

TROUBLE ON THE HORIZON:

**Growing Demands and
Competition, Limited Resources,
& Changing Demographics
in Higher Education**

THE 2004 CITIZENS LEAGUE REPORT ON
HIGHER EDUCATION IN MINNESOTA

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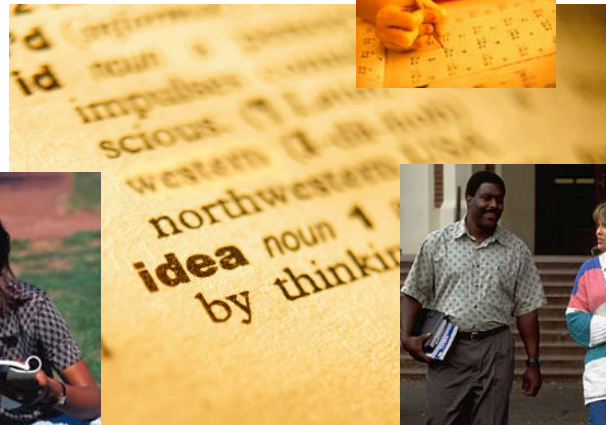


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I. EXECUTIVE SUMMARY

“Having spent a lot of time in the Far East while Tonka shifted operations offshore, (then-Tonka CEO) Steve Shank had seen firsthand the threat of growing global competition ‘*Every time I would come back to Minnesota, I would actually be scared about how we were going to sustain our standard of living and our society,*’ he recalls. Manufacturing prowess was no longer this country’s strength, Shank concluded. ‘*Knowledge, education, and the advanced skills of our people are the only competitive advantage that we have.*’(emphasis added)”

Stephen G. Shank, CEO of Capella University,
“The Education of Stephen Shank”,
Twin Cities Business Monthly, August 2004.

As Minnesotans begin a critical new conversation on the future of higher education in our state, it is essential that we listen to Mr. Shank. The potential consequences we face for not listening to him could be as troubling for Minnesotans today as they were for Minnesotans who once worked for Tonka Toys.

There is trouble on the horizon of higher education. As an in-land state with a reputation for up to six months of winter, education is Minnesota’s most important economic and quality-of-life resource. But global economic and local demographic challenges threaten our competitive advantage in higher education.

| TROUBLING TRENDS

Despite our current accomplishments, Minnesota is at risk of falling behind in rapidly-changing global economy. In a world where knowledge is the primary economic and strategic resource, our current higher education system and its current success is not sustainable.

Demographic trends are challenging

- The supply of potential new workers coming through the K-12 educational pipeline will begin shrinking just as baby-boomers start retiring.
- Students of color and low-income students will be an increasing percentage of this pipeline, and their current achievement in high school and higher education is uneven and often inadequate. Our success in higher education depends on their success.

Educational trends and outcomes are troubling

- Many lagging indicators show that Minnesota is slipping.
 - We are currently ranked 8th in the country as a high tech state, but can’t get junior and senior high students to take higher-level math and science.
 - Minnesota is in the bottom half of states in terms of science and engineering degrees as a percentage of total degrees granted.
- Over 30 percent of graduates from Minnesota high schools needed remediation classes in order to begin higher education.
- The percentage of Minnesotans age 18-24 enrolled in higher education but not yet graduated *declined* from 43 percent to 36 percent between 1992 and 2002.

Global trends are troubling

- Other countries are surpassing the United States in higher education participation. The United States’ ranking has slipped from 2nd to 15th in just 12 years.

- The United States ranks low among G-8 industrialized nations in the number of higher education degrees in math and science.

Fiscal trends are troubling

- Minnesota faces another significant budget shortfall in 2005.
- Long-term structural budget trends show that, at recent spending rates, up to 90 percent of our budget will be consumed by expenditures for K-12, healthcare and human services expenditures by 2030. We are going to have to make difficult long-term budget decisions again very soon.

In addition, higher education is facing dramatic changes:

- Base tuition costs are rising rapidly.
- New providers and new technologies are changing how, and where, Minnesotans get higher education.
- The value of higher education, and of research and knowledge creation, is increasing significantly. This includes both the private value to individuals, and the public value to Minnesota.

These trends are real. Most are significant challenges to Minnesotans' ability to sustain our economic success and high quality of life. But these trends also present major opportunities to Minnesotans to reform and improve their higher education institutions and outcomes.

| A NEW VISION: "ALWAYS EXCELLENT, ALWAYS AVAILABLE" HIGHER EDUCATION

Higher education that is "always excellent and always available" should become a part of every Minnesotan's life and be available throughout their lives. Most people still think about higher education as something that occurs at specific places (campuses) and at specific times in life (right after high school). Changes in technology and the economy mean that higher education no longer needs to be place-bound or time-bound.

All Minnesotans need to be prepared to compete globally – and this education and training will come from a variety of sources at a variety of times throughout their lives: from high school, to traditional campuses, to instruction in the workplace, to online learning late at night. Higher education is essential to the greater public good of Minnesotans, no matter where or how it is provided.

Minnesotans should set *high and measurable standards* to achieve this vision, including three key outcomes from higher education.

- The best-educated workforce in the world.
- World-class excellence and innovation in research.
- National leadership in the transfer of new knowledge and advanced skills from higher education to Minnesota's people, communities and workplaces.

| RECOMMENDATIONS

1. Increase Expectations – In High School *and* in Higher Education

- *Reform:* Raise expectations to at least two years of post-high school education as a minimum level of academic achievement for every Minnesotan. In a knowledge economy a high school diploma is not sufficient.
- *Reform:* Make better use of time spent in high school and ensure that all students are ready for higher education. This includes a required higher education preparatory curriculum for *all* students, improved access to higher education opportunities, e.g. advanced placement and post-secondary education options, for students who are ready, and greater remediation and access for students who are not yet prepared for higher education.
- *Invest:* Minnesota should increase its investment in improving the coordination and expansion of college readiness and access programs.

2. Increase Accountability and Innovation

- *Reform:* Replace the existing Higher Education Service Office (HESO) Board with a new Higher Education Performance Council, independent from higher education institutions and providers. The mission of this Council will be to monitor and maximize the results Minnesotans are receiving for their

\$1.3 billion annual investment in higher education, and to advise the Governor and Legislature on outcomes and trends in higher education.

- *Reform:* Provide students, parents and employers with online report cards for all higher education institutions. This will improve transparency and accountability, and give taxpayers, parents and prospective students better information on the success of higher education institutions, their students, and their programming options.

3. Promote Excellence and Improve Institutional Focus

- *Reform:* Strengthen the focus, coordination and capacity of Minnesota's public institutions.
 - The University of Minnesota (U of M) should continue to enhance its role and focus as a world-class public research institution, which includes graduate/professional training, and nationally-selective undergraduate and liberal arts education.
 - The Minnesota State Colleges and Universities (MnSCU) system must continue to promote greater specialization and centers-of-excellence among its campuses.
- *Invest:* Minnesota should increase its investment in the University of Minnesota's research infrastructure, to be matched by contributions from the private community.
- *Reform:* Promote access to and excellence in undergraduate programs at Minnesota's private colleges and universities. Ensure that *new* private higher education institutions are delivering high-quality education programs.
 - The private nonprofit, four-year colleges in Minnesota must continue to focus on excellence in undergraduate teaching and learning, while still providing access to Minnesota's growing population of lower-income students. The private colleges should continue to use their resources toward this work. The state must be a partner in providing access to lower-income Minnesotans.
 - The growing number of private proprietary institutions will increase opportunities for Minnesotans to attain higher education training. Minnesota must ensure these providers are properly preparing their students and serving the public interest.

4. Improve Value and Financial Leverage

- *Reform:* Convene a commission of national experts, Minnesotans, and business and philanthropic leaders to evaluate Minnesota's methods for providing students with affordable access to higher education.
- *Reform:* Provide MnSCU with the authority to negotiate and approve all employee contracts, and require a two-thirds vote by the Legislature to reverse a vote by the MnSCU Board of Trustees regarding the allocation of resources and facilities.

| IMPLEMENTATION STRATEGY

Immediate Priorities and Actionable Recommendations

1. Increase the Governor's role in leading higher education reform

- Lead a higher education trade mission to Asia to meet with other top educators and researchers;
- Improve marketing and promotions of higher education, including the value of higher education to individuals and Minnesota, raising expectations to K-14, and the desperate need to address the achievement gap in high school; and
- Improve the coordination and leverage of existing philanthropic efforts.

