

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Stang for the committee

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**Analyst:** Kathy Novak 651-296-9253

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#### Article 1 Overview

Article 1 makes biennial appropriations to the higher education services office (HESO), the Minnesota state colleges and universities (MnSCU), the university of Minnesota, and the Mayo medical foundation.

- 1 1 **Appropriations.** Summarizes the appropriations in the bill. Total appropriations are \$2.6 billion for the biennium ending June 30, 2005 distributed:
  - ▶ \$369,836,000 to the higher education services office (HESO)
  - ▶ \$1,121,575,000 to the Minnesota state colleges and universities (MnSCU)
  - ▶ \$1,108,665,000 to the University of Minnesota
  - ▶ \$2,950,000 to the Mayo Medical Foundation
- 2 **Higher education services office.** Appropriates \$177,102,000 the first year and \$192,734,000 the second year for the following purposes:
  - ▶ **State grants.** Appropriates \$142,675,000 the first year and \$158,307,000 the second year for financial aid. Permits HESO to use money from either year in if the funding in one year is insufficient. Sets maximums for each year at \$8,983 for four-year tuition and fees, \$6,913 for two-year tuition and fees, and \$5,405 for living and miscellaneous allowance. Includes funding for peace

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officer survivor grants.

- ▶ **Other financial aid.** Appropriates \$3.6 million each year for tuition reciprocity with other states with authority to use money from either year, \$12.4 million each year for work-study grants, \$4.7 million each year for child care grants, and \$1.1 million each year for the Minnesota college savings plan.
- ▶ **Library and electronic programs.** Appropriates \$4.4 million year for Minitex, \$450,000 each year for MnLINK with a \$400,000 base in biennium ending in 2007 and a requirement to cancel remaining start-up appropriations at the end of the 2005 biennium, and \$4.8 million each year for the learning network.

Authorizes the office to continue to administer an income contingent loan program for applicants who applied before June 30, 1995. Authorizes the agency to carry balances forward to the second year of the biennium and to transfer balances from the work study, child care grants, and tuition reciprocity to the state grant program.

Requires the office to collect and evaluate data and report monthly to the commissioner of finance and the legislature on the state grant program. The office must update spending projections in July, December, February, and April of each year using the most current information available after consultation with post secondary education, legislative and executive staff and financial aid administrators.

- 3 Board of trustees of the Minnesota state colleges and universities.** Appropriates \$567.4 million in the first year and \$544.2 million in the second year. Appropriations are to support the system and for direct allocation to colleges and universities. The office of the chancellor must reduce expenditures from state appropriations for the office by at least 7.9 percent and reduce appropriations at least in proportion to reductions to colleges and universities. Appropriations are for the following purposes:

- ▶ **Operations and maintenance.** \$564.4 million the first year and \$551.2 million the second year with estimates of instructional and noninstructional costs for each year, prohibits new doctoral programs without legislative approval, requires the continued use of advisory committees at technical and consolidated colleges and authorizes tuition waivers for certain veterans under the statutory authority.
- ▶ **Health education.** Appropriates \$3 million each year to expand health education, especially nursing education.

Requires the board to continue to submit the accountability report required for the current biennium, to publish an internet student manual on course transfers, and increase the percentage of general fund expenditures for direct instruction and academic support.

During the biennium, the board is authorized to sell surplus land under its control, deposit the net proceeds for the benefit of the institution and report to the legislature by January 1, 2006.

- 4 Board of regents of the university of Minnesota.** Appropriates \$552.9 million in the first year and \$555.7 million in the second year for the following purposes:

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- ▶ **Operations and maintenance.** Appropriates \$486.3 million the first year and \$489.1 million the second year with an estimate of instructional and noninstructional costs for each year.
- ▶ **Health care access fund.** Appropriates \$2.16 million each year from the health care access fund for primary care education initiatives.
- ▶ **Special appropriations.** Makes appropriations for the agriculture and extension service (\$51.5 million each year) with a requirement to support the raid agricultural response fund and sustainable agriculture, for counties to maintain a level of effort for salaries for extension personnel, and for an advisory council for each experiment station. Appropriates \$5.0 million each year for health sciences, \$1.4 million each year for the institute of technology for the geological survey and the talented youth mathematics program, and \$6.5 million each year for other named purposes.
- ▶ **Academic health center.** Estimates the appropriation to the academic health center from the dedicated portion of the tax on cigarettes, if enacted, to be \$22.5 million in the first year and \$22.4 million in the second year.

