) articulating how the project meets academic, space, and workforce needs; and (5) preparing the proposal, among many other activities. System office staff provide feedback on institutions' proposals periodically during this predesign phase to ensure that projects conform to MnSCU's strategic plan and that institutions are making sound capital investments.

The system office has a sound process for capital investment and preservation, but it could provide better feedback to institutions during the project planning process.

It is important for the system office to ask hard questions about proposed projects, preferably resulting in early, constructive advice to institutions. However, we observed that some institutions' proposals for capital projects were well into the predesign process when the system office raised significant questions about project scope, budget, or even location.[18] Also, the system office often commented that the predesign proposals were incomplete or inadequate, but sometimes its feedback to institutions was not particularly helpful. For example, the system office said that one institution's proposed rooms were "excessively large," but it did not identify the benchmarks that were used to reach this conclusion. In another case, the system office questioned the cost of a project partly by referencing the high cost per square foot of an earlier project completed by this institution.

In general, the system office has implemented a sound process for preserving and investing in MnSCU's capital assets. Indeed, many campus officials we spoke with said they had great respect for this process. However, we think there may be opportunities for cost savings in the development of capital project proposals.

RECOMMENDATION

The system office should improve efficiencies in capital project predesign planning by providing better guidance to institutions on design and budget parameters.

When reviewing predesign plans and providing feedback to institutions, the system office should do a better job of stating the basis of its concerns. This could help campuses consider specific changes as they revise these plans. In some cases, it may be helpful for the system office to modify its facility standards to address issues that existing standards do not explicitly address. In addition, we recognize that MnSCU's capital budget constraints reflect many factors, such as how much debt the system can carry. Giving institutions earlier and clearer feedback on design and budget considerations may help to reduce

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[18] We reviewed system office documentation pertaining to institutions' capital project proposals submitted for the MnSCU 2010 capital budget request.

institutions' planning and consultant costs—although it is also important for institutions to limit capital spending proposals to items that are necessary and affordable.

Finally, it is worth noting that some campuses have expressed concerns about the value and need for some recently expanded facilities services. For example, the system office recently added a risk manager to fill a gap in system office and institutional expertise. The position is paid for from dividends earned from the state's risk management fund, and each institution is charged about $5,800 per year.[19] The institutions, as payors of the insurance premiums, question these costs, noting that MnSCU is not self-insured and that state Department of Administration employees do most of the work (such as setting premium rates and conducting surveys of institutions' risks). However, system office staff told us they are expanding the risk management program to include more in-depth assessments of risk and safety-related issues not addressed by the Department of Administration.[20] Despite concerns about the recently added staff position, 81 percent of presidents said the system office has been effective and efficient in operating a risk management program to minimize system-wide losses and risks.

The system office has also increased its reviews of institutions' hazardous materials handling practices and provided more training on environmental health and safety.[21] Campus officials' perceptions of these efforts are mixed. About 66 percent of presidents said the system office's assistance with environmental health and safety has been efficient and effective. Several said the system office should provide better guidance to campuses, particularly when they need help understanding and complying with regulations.

HUMAN RESOURCES DIVISION

With nearly 15,000 employees, MnSCU is one of Minnesota's largest employers.

MnSCU is one of Minnesota's largest employers. Its nearly 15,000 full-time-equivalent employees are considered state employees under Minnesota statutes, and this total exceeds that of any state executive branch agency.[22]

The MnSCU system office's Human Resources Division had about 30 full-time-equivalent (FTE) employees in fiscal year 2009. About five of these employees provided services solely to the system office, while the remainder provided services to MnSCU campuses. According to the MnSCU web site, this division focuses on "the development and improvement of a comprehensive system of personnel management to attract and retain well-qualified and richly diverse

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[19] Other positions in the Finance and Facilities Division are also funded through means other than general fund appropriations. For instance, the system office charges about $300,000 annually to the MnSCU Revenue Fund—supported through the sale of revenue bonds for capital projects—to help cover the cost of 11 employees.

[20] For example, the system office has increased its oversight because some institutions were not verifying whether student interns engaged in travel activities had valid driver's licenses, according to system office staff.

[21] The new efforts involve walk-throughs—or Construction, Occupancy, Protection, and Exposure (COPE) inspections—to assess risks and make recommendations for reducing hazards and improving campus safety.

[22] *Minnesota Statutes* 2009, 179A.10.

faculty and staff who will provide students with a high quality educational experience."[23] Previous chapters of our report offered recommendations on some key human services issues: job classification (Chapter 2) and credentialing of two-year college faculty (Chapter 4).

Staff at MnSCU institutions perform many human resources tasks for the MnSCU system, outnumbering system office human resources staff by about four to one.[24] However, the Human Resources Division of the MnSCU system office has two important areas of responsibility: (1) labor relations and (2) oversight and support of system-wide personnel functions.

Labor Relations

MnSCU negotiates labor agreements with three faculty bargaining units.

Minnesota's Public Employees Labor Relations Act (PELRA) defines 17 bargaining units for executive branch state employees, and MnSCU has employees in 12 of these units.[25] For most of these bargaining units, the Minnesota Department of Management and Budget is designated by law as the agency that negotiates and administers labor agreements. For example, in fiscal year 2008, MnSCU had about 3,400 employees represented by bargaining units of the American Federation of State, County, and Municipal Employees, and the Department of Management and Budget negotiates statewide agreements with these units that apply to MnSCU and many other state agencies.

State law authorizes the MnSCU Board of Trustees to negotiate and administer the labor agreements with three of the bargaining units identified in PELRA: the Minnesota State College Faculty (4,540 FTE, including faculty, counselors, and librarians at two-year colleges), the Inter Faculty Organization (3,131 FTE, including faculty, counselors, and librarians at state universities), and the Minnesota State University Association of Administrative and Service Faculty (639 FTE, representing certain professional positions at state universities).[26] By law, the Minnesota Department of Management and Budget retains authority to negotiate and administer health and life insurance benefits for these and other PELRA-authorized bargaining units.[27]

The MnSCU Board of Trustees has assigned responsibility to the MnSCU chancellor to oversee collective bargaining.[28] In our view,

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[23] MnSCU Human Resources Division, http://www.hr.mnscu.edu/, accessed October 30, 2009.

[24] System office staff estimated that there are 120 to 130 human resources FTE at institutions.

[25] *Minnesota Statutes* 2009, chapter 179A.10. In fiscal year 2008, more than 1,100 MnSCU employees, such as managerial and confidential employees, were excluded from bargaining unit coverage under this law. Nearly half of these employees are covered by the MnSCU Personnel Plan for Administrators, which is approved by the MnSCU board and the Legislative Subcommittee on Employee Relations.

[26] *Minnesota Statutes* 2009, 43A.06, subd. 1. The FTE data are for fiscal year 2008, from Minnesota State Colleges and Universities, *Demographic Report* (St. Paul, November 2008).

[27] *Ibid.*

[28] MnSCU Board Policy 1A.3, part 2.

- **Negotiation of system-wide collective bargaining agreements is a reasonable and important role for the MnSCU system office.**

It is reasonable for MnSCU to have a centralized approach for negotiating faculty contracts, although the system office could communicate more effectively with campuses on labor issues.

Faculty contracts address a variety of issues—such as faculty workload, compensation, and tenure—that have educational and financial implications for the MnSCU system. It is preferable to have specialized higher education issues negotiated by the MnSCU system office—which has a direct stake in faculty costs and performance—than by a state personnel agency without specialized knowledge of higher education. In addition, relying on the system office to play the lead role in contract negotiations ensures greater efficiency and consistency than if negotiations were delegated to each MnSCU institution. In our contacts with institution presidents and chief human resources officials, we heard some concerns about the outcomes of collective bargaining, but campus officials did not express a desire to have collective bargaining delegated to institutions.