2. Replace the HESO Board with a new Higher Education Performance Council

- Convene a kickoff event aimed at defining and improving the focus of public institutions.
- Develop a higher education report card for tracking Minnesota's success at delivering on the key outcomes in higher education, and at monitoring our competitive position relative to global trends and opportunities.
- Improve the integration of workforce training with MnSCU.

3. Create an independent task force to evaluate Minnesota's model for maintaining access and affordability in higher education.

| NEAR-TERM AND SUSTAINED ACTIONS AND RECOMMENDATIONS

1. Continue efforts to transform high school
 - o Implement rigorous higher education preparatory curriculum and testing standards.
 - o Expand higher education opportunities in high school.
 - o Reform the senior year into a seamless transition for students to higher education and the workforce.
 - o Improve teacher training and preparation.
 - o Increase coordination and support for higher education readiness and access programs.
 - o Establish pilot K-14 programs with select community/technical colleges and local K-12 districts.
2. ESTABLISH AN INCENTIVE PROGRAM TO IMPROVE FOCUS AND PROGRAMMING OPPORTUNITIES ON MNSCU CAMPUSES.
3. PROVIDE MNSCU WITH GREATER DECISION-MAKING AUTHORITY REGARDING EMPLOYEE CONTRACTS AND THE USE OF FACILITIES AND RESOURCES.
4. INCREASE INVESTMENTS IN RESEARCH INFRASTRUCTURE AT THE UNIVERSITY OF MINNESOTA, MATCHED BY PRIVATE SECTOR SUPPORT.

| REFORMS AND INVESTMENTS

These recommendations acknowledge Minnesota's political and especially our fiscal realities, *and* the existing opportunities for innovation and reform within higher education. Because of this, these recommendations focus primarily on reforms and innovations.

Given the importance of higher education to our quality of life and to our economic health, Minnesotans cannot afford to ignore these realities or to miss opportunities to reform our current system and make the most of existing resources. Higher education is an essential element of our civic health and infrastructure in Minnesota, and cannot stand outside of these responsibilities or outside of the need to react and reform in response to changes in the world around us.

However, higher education reforms alone are, in the long term, unlikely to be sufficient to achieve the "always excellent, always available" vision of higher education we propose. Minnesotans must be prepared to look beyond their "profit and loss statement", to the importance of higher education in maintaining Minnesota's quality of life and economic competitiveness as a state – Minnesota's "balance sheet". Improving achievement and expectations in higher education creates economic and civic assets for Minnesotans. Failing in this effort creates significant liabilities. This applies both to the costs of not improving achievement and outcomes, and to the consequences of letting the status quo, inattention, or institutional reluctance to change, hinder these reform efforts. If the reforms we propose are accompanied by clear outcomes and performance measures, they raise both the likelihood and the value of future investments.

The time for bold leadership, for hard choices, for reform, for innovation, and for long-term investments is now.

II. BACKGROUND

| THIS COMMITTEE'S TASK

In his 2004 State of the State speech, Governor Pawlenty asked the Citizens League to “strategically re-think the future of higher education in Minnesota” to find out if it is “structured, managed and governed in an optimal way to meet future needs”. The Governor wanted to know if Minnesota’s higher education institutions – and, more importantly, Minnesotans – were prepared for the future.

The Governor asked the League to think about higher education in light of changing demographics, changes made possible by technical innovation, increased global competition, and limited future government resources. He asked the League to focus on the next twenty years, not the next election.

To achieve these goals, the Task Force undertook a three-step process:

- o Assess the current state of higher education¹ in Minnesota. How are we doing? What does the data show? What are the critical trends and issues?
- o Propose a vision for higher education. What new vision of higher education recognizes these trends, and will inspire us to future success?
- o Identify the strategic steps that must be taken to achieve this vision. What key actions must be taken right now and in the upcoming years?

| WHAT WE HAVE DONE

Over a period of six months and twelve formal meetings, a thirty-three-member task force has reviewed thousands of pages of information and heard testimony from more than twenty speakers representing the various constituencies of higher education in Minnesota: higher education providers such as the U of M, the Minnesota State College and University (MnSCU) system, the Minnesota Private College Council, Capella University, and the Minnesota Career Colleges; the Federal Reserve; the State Demographer; the Mayo Clinic; Chambers of Commerce; student representatives; and former Governor Elmer Andersen. Committees of this task force have met for dozens of hours on their own, working on specific questions related to assessing where we are right now, proposing a vision for the future, and meeting the needs of students of color. Volunteer members of this committee invested well over 1000 hours of time in this project.

Through outreach in the *Star Tribune*, the *Pioneer Press*, the *Twin Cities Business Monthly*, *Politics in Minnesota*, a visit to Alexandria Technical College, and an afternoon listening to the public at the Minnesota State Fair (thanks to Minnesota Public Radio), the task force heard from dozens of Minnesotans. Thousands of Minnesotans have been made aware of this project and this opportunity.

Staff and committee members have talked to experts in higher education from Minnesota and throughout the country and reviewed hundreds of pages of “best-practice” proposals for higher education.

What follows is a response to the Governor’s requests of the Citizens League.

¹ For the purposes of this report, “higher education” refers to **all** education, in **any** type of setting, post high school. This includes traditional technical and community college education, four-year institutions, employer-based training, online education, and research and graduate education.

III. WHAT WE HAVE LEARNED: A CALL TO ACTION ON HIGHER EDUCATION

| SNAPSHOT OF HIGHER EDUCATION IN MINNESOTA

As we begin a conversation on higher education in Minnesota, it is important to provide a brief overview of higher education in Minnesota.²

- Minnesota has 139 higher education campuses: 87 private and 52 public.
- The State of Minnesota appropriated \$1.3 billion/year for higher education in FY 2004.
 - \$547 million to the University of Minnesota
 - \$560 million to the Minnesota State Colleges and Universities system
 - \$180 million for financial aid (and supportive administrative functions)
- In the fall of 2003, these institutions enrolled over 340,000 students.
- In 2002, these institutions granted 67,522 degrees, employed more than 51,000 people, and spent over \$4.6 billion (approximately 29 percent was provided by the State of Minnesota).
- The University of Minnesota serves almost 64,000 students (60,000 full time equivalent (FTE) students), in 370 fields of study, at five major campuses and 25 research, outreach and Extension offices.
- The Minnesota State Colleges and Universities (MnSCU) system serves approximately 177,000 students (135,000 FTE students) at 53 campuses, with over 3,600 educational programs.
- Private colleges and universities serve more than 60,000 students, and produce the greatest number of bachelors and masters degrees in Minnesota.
- Private career colleges serve over 33,000 students.

| FINDINGS AND TRENDS

What has a task force charged to look at higher education learned over these five months? Is Minnesota ready for the future? Are we structured, managed and governed in such as way as to meet the demands of a highly competitive knowledge-based global economy?

The short answer to these questions is an emphatic “**no**”! Consider the following trends.

HIGHER EDUCATION’S TROUBLING TRENDS

Demographic trends:

- The number of low-income and students of color is rising in public schools, but less than one half graduate from high school on time, and less than five percent get a B.A. from a Minnesota college within 10 years of their freshman year in high school. *Source: MN Minority Education Partnership, MN Private College Council Foundation.*
- Growth in minority populations accounted for all the growth in 18-24 year-olds between 1990 and 2000, and offset declines in the number of white students. The number of white high school graduates is projected to decline by 19 percent in the next 10 years, while the number of minority high school students will increase by 52 percent. *Source: Minnesota State Demographer.*
- Most growth in the labor force through 2010 will be in the 45-64 age range, which will increase by seven percent. The workforce of 24-44 year olds will *decline* by 10 percent. *Source: Minnesota State Demographer.*

Global trends:

- In 1991, the United States (U.S.) ranked second globally in the proportion of students going on to higher education. In 2001, the U.S. ranked 15th. The gap between the U.S. and New Zealand (in 1st place) is over 30 percentage points. *Source: OECD, Education at a Glance, Indicators, 2003.*
- In 1975, the U.S. ranked 3rd globally in the ratio of natural science and engineering degrees per 24-year-olds. By 2000, the U.S. ranked 15th. *Source: NSF Science and Engineering Indicators, 2004.*

² Sources: U of MN Office of Institutional Research and Reporting, and Higher Education Services Office.

