

HOUSE RESEARCH

Bill Summary

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Authors: Leppik and others
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Analyst: Kathy Novak, Legislative Analyst, 651- 296-9253

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Overview

This bill makes appropriations for public post-secondary systems and for the higher education services office for state financial aid and other programs.

Section

Article 1: Appropriations

- 1 **Higher education appropriations.** Summarizes the appropriations for higher education by fund and for the higher education services offices, the Minnesota state colleges and universities, the university of Minnesota and the Mayo Medical foundation.
- 2 **Higher education services office (HESO).**
 - Subd. 1. Total appropriation.** Appropriates \$159.6 million in the first year and \$168.6 million in the second year. Provides that savings over the biennium in the state financial aid program from specified increases in the federal Pell grant are disbursed in this section.
Directs \$1 million in fiscal 01 to MnSCU and to the University of Minnesota for one-time library and equipment purchases.
 - Subd. 2. State grants.** Appropriates \$126.3 million and \$135.2 million for the state financial aid program and permits the money to be moved from either year if annual appropriations are insufficient.
Specifies the intent of the legislature to make full awards in each year;
Sets the cap on grant awards for private institutions for each year;
Sets the living and miscellaneous allowance for the biennium; and
Authorizes program savings due to an increase in the federal Pell grant over \$3,750 to be used for increases in child care grants or to decrease the family responsibility for independent students.

Subd. 3. Interstate tuition reciprocity. Appropriates \$5.25 million each year for the state obligation under the tuition reciprocity agreements and permits the money from either year to be used to meet the obligation.

Requires HESO to negotiate the tuition reciprocity agreements to reduce and minimize state obligations, with participation of the higher education systems, and bring the agreement to the legislature for approval.

Subd. 4. State work study. Appropriates \$12.4 million each year.

Subd. 5. Minitex library program. Appropriates \$5.3 million each year.

Subd. 6. Learning network of Minnesota. Appropriates \$5.2 million each year and authorizes regional grantees to consider competing proposals.

Subd. 7. Income contingent loans (GRIP). Authorizes HESO to continue to administer a loan repayment program for certain health education graduates but prohibits accepting new applicants.

Subd. 8. Edvest. Appropriates \$1.5 million each year for matching grants for a post-secondary savings program.

Subd. 9. Agency Administration. Appropriates \$3.6 and \$3.7 million.

Base funding for post-secondary outreach programs to historically under served elementary and secondary students is included.

An increase in the dues for the Midwest higher education compact is included.

Money remaining after final benefits to the Youthworks grantees are paid are directed to post-secondary outreach programs.

Subd. 10. Authorizes the transfer of unencumbered balances between programs.

3 **Board of trustees of Minnesota colleges and universities.**

Subd. 1. Total appropriation. Appropriates \$601.2 million and \$634.3 million.

Provides that funding is intended to strengthen and support student education and, except for direct support of the system office, should be allocated to institutions. Institutions are intended to have discretion in making expenditures to meet needs.

Money is included for the talented youth program at Mankato and for its expansion.

Subd. 2. Estimated expenditures and appropriations. Estimates instructional expenditures of \$795.4 million and \$840.3 million and noninstructional expenditures of \$70.9 million and \$74.1 million.

Subd. 3. Allocation. Directs the allocation of appropriations to campuses based on their adjusted 2001 base budget, plus inflation from designated funds, and at least \$12 million in the first year according to the allocation framework. The board must implement the framework in fiscal year 2004.

Requires central system reallocation in the biennium must be proportionate.

Requires an annual increase in the percentage of total general fund expenditures for direct instruction with an annual report to the legislature by institution and system.

Prohibits planning or developing doctoral programs or degrees without prior legislative approval.

Requires technical and consolidated colleges to continue to use instructional advisory committees that are consulted on program changes or discontinuation.

Authorizes a tuition waiver for Southwest Asia veterans.

Subd. 4. Base Appropriations. Provides for a one-time base reduction of \$13.5 million.

Subd. 5. Reserves. Limits the central system reserves to \$1 million and requires the board to adopt a policy on the purpose and use of central reserves.

Directs \$4 million of central reserves to campuses.campuses.

Directs additional excess reserves at the end of fiscal year 2001 to a leveraged equipment purchase program that requires an equal nonstate match.

Subd. 6. Central Office Services. Requires reallocation of \$2.65 million from central office expenditures to campuses. Requires the board with the council of presidents to develop a plan for centrally provided services office that considers fee-based services, contracting, streamlined delivery and elimination of duplication, impact of service delivery methods on various types of campuses, and market sensitive service delivery. The board must present a plan to the legislature.

Subd. 7. Riverland Community College; Austin. Authorizes the board to lease land for up to 30 years to the city of Austin to construct a joint-use recreational facility.

