

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Pelowski

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**Analyst:** Matt Gehring, 651-296-5052

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### Overview

This bill appropriates funds to the Office of Higher Education, the Minnesota State Colleges and Universities, the University of Minnesota, and the Mayo Clinic.

Among other items, the bill prohibits the Board of Trustees of the Minnesota State Colleges and Universities from setting tuition rates during the biennium at a rate higher than that charged in 2012-2013 and withholds release of funds to the University of Minnesota until the Board of Regents certifies that it has adopted a similar policy related to resident undergraduate students.

The bill also expands reporting requirements for the University of Minnesota and MnSCU, regulates bonus and other incentive payments in employment contracts, establishes a system of funding for the Minnesota Discovery, Research, and Innovation Economy (MnDRIVE) program, repeals the Higher Education Advisory Council, requires establishment of a statewide electronic infrastructure for academic and workforce success, and makes a number of other miscellaneous policy changes.

### Article 1: Higher Education Appropriations

This article appropriates funds in fiscal years 2014 and 2015 for higher education.

**Section**

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- 1**      **Summary of appropriations.** Summarizes appropriations for the biennium ending June 30, 2015. Total appropriations of approximately \$2.72 billion consist of \$2.715 billion from the general fund and \$4.3 million from the health care access fund.
- 2**      **Higher education appropriations.** Specifies that appropriations contained in the bill are for fiscal years 2014 (first year) and 2015 (second year).
- 3**      **Minnesota Office of Higher Education.** Appropriates \$195.97 million in fiscal year 2014 and \$196.2 million in fiscal year 2015 from the general fund to the Office of Higher Education, as described below.

- **State Grants** at \$160 million in FY 2014 and \$160.2 million in FY 2015, and sets the tuition maximum for students in four-year programs at \$10,488. For students in two-year programs, the tuition maximum is \$5,808. The living and miscellaneous expense allowance is \$7,000 each year.

The appropriation also includes funding to temporarily decrease the assigned family responsibility (AFR) for independent students. For independent students without dependents other than a spouse, the AFR is 53 percent of the student contribution. For independent students with dependents other than a spouse, the AFR is 80 percent of the student contribution.

- **Child Care Grants** at \$6.68 million per year.
- **State Work-Study** at \$14.5 million per year.
- **Interstate Tuition Reciprocity** at \$3.25 million per year, with transfer authority between years if necessary.
- **Safety Officer's Survivor Grants** at \$100,000 per year, with transfer authority between years, if necessary.
- **Indian Scholarships** at \$1.85 million per year, with a requirement that at least one person with demonstrated competence in American Indian culture and who lives in or near Bemidji be employed to assist students with the American Indian scholarship and other financial aid programs at Bemidji State University.
- **Intervention for College Attendance Program Grants** at \$671,000 per year, which includes funding to administer the program grants.
- **Student-Parent Information** at \$122,000 per year.
- **Get Ready** at \$180,000 per year.
- **Midwest Higher Education Compact** at \$95,000 per year.

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- **Minnesota Minority Partnership** at \$45,000 per year.
- **United Family Medicine Residency Program** at \$351,000 per year.
- **MnLINK Gateway and Minitex** at \$5.6 million per year.
- **Agency Administration** at \$2.49 million per year.

This section allows any balances in the first year to carry forward to the second year.

- 4 Board of Trustees of the Minnesota State Colleges and Universities.** Appropriates approximately \$570.87 million in FY 2014 and \$597.87 million in FY 2015 from the general fund, as described below.

- **Central Office and Shared Services Unit** at \$33.07 million per year.
- **Operations and Maintenance** at \$533.68 million in FY 2014 and \$560.68 million in FY 2015. Of this appropriation, \$25.5 million in FY 2014 and \$52.5 million in FY 2015 is for **student tuition relief**.

For the biennium, the Board of Trustees is prohibited from setting tuition rates for any degree granting program at a rate greater than that charged in the 2012-2013 academic year, and the tuition relief may not be offset by increases in mandatory fees, charges, or other assessments to the student.

To the extent the operations and maintenance appropriation is insufficient to meet labor or program contract obligations, the Board of Trustees is required to meet those obligations through reductions in central administration and executive administration on campuses, or through reallocation of nonstate funds. Outstanding obligations may be not be funded through reduction in programs or services that directly impact students, or which are newly authorized in this bill, or through increased fees or costs directly assessed to students.

- **Learning Network of Minnesota** at \$4.12 million per year.

- 5 Board of Regents of the University of Minnesota.** Appropriates approximately \$570.83 in FY 2014 and \$585.03 million in FY 2015 from the general fund, and \$2.16 million in each year from the health care access fund, as described below.