- International graduate-student applications to the U.S. fell by 25 percent between 2003 and 2004. Chinese student applications declined by 45 percent and Indian student applications by 30 percent. *Source: Chronicle of Higher Education, October 8, 2004.*

Education trends:

- The percent of Minnesotans aged 18-24 enrolled in college, but who have not graduated, declined from 43 percent in 1992 to 36 percent in 2002. *Source: Measuring Up 2004, The National Center for Public Policy and Higher Education <http://measuringup.highereducation.org/docs/statereports/MN04.pdf>*
- Total high school graduates in Minnesota will decline by 10.3 percent between 2003 and 2013. This could mean 3,100 fewer bachelor's degrees per year. *Source: Minnesota State Demographer.*
- The six-year graduation rate of fifty-two percent (52%) for Minnesota institutions makes Minnesota 18th nationally in the percentage of students who graduate within six years. *Source: MN Higher Education Data Profile, U of M.*
- Graduation rates from higher education for students of color were 35 percent for African Americans, 29 percent for American Indians, 49 percent for Asians, and 45 for Hispanic students. *Source: Minnesota Minority Education Partnership, 2004 State of Students of Color.*
- The racial gap in educational attainment costs the Minnesota economy over \$1.4 billion per year in lost income. *Source: "Measuring Up 2004: Minnesota Report Card", National Center for Public Policy and Higher Education.*
- Minnesota is listed as being "8th best in the high-tech economy", but only 36 percent of 9th-12th graders are taking upper level math; only 22 percent are taking upper level science; and only 13 percent of 8th graders are taking algebra. *Sources: Milkin Institute report, quoted in 3/31/2004 Star Tribune; Measuring Up 2002.*
- Thirty-one percent of public college and university students who graduate from Minnesota public high schools and enroll in public higher education institutions took one or more remedial/ developmental courses. *Source: Minnesota Higher Education Services Office (HESO), MnSCU and U of M.*
- Minnesota ranks in the bottom half of U.S. states in advanced science and engineering degrees as a share of science and engineering degrees conferred in 2000, and in the third quartile (bottom half) for science and education doctorates conferred per 1,000 science and engineering doctorate holders in 2001. *Source: May, 2004, National Science Board, National Science Foundation, Division of Science Resources Statistics, Science and Engineering Indicators 2004. <http://www.nsf.gov>*
- Minnesota ranks in the third quartile (bottom half) of U.S. states in academic research and development per \$1,000 GSP in 2001. *Source: May 2004, National Science Board.*
- Twenty percent (20 percent) of those intending a science and engineering major in the U.S. reported needing remediation in mathematics, and 10 percent needed remediation in science. *Source: National Science Board.*

Higher education funding trends:

- Higher education is 9.1 percent of the total 2004-05 general fund budget, down from 15.5 percent in 1987. *Source: MN Dept. of Finance.*
- State appropriations for higher education dropped by \$196 million between the '02-03 biennium and the '04-05 biennium, a 7.1 percent reduction. *Source: Minnesota Dept. of Finance.*
- Minnesota ranks 21st nationally at \$7.56 in state tax funded appropriations per \$1000 of personal income in FY'04, down from a peak of \$15.08 in 1978. *Source: Higher Education Services Office (HESO).*

Research trends:

- In 2003, the U of M, Twin Cities ranked 7th among public institutions and 12th among all public and private institutions nationally in total research and development expenditures, increased in constant dollars from \$282 million in 1979 to \$509 million in 2003. *Source: MIT Summary of NSF Survey of Research and Development Expenditures.*
- In 2002, the U of M ranked 19th in industry-sponsored R&D, 9th in Life Sciences research and development (but 31st in Biological Sciences sub-sector), and 34th in spending on research equipment. *Source: NSF, Great North Alliance 8/13/04 newsletter.*

Minnesotans cannot afford to let complacency distract us from the critical need to address these trends. For a cold state that depends on a globally-envied education system to support our economy and quality of life, Minnesotans should be alarmed over our eroding competitive advantage in the knowledge economy.

The most important question for higher education is *not* how we are doing right now. We benefit now from past investment, and we've built an impressive public and private higher education system in Minnesota.³ The critical question is: do our investments today prepare us for future success? As the cliché in product marketing goes “past success is not necessarily an indicator of future performance”. Key questions to consider include:

- How will Minnesotans educate an increasingly diverse population, which will include more students of color and older workers?
- How will Minnesotans ensure access and affordability in higher education – and increase the participation and achievement of low-income and students of color?
- How will Minnesotans maintain our edge in the production of knowledge and research?
- How do Minnesotans continue to attract and retain talent from all over the world and maintain our status as a global center of excellence?
- How do we accomplish these goals in a time of long-term structural budget constraints? How do we increase the efficiency and effectiveness of our current institutions?
- How do we develop the broad-based leadership and public will to answer these questions and to reform our higher education systems?

IV. FINDINGS AND CONCLUSIONS

Given this basic information and context, what are the most important trends and concerns related to higher education in Minnesota? Amid the range of statistics presented in the previous section, how should we focus our attention?

TREND 1: THE ECONOMIC SUCCESS OF MINNESOTANS IS CRITICALLY LINKED TO HIGHER EDUCATION AND TO INVESTMENT IN HUMAN CAPITAL.

- Our existing knowledge economy and clearly emerging trends demand that a higher percentage of Minnesotans achieve educational levels beyond high school. Quality education, a quality workforce and productivity improvements are inextricably linked.
- Research, especially the public's role in basic research⁴ production, is a critical part of Minnesota's ability to attract talent and capital to our region. Research serves as a catalyst for economic growth and innovation, which is essential to our future economic success. Minnesota must continue to be a globally-recognized center for research and innovation.

What economic problems does this create for Minnesota regarding higher education?

- Current economic and demographic trends do not guarantee that Minnesota will produce a sufficient supply of people with higher education skills and training.
- Research production, especially basic research, will become increasingly important to maintaining Minnesota's edge in innovation and economic growth. Current trends do not ensure that we will maintain our competitive edge in research.

³ The recent “Measuring Up” report lists Minnesota's current strengths, and can be found at <http://measuringup.highereducation.org/docs/statereports/MN04.pdf>

⁴ “Basic research” is defined as research that is not for *immediate* economic gain or commercial application. It is therefore research that the market is unlikely to produce sufficient quantities of on its own. Basic research has broad economic value to citizens, and is generally assumed to be the precursor of more applied (and marketable) research. Art Rolnick and Rob Grunewald, 9/28/2001. (Mr. Rolnick is also a Citizens League Board member.)

DEMOGRAPHIC CHANGES. Minnesota is on the cusp of a major economic and demographic shift. Not only will the baby-boom generation create a workforce-replacement problem when they retire (younger generations are not as numerous), but when these Boomers retire they will demand more in social services and healthcare, increasing their economic cost to Minnesotans.

- Between 2000 and 2030, the percentage of Minnesotans in age brackets over 60 years old will increase by at least 90 percent and as much as 140 percent.⁵
- The dependency ratio, the ratio of dependent population (under 15 and over 65 years of age) to everyone else, will increase from 47/100 in 2010 to 64/100 in 2030. These dependents will be predominantly older people, not youth.⁶

Minnesota’s remaining workers will have to be more productive – and knowledge and education are critical to increasing production. Minnesota is facing a potential knowledge crisis that will result from a low supply of skilled workers in a high-demand market and a high-cost economy.

THE DEMAND FOR SKILLED LABOR. In addition to the demographic and economic effects of the baby-boom generation, there is a higher demand for skilled labor now than ever before in our history. We are entering an economic era where the traditional education model no longer fits. In the 1950s, a person could have a high school diploma and find a job that would support a family of four. This hasn’t been a reality for a long time, but the consequences have grown worse. We have entered a new economic era where some form of higher education is necessary for a person to successfully participate in the economy.

According to the Minnesota Department of Labor, the number of new jobs requiring at least a bachelor’s degree will increase by an average of 10,500 per year between 2000 and 2010. This accounts for 28 percent of all new jobs over the time period. This says nothing about the demand for individuals with a two-year or technical degree, the minimum educational level that will be required for the majority of new jobs in the coming decade.

A recent report by Growth and Justice, a local non-partisan policy think tank, estimates that Minnesota will have to add an additional 10,000 Minnesotans per year with higher education degrees just to move into the top five states in terms of educational attainment.⁷

LIBERAL ARTS. Minnesota’s knowledge economy also demands a significant and growing number of graduates with strong skills in the liberal arts, including critical thinking, creative problem solving, and strong written and verbal communications skills. In fact, promoting democratic values and preparing students to be good citizens are among the statutory objectives of higher education. Recent work on the “creative economy” by Richard Florida, author of *The Creative Class*, links the economic success of regions to their ability to attract and retain these workers.