Subd. 8. Administrative Offices. Requires campus administrators to be located on a college campus if space is available unless the chancellor determines that another location would improve student access.

4 **Board of Regents of the University of Minnesota.**

Subd. 1. Total Appropriations. Appropriates \$622.9 million and \$648.4 million.

Subd. 2. Estimated expenditures and appropriations. Estimates instructional expenditures of \$479.4 million and \$505.7 million and noninstructional expenditures of \$227.4 million and \$235.2 million.

Subd. 3. Operations and maintenance. Appropriates \$547.0 million and \$572.3 million.

Requires reallocation for administration in the biennium to be proportionate.

Subd. 4. Medical education endowment appropriation. Appropriates money in the medical education endowment as provided in statute.

Subd. 5. Health care access fund. Appropriates \$2.5 million each year for primary care education initiatives.

Subd. 6. Special appropriations. Requires these categories of appropriations to be separately identified in the budget document.

Agriculture and extension service. Appropriates \$58.3 million each year.

Salary increases must not displace county salary obligations.

Each station must maintain an advisory council.

The university must continue support for alternative agriculture initiatives.

The board of regents is requested to review the mission, scope and cost-effectiveness of extension and report to the governor and the legislature on priorities.

Health Sciences. Appropriates \$5.9 million in each year for veterinary diagnostic laboratory, research and other named programs.

Institute of Technology. Appropriates \$1.7 million each year for the geological survey and talented youth mathematics.

System specials. Appropriates \$7.5 million and \$7.6 million for general research, matching student loan money, and other named programs.

5 **Mayo medical foundation.**

Subd. 1. Total appropriation. Appropriates \$1.6 million each year.

Subd. 2. Medical school. Appropriates \$605,000 each year for a capitation of \$14,405 for resident Minnesota students to increase the number of rural doctors.

Subd. 3. Family practice and graduate residency programs. Appropriates \$625,000 each year for a capitation of \$22,313 for 26 residents and \$44,627 for one resident.

Subd. 4. St. Cloud hospital-Mayo family practice residency program. Appropriates \$407,000 each year to support 12 resident physicians each year to prepare doctors for primary care medicine in rural areas.

6 **Post-secondary systems.**

Subd. 1. Post-secondary planning report. Requires and requests a report to the legislature on progress the two public post-secondary systems are making under the metropolitan academic plan, including coordination, developmental and remedial education, and credit transfers.

Subd. 2. Accountability. Requires and requests a report to the legislature on progress and performance of the public post-secondary systems. The report must include measures of quality, student experience and success, efficiency, workforce and development contributions, research productivity, diversity, and future trends.

Article 2: Related Provisions

1 **Minnesota state colleges and universities reserves account.** Establishes a reserve account in the state enterprise fund and requires the commissioner of finance to report on the account.

2 **Expenditures; medical education endowment fund.** Changes the annual transfers from the medical education endowment to fund the academic health center at the University of Minnesota. Revenues from Minnesota's tobacco lawsuit form the principal of the medical education endowment fund which is increased through a transfer authorized in section 18 and implemented in section 24 of this bill.

The higher value of the endowment principal results in an increase in the value of annual transfers to the University of Minnesota. Transfers from the endowment are expressed as a percentage of the total authorized appropriation of the endowment value. In the 2002-2003 biennium, transfers to the University provide:

\$8 million a year in additional funding for the academic health center for a total of \$16 million per year, and

\$7 million over the biennium for other university health education initiatives.

In the next biennium, transfers from the fund to the academic health center continue at \$16 million per year and the transfer for other health education initiatives increases to \$4.6 million per year. This section does not change the value of transfers from the endowment to the commissioner of health for medical education and research.

3 **Outcomes.** Describes outcomes that the academic health center in cooperation with the commissioner of health and others must develop, including:

a plan to meet the workforce needs of health that recognizes the need for change and the need to increase training capacity, includes recruitment strategies to increase health workforce diversity and improve health care delivery to a diverse population, increase the number of community health sites, and provide for an integrated health database; and establish measurements to implement the plan.

4 **Appropriations for certain enrollments; public post-secondary.** Eliminates the prohibition against the state paying aid for any of the estimated expenditures for nonresident, non reciprocity students or students who have completed the equivalent of 48 quarter credits without receiving a baccalaureate degree. This does not include nonresident, non reciprocity students in

the state aid formula for public post-secondary systems.