More often than not, campus presidents expressed satisfaction with the system office's overall performance of various labor relations activities. Among MnSCU presidents, 72 percent said that the system office's negotiation of labor contracts has been effective and efficient. Likewise, 75 percent said the system office has handled employee grievances effectively and efficiently, and 75 percent said that the system office's recently developed training for managers and supervisors has been effective and efficient.[29] However,

- **Campus officials frequently expressed concerns about inadequate communication by the system office on labor relations issues.**

The concerns we heard were exemplified in the following comment from one institution's chief human resources officer:

> Labor Relations response to requests for information is not always timely and communication is generally poor (i.e., sign off on grievances, response to special requests or clarification of contract language, we often get contradicting information/ answers). Training to campuses on contract changes has become non-existent. Information on arbitration decisions is not communicated and they need to be, so that we don't end up making the same mistakes.

Several campus officials commented on the need for training (or other information) to help them understand and interpret provisions in MnSCU's labor contracts. In addition, some presidents said there is a need for the system office to develop more constructive relationships with faculty bargaining units.

Supporting Campus Personnel Activities

The system office also plays a role in the MnSCU system's ongoing personnel activities, such as job classification, employee recruitment, and administration of

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[29] MnSCU institutions typically prepare initial responses to grievances, but the system office is involved in grievance appeals and some settlements involving monetary payments.

retirement plans. In addition, the system office maintains an information system that supports a variety of personnel and payroll transactions.

There are several sources of MnSCU's personnel policies and practices. First, state law establishes personnel management requirements, and management of some of these requirements has been delegated to MnSCU.[30] Specifically, the Minnesota Department of Management and Budget has delegated to MnSCU authority to (1) make most decisions regarding job classification and (2) select preferred candidates from pools of applicants. The delegation agreement requires MnSCU to use guidelines developed by the Department of Management and Budget. Second, some duties of human resources staff at the MnSCU system office and institutions are dictated by provisions in the negotiated contracts and personnel plans. For example, the initial salary range for someone hired as a two-year college faculty member depends on a determination of the person's "step" and "column" on a salary grid. The contract for two-year college faculty specifies that colleges will determine the initial step placement (based on years of experience), while the system office will determine the column (based on prior education). Third, some human resources practices are dictated by Board of Trustees policy. For instance, board policy addresses the process for appointing MnSCU presidents.[31] Also, board policies and procedures establish requirements to ensure that faculty at two-year colleges meet minimum requirements.[32]

To help us assess the adequacy of personnel services, we wanted to examine performance-related information for institution and system office human resources offices. However, system office officials told us that it is difficult to extract information from MnSCU's personnel and payroll systems for the purpose of assessing the performance of system office or institution human resources activities. As recommended in Chapter 3, the system office should strengthen its ability to measure the performance of key system office functions.

Lacking conclusive data, we relied considerably on input from institution presidents and chief human resources officers to help us assess the system office's performance. We found that:

- **Campus officials complimented the system office's performance in many personnel-related activities, but they had more concerns about the system office's job classification practices.**

A large majority of institution presidents said the Human Resources Division provides effective, efficient services in the following areas: administering MnSCU-sponsored retirement plans (91 percent); posting information for vacant positions (88 percent); managing workers' compensation claims (84 percent); and addressing campus questions and concerns regarding personnel/payroll transaction processing (81 percent). In contrast, campus officials gave more

<div style="margin-left: 2em; border-top: 1px solid black; width: 30%;"></div>

[30] *Minnesota Statutes* 2009, chapter 43A, with delegation authorized in *Minnesota Statutes* 2009, 43A.36.

[31] MnSCU Board Policy 4.2.

[32] MnSCU Board Policy 3.32 and Procedure 3.32.1. In contrast, state universities have authority to determine whether their faculty are qualified, within the requirements established by the university faculty bargaining agreement.

MnSCU has limited information for assessing the performance of campus and system office human resources activities.

mixed ratings to the system office's performance in conducting job classifications. About 41 percent of presidents said the system office does not provide efficient, effective services in this area, and Chapter 2 recommended delegation of job classification duties to selected campuses.

Finally, campus officials expressed a desire for stronger guidance and better system-wide information systems from the Human Resources Division. The division has a wide variety of resources at its web site, yet many presidents and campus human resources officials said the division's lack of standardized templates, forms, policies, and procedures sometimes contribute to inefficient, inconsistent campus services. Some campus officials also expressed concern about MnSCU's centralized payroll and personnel system, called SCUPPS. As one president said: "Serious attention needs to be paid to the SCUPPS system—it is absurdly complex, which creates many opportunities for costly errors, including overpayments, missed retirement deductions, etc."

OFFICE OF GENERAL COUNSEL

MnSCU receives legal services from both its own general counsel and the Attorney General's office.

Minnesota law authorizes the state attorney general to act as the attorney for all boards created in state law.[33] In the early years of the MnSCU merger, the Office of the Attorney General provided all legal services to MnSCU. However, the attorney general subsequently delegated authority to the MnSCU General Counsel to provide "legal advice and assistance to MnSCU regarding matters pertaining to its operation and that of its colleges and universities."[34] In fiscal year 2009, the MnSCU system office's legal services costs were split between MnSCU's own Office of General Counsel ($729,210) and the Office of the Attorney General ($778,710). In fiscal year 2009, the Office of General Counsel had eight full-time-equivalent employees. There are no institution-level staff who provide legal counsel.

A MnSCU institution may seek legal assistance from either the Office of the Attorney General or the MnSCU Office of General Counsel.[35] Staff from the Office of the Attorney General represent MnSCU in court appearances, although the MnSCU Office of General Counsel coordinates these litigation cases. In addition, Attorney General staff often provide assistance in areas in which they have special expertise, such as employment law. MnSCU's Office of General Counsel often provides assistance in areas with specialized higher education applications, such as contracts, data practices, athletic program compliance, computer security, intellectual property, foundations, affirmative action, and student discipline.

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[33] *Minnesota Statutes* 2009, 8.06.

[34] Office of the Attorney General-MnSCU delegation agreement, signed January 2, 2007.

[35] Four attorneys in the Office of the Attorney General handle MnSCU legal assistance. Each MnSCU institution is assigned to one of these attorneys.

We are unaware of national research on the extent to which higher education systems provide legal assistance through centralized offices.[36] However, in our view, it makes sense for a specialized service such as legal assistance to be provided centrally, particularly in a higher education system with many relatively small institutions. In addition,

- **MnSCU presidents are very satisfied with the MnSCU Office of General Counsel, and none suggested that decentralized legal services would be a preferable alternative to centralized services.**

We asked presidents to rate the Office of General Counsel's services in ten areas (see Appendix A). In all areas, the presidents who said this office provides effective, efficient services overwhelmingly outnumbered the presidents who said it does not. In addition, this relatively small office was named by half of the presidents when asked to list the most essential functions (up to three) performed by the MnSCU system office.

DEVELOPMENT DIVISION

This division oversees fundraising activities within the MnSCU system. The MnSCU system has 44 individual foundations, most of which are affiliated with a particular institution. Each foundation is a private, nonprofit organization with a board of directors that has fiduciary responsibility for foundation activities. The division provides system-wide oversight of fundraising reporting and compliance activities, develops and reviews foundation-related contracts, and provides training on fundraising-related issues. The Development Division also provides administrative and fundraising support for MnSCU's only system-wide foundation (the MnSCU Foundation). In fiscal year 2009, this division had three full-time-equivalent employees.

