

Citizens League
Higher Education Committee Notes
6/3/04

Business testimony

Bill Blazer, MN Chamber and Grow Minnesota

- Each year the state Chamber of Commerce conducts 35 focus groups around the state with MN chamber members and private sector leaders to find out what issues they are concerned about. What they hear is:
 - o First priority is health care by far
 - o Second priority is transportation
 - o Third priority is cost of government – want more service from the public sector at a lower price
 - o Fourth priority is permits
 - o Fifth priority is education
 - Trend over last 6 years: Still hear a lot about quality of K-12 system, but new concern about higher education
- Business “take” on University of Minnesota
 - o Overwhelming sense that it is more a community asset and research center than as a place that trains future employees
 - Presence probably helps with recruiting people to come work in MN because you can get a grad degree from a major university
 - The University is not seen as a major source of employees
 - Is seen as a research source
 - Contributes to state’s atmosphere of innovation
 - No distinction between basic research and applied research
 - o Undergraduate school seen as a non-presence
 - Accountants come from Iowa
- Business take on MnSCU
 - o Community Colleges and Technical Schools
 - Business people either say that the community colleges are the lynchpin in local economy to provide workers, or they see it as a non-event
 - Good schools reach out to local employers. Are nimble, agile, and flexible enough to change with employers’ needs
 - Non-event schools spend too much time in curriculum that would seem more appropriate to a four-year institution than a technical college
 - Every employer expects to train the person they hire. Tech schools and Community colleges are expected to provide the basic knowledge that can be built upon. They are also expected to be prepared to help retrain with updated technology
 - o Why the disconnect?
 - Local communities see many schools more as an employer than a training ground

- Sense that the 2-year institutions are introducing more liberal arts curriculum to look more like a 4-year institution
 - State Universities
 - Seen more in the same vein as U of M
- Grow Minnesota
 - Business retention and expansion program
 - Visit with 500 businesses to thank employers for being in MN and to see what's on their mind:
- MN Chamber position on higher education
 - Important for money to follow students
 - Financial aid/grant programs are most successful
 - Research is an important aspect of higher education, but should be funded as a separate line item
 - If the tech and community colleges are economic development sources
 - A) we should admit it
 - B) we should fund it separately as economic development, not just workforce training

Jim Bartholomew, MN Business Partnership

- Similar general attitude and satisfaction levels as MN Chamber
- For larger employers, recruitment occurs globally, so if they're not getting employees from U or MnSCU, it's not a big deal to get recruits elsewhere
 - MN employers spend between \$1-2 billion on employee development, roughly equivalent to U of M and MnSCU biannual budgets
- Room for improvement in higher ed system
- MN Business Partnership focuses on State fiscal policy, K-12 education, and healthcare
 - Higher Ed has played a more limited role
- One issue that they have become more involved in stems from MN 2010 and MN 2020 reports
 - 2010 report trends that they looked at:
 - Impact of globalization
 - Impact of technology
 - Impact of demographic trends
 - 2020 report trends looked at state fiscal policy trends
 - State budget will more than double in next 15 years
 - Healthcare costs rising exponentially
 - Growth in state budget grew from 70s-00s because of increase in income and population. Looking forward, population will become flat, so income will need to increase much more to offset healthcare costs
- Maintaining status quo will not work
 - Guiding principles for change in higher ed: If we need to change, how should we do it?
 - Make it clear who customer and provider is

- Make it clear that people, not government and institutions pay for things – fund people, not institutions
- Provide performance information
- Recommendations
 - Funding should be focused on students, not institutions
 - By funding student, limited state resources will be better targeted to those who can benefit based on financial need
 - Makes true cost of services more transparent
 - Creates changes in dynamics and incentives for students to try to get through system more quickly, and for system to align itself better and to be competitive to attract students
 - Research should be funded by a general state appropriation that is up for bids by different institutions (separate funding for research)

