

House Research Act Summary

CHAPTER: 133

SESSION: 2003 Regular Session

TOPIC: Higher Education Finance

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Overview

This act provides funding for the higher education services office, the Minnesota state colleges and universities, and the University of Minnesota.

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- 1 Appropriations.** Summarizes the appropriations in the bill. Total appropriations are \$2.6 billion for the biennium ending June 30, 2005, distributed:
 - ▶ \$350,004,000 to the higher education services office (HESO)
 - ▶ \$1,108,575,000 to the Minnesota state colleges and universities (MnSCU)
 - ▶ \$1,101,665,000 to the University of Minnesota
 - ▶ \$2,782,000 to the Mayo Medical Foundation
- 2 Higher education services office.** Appropriates \$175,002,000 each year for the following purposes:
 - ▶ **State grants.** Appropriates \$140,575,000 the each year for financial aid. Sets tuition and fee caps at the same level as in fiscal year 2003: \$8,983 for four-year institutions, \$6,913 for two-year institutions. Sets the living and miscellaneous allowance at fiscal year 2003 level of \$5,405. Includes funding for peace 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 and authority to transfer unencumbered funds to the state grant program. Appropriates \$12.4 million each year for work-study grants, \$4.7 million

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each year for child care grants, and \$1.1 million each year for the Minnesota college savings plan with no authority to transfer to the state grant program.

- ▶ **Library and electronic programs.** Appropriates \$4.4 million year for Minitex, \$450,000 each year for MnLINK with a \$400,000 base in the biennium ending in 2007 and a requirement to cancel remaining start-up appropriations at the end of the 2005 biennium. Appropriates \$4.8 million each year for the learning network.
- ▶ Specifies annual expenditures for programs administered by HESO (\$125,000 for student and parent information, \$184,000 for Get Ready, and \$255,000 for college intervention programs.)

Authorizes the office to continue to administer an income contingent loan program for applicants who applied before June 30, 1995.

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. Requires HESO to report on state grant changes made in this act by January 15, 2004 and November 30, 2004.

- 3 Board of trustees of the Minnesota state colleges and universities.** Appropriates \$560.9 million in the first year and \$547.7 million in the second year. Appropriations are to support the system and for direct allocation to colleges and universities. Appropriations are for the following purposes:

- ▶ **Estimated expenditures.** Provides 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 provides money for talented youth mathematics program at Minnesota State University, Mankato. Requires MnSCU to continue to use instructional advisory committees and to increase the percentage of general fund expenditures for direct instruction and academic support.
- ▶ **Accountability.** Requires the board to continue to submit the information in the accountability report required for the current biennium. Defines first generation student as a student whose parents did not receive any postsecondary education.

- 4 Board of regents of the university of Minnesota.** Appropriates \$549.4 million in the first year and \$552.2 million in the second year for the following purposes:

- ▶ **Operations and maintenance.** Appropriates \$483.9 million the first year and \$486.7 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

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health care access fund for primary care education initiatives.

- ▶ **Special appropriations.** Makes appropriations for the agriculture and extension service (\$50.6 million each year) with requirements to support the rapid 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 \$4.9 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 \$6.4 million each year for other named purposes.
- ▶ **Accountability.** Requires the University to continue submit the information in the accountability report required in the current biennium as part of the University Plan, Performance and Accountability report. Defines first generation student as a student whose parents did not receive any postsecondary education.

5 Mayo medical foundation. Appropriates \$1.4 million each year for the following purposes:

- ▶ **Medical school.** Appropriates \$514,000 each year for an unspecified capitation rate for Minnesota resident students with the authority to transfer appropriations between years and a directive to increase the number of rural physicians.
- ▶ **Family practice and graduate residency program.** Appropriates \$531,000 each year for an unspecified annual capitation rate for 27 residents each year.
- ▶ **St. Cloud hospital-Mayo family practice residency program.** Appropriates \$346,000 each year to prepare 12 residents to practice in rural areas.

6 Self loan reserve fund transfer. Requires HESO to transfer \$30 million from the student loan fund to the general fund by the end of fiscal year 2003. The amount of the transfer is paid back from the general fund to the loan fund by the June 30, 2007. This section is effective upon enactment. H.F. 3 in the 2003 first special session voids this provision and makes a \$30 million transfer with no requirement for repayment.

7 Postsecondary systems report. Requires MnSCU and the U of M to report on progress under the master academic plan for the metropolitan area as part of their biennial budget requests.

8 K-12 teacher instruction and licensure survey. Requests the Minnesota Association of Colleges of Teacher Education to collect data to measure the involvement of teacher education programs and faculty with Minnesota K-12 schools and to present findings to the legislature by February 15, 2004.

Article 2: Policy Changes

1 Expiration date. The statutory subdivision providing for the expiration of the

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Minnesota agriculture education leadership council (Minn. Stat. 2002, § 41D.01, subdivision 4) is amended to extend the council to June 30, 2008.