Until late 2009, MnSCU policy required each foundation to contribute to the system or institution an amount at least equal to the cost of the administrative support provided by the system or institution.[37] However, compliance with this "return-on-investment" policy was not systematically tracked until the MnSCU Office of Internal Auditing conducted an analysis in 2008. The office found that 16 percent of MnSCU foundations did not comply with board policy.[38] It is worth noting that:

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[36] In our contacts with higher education systems in seven other states, all but the Oregon Community College System had a system-wide general counsel office or relied on services from the state attorney general.

[37] In November 2009, the Board of Trustees modified Board Policy 8.3 to require the chancellor to set "return on value" standards that are specific to each foundation, rather than applying a single standard to all foundations.

[38] The office also found that two-thirds of the foundations did not meet a stricter standard that it said could reasonably be applied. The Better Business Bureau recommended that at least 65 percent of foundation costs be spent on program benefits. The Office of Internal Auditing used this criterion to assess MnSCU foundations, counting both institution and foundation costs that were related to the foundations. This audit report prompted discussions that led to revisions of MnSCU's foundation-related policies in late 2009.

- **The system-wide MnSCU Foundation, for which the Development Division provides administrative and fundraising support, did not comply with the board's return-on-investment policy in three of the past four years.**

Table 6.3 shows that, over the most recent four-year period, the system office's total administrative support costs for this foundation were less than the total benefits received. Thus, the Development Division's past fundraising efforts have yielded limited returns on its expenditures.[39]

In recent years, MnSCU has received limited results from the system office's fundraising expenditures.

Table 6.3: MnSCU Foundation Administrative Support Costs and Benefits, Fiscal Years 2006-09

Fiscal Year	Administrative Support Costs	Program Benefits Received	Return on Investment
2006	$159,217	$263,473	1.65%
2007	208,375	72,268	0.35
2008	182,449	57,177	0.31
2009	183,445	154,000	0.84
Total	$733,486	$546,918	0.75%

NOTES: "Administrative support costs" includes only the costs incurred by the MnSCU Development Division. It does not include administrative and fundraising costs incurred directly by the foundation. During these years, MnSCU policy required that the foundation contribute to the system an amount at least equal to the value of the administrative support provided by the system to the foundation. "Program benefits received" disregards funds raised but not yet spent.

SOURCES: Office of Internal Auditing (fiscal years 2006 and 2007); and MnSCU Development Division (fiscal years 2008 and 2009).

Some campus officials expressed very positive views of the Development Division. For example, one campus president said:

> We have always found the office to be very responsive to our campus needs…. They serve an important and necessary function of unifying the many individual college and university foundations. Particularly, they are a much needed asset to the smaller college foundations that don't have large staffs with individualized responsibilities.

However, we found that:

- **More than any other division in the system office, presidents were skeptical that the Development Division provides a service of significant value to MnSCU.**

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[39] The fiscal year 2009 totals did not include about $210,000 raised by the foundation but not spent. System office officials suggested that the foundation's increased fundraising in 2009 was a sign of improved financial viability.

For four of the five Development Division functions that we asked presidents to evaluate in our survey, at least 50 percent of presidents said they did not think the division's services were effective and efficient (see Appendix A).[40] In addition, when asked to name the least essential functions (up to three) performed by the system office, 27 of 32 MnSCU presidents listed the Development Division. Some campus officials questioned whether there is a need for system-level, rather than campus-level, fundraising. Others suggested that a separate Development Division is unnecessary. For example, one survey respondent said:

> This office is not needed. Several of the campuses have well-developed advancement functions and foundations. The growing intensity of [system-level] oversight appears not to be commensurate with the level of risk that these mature campus organizations pose. For those campuses that are just beginning to develop their advancement efforts, the [system office] might consider peer consultation with more advanced institutions.… The [system-level] policies being developed to guide the progress of the foundations are invasive and micromanaging. This is a case where a single development officer, working closely with government affairs, could support the chancellor and the Board of Trustees.

The Development Division should receive continued scrutiny from MnSCU leaders.

MnSCU system office officials believe it is important for system office staff to regulate and assist campus foundations, however this function is organized and staffed. They said that audits of campus foundations today identify fewer problems than was the case ten years ago, reflecting the implementation of standardized foundation agreements and improved training for foundation staff. Also, MnSCU board members told us that the board has scrutinized the Development Division more closely since the 2008 report by the Office of Internal Auditing. Still, as recommended in Chapter 3, we think this division merits continued attention and oversight, given its weak fundraising performance in the past and skepticism among presidents about the division's value.

DIVERSITY AND MULTICULTURALISM DIVISION

This division develops and administers policies and services "designed to foster a diverse faculty, staff, and student body."[41] It implements policies and plans related to equal opportunity, affirmative action, and other diversity issues. In addition, the division conducts investigations of alleged discrimination and harassment, and it conducts on-site reviews of compliance with state and federal civil rights laws. The division trains and consults with campus and system office staff on a variety of diversity-related topics. In fiscal year 2009, this division had about six full-time-equivalent employees.

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[40] Most presidents said the division helps campuses comply with MnSCU's development policies, but half or more said the division has not effectively or efficiently helped campuses use fundraising best practices, increased the fundraising expertise of campus or foundation officials, disseminated information on fundraising opportunities, or provided financial support for system-wide initiatives.

[41] MnSCU, http://www.diversity.mnscu.edu/, accessed November 19, 2009.

MnSCU has placed a high priority on recruiting and retaining students from groups traditionally underrepresented in higher education.

One of the MnSCU system's priorities has been to enroll and retain more students from groups that traditionally have been underrepresented in higher education. This includes racial and ethnic minorities, low-income students, and students whose parents did not attend college. We found that:

- **There have been recent increases in the enrollment and retention of "underrepresented" MnSCU students, although it is unclear how much of this is due to the efforts of the Diversity and Multiculturalism Division.**

Since at least 2002, MnSCU's strategic plans have had a goal of increasing the enrollment of students from groups traditionally underrepresented in higher education.[42] We examined MnSCU data from the past five years showing the percentage of all enrolled undergraduate students who are from underrepresented groups. For most of this period, the percentage was flat. For example, based on annual unduplicated headcount, the system-wide percentage of students from underrepresented groups went from 43.2 percent in fiscal year 2005 to 43.1 percent in fiscal year 2009. However, based on fall semester enrollments, the percentage of underrepresented students was flat from 2005 to 2008 (44.4 percent in both years), followed by a sharp increase in 2009 (49.2 percent).[43] The Fall 2009 increase was dramatic, compared with past trends, and it will be important to see whether this increase is sustained in future years.

MnSCU has also been trying to increase the rate at which students "persist" (that is, stay in school from one year to the next) and complete their degrees.[44] Many of these efforts have focused specifically on underrepresented students. For example, MnSCU spent nearly $7 million in the 2008-09 biennium to start centers at three institutions to increase underrepresented students' college readiness and participation. It is too early to determine whether MnSCU's efforts are having an impact on this rate. In recent years, the percentage of underrepresented students staying in school has grown somewhat, but so has the percentage for other students.[45]

Some activities of the Diversity and Multiculturalism Division are required by federal regulations. Notably, the U.S. Department of Education's Office of Civil Rights requires on-site compliance reviews of institutions that provide vocational education. We reviewed the system office's compliance reviews for two recent years to better understand the nature of the findings. The institutions reviewed in

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[42] MnSCU plans have not contained numeric targets for increases in enrollment of underrepresented students.

[43] Of MnSCU's 37 institutions, 35 saw at least a 2 percentage point increase between Fall 2008 and Fall 2009 in underrepresented students as a percentage of all students.