OPPORTUNITY COSTS. The need for additional higher education is created not only by the economics of employment demand, but also by the opportunity costs of *not* obtaining an adequate education. The 2000 Minnesota Census data, reports the following the median earnings:

Median Earnings for Minnesota Full-Time Workers based on Educational Attainment

Advanced degrees	\$53,540
Bachelor’s degree	\$42,059
Some College	\$32,440
High School Diploma	\$29,660
No High School Diploma	\$24,061

Source: *Workforce First*, p. 12

Analysis of the poverty levels in the United States shows these high-school diploma and no-diploma wage categories are approaching poverty thresholds. Not only are less-educated Minnesotans earning less income, but they are more likely to cost the state in terms of social services.

⁵ Minnesota State Demographer

⁶ Minnesota State Demographer

⁷ *Workforce First*, February 2004

This premium on higher education continues to increase. Twenty-five years ago, a college graduate would earn 50 percent more than a high school graduate. Today a bachelor's degree is worth 80 percent more on average nationally. Workers with an advanced degree, who earned 80 percent more than those with high school degrees 20 years ago, now earn 160 percent more. During this time period, the relative earnings of people without a high school diploma fell.⁸

RESEARCH. Basic research is also clearly linked to economic growth in Minnesota. Quite often the basic research supplied by the U of M is the backbone for the applied research and innovation supplied by the private market. As Federal Reserve Vice President Art Rolnick noted in a recent report, the vitality of Minnesota's economy "depends on a university that produces basic research and well-educated students".⁹

There are several challenges to our strengths in research:

- In the next 10 years, the U of M will replace 40 percent of its research faculty. Maintaining a competitive status in salaries will be essential during this period. Compensation at the U of M ranks 22nd among the nation's top 30 research institutions and 6th among the 14 public institutions in that group.¹⁰
- Minnesota is one of the few states with just one public research institution, one major private educational research institution (Mayo Clinic College of Medicine) and no research-focused federal labs or defense facilities. We are highly dependent on the U of M for the benefits of research and innovation in our economy.
- Minnesota needs to retain its focus and leadership in areas where it has a critical competitive research advantage, e.g. medical devices, while not missing the opportunity to lead in other emerging areas of expertise. We must improve the alignment between our existing research operations and Minnesota's economy.

Through research and innovation in higher education, Minnesota must also strive to attract the best and brightest minds. Strong research programs attract smart students who are likely to stay in Minnesota. Census data from 2000 show that annual net migration to Minnesota for people with an advanced or bachelor's degree was 25,000 people.¹¹

TREND 2: STUDENT DEMOGRAPHIC CHANGES

Minnesota faces several demographic challenges related to the students and learners that will need this advanced training and education:

- There is an enormous education gap between white students and low-income and students of color by the end of high school, which significantly diminishes the ability of these latter groups of students to enter higher education.
- Minnesota's fastest growing populations have the lowest high-school graduation and higher-education participation rates.
- The number of workers that will need ongoing training and learning opportunities throughout their careers is rising, as is the percentage of the population who will demand greater healthcare and social services.

What problems does Minnesota face?

- Minnesota has an economy that demands education and attainment beyond high school, but it has a K-12 educational system that does not prepare enough students from very specific racial and low-income populations for higher education. These populations will constitute the majority of new students and learners in Minnesota's K-12 and higher education systems in the coming years, and Minnesota must improve its success record educating them.
- Minnesota's higher education systems must increase their flexibility and accessibility to adjust to these rapidly-changing demographics, e.g. older workers and more minority students.

⁸ U.S. Census Bureau. The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings, July 2002.

⁹ "The University of Minnesota as a Public Good", 9/28/2001. Art Rolnick and Rob Grunewald

¹⁰ Statistics from University of Minnesota Office of Institutional Research and Reporting.

¹¹ Minnesota Demographers Office.

The current educational systems (K-12 and higher education) do not work for a large percentage of Minnesotans, and the number of people in this group, mostly minorities and low-income students, is expected to increase. Minnesota is now experiencing the demographic shifts that occurred years ago in other states but haven't yet significantly impacted our educational outcomes.

- In 2002, Minnesota had an overall four-year high school graduation rate of 82 percent.
- The four-year graduation rate for students of color was less than 50 percent.¹²
- For Minnesotans between 25 and 34 years of age, 42.2 percent of Latinos, 22.6 percent of American Indians and 18.6 percent of blacks have less than a high school diploma.¹³ In comparison, only 4.3 percent of white Minnesotans do not have high school diplomas. In addition, only 13 percent of Latinos, 22 percent of blacks, and 21 percent of American Indians age 18-24 were enrolled in higher education.

This gap leads to a greatly diminished ability to participate in higher education and, ultimately, the economy.

For Minnesota's growing diverse populations, there will need to be a variety of strategies to bring these populations into full participation in the state's educational system and economy. For example, research strongly connects high-quality early childhood education with improved readiness and success in later years of schooling.¹⁴ A strong focus on early childhood development, English as a second language, adjusting to increases in children of undocumented immigrants, school choice and other efforts have demonstrated returns on investment. These efforts are not within the specific scope of this study, but may have a significant impact on the "pipeline problem" Minnesota faces.

TREND 3: COORDINATION OF RESOURCES AVAILABLE FOR HIGHER EDUCATION

Minnesota faces several long-term challenges and opportunities regarding resources for higher education.

- **New state resources for higher education will be scarce** and increasingly in demand from other uses such as K-12, health and social services, etc. The state appropriation for higher education was reduced by seven percent in the last biennium.
- **Tuition will continue to go up, which will shift the cost burden of higher education to students and their families.** In part, this represents the increasing value of higher education and its ability to produce income (to pay back loans), but it is unclear how long this can be sustained without diminishing access.
- **There are significant differences between the "sticker price" increases in tuition and the actual increases paid by families.** Federal tax incentives, which have primarily benefited middle-income families, and increases in grant assistance, which goes primarily to low-income students, have off-set these increases – significantly reducing the cost increases in many cases.
- **National data show that affordability is still a significant barrier in access to higher education for low-income students.**¹⁵
- **How can outside resources be leveraged better with public investments?** Public investments should be used more aggressively to leverage private resources. Businesses and the philanthropic community continue to invest a significant amount of money in higher education.

What problems does Minnesota face?

The public higher education system in Minnesota does not currently have the resources necessary to be everything to everybody everywhere. But the level and commitment of resources *is* sufficient to develop creative and more-effective uses of the resources it has.

- **Need for reform.** Reforming the existing systems of higher education is critical to addressing the other problems mentioned here. Minnesota's ability to provide more money for higher education is going to

¹² Minnesota Department of Education.

¹³ 2000 Census.

¹⁴ The Federal Reserve Bank of Minneapolis has a great deal of research to support this policy goal.

¹⁵ Lumina Foundation. "Collision Course: Rising college costs threaten America's future and require shared solutions", and "Expanding College Access: The Impact of State Finance Strategies".

be severely limited. The size of the looming budget shortfall, competing concerns from other legitimate priorities, and public support for these choices will limit new resources from the state. How can Minnesota improve the integration of high school and higher education to make better use of the over \$7.3 billion/year spent on K-12 and higher education? How can Minnesota increase the efficiency and effectiveness of its higher education institutions?

- **Need for focus and clear priorities.** Minnesota will need to prioritize the use of its resources as it responds to emerging demographic demands in order to preserve affordability, maintain investments and leverage research.
- **Need for leverage.** To make the most of current resources, Minnesota higher education systems and funding partners from the philanthropic and business communities must find additional opportunities to leverage new resources and to improve efficiencies and alignment between programs and mission.

V. A NEW VISION FOR HIGHER EDUCATION: ALWAYS EXCELLENT, ALWAYS AVAILABLE

“Universities are becoming, at the end of the century, what banks were at the beginning: the suppliers of the nation’s most needed source of capital.”

- John Kenneth Galbraith

In order to maximize on this “capital” opportunity, Minnesota needs a new vision of higher education. Maintaining our quality of life and our economic success will require setting new and higher expectations for higher education achievement, and recognizing that this education will need to be provided in new and innovative settings. Minnesota’s vision of higher education must include:

- *Higher expectations for excellence and attainment.* All Minnesotans will need at least two years of higher education.
- *Higher education that is always available.* Higher education should be available throughout every Minnesotan’s life: high school, traditional higher education campuses and institutions, new online opportunities, and workplace and life-long education opportunities. Education has entered an era where it is no longer place- or time-bound. Minnesota must become innovative in how it provides a seamless network of opportunities to achieve this “higher” higher education expectation.

Achieving this “always excellent, always available” vision of higher education will require real work on the part of all Minnesotans, real reforms from everyone in higher education, and real benefits for generations of Minnesotans to come.

| MINNESOTA’S HIGHER EDUCATION TRADITION

Minnesota has a long history of higher education achievements.