Requires the University to submit the same accountability report required in the current biennium or a comparable report.

**5 Mayo medical foundation.** Appropriates \$1.5 million each year for the following purposes:

- ▶ **Medical school.** Appropriates \$545,000 each year for a capitation rate of \$14,405 for Minnesota resident students with authority to transfer appropriations between years and direction to increase the number of rural physicians.
- ▶ **Family practice and graduate residency program.** \$563,000 each year for an annual capitation rate of \$22,313 for 26 residents and one resident at \$44,627 for one resident.
- ▶ **St. Cloud hospital-Mayo family practice residency program.** Appropriates \$367,000 each year to prepare 12 residents each year to practice in rural areas.

## Article 2

### Overview

This article makes changes to the programs of the higher education services office (HESO), establishes limits and deadlines for the state grant program, and increases revenue bonding authority for the SELF loan program and the higher education facilities authority. It also makes changes to authority of board of trustees of the Minnesota state colleges and universities (MnSCU) in certain employee benefits, purchasing and property management. It provides a statutory appropriation to the university of Minnesota academic health center of a portion of the tax on cigarettes.

**1 1 Repeal of expiration date.** The statutory subdivision providing for the expiration of the Minnesota agriculture education leadership council (Minn. Stat. 2002, § 41D.01, subd. 4) is

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amended to extend the council to June 30, 2008.

- 2 2 **Taconite lease revenue.** Repeals the temporary deposit of money from mineral leases into a special account. The transfer of money from this account to the general fund and the grant authority for the Coleraine laboratory is repealed in section 54.
- 3 **Postservice benefit; youth works.** Technical change repealing the requirement for HESO to maintain an account for postservice benefits for the youth works program. Money in the account canceled to the general fund after the time lapsed for participants to use the benefits.
- 4 **Meningitis information.** Requires each post secondary institution in Minnesota to provide information on meningitis to every new student living in campus housing. The information may be provided electronically and must include information on the availability and effectiveness of any vaccine. The institution must consult with the health department on the meningitis information provided to students. This requirement is effective June 1, 2003.
- 5 **Penalties for rioting.** Provides penalties for post secondary students convicted of riot under Minnesota's criminal code. A convicted student loses eligibility for state financial aid through the Minnesota state grant program and must pay the highest applicable tuition rate to attend a public post secondary institution for enrollment following conviction.
- 6 **Executive officers; employees.** Renames the office "the office of higher education" and requires the governor to appoint the office director with the advice and consent of the senate. Provides that the office is under the administrative control of the director and the director's salary is established according to law.
- 7 **Higher education advisory council.** Changes the composition and responsibilities of the existing council. The council membership is increased from nine members (two from the University of Minnesota, four from MnSCU, two from organizations of private institutions and the commissioner of children, families and learning) to 15 members (one from the University of Minnesota, one from MnSCU, two from organizations of private institutions, the commissioner of children, families and learning, the HESO director, three citizens, and six students). The governor appoints the citizens and student members. Citizens serve five-year terms and students serve two-year terms. The bill makes the council advisory to the governor. In current law, the council reviews, comments, and advises a citizen board that is repealed in section 58.
- 8 **Expiration.** Sunsets the HEAC advisory council in section 5 on June 30, 2005.
- 9 **Wisconsin; tuition reciprocity.** Decouples two reciprocity programs between Minnesota and Wisconsin, tuition reciprocity for Minnesota and Wisconsin students and income tax reciprocity for Minnesota and Wisconsin residents.
- 10 **Assigned family responsibility.** Technical change to the state grant program eliminating obsolete dates.
- 11 **Cost of attendance.** Clarifies that the tuition and fee maximum for the state grant program applies to both public and private post secondary institutions.
- 12 **Insufficient appropriation.** Provides HESO with authority to manage state grant awards so that they are within the available appropriations. HESO can determine that an insufficiency exists at any time and must prorate summer awards, add a surcharge to family responsibility and a percentage to student responsibility. Credits in a summer term with a prorated grant award don't count against enrollment limits. The office is also authorized to set cut off dates.
- 13 **Awards; state grant.** Reduces the time period for eligibility for a state grant award from ten semesters of prior enrollment to a maximum of eight semesters of prior enrollment. Limits eligibility for awards for students in two-year programs to the two-year tuition and fee maximum for two-year institutions.