[44] The system-wide persistence and completion rate after one year for full-time, degree-seeking students who entered school in Fall 2007 was 70.5 percent. In 2009, the Academic and Student Affairs Division adopted a goal of increasing the system's overall persistence and completion rate to 73.4 percent by 2014. The system office negotiated targeted increases in these rates for all MnSCU institutions, and presidents will be annually evaluated against these targets.

[45] For example, at state universities, the one-year persistence rate of underrepresented, full-time, undergraduate students who entered school in Fall 2008 was 71.2 percent, compared with 70.0 percent for students who entered school in Fall 2005. However, this increase of 1.2 percentage points was the same increase experienced by other students.

these years were always cited for some building components that did not meet accessibility standards; most other compliance problems cited in the reviews were procedural in nature.[46] Although the federal government requires periodic compliance reviews at MnSCU's two-year institutions, it is worth noting that MnSCU conducts more such reviews than it is federally required to conduct. Federal procedures require on-site reviews of at least two MnSCU colleges per year. In recent years, MnSCU has conducted four reviews each year.

We also solicited information from MnSCU presidents about the Diversity and Multiculturalism Division. We found that:

- **Presidents' ratings of the Diversity and Multiculturalism Division tended to be more positive than negative, but some questioned the need for a separate division to perform these functions.**

As shown in Appendix A, a majority of presidents gave the division positive ratings in five of six key activities it performs. The services that were rated most favorably by presidents were civil rights reviews and training, for which a little more than 70 percent of presidents said the division's work was effective and efficient. In contrast, only 41 percent of presidents gave positive ratings to the division's efforts to recruit and retain **staff** from traditionally unrepresented groups. Fifty-nine percent of presidents gave positive ratings to the division's efforts to recruit and retain **students** from traditionally unrepresented groups. Several presidents expressed appreciation for the division's willingness to provide campus-specific assistance. One president said: "For the relatively small staff, I am most impressed. I have received excellent support whenever I have asked."

MnSCU officials have mixed views about whether the system office needs a separate division to work on system-wide diversity goals.

On the other hand, when asked to identify the least essential functions performed by the system office, 10 of 32 presidents cited the work of the Diversity and Multiculturalism Division. One president said there sometimes seems to be overlap between the system office's diversity staff and its student affairs staff. Another president said: "This office is one that could be eliminated. These functions can and should be conducted on our campuses with appropriate policy guidance from the [system office] and suitable accountability measures." The higher education systems we contacted in other states generally relied on broader departments (such as academic affairs or human resources) or campuses to provide diversity-related services, rather than having a separate system office department for this function.

Overall, we think the activities of this division are important, given the Board of Trustees' emphasis on improving student access to higher education, especially for traditionally underrepresented subgroups. System office leaders told us that having a separate division for diversity and affirmative action activities helps to emphasize the importance of these activities. We offer no recommendations on how MnSCU should organize this function within the system office, but system

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[46] Examples of "procedural" problems included not having flyers posted at a college that identify the Title IX coordinator and not having pictures in college publications showing people with visible disabilities.

officials should continue to monitor performance toward system-wide diversity goals.

PUBLIC AFFAIRS DIVISION

This division provides a variety of services to the Board of Trustees, system office, institutions, and the general public. Its activities include: issuing news releases and working with media outlets to cultivate stories about MnSCU activities; providing assistance to MnSCU officials on public relations, marketing, and crisis communications; preparing publications, such as system-wide marketing materials for prospective students; managing the content of MnSCU's web site; and writing speeches for the chancellor and board members. In fiscal year 2009, this division had about seven full-time-equivalent employees.

The system office has undertaken significant marketing efforts, although there is limited information on the impact of these activities.

The Public Affairs Division has made some significant efforts to publicize the MnSCU system. For example, more than ten years ago the chancellor and board initiated the *Go Places* publication, which annually provides extensive information to prospective students regarding individual campuses and program options.[47] Also, in an effort to market MnSCU more effectively to groups of potential students historically underrepresented in higher education, the division printed a brochure in nine languages in 2008.[48]

Some of MnSCU's marketing and public information goes to more general audiences. Twice yearly, the Public Affairs Division has distributed 8,000 to 12,000 copies per issue of the *Minnesota State Colleges and Universities* magazine.[49] This publication is sent to elected officials, business leaders, foundation board members, and others. In addition, MnSCU spent about $100,000 in fiscal year 2009 on 15-second spots on public radio. Also, over the past three years, MnSCU paid an average of about $55,500 per year to have a booth for the 12 days of the Minnesota State Fair.

The Public Affairs Division has limited information on the effectiveness of its system-wide publications, marketing, web site, and other activities. The division estimates that *Go Places* generates 90,000 requests for information on a MnSCU college or university annually, although it does not know the impact of these contacts on enrollment decisions.[50] In our 2009 survey,

- **Most presidents said the Public Affairs Division is efficient and effective, but many also regard this division's work as less essential than other system office functions.**

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[47] Printing and design costs for this publication declined from $1.33 per copy in 2006 to $0.96 in 2009. In both years, 120,000 copies of *Go Places* were printed.

[48] The system office printed 82,500 copies of the *Make College a Part of Your Future* brochure. Total printing, design, and translation costs were about $168,000.

[49] The design and printing costs of single issues of this publication have ranged from about $19,000 to $26,000 in recent years.

[50] *Go Places* users can return a card to MnSCU, checking off individual colleges and universities on which the person wants more information. A person's request for information on five MnSCU institutions is counted as five separate requests in MnSCU's 90,000 estimate.

We asked presidents to rate the division's performance on five key functions, as shown in Appendix A. The percentage of presidents who rated the division as efficient and effective ranged from 72 percent to 94 percent. Some presidents said the division should provide additional or more useful services, such as market research or more frequent outreach to campus public affairs staff. When asked to identify the least essential activities (up to three) of the system office, 44 percent of presidents listed the Public Affairs Division. Some presidents said they believe that marketing efforts that focus on individual MnSCU institutions or programs are more effective than efforts that address the system as a whole.

GOVERNMENT RELATIONS DIVISION

The Government Relations Division advocates on MnSCU's behalf at the Minnesota Legislature and with the Minnesota congressional delegation. In addition, the division interacts on MnSCU's behalf with the Governor's office and various federal, state, and local agencies. During the legislative session, division staff have weekly conference calls with institution presidents to provide updates on the status of legislative issues. In fiscal year 2009, this division had nearly four full-time-equivalent employees.

The system office advocates on MnSCU's behalf at the state and federal levels of government.

This division aims to secure adequate resources for MnSCU, especially at the Legislature. Many factors beyond the efforts of government relations staff affect the success of MnSCU (or any agency) in securing capital and operating funds. Over its history, MnSCU has received 65 percent of its legislative funding requests for capital projects. Meanwhile, tuition has accounted for an increasing share of MnSCU's operating funds, while state appropriations have accounted for a smaller share.[51]

At the federal level, MnSCU secured about $20 million in "earmarked" federal appropriations between fiscal years 2002 and 2009. For example, Minnesota State University, Mankato received a special appropriation to study ethanol production and conduct emissions testing, and Minnesota West College received earmarked funding to provide training for wind energy technicians. In fiscal year 2010, the division eliminated a $50,000 contract for federal lobbying as part of system office budget cuts.

In our contacts with other states, we found that it is typical for higher education system offices to have small government relations offices, similar to MnSCU's. However, there are no easy ways to measure the performance of such offices. Again, we relied on our survey of presidents to help us evaluate the value of this division. We found that:

- **There is widespread support among presidents for the Government Relations Division, based on its performance and a perceived need to maintain this function as a centralized service.**

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[51] MnSCU's "Accountability Dashboard" indicates that system-wide tuition and fees as a percentage of median income has grown to a level that "needs attention."