- Minnesota’s pioneers knew the value of education in the 1850s, when they created public and private universities in Minnesota even before they created the State of Minnesota.
- Our parents and grandparents enacted the Minnesota income tax – during the depth of the Great Depression – because they knew these funds would have a measurable impact on educational outcomes and opportunities.
- Current generations benefited following World War II, when the G.I. Bill and leadership in Minnesota greatly expanded access to higher education and created a diverse system of campuses that built one of the best-educated workforces in the world for its time.

Our current vision of higher education is a by-product of this post-World War II era. This previous strategy was an appropriate response to economic and demographic conditions of the time. But our current economic and demographic trends demand that we focus on increasing the quality of educational outcomes in the population and on transforming our imperative beyond “access” to “achievement”.

An “always excellent, always available” vision of higher education, therefore, starts from the perspective of what individuals need educationally in order to function socially and economically in a period of rapid change. Institutions are, as always, a means to achieve this goal. These institutions are embedded in Minnesota’s society, and in the lives of all Minnesotans, and have an obligation to react to the changing social and economic circumstances, and to maximize the public benefit they provide to Minnesota as a whole, and to individual Minnesotans.

| A NEW VISION

A new vision of higher education for Minnesotans should therefore be based on three fundamental principles:

- *Achievement for all.* There should be measurable outcomes, and expectations that all Minnesotans have the opportunity to achieve these higher education outcomes. This means valuing higher education achievement, including achievement in research and knowledge development, however it occurs: not just by time spent in a classroom.
- *Innovation in terms of the means of providing this education.* Demographic trends, economic demands, and technological opportunities mean that higher education should be a greater part of high schools, workplaces, and the lives of all adults, not just the traditional 18-24 year-old students who attend campuses.
- *A “public good” for all Minnesotans, worthy of both smart investments, and difficult decisions and reforms.* It is this generation’s opportunity to reexamine higher education’s value and role and to make the changes necessary to achieve these goals.

| MEASURABLE OUTCOMES

Minnesota invests in post-secondary education for its citizens to achieve three public outcomes. Only with a clear and new vision and a clear set of outcomes will the following recommendations achieve their intended results.

Potential measurable outcomes for each could include the following goals and objectives:

1. **Minnesotans are the best-educated workers in the world.** Potential measurements:
 - a. Readiness for higher education and remediation/retention rates in higher education.
 - b. Improvements in closing the high school and higher education achievement gaps between underperforming students (mostly low-income and students of color) and white students.
 - c. Demonstrated increases in achievement across demographic categories.
 - d. Percent of the workforce with baccalaureate degrees or higher.
 - e. Employers’ satisfaction with the skill level of the labor pool.
2. **Minnesota is a globally competitive center for research, innovation and knowledge creation.** Potential measurements:
 - a. Growth in Minnesota’s economic position both nationally and internationally.
 - b. Economic growth in strategic economic sectors identified by state policy makers.
 - c. Number (value) of sponsored funding awards received by the U of M.
 - d. Proportion of U.S. federal research funds received by the U of M.
 - e. Number of patents received by the U of M and its faculty, and trends.
 - f. Number of national research prizes received by Minnesota faculty and programs.
 - g. Proportion of firms that view Minnesota as a “top tier” knowledge-development center.
 - h. Number of students receiving national and international honors.
3. **Minnesota leads the nation in transferring new knowledge and advanced skills from post-secondary education to the state’s citizens, communities and workplaces.** Potential measurements:
 - a. Number of first professional degrees produced (e.g., MD, VET MED, JD, DDS).
 - b. Satisfaction of employers with quality of recent graduates holding first professional degrees.

- c. Number of customized training contracts by Minnesota higher education institutions, including number of students trained, and resources leveraged.
- d. Patent income earned by Minnesota higher education institutions.
- e. Number of new inventions and technologies disclosed.
- f. Technology commercialization gross revenues.
- g. Number of start-up companies “spun-off” from research.
- h. Use of higher education libraries by non-enrolled students.
- i. Satisfaction of employers with access and services.

VI. RECOMMENDATIONS

RECOMMENDATION 1: INCREASE EXPECTATIONS – IN HIGH SCHOOL AND IN HIGHER EDUCATION

1.1. Raise expectations to at least two years of post-high school education as a minimum level of achievement for all Minnesotans.

1.2. Reform high school to ensure that all students are ready for, and can take advantage of, higher education. To reduce remediation in higher education, students need to make better use of their time in high school.

Educational achievement and attainment rates are not sufficient. Of 100 ninth graders in Minnesota, current projections show:

- o 84 will graduate from high school on time;
- o 53 will directly enter college;
- o 38 will still be enrolled their sophomore year of college; and
- o 25 graduate from college within six years.¹⁶

The outcomes are more troubling when it comes to students of color.

- o Over 50 percent of students of color fail to graduate from high school in four years.¹⁷
- o Out of 100 ninth grade high school students of color right now:
 - Only three percent of American Indian students;
 - Only five percent of Hispanic students; and
 - Only three percent of black students will get a bachelors degree in Minnesota within 10 years.¹⁸

Recent (2004) Scholastic Aptitude Test (SAT) and ACT¹⁹ scores confirm these trends:

- o Students of color that do graduate are less likely to take these achievement tests, indicating they are less likely to go on to higher education. For example only 2.6 percent of test takers for *both* the SAT and ACT were black students, even though they are six percent of 11th and 12th grade enrollments.²⁰
- o These tests confirm the disparities in educational attainment. The *gap* in scores between the overall median scores for SAT (the scoring scale is 200 to 800) and scores for black students was 85 points for the verbal test, and 102 points for the math portion of the test. For the ACT, the composite score gap was almost five points on a 1-36 point scale.²¹

¹⁶ National Center for Higher Education Management Systems “News” May 2003. Featured in the Lumina Foundation publication “Collision Course”.

¹⁷ MN Department of Education.

¹⁸ MN Private College Council.

¹⁹ ACT is an acronym for “American College Testing”.

²⁰ Minnesota Department of Education (SAT scores), and Minnesota Minority Education Partnership: State of Students of Color Report, 2004 (minority enrollment statistics).

²¹ HESO data. All student composite score was 22.2. For black students it was 17.5. According to 2002 data, 68 percent of white student graduates take the ACT, while only 40 percent of black student graduates take the test.

Minnesota will not compete successfully in a global knowledge economy with results like these. Changing outcomes in higher education must begin with high school. Academically advanced students in high school are often insufficiently challenged by today's college preparatory curricula and essentially tune out their senior year while they get ready for college. Students not headed for college are often disinterested and bored throughout most of high school and often simply drop out.

The gap in achievement is costly to Minnesotans. The recent "Measuring Up" Report²² estimated that the gap lowers overall annual income in Minnesota by \$1.4 billion. Not only do these students earn less, therefore contributing fewer tax dollars, they are more likely to impose significant costs on the taxpayers in terms of increased use of social services, health care and correctional expenditures.

And finally, 31 percent²³ of students who *enroll* in public higher education institutions need some sort of remediation. This wastes their time and limited resources, and the time and resources of these higher education institutions. Minnesotans pay twice and have little to show for it. The MnSCU system especially suffers from this lack of student readiness because its open-access policy at community colleges and technical schools means they must correct for the lack of higher education preparedness of K-12 graduates.²⁴

Minnesota already invests \$6 billion a year in its K-12 education system. One of the most important steps to improving outcomes in higher education – and in making better use of the \$1.3 billion the taxpayers of Minnesota spend on higher education²⁵ – is to make better use of the time students spend in high school. To be a true investment in our future, we must have better outcomes for the time and money Minnesotans currently spend for learning right now.

1.1. RAISE EXPECTATIONS TO K-14

Recognizing that a knowledge-based economy needs knowledgeable workers and that a high school diploma isn't sufficient to compete in this global economy, begin to raise the standards and expectations in Minnesota to a K-14 set of outcomes. Establish a goal that all Minnesotans have at least two years of higher education achievement. The goal here is to focus on achievement outcomes and attainment, not necessarily years in education. This goal can be accomplished by implementing a rigorous mandatory college preparation curriculum in high school, and by increasing participation in advanced placement and post-secondary enrollment options (PSEO). Minnesotans must find creative ways to integrate community higher education institutions and local K-12 districts with the resources they currently spend in each.