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- 14 Full-year grants.** Requires a Pell grant to be subtracted in the calculation of a grant award for each term even if the student has used up the entire Pell grant.
- 15 Deadline.** Establishes deadlines for applying for grant awards for first and second semesters at October 15 and February 15 respectively. Students may not receive retroactive funding for an entire academic year.
- 16 Use of state grant savings.** Updates the Pell grant reference to the federally authorized level of \$4,050. Under current law, any savings over this level must increase the living and miscellaneous allowance.
- 17 Eligible students; childcare.** Sets the eligibility for childcare grants at eight semesters the same as the state grant program under section 13.
- 18 Revenue bonds; issuance; proceeds; SELF loans.** Increases the cap on the revenue bond authority for the student educational loan fund (SELF) from \$550 million to \$850 million. HESO uses money from the sale of revenue bonds to make loans to students.
- 19 Bonding authority; higher education finance authority.** Increases the aggregate bonding authority of the higher education finance authority from \$650 million to \$800 million. Revenue bonds may be issued under this authority to acquire, construct, remodel, renovate, furnish, or improve projects at nonprofit higher education institutions. Two-year public colleges may be considered for the financing of childcare and parking facilities. This bond cap was last increased in 2000 from \$500 million to \$650 million.
- 20 Fees; registration private institutions.** Establishes, in statute, the fees for the registration program for private post secondary institutions. The initial registration fee is increased to \$1,100 from \$550. The renewal fee is increased to \$950 from \$400.
- 21 Fond du Lac Campus; baccalaureate program.** Provides that Fond du Lac's mission should support its federal land grant status. Authorizes Fond du Lac to offer a baccalaureate program in elementary education as approved by the governing boards of MnSCU and the college and in furtherance of its unique missions. Provides for the representation of faculty teaching upper division courses.
- 22 Contracts.** Authorizes MnSCU, in statute, to include a deferred compensation plan under federal law in a contract with the chancellor, vice-chancellor, or institution president. This provision is in the approved MnSCU personnel plan for administrators.
- 23 Purchase; deferred compensation.** Provides a broader array of statutory deferred compensation investment options for MnSCU employees, consistent with federal law and options currently being offered to employees. Authorizes HESO employees to participate in the deferred compensation offerings.
- 24 Deposits; payment.** Conforming technical changes.
- 25 Authority for purchases and contracts.** Authorizes the MnSCU board of trustees to use any of the state or local contracting and purchasing authority in state law.
- 26 Policies and procedures.** Requires the MnSCU board of trustees to develop purchasing and contracting policies that are consistent with the expanded authority granted under section 22. Makes a technical change from "system" office to office of "the chancellor."
- 27 Office of technology.** Repeals a redundant requirement for MnSCU and the campuses to consult with the office of technology on technology system plans to ensure compatibility with other state technology systems.
- 28 Easements.** Clarifies the authority of the MnSCU board of trustees to grant easements over land under its jurisdiction. Authorizes revocable easements and provides a process for revocation that is similar to the state's authority and process under chapter 16B to grant revocable easements for roads and utilities.

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- 29**      **Acceptance of federal money.** Gives the MnSCU board of trustees the authority to accept money from the federal government for the improvement of university or college property consistent with the requirements of federal law. Both the commissioner of administration and the University of Minnesota have this authority under Minnesota Statutes, chapters 16B and 137.
- 30**      **Plan established; Minnesota college savings plan.** Technical change conforming to the name change in federal law that eliminates the word "state." Sections 27 to 47 make changes to the Minnesota savings plan under section 529 of the Internal Revenue code.
- 31**      **Application.** Defines "application" to be the form completed by prospective account owners that incorporates the participation agreement.
- 32**      **Minor trust account.** Defines "minor trust account" for the college savings plan as an account under the uniform gift to minors or uniform transfers to minors acts or a legal trust instrument with a minor as a beneficiary.
- 33**      **Rollover distribution.** Limits rollover distributions to once every 12 months without a change in beneficiary.
- 34**      **Plan to comply with federal law.** Technical change conforming to the name change in federal law.
- 35**      **Nonqualified distributions and matching grants.** Repeals the requirement for minimum penalties consistent with the repeal in federal law. Clarifies that matching grant funds cannot be withdrawn for a nonqualified purpose but must be returned to the plan.
- 36**      **Data.** Clarifies that certain data is nonpublic data under Minnesota law.
- 37**      **Contributions to an account.** Adds clarification on acceptable methods of contributing to an account, based on federal and state law and approval by the plan administrator.
- 38**      **Authority of account owner.** Adds minor trust accounts, as an exception to account restrictions on changing beneficiaries or requesting distributions.
- 39**      **Change of beneficiary.** Adds minor trust accounts, as an exception to account procedures for changing beneficiaries.
- 40**      **Change of account ownership.** Adds minor trust accounts as an exception to procedures for changing account ownership.
- 41**      **Maximum account balance limit.** Repeals obsolete requirements. Makes technical change conforming to the name change in federal law. Maintains the same maximum account limit for the next biennium as the current biennium.
- 42**      **Excess contributions and balances.** Repeals the requirement for penalties consistent with federal law.
- 43**      **Matching grant.** Changes the payment date for state matching grants to June 30 from March 1.
- 44**      **Family income.** Changes the definition of family income so the time period for measuring income corresponds to the calendar year in which the contributions to the savings account were made.
- 45**      **Residency requirement.** Changes the time period for income tax returns used to determine residency so it corresponds to the calendar year in which the contributions to the savings account were made. Also makes technical and clarifying changes.
- 46**      **Annual application; matching grant.** Changes the application date for a matching grant to May 1 of the year of the award. Under current law application must be made by December 31 of the year preceding the award.
- 47**      **Forfeiture of matching grants.** Technical changes conforming to the name change in federal law.