As shown in Appendix A, nearly all presidents said this division communicates well with campus officials and students regarding budget issues and pending legislation. Also, 94 percent of presidents said the division is effective and efficient in its advocacy on behalf of MnSCU legislation. About 78 percent of presidents said the division has helped campuses build relationships with legislators. The share of presidents (61 percent) that said the quality of this division's services has improved in the past three years was larger than the share for any other system office division.

OFFICE OF INTERNAL AUDITING

The Office of Internal Auditing—unlike other parts of the system office—reports directly to the Board of Trustees.

Unlike the heads of other system office divisions, the director of the Office of Internal Auditing reports directly to the Board of Trustees. However, board policy says the director has the responsibility to report any matters to the chancellor and presidents that warrant their attention.[52] Board policy directs the office to "evaluate and improve the effectiveness of risk management, control, and governance processes, such as policies, practices, procedures, organizational structures, goals and objectives, information systems, and programs."[53]

Functions of the Office of Internal Auditing include: coordinating financial audits of institutions and the system as a whole; conducting system-wide studies at the request of the board, chancellor, or vice chancellors; and providing training and assistance to campuses related to fraud investigation. Until mid-2009, the office also provided management consulting services to the system office or institutions, provided these did not conflict with the office's auditing role.[54] In fiscal year 2009, the Office of Internal Auditing had nearly 11 full-time-equivalent employees.

Another of the office's responsibilities is helping to ensure that prior findings by MnSCU's external auditors are resolved. We found that:

- **Most, but not all, financial audit findings have been resolved prior to the next audit for those institutions.**

For MnSCU's larger colleges and universities, private firms conduct annual audits of the institutions' financial statements. We reviewed the 2008 and 2009 audits for these institutions. There were relatively few audit findings in 2008, and none were repeated in 2009.[55] MnSCU's smaller institutions have received periodic financial audits by the Office of the Legislative Auditor (OLA). Unlike the financial statement audits, OLA's audits focus in depth on selected areas of risk related to institutions' legal compliance and internal controls. OLA's 2009

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[52] MnSCU Board Policy 1D.1, part 6.

[53] MnSCU Board Policy 1D.1, part 2.

[54] The office eliminated its one management consulting position in 2009 as part of system-wide budget cuts.

[55] In both years, all 12 institutions received "unqualified" audit opinions, meaning their financial statements were fairly presented and conformed to generally accepted auditing principles. One of the institutions was cited for a "material weakness." Three had "significant deficiencies" in 2008 that were not repeated in 2009.

audit report on eight colleges included four repeat findings (including two that were described as "significant and systemic").[56] The 2006 audits for these eight colleges had a total of about 40 findings, most of which were resolved by 2009.

Most of the higher education systems we examined in seven other states had a system-level internal audit office to conduct or oversee financial and compliance audits. However, the MnSCU audit office has been used by the Board of Trustees for a variety of oversight activities, beyond its oversight of financial audits. For example, a 2007 report by the office prompted Board of Trustees efforts to ensure campus implementation of information systems intended to monitor students' academic progress.[57] Also, the office has helped the board conduct its annual evaluation of the chancellor's performance, and it has facilitated the transition process for incoming institution presidents. We also found that:

- **The Office of Internal Auditing received consistently high ratings from presidents for its performance.**

As shown in Appendix A, we asked presidents about seven activities of the Office of Internal Auditing. In these areas, the percentage of presidents who said that the office provides efficient and effective services ranged from 84 to 100 percent. Many presidents commented on the professionalism and responsiveness of this office. For example, one president said:

> Though auditing is no one's favorite activity, our experience with the Office of Internal Auditing has been extremely favorable…. We have felt that our interactions with this office have led to continuous improvement strategies—a positive rather than disciplinary experience.

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[56] The repeated "significant and systemic" findings were that (1) colleges did not design, document, or monitor controls to mitigate risks created by giving employees incompatible and unnecessary access to computer system functions; and (2) colleges did not accurately account for faculty and administrator leave benefits. In addition to these repeat findings, the 2009 audit had five new "significant and systemic" findings and eleven other new findings.

[57] MnSCU Office of Internal Auditing, *Student Success Measures & Systems* (St. Paul, October 2007).

List of Recommendations

- The MnSCU Board of Trustees and chancellor should delegate authority to classify employee positions to campuses that can demonstrate they meet system-specified standards of quality, efficiency, and consistency. (p. 31)

- To clarify that presidents have authority to make purchases up to at least $100,000 without system office approval, the MnSCU chancellor should (1) recommend changes in board procedure or (2) amend the system office's formal agreements with each institution. (p. 32)

- The MnSCU Board of Trustees and chancellor should foster expanded use of multi-campus service delivery for certain administrative services. (p. 32)

- To address areas of concern in certain system office activities (such as those identified in Table 3.6), the MnSCU Board of Trustees and chancellor should consider changes in organization, staffing, or oversight. (p. 43)

- Where feasible, the MnSCU system office should (1) improve its ability to monitor the administrative productivity and efficiency of institutions and (2) measure institution and system office administrative costs against reasonable benchmarks. (p. 43)

- The Board of Trustees should exercise stronger ongoing oversight of the system office. (p. 46)

- System office officials should notify the Board of Trustees about the amount and purpose of any charges imposed on institutions outside of the regular allocation process. (p. 48)

- The MnSCU Board of Trustees should pursue changes in Board Policy 3.32 and the college faculty bargaining agreement to provide a more flexible, timely way to ensure the quality of two-year college faculty. (p. 67)

- The system office should improve its selection and implementation of new IT projects by (1) surveying campus users on their needs and the performance of new systems; (2) allotting additional time for user testing and training; (3) improving IT system data dictionaries and user manuals; and (4) closely tracking the status of individual projects to ensure that they are implemented in a timely, cost-effective way. (p. 80)

- The system office should improve its oversight of professional/technical services by (1) specifying project deliverables more clearly in contracts and (2) implementing a performance review process that appraises contractors' timeliness, quality of deliverables, and overall performance. (p. 80)

- The system office should pursue greater efficiencies in the management of capital projects by (1) providing training to facilitate institutions' project management expertise, and (2) determining project management needs on a case-by-case basis. (p. 87)

- The system office should improve efficiencies in capital project predesign planning by providing better guidance to institutions on design and budget parameters. (p. 88)

Results from Survey of MnSCU Presidents

APPENDIX A

In August 2009, we sent a survey to each president of a MnSCU college or university, soliciting opinions about the MnSCU system office. We asked presidents to complete the survey in consultation with their top staff. The survey format included a combination of closed-ended questions (these results are summarized below) and questions requesting written responses (not shown). All 32 presidents responded to the survey. For individual survey questions below, *N*=32 unless indicated by * (*N*=31) or ** (*N*=30).

Table A.1: Presidents' Opinions Regarding the MnSCU System Office

Survey Statement: "For each of the following activities, please indicate the extent to which you agree or disagree that the performance of the System Office has been effective and efficient."