Reforms

- Action: Establish a goal that every Minnesota high school graduate achieves a minimum two years of higher education achievement.
- Action: Bring higher education into high school. Eliminate the artificial boundaries between high school and all types of higher education, and allow more high school students to begin their higher education attainment while taxpayers are already funding this opportunity. There is already overlap between the senior year of high school and the freshman year of college. For example, it may make sense to "merge" these years in new pilot programs or to test the application of new "charter" proposals.
 - Expand Minnesota's post-secondary education options²⁶ to all high school students capable of college-level work. While most PSEO occurs within community and technical colleges, increasing these opportunities through distance learning offered by other higher education providers will increase the opportunities available to high school students, and may reduce the cost.

²² National Center for Public Policy and Higher Education.

²³ According to HESO, 31 percent of public college students who graduated from Minnesota public high schools in the preceding year took one or more remedial courses. This statistic does not include private college/career school students, graduates of private or out-of-state high schools, students who graduated from high school more than a year earlier, and students who could benefit from remedial education but do not enroll in remedial courses.

²⁴ In Utah, Nevada and Arizona, a larger discussion is taking place about whether the students and parents themselves should shoulder part of these remediation costs.

²⁵ This covers all public costs for MnSCU, the University of Minnesota, financial aid and administration, and a small amount for Mayo.

²⁶ **"Investment" note:** There may be increased costs and financial challenges associated with this proposal that should be addressed.

- Increase participation in Advanced Placement (AP) credits and classes and develop new partnerships between high schools and higher education institutions to provide these classes.
- Implement new “K-14 pilot programs” that improve the formal connection between community and technical schools and local K-12 districts. Make technical training and career education that is now available only to students after high school more readily available in high school, e.g. through PSEO.
- Action: Continue to raise higher education admission standards at the U of M and selected MnSCU campuses to signal to students, parents and the K-12 system clear expectations of preparation required for college.

1.2. RETHINK HIGH SCHOOL

Minnesota taxpayers already fund high school for all students, yet too many students are unprepared for college, and taxpayers invest a second time for remediation in our open-access two-year schools. Minnesota needs to improve the quality of high school education so that all graduates are ready for higher education and more have access to higher education while in high school. Part of the core mission of high school must now be preparation and readiness for higher education.

Reforms

- Action: Reform the senior year. High school is no longer a stopping point in education or workforce readiness. Our current high school curriculum was created in a time when senior year was a capstone year that prepared all students to enter the economy. Now, we are well into a time that demands a system where senior year must act as a transition year for all students to some form of higher education for all students. Therefore, we must make bold and creative systemic changes to make 12th grade a transition year rather than an end point, and to ensure that students who *are* ready for higher education have the chance to begin this process while in high school.
- Action: Align high school curricula, testing programs and graduation standards with minimum higher education admission requirements. Minnesotans should expect *all* high school students to continue on to some level of higher education. High expectations and rigorous learning produce better results. Parents who want their children to have a lower quality of education should have to proactively sign off on these changes. Numerous studies show that a rigorous high school curriculum is the best predictor for success in higher education.²⁷ A high school student’s diploma should mean the student has these basic skills and is ready for higher education. Current efforts to achieve this goal should be supported and expanded.
- Action: Conduct college placement examinations during sophomore year, or ensure that statewide high school tests provide information on college readiness. Students and educators need a better assessment of student readiness for higher education, and for those students requiring remediation, this remediation should occur in high school. Redesign junior/senior year curriculum to conduct necessary remediation or to advance students to collegiate work and the possibility of earning college credits while completing their high school diploma.
- Action: Improve teacher training and professional development to prepare for these changes and requirements. Higher education must take more responsibility to help improve the K-12 pipeline that fuels its own future. We need to increase and improve professional development of teachers. For example, increasing expectations for higher education readiness will increase the demand for math and science teachers, which are often in short supply. How could professors and graduate students help in this effort?

Investment

- Action: Increase the number of students participating in college access programs in Minnesota, and the coordination of these programs. For example:
 - Expand successful programs such as Admission Possible, TRIO, Get Ready! and others with a demonstrated track record of success.
 - Expand and transform the current Intervention for College Attendance Program into a statewide college access network that creates public/private partnerships in local
 - Base funding on successful student enrollments and retention

²⁷ Nationally, only 28 percent of low-income students are enrolled in college-prep curriculum, compared with 49 percent of middle-income students and 65 percent of high-income students, even though a rigorous high school curriculum is the leading predictor of college success. Source: HESO.

Immediate Opportunity: Outreach to Private Philanthropy

Minnesota's philanthropic community is very involved in supporting a wide range of scholarships and readiness program opportunities for students in Minnesota's high schools and higher education institutions.

By convening a group of these leaders, the Governor could help identify new ways to improve the coordination and the leverage of these efforts, including the coordination and leverage of public resources. Through the Governor's leadership, there may be a number of ways to improve the information exchange between these programs and education institutions, and to improve student access to the programs.

RECOMMENDATION 2: INCREASE ACCOUNTABILITY AND INNOVATION

- 2.1. Replace the Higher Education Services Office Board with a Higher Education Performance Council, separate from Minnesota's institutions of higher education, to advise Minnesotans, the Governor and the Legislature on the results Minnesotans are receiving for their investments in higher education.**
- 2.2. Provide parents and students with online report cards and a "prospectus" for all higher education institutions and programs.**

2.1: HIGHER EDUCATION PERFORMANCE COUNCIL

Reforms

- Action: Replace the current Higher Education Services Office Board with a permanent Higher Education Performance Council to advise Minnesotans, the Governor and the Legislature on the outcomes Minnesotans are receiving for their investments in higher education, and on the overall effectiveness of Minnesota's higher education sector.

Minnesota spends \$1.3 billion annually of state taxpayer's dollars on higher education. Private higher education institutions in Minnesota spend another \$1 billion in delivering postsecondary education. These figures do not include the individual private resources leveraged in the form of tuition, or that businesses spend on continuing and professional education.

For all of this investment, and all of the changes in higher education driven by new technologies and new providers, Minnesotans lack clarity on what they are getting for their investments – both the public/private leverage and the "common good" outcomes.

Given the increasing complexity of issues facing the Governor and Legislature, these leaders would be well served to have a body whose sole responsibility is to focus on the overall results Minnesota is receiving for the dollars invested in post-secondary education. Governor Pawlenty took a step in this direction when he recently increased the role and prominence of higher education issues in the Governor's cabinet.

Scope of the Council

This Council would focus on two related questions:

- Are Minnesotans effectively progressing toward their vision for higher education?
- Are Minnesotans getting the results they need and deserve from Minnesota's higher education sector – both public and private?

The Council would listen to concerns about higher education, conduct research, examine solutions, and propose policy changes that speak broadly to the higher education sector. The Council should focus exclusively on questions about the health and long-term viability of the higher education sector. The Council should be prevented from intervening in operational choices that institutions make. Those are the responsibility of the governing boards and should remain so.

The Council is not another layer of bureaucracy, but rather would replace an existing Board. The Council would serve as an "investment advisor" to the Governor, the Legislature, and ultimately to the citizens of Minnesota. Like any good investment advisor, the Council would examine the results these investments are producing, ensuring that all types of measures are reviewed including factors important to Minnesota such as civic engagement, quality of life and the long-term vitality of Minnesota. The Council would also serve as an internal change-agent for higher education in Minnesota, given the dynamic nature of this issue.

Examples of Policy Questions & Responsibilities of the Council

- Measuring Minnesota’s progress toward achieving its vision for post-secondary education.
- Tracking changes in higher education, e.g. the growth in new providers of higher education, and suggesting policies that ensure these institutions are successful and contribute to Minnesota’s higher education goals and objectives.
- Monitoring global trends in education, workforce development and corporate investment in employment, and connecting these trends to job classification shortages and surpluses in Minnesota and the impact of these on higher education.
- Promoting and providing incentives for innovation in higher education.
- Improving and evaluating coordination between the U of M and MnSCU.
- Given the specialization in missions of public and private institutions, identifying areas where competition and cooperation each respectively serve Minnesota’s interests.
- Continually examining the long-term vitality and competitive position of knowledge development (research) and knowledge dissemination (service) within Minnesota.
- Ensuring that all qualified students have access to post-secondary education.
- Promoting student academic preparation.
- Facilitating families saving for higher education.

For more details on staffing and organization, see the footnote below.²⁸

2.2. IMPROVED INFORMATION, TRANSPARENCY AND ACCOUNTABILITY

Develop a report card for every higher education institution operating in Minnesota. Minnesota needs better accountability and reporting of results for higher education and better information for policy makers, parents, employers and students.