- 5 **Authorization; tuition reciprocity.** Requires the governing boards of public post-secondary systems to participate in the negotiation of tuition reciprocity agreements. Also makes changes in the purpose of the tuition reciprocity program adding support for the development of a strong, productive, and educated workforce to the original purpose of improving educational advantages for Minnesota residents.
- 6 **Assigned family responsibility; state grant program.** Decreases the family share for calculating the amount of a state grant award for independent students by 20 percent.
- 7 **Resident student; state grant program.** Makes a change in eligibility for the state grant program that would permit certain dependent students who have lived in Minnesota for 12 months or more to be eligible.
- 8 **Cost of attendance; state grant program.** Changes the state grant program to a credit based financial aid program that considers the actual tuition and fees paid by a student. The living and miscellaneous expense allowance is prorated for part-time students.
- 9 **Awards; state grant program.** Increases the length of time a student is eligible for a state grant from a maximum of eight semesters to 10 semesters.
- 10 **Advanced placement (AP) and international baccalaureate (IB) grant.** Authorizes the higher education services office (HESO) to provide grants to encourage eligible AP and IB students to attend Minnesota post-secondary institutions. Annual grant awards are based on a student's score on the AP and IB examinations and on the amount of money available. The grants are renewable for up to two years. An AP or IB grant does not affect a student's eligibility for the state grant program. HESO must consult with the department of children, families and learning and representatives of the AP and IB programs in allocating the funds between the AP and IB programs.

To be eligible a student must:

- apply for the grant;
- attend an eligible college or university in Minnesota following graduation; and
- achieve a score of three or higher on five or more AP exams for full-year courses; or
- achieve a score of four or higher on five or more IB exams for full-year courses.

Eligible institutions are public two or four year colleges or universities and private four-year degree granting colleges or universities located in Minnesota with a credit and placement policy for recipients of AP/IB grants.

- 11 **Eligible students; child care grant.** Increases the length of time a student is eligible for a child care grant from a maximum of eight semesters to 10 semesters.
- 12 **Amount and length of child care grant.** Increases the maximum child care grant from \$2,000 to \$2,300.
- 13 **Metropolitan state university.** Technical change to the name of the governing board.
- 14 **Methods of acquisition.** Expands the authority of the MnSCU board of trustees to acquire or convey facilities under the control of the Minnesota state colleges and universities. The board may accept a gift:
- for remodeling if it does not increase the size of a facility;
 - for acquisition, construction or remodeling if the state has provided capital appropriations that have not expired;
 - for other capital projects not authorized or funded by the state if the board certifies that money is available for all costs of the project, excluding federal or state appropriations

and tuition revenue.

The board is authorized to enter into lease agreements for up to 30 years if nonstate money is available for all the costs of the project, or convey property through a quit claim deed. The board may use direct negotiations or a request for proposal for these transactions. Any land conveyed under these terms must revert to the state when it no longer provides a primary benefit for MnSCU or its students. Facilities are defined to include student housing, athletics, parking, academic instruction, and administration.

Note: The acquisition, construction and leasing of property funded with state general obligation bonds is controlled by the state constitution and state law.

- 1717 **Refund of tuition.** Recodifies a section that authorizes MnSCU to make a full refund of tuition paid by a student who enters military service. Section 17 eliminates MnSCU from the current law.
- 18 **Creation; tobacco use prevention and local public health endowment fund.** Authorizes the transfer of money from the principal of the endowment fund.
- 19 **Expenditures; tobacco use prevention and local public health endowment fund.** Changes the annual transfers from the fund to the commissioner of health. Transfers are made for three purposes:
 - the value of the transfer for the statewide tobacco initiative is reduced to approximately \$3.5 million in FY 02, \$6.3 million in FY 03, \$6.5 million in FY 04, and \$7.1 million in FY 05;
 - the value of the transfer for the local tobacco use prevention initiative is unchanged in the 2002-2003 biennium and increases \$349,000 in the 2004-2005 biennium;
 - the value of the transfer for local public health initiatives is unchanged in the 2002-2003 biennium and increases \$349,000 in the 2004-2005 biennium.
- 20 **Technical changes.** Replaces obsolete references to the state university or community college governing board or the state university or community college systems.
- **Peace officer survivor grant.** Increases the length of time a student is eligible for a grant from 222122 a maximum of eight semesters to 10 semesters.
- 2525 **Technical changes.** Replaces obsolete references to the state university or community college governing board or the state university or community college systems.
- 26 **St. Cloud State University.** Authorizes the use of any nonstate funding to remodel the top floor of Lawrence Hall for student housing.
- 27 **Commission on University of Minnesota excellence.** Establishes a 15 member commission to:
 - review the university's national rankings;
 - review major investment efforts in interdisciplinary initiatives identified by the university;
 - evaluate and make recommendations how the university can develop centers of excellence that can achieve a national rank in the top ten within ten years;
 - examine the mission, scope, and financing of the university and propose ways to refocus or refine the mission and offerings; and
 - examine the regent selection process and recommend changes.

Commission members are appointed by the governor, senate, and house of representatives with a senator and representative serving as co-chairs. Other members are selected to represent leadership in business, industry, and higher education. The university has one ex officio, nonvoting member. All members serve without compensation. Staff support is provided by the

university and the legislature.