- 2 **Meningitis information.** Requires each postsecondary institution in Minnesota to provide information on meningitis to all new students 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.
- 3 **Creation; higher education services office.** Requires the governor to appoint the office director with the advice and consent of the senate. The director serves at the pleasure of the governor. This section is effective when a vacancy occurs in the office or December 30, 2003, whichever is first.
- 4 **Duties; higher education services council.** Eliminates the council's authority to appoint the director.
- 5 **Executive officers; employees.** Provides that the office is under the administrative control of the director and the director's salary is established according to law.
- 6 **Higher education advisory council.** Adds a gubernatorial appointee to the advisory council and authorizes the President of the University of Minnesota and the Chancellor of MnSCU to appoint a designee to attend council meetings.
- 7 **Expiration.** Extends the sunset for the HESO advisory groups to June 30, 2005.
- 8 **Assigned family responsibility; state grant program.** Eliminates the \$25,000 asset disregard for eligibility for the state grant program. Technical changes to eliminate obsolete dates and to specify percentages.
- 9 **Cost of attendance.** Replaces actual tuition and fees with average tuition and fees in the calculation of the amount of the state grant award. Clarifies that the tuition and fee maximums for the state grant program apply to both public and private post secondary institutions. Defines fees as mandatory fees charged to full-time resident students. Makes technical changes to be consistent with the use of average tuition and fees. Eliminates an obsolete provision on tuition and fee maximums for certain two-year private residential colleges.
- 10 **Insufficient appropriation.** Provides HESO with authority to manage state grant awards so expenditures are within the available appropriations. When HESO determines that an insufficiency exists, awards must be prorated by an additional surcharge to family responsibility and an additional percentage added to the student responsibility. The dollar amount reduced by each method must be equal.
- 11 **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 in law.
- 12 **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.
- 13 **Deadline.** Establishes rolling deadlines for applying for a state grant award. A student must apply within 14 days after the start of a term to receive financial aid for that term.
- 14 **Eligible students; childcare.** Sets the eligibility for childcare grants at eight semesters, the same as the state grant program under section 11.
- 15 **Amount and length of grants.** Reduces the child care grant maximum to \$2,200 from \$2,600 per academic year.

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- 16 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.
- 17 Fees; registration private institutions.** Establishes, in statute, the fees for registering private post secondary institutions. The initial registration fee is increased to \$1,100 from \$550. The renewal fee is increased to \$950 from \$400.
- 18 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.
- 19 Endowed chair account.** Adds endowed professorships to the requirements for funding endowed chairs through the permanent university fund.
- 20 Health professional education budget plan.** Eliminates reference to the repealed medical education endowment plan.
- 21 Repealer.** Repeals the following provisions:
- ▶ § 15A.081, authorizing the higher education services council to set the director’s salary;
 - ▶ § 124D.95, summer scholarship program for secondary students;
 - ▶ § 136A.1211, use of Pell grant savings;
 - ▶ § 136A.122, Akita campus grants.
 - ▶ § 136A.124, the merit-base AP IB grant.

Article 3: HESO Housekeeping

- 1 Postservice benefit; youth works.** Technical change repealing the requirement for HESO to maintain an account for postservice benefits for the youth works program. The account balanced canceled to the general fund after the time lapsed for participants to use their benefits.
- 2 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.
- 3 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.
- 4 Plan established; Minnesota college savings plan.** Technical change conforming to the name change in federal law that eliminates the word “state.”
- 5 Application.** Defines “application” to be the form completed by prospective account owners that incorporates the participation agreement.
- 6 Minor trust account.** Defines “minor trust account” for the college savings plan as an

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account under the uniform gift to minors or uniform transfers to minors acts or a legal trust instrument with a minor as a beneficiary.

- 7 **Rollover distribution.** Limits rollover distributions to once every 12 months without a change in beneficiary.
- 8 **Plan to comply with federal law.** Technical change conforming to the name change in federal law.
- 9 **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.
- 10 **Data.** Clarifies that certain data is nonpublic data under Minnesota law.
- 11 **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.
- 12 **Authority of account owner.** Adds minor trust accounts, as an exception to account restrictions on changing beneficiaries or requesting distributions.
- 13 **Change of beneficiary.** Adds minor trust accounts as an exception to account procedures for changing beneficiaries.
- 14 **Change of account ownership.** Adds minor trust accounts as an exception to procedures for changing account ownership.
- 15 **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.
- 16 **Excess contributions and balances.** Repeals the requirement for penalties consistent with federal law.
- 17 **Matching grant.** Changes the payment date for state matching grants to June 30 from March 1 of each year.
- 18 **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.
- 19 **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.
- 20 **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.
- 21 **Forfeiture of matching grants.** Technical changes conforming to the name change in federal law.
- 22 **Qualified distribution methods.** Repeals obsolete language.
- 23 **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.
- 24 **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. If the beneficiary dies, the assets become part of the beneficiary's estate. Any nonqualified distribution must be used to benefit the beneficiary.

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- 25 Membership; regent candidate advisory council.** Changes the composition of the council that advises the legislature on regent candidates by adding two student members. 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.
- 26 Award amount; public safety officers' survivors grants.** Requires the payment of the grant on average tuition and a single tuition cap for educational grant award, consistent with changes to the state grant program.
- 27 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.
- 28 Repealer.** Repeals the following provisions:
- ▶ § 136G.03, subdivision 25, the definition of penalty in the college savings program.

Article 4: MnSCU Administrative Changes

- 1 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.
- 2 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.
- 3 Deposits; payment.** Conforming technical changes.
- 4 Authority for purchases and contracts.** Authorizes the MnSCU board of trustees to use specified state or local contracting and purchasing authority in state law.
- 5 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 2. Makes a technical change from "system" office to office of "the chancellor."
- 6 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.
- 7 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.
- 8 Acceptance of federal money.** Authorizes the board of trustees to accept federal money for the improvement of property under their control.
- 9 Repealer.** Repeals the following provisions:
- ▶ § 136F.13, obsolete metropolitan state university language;
 - ▶ § 136F.56, the state council on vocational technical education which no

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longer 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.