While individual institutions compile a wide range of data (e.g. “IPEDS” data²⁹), policy-makers and consumers of higher education need information in an understandable format focused on the key outcomes that matter most to them. To say the data exists somewhere is by no means to say the data are understandable to consumers and policy makers, prioritized in importance, standardized to allow comparison between institutions, or made easily available to these individuals. Many important data, e.g. disaggregated performance by students who receive financial aid, are simply not available.

Reforms

- Action: Establish a set of basic outcomes and goals by which to measure the performance of higher education institutions, and create a prospectus/report card for every higher education institution that receives funding or is regulated by the State of Minnesota.
 - Provide the Higher Education Performance Council with the necessary authority to collect this information.
 - Publish the information in easy-to-understand formats, and make it available online. Potential student/parents and employers are the primary audience, so it must be accessible and understandable to them.
 - Potentially mirror the formats used by other institutions, such as the “Measuring Up” report published by the National Center for Public Policy and Higher Education.
 - Acknowledge the difference in completion and other metrics between students who are part time by choice and students who are full time.

²⁸ Membership, Staff Support, and Organization: The Council would replace the current HESO Board. The Governor could appoint members, with a citizen chair. The Board could include members from the Legislature, e.g. the chair and ranking minority member from both Senate and House higher education finance/appropriations subcommittees. Ex-officio members could include presidents of the higher education institutions and organizations, and representatives from state agencies involved in education and economic development. The Council would meet infrequently. The Council should have a permanent, full-time executive director, preferably the director of the Higher Education Services Office (HESO). It is possible that HESO could provide some of this staff support; any additional staff should be co-located with HESO to save on overhead.

²⁹ IPEDS is the Integrated Post-secondary Education Data System, administered by the United States Department of Education.

- The Academic Quality Improvement Program (AQIP) established by the Higher Learning Commission of the North Central Association of Colleges and Schools may be a useful resource. This Baldrige-based, continuous-improvement, assessment and reporting system is results and outcome-oriented, and is currently used by several schools in the MnSCU system.

These data could include: retention and graduation rates by institution; placement rates following graduation; the number and percentage of students continuing on to graduate school and professional; the performance of students who receive financial aid; the success of programs targeted to improve access; and especially the disaggregation of these data by income, race, gender, etc. The data could also include information on the instructional and per-student costs and total public subsidy per student, etc.

These report cards are also an excellent opportunity to identify the job classifications and educational fields that have the greatest demand for workers and degrees.

Note: The success of this effort depends entirely on the establishment of better outcomes and expectations from higher education institutions than we have right now (see Recommendation 3).

Immediate Opportunity: Promote the value of higher education

Begin a donor-funded public service campaign to demonstrate and reinforce the value of higher education. Whenever possible, messages about the individual return on investment should be worked into existing promotions and outreach strategies to K-12 students and Minnesotans as a whole.³⁰

RECOMMENDATION 3: PROMOTE EXCELLENCE AND IMPROVE INSTITUTIONAL FOCUS

3.1. Support the contributions of private and career college institutions in Minnesota.

3.2. Clarify expected outcomes and strengthen the focus, coordination and capacity of Minnesota's public institutions.

3.1. BROAD INSTITUTIONAL CONTEXT: VALUE OF PRIVATE AND CAREER COLLEGES

Minnesota has more than 175 public and private higher education institutions, ranging from the U of M's over 60,000 students, to the Saint Cloud Hospital School of Radiologic Technology, with fewer than 10 students. We are the home of institutions older than the state itself, such as Hamline University, Saint John's University and the U of M, and new institutions as new as the Web, e.g. Capella University. Each of these public and private institutions provides public value and a public good that benefit Minnesotans.

- This diversity is a source of strength, and should be preserved.
- The number of institutions will increase, and should be both anticipated and welcomed.

Private institutions produce the majority of traditional liberal arts graduates in Minnesota, nearly half of all the state's baccalaureate (BA) degrees in nursing, and over forty percent of all BA degrees in math, biology and the physical sciences. Minnesotans have a right to expect these institutions to provide a public return on the public's investment in low-income students through financial aid. Higher education is itself a "public good".

New providers will also continue to enter this market for higher education. Some will be based in Minnesota, others will be global. All will provide opportunities to Minnesotans. All must help to achieve Minnesota's new vision of increased achievement in higher education.

3.2. PUBLIC RESOURCES, INSTITUTIONS – AND EXPECTATIONS

Public resources are Minnesota's most important source of leverage in higher education. Approximately 90 percent of public resources for higher education flow almost exclusively to Minnesota's public higher education institutions. Given this, policy leaders should pay special attention to clarifying the roles and expectations for these institutions.

³⁰ Efforts should focus on visible and common sources of information, e.g. tax returns, existing K-12 report cards, etc. One initial example was to feature on the back of every lottery ticket the lifetime earnings difference between having a bachelor's degree and a high school diploma: over \$1 million. Given the requirements of the lottery system, and its policy focus on the environment, this may not be possible.

Both MnSCU and the U of M suffer from expectations that are too broad and sometimes contradictory and unattainable. Examples of this disconnect include the need for open access at MnSCU, no matter how unprepared students are for higher education, and the need to promote “mission differentiation” at its campuses that focuses on specific educational attainment and high-skill, job-ready criteria. At the U of M, an example is the need to be Minnesota’s only public research institution, and the expectation to be “the people’s University,” available and accessible to all Minnesotans. (A University president effectively lost his job in part over efforts to focus the institutions programming.)

Minnesota can’t have it both ways. In a world of limited public resources, increased capacity from non-public providers and a greater need for achievement and workforce-ready outcomes, our public institutions cannot succeed without greater focus *and* clearer, more realistic expectations. This clarity will also support the measurable goals of a vision focused on student achievement.

THE UNIVERSITY OF MINNESOTA SHOULD CONTINUE TO ENHANCE ITS ROLE AND PROGRAMMATIC FOCUS ON BEING A WORLD-CLASS PUBLIC RESEARCH INSTITUTION.

This includes:

- Research, especially basic research and research-based outreach.
- Graduate and professional education, especially high-cost programs with a high public benefit, e.g. engineering, biological sciences, medical schools.
- Nationally-selective undergraduate education. This undergraduate education should continue to emphasize the demands for, and benefits of, strong liberal arts education.

MnSCU should continue to promote specialization and centers-of-excellence among its campuses, focusing on:

- Access to higher education for prepared students.
- Two and four-year degree programs that emphasize direct job training and workforce preparedness curricula.
- Development of “best in class” programs that demonstrate contributions to the local and regional economies, and to the broader global economy, through innovative partnerships with business and industry. The more job-relevant the curriculum, the more important the connection to local economies. The more innovative and responsive the programs are to new and emerging technologies, the higher the likelihood that the school is educating citizens in the skills necessary for Minnesota to succeed in a global knowledge-based economy.
- Programs that are based on unique access to regional populations or unique online access and capabilities.
- Potential connections with local K-12 systems to promote readiness for higher education and an improved use of student time in high school.
- Post-graduate, research and first professional degree programs that are relatively low-cost, applied, and/or are connected to high-growth employment fields, and that are closely coordinated to prevent unnecessary duplication and program overlaps.

Reforms

- Action: Both MnSCU and the U of M should be held accountable for these broad goals through the articulation of specific institutional outcomes tied to each goal, e.g. raising the six-year undergraduate graduation rate at the U of M, or increased leverage of private employer resources at MnSCU. The new Higher Education Performance Council, working with the Governor, the Legislature and the institutions themselves, should develop these specific and measurable expectations.
- Action: Establish an “incentive fund” or “emerging curriculum grant” with existing resources, which would be competitively awarded to MnSCU campuses that develop unique programming models, for example:
 - Readiness for higher education or partnerships with K-12 districts.
 - New business partnerships in the region or locality, including customized training for employees.
 - Unique programming/curricula opportunities that respond to the goals established in this strategy.

Funds could be redirected from existing workforce development programs (see below).

- Action: Improve the effectiveness and leverage of workforce development programs by increasing the coordination of these programs with MnSCU. This would apply to both continued and increased programmatic coordination between MnSCU and the Department of Employment and Economic Development, and the potential reallocation of economic development funds to support workforce training. For example, a portion of the “Workforce Development Fund” might be reallocated to support

worker training in MnSCU or through the Job Skills Partnership Program. Look for opportunities to co-locate training and administrative facilities.