Activity	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Human Resources Division					
Negotiates labor contracts.	16%	56%	19%	9%	0%
Handles employee grievances appealed to the Office of the Chancellor.	25	50	22	0	3
Reviews and approves employee classifications.	19	41	38	3	0
Develops and provides training for managers and supervisors.	31	44	19	3	3
Provides assistance to campus staff on human resources issues.	25	66	6	3	0
Addresses campuses' questions and concerns regarding transaction processing using the personnel/payroll information system (SCUPPS).	22	59	9	3	6
Processes and posts information for vacant positions.	41	47	3	3	6
Manages workers' compensation claims.	44	41	0	0	16
Administers the system-sponsored retirement plans.	47	44	6	0	3
Finance and Facilities Division					
Develops and oversees the MnSCU operating budget.	44%	53%	3%	0%	0%
Advises campus administrators on budget/finance policies and procedures.	38	53	6	3	0
Assists campuses with preparation of financial statements.	28	56	13	0	3
Develops and administers system-wide procurement policies and procedures.	16	59	13	3	9
Develops and implements the methodology for allocating state appropriations to institutions.	22	50	19	9	0
Oversees annual tuition-setting processes.	25	66	3	6	0
Helps campuses comply with tax laws and regulations.	31	59	0	3	6
Oversees collection and reporting of statewide student association fees.	41	44	6	0	9
Provides students with 1098T statements for tax purposes regarding the amount of tuition paid.	28	47	0	3	22

Survey Statement: "For each of the following activities, please indicate the extent to which you agree or disagree that the performance of the System Office has been effective and efficient."

Finance and Facilities Division Continued	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Provides administrative support for student loan software and online payments of tuition and fees.	13%	63%	9%	0%	16%
Provides loan collection services for selected campuses.	19	44	0	6	31
Works with campuses as part of the capital planning process.	38	53	9	0	0
Manages the capital projects program.	41	47	13	0	0
Manages revenues for capital projects.	28	63	0	0	9
Helps campuses comply with environmental health and safety regulations.	22	44	28	6	0
Helps campuses improve energy efficiency.	13	50	28	6	3
Assists campuses with emergency planning and disaster preparedness.*	26	52	16	6	0
Assists campuses in the acquisition, sale, and leasing of real property.*	32	45	13	6	3
Operates a risk management program to minimize system-wide losses and risks.	16	66	13	3	3

Academic and Student Affairs Division	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Helps institutions administer federal and state financial aid programs.	19%	66%	9%	6%	0%
Facilitates system-wide services for military veterans.	34	66	0	0	0
Develops and maintains system-wide mechanisms for seamless student transfer.	13	38	38	13	0
Fosters the provision of seamless student services across the MnSCU system.	13	28	50	9	0
Works with the P-12 education system to promote student readiness for postsecondary education.	3	34	41	9	13
Monitors institutions' compliance with laws regarding students, such as FERPA and Title IV.	19	75	3	0	3
Acts on campus proposals to begin, redesign, suspend, or close academic programs at MnSCU institutions.	19	44	31	6	0
Gives campuses sufficient flexibility in their choice of academic program offerings.	22	34	28	16	0
Works with campuses to identify new curriculum opportunities.*	3	29	48	19	0
Facilitates institutions' development of online learning opportunities.	3	59	31	6	0
Coordinates the system's Customized Training network.	3	28	41	22	6
Manages implementation of the Carl Perkins Vocational Education Act.	13	69	6	0	13
Helps develop, implement, and evaluate agricultural and small business programs at MnSCU institutions.	3	34	6	9	47
Promotes the coordinated development of education/training programs in fields with significant economic impacts.	3	50	25	19	3
Promotes professional development for MnSCU faculty.	16	59	16	9	0
Reviews campuses' annual workplans and performance targets.*	13	55	26	6	0
Conducts research on behalf of the system and campuses.	6	53	28	9	3
Manages online career education and employment information (e.g., through ISEEK and CareerOneStop).	6	69	13	0	13
Administers minimum qualification standards for two-year college faculty members.	6	50	19	13	13
Manages the statewide Fire/Emergency Services/Safety center.	16	50	6	3	25
Develops system-wide educational policies, in consultation with campuses and others.	9	69	19	3	0
Maintains the accountability dashboard to assess progress toward system goals.*	6	71	19	3	0
Assists with the accreditation process and maintains relationships with accrediting bodies.*	13	55	23	6	3

Survey Statement: "For each of the following activities, please indicate the extent to which you agree or disagree that the performance of the System Office has been effective and efficient."

Activity	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Office of General Counsel					
Provides advice/training on contract-related issues.	28%	63%	6%	0%	3%
Provides advice/training on intellectual property issues.	19	59	13	3	6
Provides advice/training on student discipline issues.	34	56	9	0	0
Provides advice/training on employee ethics and conflicts of interest.	47	50	3	0	0
Provides advice/training on issues related to discrimination and affirmative action.	41	53	6	0	0
Provides advice/training on data practices issues.	44	53	3	0	0
Provides advice/training on immigration issues.	16	50	13	3	19
Provides advice/training on athletic compliance issues.	9	31	13	0	47
Helps campuses comply with legal requirements before problems arise.*	39	52	6	0	3
Coordinates its activities with those of the Office of the Attorney General.	50	38	3	3	6
Information Technology Services Division					
Develops and implements a strategic plan for system-wide IT infrastructure.	3%	53%	28%	6%	9%
Follows a sound process for identifying IT needs and setting priorities.	6	44	31	13	6
Allows for sufficient campus input into IT project development.	0	50	28	16	6
Gives campuses sufficient flexibility in the development of campus-specific IT systems.	16	53	13	16	3
Develops system-wide IT security policies and standards.	28	66	3	0	3
Provides IT security awareness training to faculty and staff.	19	66	9	3	3
Ensures secure access to information system data.	19	72	3	3	3
Helps campuses address campus-specific security issues.	16	72	6	3	3
Provides a stable, reliable wide area network for campuses.	25	59	9	3	3
Builds and maintains a data warehouse for management information.	13	66	13	3	6
Develops and maintains software for a common database of information about students and faculty.	0	63	25	9	3
Develops and maintains administrative systems for campus business functions.	9	59	25	0	6
Acquires and hosts an e-Learning system.	16	66	9	0	9
Provides user support and training to campus users of MnSCU's IT systems.	3	72	19	3	3
Provides a system-wide Desire2Learn help desk.	0	81	6	3	9
Develops system-wide disaster recovery plans for IT.	6	59	16	6	13
Operates a central Data Center.	9	81	0	3	6
Provides reduced prices to campuses through cooperative purchasing.	6	78	9	0	6
Provides appropriate facilities and transmission capabilities for web conferencing.**	3	67	13	3	13
Diversity and Multiculturalism Division					
Helps campuses develop strategies to recruit and retain **students** from traditionally underrepresented groups.	13%	47%	31%	0%	9%
Helps campuses develop strategies to recruit and retain **staff** from traditionally underrepresented groups.	6	34	38	9	13
Provides training for campuses on discrimination, affirmative action, anti-racism, and harassment.*	19	52	23	3	3
Helps campuses develop and implement their diversity plans.	13	47	28	0	13

Survey Statement: "For each of the following activities, please indicate the extent to which you agree or disagree that the performance of the System Office has been effective and efficient."