- **Operations and Maintenance** at \$507.08 million in FY 2014 and \$521.28 million in FY 2015. Of this appropriation:

--\$14.2 million in FY 2014 and \$28.4 million in FY 2015 are for **tuition relief** for resident undergraduate students. The commissioner of management and budget is prohibited from releasing funds appropriated under this subdivision until the Board of Regents has certified that it has established resident tuition rates for courses in all undergraduate degree-granting programs at no greater than the rate charged during the 2012-2013 academic year, and that the tuition relief is not offset by increases in

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mandatory fees, charges, or other assessments to the student.

--\$645,000 in each year must be transferred to the **Hennepin County Medical Center** for graduate family medicine education programs.

--\$9 million in each year is for the **Minnesota Discovery, Research, and InnoVation Economy funding program (MnDRIVE)**.

- **Primary Care Education Initiatives** at \$2.16 million per year from the health care access fund.
- **Special Appropriations**, as follows:
  - Agricultural and Extension Service** at \$42.92 million per year for a number of specified purposes described in the bill, with a required report to the legislature on the status and outcomes of research funded by this appropriation.
  - Health Sciences** at \$4.85 million per year. Of this appropriation, \$346,000 per year is to support up to 12 resident physicians at the St. Cloud Hospital family practice residency program. The remainder of the appropriation is for the rural physicians associates program, the Veterinary Diagnostic Laboratory, health sciences research, dental care, and the Biomedical Engineering Center.
  - Institute of Technology** at \$1.14 million per year for the Geological Survey and the talented youth mathematics program.
  - System Special** at \$5.18 million per year for general research, the Labor Education Service, Natural Resources Research Institute, Center for Urban and Regional Affairs, Bell Museum of Natural History, and the Humphrey exhibit. \$125,000 in each year is added to the base for the Labor Education Service.
  - University of Minnesota and Mayo Foundation Partnership** at \$7.49 million per year.
- The **Academic Health Center** is estimated to receive funding of \$22.25 million each year from the dedication of a portion of cigarette taxes.

**6 Mayo Clinic.** Appropriates approximately \$1.35 million in each year from the general fund, as described below.

- **Medical School**, at \$665,000 per year.
- **Family Practice and Graduate Residency Program**, at \$686,000 per year.

### **Article 2: Higher Education Policy**

This article expands reporting requirements for the University of Minnesota and MnSCU, regulates bonus and other incentive payments in employment contracts,

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establishes a system of funding for the Minnesota Discovery, Research, and InnoVation Economy (MnDRIVE) program, repeals the Higher Education Advisory Council, requires establishment of a statewide electronic infrastructure for academic and workforce success, and makes a number of other miscellaneous policy changes.

**1**      **Reports.** Expands and streamlines financial reporting requirements for the University of Minnesota and MnSCU.

As part of their biennial budget request, each system would newly be required to submit (1) a five-year history of systemwide expenditures reported by functional area and objects of expenditure; (2) a five-year history of the system's total instructional expenditures per full-year equivalent student; and (3) a five-year history of the system's total revenues by source.

The systems are required to work with the commissioner of management and budget and the office of higher education to develop consistent reporting practices. The systems are also required to develop the ability to respond to legislative requests for financial analyses more detailed than that required by this section.

**2**      **Independent student.** Clarifies an existing citation to federal law in the definition of "independent student" for purposes of state grant and scholarship programs.

**3**      **Institution termination.** Codifies existing administrative rules related to termination of an institution's eligibility to participate in state student financial aid programs. The standards for termination are as provided in the existing rules with new allowances for termination in the following circumstances:

- the institution has a consistent pattern of noncompliance with Minnesota laws, rules, or administrative policies related to student aid programs, or lacks the capacity to administer the programs on campus based on a number of listed factors
- the institution misappropriates student aid funds
- the institution falsifies information or engages in misleading or deceptive practices related to administration of student aid programs
- the institution no longer meets the requirements for participation in the student aid programs in current law or rule
- the institution is terminated from participation in federal financial aid programs by the U.S. Department of Education due to noncompliance with the laws, regulations, and agreements governing participation in those programs.

**4**      **Termination procedure.** Codifies existing administrative rules related to the procedure for terminating an institution's participation in state student aid programs.

