MINNESOTA STATE

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To: Minnesota State community

From: Scott Olson, Chancellor

Subject: Making the Case for Change: Sustainability of Minnesota State

As we begin a new academic year, we do so at a pivotal moment for all of us at Minnesota State. The challenges facing higher education are real, and the strategic decisions we make in the coming months will shape the future of our colleges, universities, students, and communities. I want to share with you the plan to address these challenges.

Fiscal challenges and realities

Minnesota State has experienced enrollment growth over the past few years and that is something to be proud of. Yet that enrollment growth has not provided the same level of revenue that would have accompanied it in the past.

State operating support has been constrained with competing demands in other areas of state government as well as within the higher education budget. Annual tuition increases beyond the rate of inflation are not sustainable over the long term and even with increases approximating twelve percent this biennium, there was still a shortfall in operating revenue.

At the same time, the cost of delivering a high-quality education keeps rising – inflation, compensation, benefits, utilities, technology, and deferred maintenance. Colleges and universities have coped with these revenue challenges by cost cutting and/or using one-time measures to balance budgets. These mechanisms are unsustainable in the long term and compromise our ability to follow through on our commitment to keep higher education affordable and accessible to all students.

In November, when the fiscal year 2026 annual audited financial statements are complete, the system expects approximately 1 in 4 institutions will trigger the system cash financial health indicators. Many of these institutions are among the largest in the system having a more material impact on the overall system financial condition than we have ever seen previously. Some of the current allocation framework proposals being considered were only intended to be stop gap solutions until long-term strategies could be developed and implemented.

It is clear that institution-by-institution solutions that may have worked in the past are not producing the needed results. Individual college and university solutions will not provide long-term sustainability not only for the affected institution but are and will also impact the system's overall financial position.

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This is not a new conversation for Minnesota State as, over the years, we grappled with demographic, financial, and enrollment pressures and prepared for future challenges on the horizon. However, continuing to address these issues within the current organizational structure, business model, and resource allocation processes will likely create several unintended consequences. Our position as a system provides the opportunity to look at how we, together, do the work to educate and train the workforce our state needs and depends on. Systemness allows us to continue to stand by our commitment to serve students in every corner of the state. We can no longer afford to take incremental steps if we are to continue to fully serve our mission on behalf of Minnesota and must accelerate the needed work to ensure the long-term viability of Minnesota State.

Call to action

Last week, the Minnesota State Board of Trustees held its annual retreat and gave leadership a clear mandate to address our financial and academic sustainability. They were direct:

- We must act urgently.
- We must approach planning with an open mind.
- We must "right-size" our system.
- We must use a common set of evidence to inform our decisions.

Beginning today, we are launching a Strategic Realignment of Minnesota State built around two objectives:

1. **College/University Sustainability**

   We will analyze potential alignments of institutions — weighing the benefits and risks across economics, academics, administration, and geographic footprint. Any alignment would mean a single academic program array for the institutions involved, with single accreditation explored at a later stage, and a single administrative structure. We will also present recommendations for administrative integration for standalone institutions.

2. **Support for the New Structure**

   There are additional administrative efficiencies and approaches to this work. We will bring forward recommendations to expand shared services beyond the financial aid and application processing, cybersecurity, and procurement work approved by the Board in June. We will focus on services that can be designed to scale systemwide and reduce risks. We will conduct a systemwide IT assessment to determine what enterprise technology framework, architecture, and support model is needed for the new structure. And we will analyze and recommend what the system office itself — its organization, authority, and budget — should look like to support a new alignment of colleges and universities.

Learning from our history; shaping our future

Our history as a system was built on aligning the three higher education systems in the state. Throughout our thirty-year history, we have witnessed new institutional structures:

- *Minnesota West Community and Technical College* was created in 1997, through the merger of Worthington Community College and Southwestern Technical College. This union brought together multiple southwestern Minnesota campuses to form a single comprehensive two-year college.
- The *Northeast Higher Education District* (NHED) was formed in 1999 as a collaborative alliance of five separately accredited northeastern Minnesota colleges. In 2022, the institutions officially consolidated into a single accredited multi-campus entity named *Minnesota North College*.
- *Minnesota State Community and Technical College* was created in 2003 through the merger of Fergus Falls Community College and three campuses of Northwest Technical College (located in Detroit Lakes, Moorhead, and Wadena).
- Administrative consolidations have occurred at Bemidji State University & Northwest Technical College and Anoka-Ramsey Community College & Anoka Technical College.
- Minnesota Valley College is the planned name for the upcoming merged institution combining *Dakota County Technical College* and *Inver Hills Community College*, scheduled to launch in May 2027 pending final approvals.

We are not alone in this work. Across the country, systems and institutions are rethinking how they organize, collaborate, and allocate resources in response to demographic shifts, enrollment changes, financial and other external pressures. These efforts are driven by a common goal: ensuring they can continue to serve students effectively and fulfill their mission long into the future.

Unwavering commitments

In all that is ahead, our work will be guided by our commitment to the students, communities, and economies we serve. We know what we must protect:

- First and foremost, serve students well;
- Preserve academic excellence;
- Serve our communities and the workforce needs of Minnesota;
- Be the most affordable and accessible option;
- Adhere to collective bargaining agreements (CBAs);
- Act transparently;
- Make trade-offs equitably;
- Modernize; and
- Serve all of Minnesota.

Next steps

This systemwide assessment will take place over the next several months with an update on initial ideas to the Board of Trustees in January 2027. This will require all of us to engage in the work to generate ideas and to ask questions. To help support the work, the Long-Term Strategies Taskforce, endorsed by the Board in June, with representatives from all bargaining units, statewide student associations, and campus and system leaders will convene in early October. Their perspectives, along with external advisors, will help inform the early stages of this work.

Following the January discussion, a series of conversations will occur with students, faculty, staff, campus and system leaders, and policy makers. The final structure will be approved by the Minnesota State Board of Trustees.

Once a structure is finalized, the systemwide workgroups (Academic and Facilities Planning and the Allocation Model Redesign) also endorsed by the Board in June, will play a primary role in developing how we move forward to develop a comprehensive academic and facilities plan and an allocation model to support the new structure.

The Board of Trustees will meet in the next few weeks to discuss this plan and approach. Afterwards, there will be an opportunity for all members of the Minnesota State community to join me in a virtual town hall. Dates and times will be announced in the coming week.

Moving forward

I won't pretend this is easy news, or that every question can be answered today. What I can tell you is that the alternative — doing nothing while costs keep rising faster than our two revenue sources— is not an option.

As one of the largest systems of colleges and universities in the nation, I am proud of the extraordinary education Minnesota State institutions provide. We help students create a better future for themselves, for their families, and for their communities. That responsibility is too important to stand still. We must move forward with purpose, make difficult decisions when necessary, and remain steadfast in our commitment to their future.

Thank you for your commitment to Minnesota's learners, and for the work ahead.

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