The commission must identify five or more potential centers of excellence from programs and departments in which the university is currently a leader and from interdisciplinary initiatives and report to the legislature by January 15, 2002, with recommendations for changes to the regent selection process and by July 1, 2002, on the mission focus and areas of excellence. The commission expires on December 31, 2002.

- 28 **Transfer.** Makes two transfers from the tobacco use prevention and local public health endowment fund to the medical education endowment fund. \$212 million is transferred on July 1, 2001, and \$38 million on July 1, 2002.
- 29 **Repealer.** Repeals the tobacco settlement fund (§ 16A.87); the requirement for a system plan (§ 135A.06); the sunset on the farmer lender program in Laws 1986; and planning requirements for post-secondary capital requests in Laws 1994.

Article 3: Minnesota Edvest

- 1 **Minnesota Edvest program established.** Changes the name of the education savings program in current law.
- 2 **Definitions.** Adds definitions for *account*, *account owner*, *contingent account owner*, *contribution*, *distribution*, *dormant account*, *earnings*, *eligible educational institution*, *inactive account*, *investment in the account*, *matching grant account*, *member of the family*, *participation agreement*, *person*, *program*, *program administrator*, *qualified distribution*, *qualified higher education expenses*, *rollover distribution*, and *scholarship*. Also corrects citation.
- 3 **Responsibilities.** Technical change to citation.
- 4 **Accounts-type program.** Eliminates the requirement for separate accounts for each beneficiary.
- , 7,8, 9 **Annual administrative fee.** Authorizes an annual fee, paid by participants, to recover administrative costs of the Edvest program .
- 6 **Program to comply with federal law.** Technical change in federal citation.
- 10 **Edvest accounts; generally.** Establishes the *Minnesota college savings program account* in the state treasury for receipt of program assets Program assets must not be mingled with other funds or accounts and are not subject to appropriations. This section also creates new statutory provisions on account ownership, beneficiaries and distributions:
- Authorizes non owners to contribute to beneficiary accounts;
 - Prohibits the account from being used as security;
 - Provides that only an account owner can name or change a beneficiary, request a distribution, or transfer ownership;
 - Limits contributions and matching grants for a single beneficiary to the maximum costs of four years of post-secondary education at the most expensive eligible post-secondary institution in Minnesota;
 - Requires excess contributions to be rejected or returned;
 - Requires attempts to be made to locate the owner or beneficiary of a dormant account and specifies that funds in dormant accounts are treated as unclaimed property under state law;
 - Requires a single owner and beneficiary for each account with separate accounting for each beneficiary
- 11 **Family income.** Amends current law to clarify family income for a beneficiary with divorced

parents. Also specifies which tax documents are used to establish income for the matching grant.

- 12 **Residency requirement.** Establishes residency requirements for beneficiaries to be eligible for a matching grant. Beneficiaries over age 25 must be Minnesota residents. The parents or legal guardian of an account beneficiary who is under age 25 must be a Minnesota resident, who claimed the beneficiary as a dependent for Minnesota taxes for two years before the matching grant award. A Minnesota driver's license or identification card establishes residency for parents or beneficiaries without two years of residency or who are over the age of 25.
- 13 **Age determination of beneficiary.** In making a matching grant, the age of the beneficiary is determined on December 31 of the year the request.
- 14 **Annual application.** Requires account owners to apply each year for a matching grant.
- 15 **Single beneficiaries with multiple accounts.** Establishes the order and proportional distribution of matching grants among accounts for a single beneficiary.
- 16 **Ownership of matching grant funds.** Provides that HESO owns all matching grants and earnings until distributed to a beneficiary.
- 17 **Inactive accounts.** Requires the program administrator to attempt to locate owners or beneficiaries of inactive accounts without a charge. Deferments on distributions can be granted for up to two years for specified purposes.
- 18 **Forfeiture of matching grants.** Establishes the basis for totally or proportionately forfeiting grants, including:
 - transfer by the owner to another qualified account;
 - receipt of a full scholarship to a military academy or partial post-secondary scholarship;
 - account ownership changes; or
 - nonqualified withdrawal of funds by the owner
- 19 **Account distributions.** Provides for qualified and nonqualified distributions:
 - Qualified distributions for post-secondary expenses can be made to the education institution or payable to both the beneficiary and institution for substantiated, qualified expenses.
 - Nonqualified distributions are made proportionately from contributions and earnings at the request of the owner. Nonqualified withdrawals are subject to a penalty and other requirements of the internal revenue code. Matching grants are reduced proportionate to the nonqualified distribution.
 - Distributions are authorized for the death or disability of a beneficiary or for a beneficiary who receives a scholarship. These distributions are made upon request and certification of the reason, with third party confirmation.
- 20 **Revisor's instruction.** Directs the revisor to recode Edvest statutes in a separate statutory chapter.