Candace Campbell, CDC Associates

- Partnership with early internet network between businesses, University of Minnesota
 - Companies wanted access to information on problem solving in their companies, wanted access to expertise
 - Expanded capacity
- Worked with Department of Labor to determine list of skills that will be needed in the future
 - Need to have better connection between employers and higher ed to determine future needs of employers – skills and jobs
- Level of human capital in MN is directly tied to existence of University of Minnesota – talent magnet
- We tend to want to listen to business and specialize, but it takes a long time to develop specialized departments
 - Fundamental investments in excellence need to be maintained
- Rural campuses
 - Too much real estate and not enough demand – local communities need to recognize potential of rural higher ed campuses
- Recommendations
 - Companies don't have a clue what resources are available
 - Access is a big issue – businesses don't have good access
 - Alignment – need to align needs of business with educational curricula
 - Partnerships are important
 - Outcomes need to be better understood

Questions/Discussion

- Money follows the student position: How far should that policy go? How are the systems supposed to maintain themselves if they are to rely solely on grants and tuition? Is there a breaking point that prevents students from going into higher education when tuitions rise? How do we maintain facilities?
 - Revenues earned through customers paying for services – look to get greater market share

- System already has a fair amount of infrastructure already
- Look at cost-efficiencies
- Look at new technology/online learning
- Resources need to be redirected depending on need, but there will be tension that will provide incentive to do above
- How do you distinguish value of research element as opposed to funding students not institutions
 - Businesses clearly see research as a separate and important function
 - Large amounts of money now go to institution versus student, need to move more toward students
 - Benefit is that we deal with disconnect between institutions and consumers, also dealing with equity issues
- Tremendous disconnect between what higher ed people are talking about and what business leaders need. Do business leaders wish it were different?
 - There are some communities where this is working, where there is a good connect
 - Feeling of missed opportunity
- Somewhat disturbed by perspective on role of education. Most students out of high school don't know where they want to be – higher education provides pathways for students, not direct lines to specific jobs
 - Businesses recognize this, but still are not looking to these institutions for employees
 - Clear that competition for state dollars will only grow in the future – we need to think of something new. Need a system that meets needs of students and employers with new set of incentives
- Is there a condition of depersonalization in higher education with current 85institution/15student ratio of funding?
 - Research can not be funded by giving resources to the students
 - There is a part of student-directed funding that will create sticker shock
- Where do private colleges enter into the discussion?
 - Overall level of undergraduate education needs to be raised generally
 - Very little is said from employers re: private colleges
- Fear that funding institution insulates it from a need to change with an artificial marketplace – not letting some things die that should
- How do you incent businesses to more proactively invest in employee education?
 - Look at institutions where there is a successful connection with business, and try to replicate
- School choice is fundamentally flawed because school choice does not necessarily drive students to important, high-skill sectors
- Why is the U of M undergrad program considered a non-event?
 - Need to look at this question – look to see where undergrads from the University are being hired, why aren't businesses in Minnesota hiring them?

- Most research is funded from federal government or privately. States don't fund research projects, they support facilities and supporting faculty.

Assessment

- Three meetings under its belt
- Outline summary
 - o How do you lay out the case statement?
 - o What are the content areas that we should weigh in on with recommendations and what factoids can back this up?
- What's the front piece of this?
 - o General message is
 - The public will to invest in public education has waned
 - The bar for what is necessary to be productive has increased
 - o For the vision
 - How do you drive increased capacity
 - Higher skills for more Minnesotans
 - Under strained budget resources
- Economic constraints
- Accountability measures that we want the system to respond to
- Technology
- Definition of higher education in future – mission differentiation and mission creep
- Funding students versus institutions
- Economic impact and customer relations with the community
- Coordination versus consolidation, capacity versus population distribution
- Bar should be raised if we are to fully participate in the economy

Work they could benefit from:

- Best practices in other states and countries

Next meeting may be changed to morning slot

Evaluation

- We may want to consider how we deal with the first two years of post-secondary education – should that be where high school runs to if that is what is expected by employers? Total reorganization options?
- There is some discussion about reviewing high school education, may be worth getting tapped into that discussion