- **Action:** Rethink the land-grant³¹ model. Many public institutions in Minnesota share land-grant responsibilities, whether these obligations are guided by specific statutes and laws (e.g. U of M Extension Services), by current practice and programming, or by their inherent obligations as public institutions. Many public higher education institutions in Minnesota are implementing a wide range of programs that correspond directly to the intent of these statutory land-grant obligations. Minnesotans would be well served by an examination of how statutory and regulatory land-grant obligations, based on a model when there was only one public higher education institution, apply to a 21st century world when there are many public institutions. For example, can the obligations and opportunities of outreach/Extension be shared between the U of M and MnSCU? Can these obligations be expanded, even with existing funds?

Investment

- **Action:** Minnesota should significantly increase its investment in base support for research infrastructure at the U of M. These new state resources should be matched dollar-for-dollar with resources from the private sector. (Funds would go directly to the U of M, not through intermediaries or new organizations.)

It is difficult to over-emphasize the U of M's role as the primary source of research and graduate work in Minnesota. The U of M is both a talent-magnet for the state, and a source of employees, research, and innovations for Minnesota's leading industries and businesses.

The ability of the U of M's faculty members to compete successfully for research funds from federal agencies such as NIH and NSF, and from the private sector, depends on a strong base of state support for the U of M and its research infrastructure, e.g. faculty/staff, laboratories, libraries, etc. These new funds will help strengthen this core infrastructure, and leverage additional resources.

The U of M must continue to identify and to focus available resources on programmatic areas that are most likely to succeed, and where the U of M has a competitive advantage and a demonstrated ability to become a national and global center of excellence. The U of M must demonstrate that it is accountable in the use of these resources, and it must continue its efforts to work proactively with Minnesota's business community in this process.

Immediate Opportunity: A Higher Education Trade Mission

To fully implement this recommendation successfully, the Governor needs both the goodwill and the cooperation of a wide range of higher education leaders.

One way to achieve this goal would be for the Governor to lead a higher education trade mission to Singapore, India, China or other Asian countries to learn firsthand the steps they are taking to promote and expand higher education outcomes. This trip would help inform policy leaders and the public here of the need for reforms and action in Minnesota.

This trip would also serve as an excellent opportunity to promote Minnesota's higher education opportunities to emerging and leading scholars in these countries.

Note: Campus closures and system restructuring

This is an extremely important issue, and an issue that is often raised in conversations about higher education in Minnesota. This Task Force did not address this issue in its recommendations for several reasons.

Answering these questions depend on a (new) strategic vision for higher education. They cannot be answered without this clarity and direction. This vision did not exist, or was not clear, as the Task Force began its work.

- Answering these questions, even with this vision, takes time, research, resources and community input that was not within the scope of this project. For example, this decision requires a more extensive cost/benefit audit of each potential decision, and more clear measures of success.

³¹ A "land-grant" college or university is an institution that has been designated by its state legislature or Congress to receive the benefits of the Morrill Acts of 1862 and 1890. The original mission of these institutions, as set forth in the first Morrill Act, was to teach agriculture, military tactics, and the mechanic arts as well as classical studies so that members of the working classes could obtain a liberal, practical education.

- Gaps in attainment between urban and rural areas mean we have to *increase* achievement in Greater Minnesota communities. What is the best means? Can we increase capacity with existing resources at these rural campuses?
- There may be opportunities for program and curriculum realignments that accomplish the same goals as institutional realignments/closures.

RECOMMENDATION 4: IMPROVE VALUE AND FINANCIAL LEVERAGE

4.1. The Higher Education Services Office should convene a commission of national experts, citizens, and business and philanthropic leaders to evaluate Minnesota’s model for providing students with affordable access to higher education.

4.2. Increase the authority of MnSCU to make financial and programmatic decisions.

4.1. REVIEW MINNESOTA’S METHODS FOR AFFORDABILITY AND ACCESS

Reforms

- Action: Convene a Task Force made up of citizens, business and philanthropic leaders and national experts to review the present funding system. The evaluation should be presented to the Legislature no later than the 2006 Legislative session.

Minnesota provides support and financial aid to students through both direct need-based grants, and indirectly through financial support for public institutions (which, in part, reduces tuition and supports a number of instructional and research outcomes).

Given major demographic changes, the increased need for higher education achievement, and a potential increase in the type and source of providers, Minnesotans should make sure this funding strategy is still relevant today and in the future.

- National data show that reduced affordability is limiting access to low-income students. According to the Lumina Foundation, “the most efficient way for states to expand access to post-secondary education is to increase their investments in need-based grant aid”.³²
- Recent reports highlight Minnesota as a national leader in affordability, but still give Minnesota an overall grade of a “C-“ (down from an “A” in 2000). Specific data on the potential impact on access in Minnesota, or the level of unmet need, is not readily available.
- Significant tuition increases have occurred in the past several years, and could continue for the foreseeable future.
- Demographic changes in the future will increase the number and percentage of adult, low-income and part-time students. Should the State Grant Program be prorated based on the number of credits a student takes? What are the policy outcomes and implications of these changes for the State Grant Program?
- How should/will the growth in for-profit or online providers impact this strategy/method?
- A number of other issues must also be considered, including:
 - The impact of changes in the funding of instruction on funding for research.
 - The need to review the value and structure of reciprocity agreements.
 - Opportunities for performance-based funding.
 - Opportunities for merit-based funding.
 - Opportunities for new service and financial aid models, e.g. a 21st century “Serve and Learn” program that combines financial aid with the need for critical economic, social and educational needs of Minnesotans.

The fundamental issue is that Minnesota must make sure that changes in tuition and student demographics do not prevent qualified low-income students from accessing and affording higher education, or for Minnesota to achieve its overall goals of achievement in higher education research and instruction. The new Higher Education Performance Council should be closely involved with this effort.

³² *Expanding College Access: The Impact of State Finance Strategies; and Collision Course.*

4.2. IMPROVE AUTHORITY OF MNSCU TO MAKE FINANCIAL DECISIONS IN ACCORDANCE WITH STATE GOALS

Reforms

- Action: Require a two-thirds vote by the Legislature to reverse a vote by the MnSCU Board of Trustees regarding the allocation of resources and facilities.
- Action: Provide the MnSCU Board of Trustees with the authority to negotiate and approve employee contracts.

This new authority would increase the ability of MnSCU to make decisions that are in keeping with State goals and the most efficient and effective allocation of resources. This authority would be similar to the U of M's authority on these specific issues, would improve accountability within the system, and would build on existing MnSCU system reforms and improvements.

VII. CONCLUSION: AIM FOR LEADERSHIP AND ACTION

These findings and recommendations focus on the need for Minnesota policy leaders, our Governor and Legislature, to exert renewed leadership for higher education to advance the economic, social and civic interests of all Minnesotans.

Minnesota cannot allow higher education to slide toward mediocrity if Minnesota's quality of life is to be sustained in the future. Our advocacy is for increased knowledge of our citizenry and continued reforms and investments to assure our research university and all of our public, private and career colleges and universities continue to be major drivers of our state's economy.

As policy leaders, the Governor and others must reassert their understanding of the fundamental public value of higher education, as well as its private good. This includes:

- For all citizens to raise their expectations to achieve at least two years of higher education.
- For education leaders and parents to rethink the use of high school, and to increase efforts to close the achievement gap.
- For policy leaders to improve the governance and accountability of higher education, as well as the supply and transparency of information for the public.
- For higher education leaders to continue efforts to reform and focus their institutions.
- For Minnesotans to improve the leverage and effectiveness of existing resources and to consider improvements to these funding strategies.

We must embrace these reforms and move our citizens to action. This will require a broad conversation, led by the Governor and joined by leaders in K-12 education, higher education, employers and ultimately parents and students themselves.

This goal requires action and hard work, but will bring great benefits to all Minnesotans.

VIII. THE WORK OF THE CITIZENS LEAGUE STUDY COMMITTEE

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Vance Opperman (Co-Chair)

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| MEETINGS AND RESOURCE TESTIMONY

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Citizens League, www.citizensleague.net/highereducation/html/resources.html
Center for the American Experiment, <http://www.amexp.org/Publications/Education.htm>
Chronicle of Higher Education, <http://chronicle.com>
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University of Minnesota, www.umn.edu

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The Citizens League promotes the public interest in Minnesota by involving citizens in identifying and framing critical public policy choices, forging recommendations and advocating their adoption.

The Citizens League has been an active and effective public affairs research and education organization in the Twin Cities metropolitan area for more than 50 years.

Volunteer research committees of League members study policy issues in depth and develop informational reports that propose specific workable solutions to public issues. Recommendations in these reports often become law. Over the years, League reports have been a reliable source of information for governmental officials, community leaders, and citizens concerned with public policy issues of our area.

The League depends upon the support of individual members and contributions from businesses, foundations, and other organizations throughout the metropolitan area.

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