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- 5 **Request for hearing.** Codifies existing administrative rules allowing an institution to request an administrative hearing related to its termination from participation in state student aid programs.
- 6 **Restriction on awards during termination period.** Permits the Office of Higher Education to withhold further financial aid disbursements to institutions subject to termination from participation in state student programs and provides requirements for use of funds currently held by the institution for financial aid purposes.
- 7 **Final decision; orders.** Codifies existing administrative rules related to the time that a final decision is made when a termination order is appealed to an administrative law judge.
- 8 **Reinstatement of eligibility.** Codifies existing administrative rules related to the procedure for reinstatement of an institution's eligibility to participate in state student aid programs.
- 9 **Reinstatement requirements.** Codifies existing administrative rules that establish the requirements for an institution to be reinstated into participation in the state student aid programs, with two new criteria: the institution must allow the Office of Higher Education to conduct a reinstatement audit; and the institution must be eligible to participate in federal financial aid programs.
- 10 **Response to reinstatement request.** Codifies existing administrative rules related to an institution's request for reinstatement into participation in the state student aid programs, with a new authorization for the Office of Higher Education to place an institution on probationary status.
- 11 **Probationary period.** Establishes standards and requirements for an institution subject to probationary reinstatement into state student aid programs.
- 12 **Reinstatement.** Requires reinstatement of an institution into participation in state student aid programs if the institution successfully completes a probationary reinstatement period and is otherwise eligible to participate in the programs.
- 13 **Student awards after termination.** Codifies existing administrative rules related to disbursement of student aid funds when an institution is terminated from participation in state student aid programs, and clarifies the application of SELF loans related to these disbursements.
- 14 **Eligible student.** Provides that a student who withdraws from enrollment due to a major illness is entitled to an additional semester of eligibility for a child care grant.  
  
This section only applies to withdrawals where the student is under the care of a medical professional and the illness substantially limits the student's ability to complete the academic term.
- 15 **Amount and length of grants.** Increases the maximum child care grant award from \$2,600 to \$2,800 per academic year.
- 16 **Definitions.** Clarifies an existing citation to federal law in the definition of "independent

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student” for purposes of state work-study programs.

- 17**     **Additional security.** Establishes procedures for cancellation of a required surety bond in cases where a bond is required because a registered institution has fallen below specified financial standards required for participation in federal financial aid programs.

To operate within the state, all private institutions, and in some circumstances out-of-state public institutions operating within the state, are required to register with the Office of Higher Education.

- 18**     **Disapproval of registration appeal.** Clarifies the right of a school to appeal an order of the Office of Higher Education related to a school’s registration, approved degrees, or use of a term in the school’s name. Appeals of these orders are permitted as provided in the Administrative Procedures Act.

If an operating school has its registration revoked, it may continue to operate until a final determination is made in the appeal, unless otherwise ordered by the court.

- 19**     **Free educational courses.** Exempts schools that provide exclusively free training or instructional programs or courses where no tuition, fees, or other charges are required for participation from the registration and degree and name approval requirements contained in law.

- 20**     **Statewide electronic infrastructure; portfolio solutions.** Requires the Department of Employment and Economic Development, the Department of Education, the Office of Higher Education, the University of Minnesota, and the Minnesota State Colleges and Universities to collaborate to implement an electronic infrastructure to support academic and workforce success. The infrastructure would use existing tools, including efolioMinnesota and GPS LifePlan.

At a minimum, the efolioMinnesota platform must be enhanced to allow certain portfolio-based solutions. Other details related to implementation and goals of the system are provided in this section.

The director of the Office of Higher Education is required to submit a report to the governor and legislature by January 15 of each year detailing progress related to implementing the electronic infrastructure.

- 21**     **Contracts.** Prohibits a MnSCU contract with an employee from including a provision that authorizes or provides for a discretionary or mandatory bonus or other performance-based incentive payment.

This section would apply to contracts entered into on or after the day following final enactment.

- 22**     **Appropriation; fringe benefits.** Provides that direct appropriations to the University of Minnesota do not include, and may not be used to pay, any mandatory or discretionary bonus or other performance-based incentive payment provided for in an employment contract with certain specified administrators.

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- 23 Minnesota Discovery, Research, and Innovation Economy (MnDRIVE) funding program.** Establishes the MnDRIVE scientific research funding program in statute and provides a mechanism for funding requests.

The Board of Regents is requested to submit investment proposals consistent with the goals and objectives of the program to the legislature for consideration. The governor is required to submit a recommendation regarding MnDRIVE funding requests to the legislature.

An accountability report must be submitted to the chairs and ranking minority members of the legislative committees with oversight over higher education policy and finance by March 1 of each odd-numbered year.

- 24 Exemptions.** Exempts schools that provide exclusively free training or instructional programs or courses where no tuition, fees, or other charges are required for participation from the licensure requirements contained in law.

- 25 Renewal (Public Safety Officer Survivor Benefit).** Provides that a student who withdraws from enrollment due to a major illness is entitled to an additional semester of eligibility for a public safety officer survivor benefit.

This section only applies to withdrawals where the student is under the care of a medical professional and the illness substantially limits the student's ability to complete the academic term.

- 26 Repealer.** Repeals statutes and rules, as follows:

Paragraph (a) repeals the Higher Education Advisory Council.

Paragraph (b) repeals a number of administrative rules related to termination of an institution from state aid eligibility. These rules are largely recodified into statute in earlier sections of this bill.