Diversity and Multiculturalism Division Continued	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Conducts Office of Civil Rights reviews on campuses.	19%	53%	9%	3%	16%
Helps campuses implement the board's policy on nondiscrimination in education and employment.	25	44	22	3	6

Public Affairs Division

	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Provides public relations and marketing for the MnSCU system as a whole.	13%	59%	25%	3%	0%
Produces publications about the MnSCU system and member institutions.	9	75	13	3	0
Advises campus officials on public relations and crisis communications.	16	56	22	6	0
Produces news releases and responds to media inquiries.	13	81	3	3	0
Maintains the content and design of the MnSCU system's public web site.	16	69	13	0	3

Government Relations Division

	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Advocates on behalf of legislation to benefit the MnSCU system and institutions.	66%	28%	3%	3%	0%
Advises the board and chancellor on campus positions and strategies.	50	28	3	3	16
Communicates with MnSCU administrators, staff, faculty, and students about the status of budget issues and legislation.	59	38	0	3	0
Helps campuses build relationships with legislators.	41	38	13	9	0

Development Division

	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Helps campuses comply with the board's development policies.	16%	59%	19%	3%	3%
Helps campus development offices and foundations use best practices in fundraising activities.	3	41	25	28	3
Increases the fundraising and stewardship expertise of campus presidents, development officers, and affiliated foundation board members.	6	34	28	28	3
Provides financial support for system-wide initiatives.	6	19	31	19	25
Disseminates information to campuses regarding local, regional, and national funding opportunities.	9	25	34	22	9

Office of Internal Auditing

	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Coordinates and conducts audits of colleges and universities.	56%	44%	0%	0%	0%
Assists campuses with fraud inquiries and investigations.	50	47	0	3	0
Provides training to campus staff regarding fraudulent and dishonest acts.	25	59	9	3	3
Conducts system-wide studies at the request of the board, chancellor, or vice chancellors.	47	50	0	0	3
Supports the activities of external auditors (OLA and CPA firms).	47	47	3	0	3
Follows up on and assists with resolution of prior audit findings.	41	47	9	3	0
Provides services requested by presidents, such as business process workshops and climate surveys.	34	53	3	0	9

MnSCU Board of Trustees

Survey Statement: "Please assess how well you think the MnSCU Board of Trustees has performed in each of the following areas."

Activity	Excellent	Good	Fair	Poor	N/A	Don't Know
Defining MnSCU's mission.	25%	59%	16%	0%	0%	0%
Setting goals for achieving MnSCU's mission.	19	56	22	3	0	0
Setting strategies and timelines for achieving MnSCU's goals.	13	41	38	9	0	0
Setting expectations for performance for MnSCU institutions.	13	31	31	25	0	0
Holding the MnSCU system accountable for progress toward the system's goals.	22	53	22	3	0	0
Attending to issues of broad or strategic importance.	9	31	56	3	0	0
Allowing individual institutions to decide issues that are best addressed at the local level.	16	16	44	25	0	0
Considering the needs and priorities of individual institutions.	6	25	31	34	3	0
Overseeing the system office's size and scope of activities.	6	31	34	22	3	3

MnSCU Chancellor and Cabinet

Survey Statement: "Please assess how well you think the MnSCU chancellor and his cabinet have performed overall in each of the following areas."

Activity	Excellent	Good	Fair	Poor	N/A	Don't Know
Defining MnSCU's mission.	44%	41%	13%	3%	0%	0%
Setting goals for achieving MnSCU's mission.	22	53	25	0	0	0
Setting strategies and timelines for achieving MnSCU's goals.	16	53	16	16	0	0
Setting expectations for performance for MnSCU institutions.	25	28	19	28	0	0
Holding campuses accountable for progress toward MnSCU's goals.	28	31	38	3	0	0
Attending to issues of broad or strategic importance.	25	44	19	13	0	0
Allowing individual institutions to decide issues that are best addressed at the local level.	16	28	34	22	0	0
Considering the needs and priorities of individual institutions.	19	28	38	16	0	0
Communicating with member institutions.	31	34	25	9	0	0
Conveying the perspectives of institutions to the Board of Trustees.	22	34	9	25	0	9

Other Questions About the System Office

Survey Statement: "In your view, how has the quality of the services provided by each System Office division changed over the past three years?"

Division	Has Improved	Has Stayed About the Same	Has Declined	Don't Know
Academic and Student Affairs Division	34%	34%	22%	9%
Development Division	9	50	34	6
Diversity and Multiculturalism Division	44	41	9	6
Finance and Facilities Division	38	47	9	6
Government Relations Division	61	23	10	6
Human Resources Division	6	63	25	6
Information Technology Services Division	25	38	31	6
Office of General Counsel	47	47	0	6
Office of Internal Auditing	28	63	3	6
Public Affairs Division	9	63	22	6

Survey Statement: "Which System Office activities (either specific functions or entire organizational divisions) do you think are the MOST essential, based on their 'value added' to the campuses?"

Activity / Division	Percentage of Presidents
Finance- or facilities-related activities	63%
Office of General Counsel	50
Academic and Student Affairs Division	44
Government Relations Division	31
Information technology-related activities	31
Human Resources Division	28
Office of Internal Auditing	13
Labor relations activities	9

NOTES: The summary above only shows activities or divisions mentioned by at least three presidents. In addition to the 44 percent who mentioned the Academic and Student Affairs Division as one of the system office's most essential activities, 9 percent listed individual academic affairs functions among the most essential activities. Also, one respondent listed "Preparation of and lobbying for biennial operating budget requests and capital budget requests," which could be included as both a finance-related and Government Relations Division activity.

Survey Statement: "Which System Office activities (either specific functions or entire organizational divisions) do you think are the LEAST essential, based on their lack of 'value added' to the campuses?"

Activity / Division	Percentage of Presidents
Development Division	84%
Public Affairs Division	44
Diversity and Multiculturalism Division	31
Two-year college faculty credentialing	22
Academic and Student Affairs Division	9

NOTE: The summary above only shows activities or divisions mentioned by at least three presidents. In addition to the 9 percent of presidents who listed the Academic and Student Affairs Division as one of the system office's least essential activities, 25 percent listed individual academic/student affairs functions (not including faculty credentialing) among the least essential activities.

Survey Statement: "For each of the following, please indicate your level of agreement with the statement."

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
The MnSCU System Office has taken sufficient steps to facilitate transfer of credits among MnSCU's two-year colleges.	25%	44%	22%	0%	9%
The MnSCU System Office has taken sufficient steps to facilitate transfer of credits between MnSCU's two-year colleges and four-year universities.	22	47	25	6	0
The MnSCU System Office has taken sufficient steps to eliminate or restructure unnecessarily duplicative or low-demand instructional programs.*	6	35	35	13	10
The MnSCU System Office has taken sufficient steps to foster efficiencies in noninstructional services at the campuses.	3	34	44	6	13
The MnSCU System Office has taken sufficient steps to eliminate unnecessary or inefficient services in the System Office.	3	41	34	19	3
The MnSCU System Office has given sufficient consideration to the merits of merging individual institutions or campuses.*	6	23	35	23	13
The MnSCU System Office has taken sufficient steps to implement good financial management practices throughout the MnSCU system.	34	59	6	0	0
The MnSCU System Office has taken sufficient steps to improve the overall cost-effectiveness of the MnSCU system.	9	47	31	6	6
The Leadership Council has provided an effective forum for campus input into System Office decisions.	22	56	16	3	3
System Office staff have a sufficient understanding of campus perspectives on key issues.*	3	39	32	26	0
The method used by the System Office to allocate state funds to institutions is fair and appropriate.*	13	26	35	26	0

Survey Statement: "In terms of its total number of staff (including all of the divisions discussed in this survey), the MnSCU System Office is:"

	Response Percent
Significantly too large	22%
Somewhat too large	25
About the right size	41
Somewhat too small	6
Significantly too small	0
Don't know	6

Survey Statement: "The MnSCU System Office has implemented reasonable – and not excessive – requirements for campuses in the following areas:"

	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
Financial operations (such as purchasing, payroll, and accounts payable)	13%	66%	22%	0%	0%
Financial reporting (such as preparation of annual financial statements)	9	75	13	3	0
Design and management of building construction projects	25	50	22	3	0
Human resources matters	9	63	16	13	0
Review and approval of academic programs	6	53	25	16	0

SOURCE: Office of the Legislative Auditor, survey of MnSCU presidents, August-September 2009.