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- 48**      **Qualified distribution methods.** Repeals obsolete language.
- 49**      **Nonqualified distribution.** Eliminates requirements for penalties consistent with federal law. Instead of penalties, account earnings in a nonqualified distribution are subject to an additional tax.
- 50**      **Minor trust accounts.** Provides for minor trust account investments in the college savings plan. Except through a court order, the account owner can only be changed to a successor custodian or the beneficiary. The beneficiary of the account cannot be changed and the assets become part of the estate if the beneficiary dies. Any nonqualified distribution must be used to benefit the beneficiary.
- 51**      **Membership; regent candidate advisory council.** Adds two student members to the council that advises the legislature on regent candidates. Requires the senate and the house to each appoint a University of Minnesota student as one of their 12 appointments to the advisory council. Student members serve two-year terms and must be enrolled in degree programs at the university when they are appointed. Other council members serve six-year terms.
- 52**      **Appropriations; academic health center.** Makes a statutory appropriation to the board of regents for the academic health center of money deposited from a portion of the tax on cigarettes into a special revenue fund.
- 53**      **Award amount; public safety officers' survivors grants.** Makes a single tuition cap for educational grant award, consistent with the single cap for the state grant program.
- 54**      **Learn and earn; program incentives.** Authorizes HESO to maintain an account for continuing benefits of participants of the learn and earn program which was repealed in 2001. Under the terms of the program, participants have a right to access post secondary benefits for ten years.
- 55**      **Optional student fees.** Defines "optional student fee" and requires MnSCU and requests the university of Minnesota to collect fees that fund student groups on an opt-in basis. Students must be provided with a description of each student group's mission or focus.
- 56**      **Revisor's instruction.** Directs the revisor to change the name to "office of higher education" in Minnesota Statutes and Rules.
- 57**      **Survey of education faculty.** Requires MnSCU to survey its education faculty to determine which faculty are licensed to teach, if they are licensed and when they last taught at the grade level they're offering instruction.
- 58**      **Repealer.** Repeals the following provisions:
- ▶ § 15A.081, authorizing the higher education services council to set the director's salary;
  - ▶ § 17.985, passing on the farm center at southwest state university;
  - ▶ § 93.223, subdivision 2, and § 93.2235, subdivision 2, deposit and use of university mineral funds for the Coleraine laboratory;
  - ▶ § 124D.95, summer scholarship program for secondary students;
  - ▶ §§ 136A.011, 136A.031, subdivisions 1, 3 and 4, and 136A.07, current organizational, advisory and reporting structure of the higher education services council, the student advisory council and HESO's requirement to report to the governor and legislature;
  - ▶ § 136A.124, the merit-base AP IB grant;
  - ▶ § 136F.13, obsolete metropolitan state university language;
  - ▶ § 136F.56, the state council on vocational technical education which no longer

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exists;

- ▶ § 136F.582, authority to enter into contracts for customized training or space leases;
- ▶ § 136F.59, subdivision 2, authority to sell computers and other equipment to staff and students and the requirement to contract for equipment support services; and
- ▶ § 136G.03, subdivision 25, the definition of penalty in the college savings program.

**59**      **Effective date.** Makes certain Article 2 provisions (expiration of the Minnesota agriculture education leadership council, the requirement for meningitis information, and MnSCU changes) effective the day following final enactment.