System Office Spending and Staffing, Fiscal Years 2005 and 2009

APPENDIX B

Table B.1: MnSCU System Office Expenditures and Full-Time-Equivalent Staff, by Division (or Other Spending Category)

Division/Spending Category	FY 2009 Expenditures	FY 2009 FTE	Percentage Change in Expenditures, FY 2005-09	Percentage Change in FTE, FY 2005-09	Percentage of System Office Expenditures, FY 2009	Percentage of System Office FTE, FY 2009
Academic and Student Affairs	$16,071,693	89.8	36.1%	19.1%	18.5%	21.4%
Development	321,348	3.0	26.4	18.8	0.4	0.7
Diversity and Multiculturalism	629,801	5.9	30.5	117.7	0.7	1.4
Finance and Facilities	9,694,175	67.0	63.8	10.4	11.2	16.0
Office of General Counsel	951,889	8.0	22.3	61.3	1.1	1.9
Government Relations	581,737	3.8	-10.9	-12.0	0.7	0.9
Human Resources	3,349,801	30.2	42.0	9.2	3.9	7.2
Information Technology Services	40,590,892	153.3	79.8	37.6	46.7	36.6
Office of Internal Auditing	1,055,238	10.7	16.2	0.9	1.2	2.6
Public Affairs	1,940,742	6.9	26.9	34.0	2.2	1.6
Board of Trustees	171,429	--	-19.7	--	0.2	--
Board of Trustees office staff	202,082	2.8	17.6	-7.3	0.2	0.7
Chancellor's Office	920,591	5.9	-9.5	3.1	1.1	1.4
Presidential Compensation	8,284,135	32.0	--		9.5	7.6
External legal, audit, and other services	2,121,037	--	-46.0	--	2.4	--
System Office Total	$86,886,590	419.3	65.2	33.5	100	100
System Office Total (excluding presidents)	$78,602,455	387.3	49.5	23.3	100	100

NOTES: These expenditures represent system office spending, by category and division, as reported by the Office of the Chancellor in the annual reports entitled *Systemwide Expense and FTE Information.* These totals, however, do not include system office expenditures (at least $2 million in fiscal year 2009) for staffing and other activities that are paid for through system office fees and charges to the institutions throughout the year. For instance, the system office charges institutions to cover the salaries and benefits for employees providing risk management, revenue fund management, and capital project management. Also, the system office and Academic and Student Affairs Division expenditure totals in this table differ from those shown in the system office report because we excluded federal grants—such as those passed through to the Minnesota Department of Education—for which MnSCU acts only as the fiscal agent.

SOURCE: Office of the Legislative Auditor, analysis of MnSCU, *Systemwide Expense and FTE Information* (St. Paul, for fiscal years 2005 and 2009).

OFFICE OF THE CHANCELLOR

WELLS FARGO PLACE
30 7TH ST. E., SUITE 350
ST. PAUL, MN 55101-7804

ph 651.296.8012
fx 651.297.5550
www.mnscu.edu

Minnesota
STATE COLLEGES
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February 1, 2010

Mr. James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
100 Centennial Office Building
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to your evaluation report, *MnSCU System Office* (January 27, 2010). We requested this evaluation as a means to gain an objective analysis of the services provided by the Office of the Chancellor and the working relationships between key administrative officials and the governing board. Your evaluation team conducted a thorough, professional review and provided us with invaluable insights for further consideration.

We appreciate your acknowledgement of the progress we have made as a system since your 2000 evaluation, including your findings that a system as large and complex as ours requires a sizeable system office to administer its current functions and that the system goals and board/chancellor relationship have improved over time. Likewise, we are pleased that the report contains many positive conclusions about our operations.

It was rewarding, indeed, to learn that the majority of our presidents recognized the efficiency and effectiveness associated with 93 of the 106 system office functions that your team examined. While the report notes some of the challenges we will encounter in moving to seamless student services and improving the information technology infrastructure, it also reinforces many of our current strategies and initiatives, including implementation of the Students First program and strengthening the project selection and management practices of our Information Technology Services.

Your report offers 12 recommendations for improving our operations. Thank you for those recommendations; we already have begun to look at how some may be implemented. Additionally, the Board of Trustees and Leadership Council will review and consider them carefully.

Sincerely,

David C. Olson
Chair, Board of Trustees

James H. McCormick
Chancellor

c: Members, Board of Trustees

Forthcoming Evaluations

Natural Resource Land, February 2010
Public Defender System, February 2010
Public Libraries, March 2010
Workforce Programs, February 2010

Recent Evaluations

Agriculture
"Green Acres" and Agricultural Land Preservation Programs, February 2008
Pesticide Regulation, March 2006

Criminal Justice
MINNCOR Industries, February 2009
Substance Abuse Treatment, February 2006
Community Supervision of Sex Offenders, January 2005
CriMNet, March 2004
Chronic Offenders, February 2001
District Courts, January 2001

Education, K-12, and Preschool
Alternative Education Programs, February 2010
Q Comp: Quality Compensation for Teachers, February 2009
Charter Schools, June 2008
School District Student Transportation, January 2008
School District Integration Revenue, November 2005
No Child Left Behind, February/March 2004
Charter School Financial Accountability, June 2003
Teacher Recruitment and Retention: Summary of Major Studies, March 2002
Early Childhood Education Programs, January 2001

Education, Postsecondary
MnSCU System Office, February 2010
MnSCU Occupational Programs, March 2009
Compensation at the University of Minnesota, February 2004
Higher Education Tuition Reciprocity, September 2003

Energy
Biofuel Policies and Programs, April 2009
Energy Conservation Improvement Program, January 2005

Environment and Natural Resources
Watershed Management, January 2007
State-Funded Trails for Motorized Recreation, January 2003
Water Quality: Permitting and Compliance Monitoring, January 2002
Minnesota Pollution Control Agency Funding, January 2002
Recycling and Waste Reduction, January 2002

Financial Institutions, Insurance, and Regulated Industries
Liquor Regulation, March 2006
Directory of Regulated Occupations in Minnesota, February 1999
Occupational Regulation, February 1999

Government Operations
Capitol Complex Security, May 2009
County Veterans Service Offices, January 2008
Pensions for Volunteer Firefighters, January 2007
Postemployment Benefits for Public Employees, January 2007
State Grants to Nonprofit Organizations, January 2007
Tax Compliance, March 2006
Professional/Technical Contracting, January 2003
State Employee Health Insurance, February 2002
State Archaeologist, April 2001

Health
Financial Management of Health Care Programs, February 2008
Nursing Home Inspections, February 2005
MinnesotaCare, January 2003
Insurance for Behavioral Health Care, February 2001

Human Services
Personal Care Assistance, January 2009
Human Services Administration, January 2007
Public Health Care Eligibility Determination for Noncitizens, April 2006
Substance Abuse Treatment, February 2006
Child Support Enforcement, February 2006
Child Care Reimbursement Rates, January 2005
Medicaid Home and Community-Based Waiver Services for Persons with Mental Retardation or Related Conditions, February 2004
Controlling Improper Payments in the Medicaid Assistance Program, August 2003
Economic Status of Welfare Recipients, January 2002

Housing and Local Government
Preserving Housing: A Best Practices Review, April 2003
Managing Local Government Computer Systems: A Best Practices Review, April 2002
Local E-Government: A Best Practices Review, April 2002
Affordable Housing, January 2001

Jobs, Training, and Labor
E-Verify, June 2009
Oversight of Workers' Compensation, February 2009
JOBZ Program, February 2008
Misclassification of Employees as Independent Contractors, November 2007
Prevailing Wages, February 2007
Workforce Development Services, February 2005
Financing Unemployment Insurance, January 2002

Miscellaneous
Economic Impact of Immigrants, May 2006
Gambling Regulation and Oversight, January 2005
Minnesota State Lottery, February 2004

Transportation
State Highways and Bridges, February 2008
Metropolitan Airports Commission, January 2003