

Senators Pappas and Larson introduced--

S.F. No. 2876: Referred to the Committee on Finance.

A bill for an act

relating to higher education; regulating the charging of resident tuition; proposing coding for new law in Minnesota Statutes, chapter 135A.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [135A.043] RESIDENT TUITION.

(a) A student shall qualify for a resident tuition rate or its equivalent at state universities and colleges, including the University of Minnesota, if the student meets all of the following requirements:

(1) high school attendance within the state for three or more years;

(2) graduation from a state high school or attainment within the state of the equivalent of high school graduation; and

(3) registration as an entering student at, or current enrollment in, a public institution of higher education.

(b) This section is in addition to any other statute, rule, or higher education institution regulation or policy providing eligibility for a resident tuition rate or its equivalent to a student.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to tuition for school terms commencing on or after that date.

1.1 Senator ..... moves to amend S.F. No. 2876 as follows:

1.2 Page 1, after line 16, insert:

1.3 "(c) To qualify for resident tuition under this section an individual who is not a  
1.4 citizen or permanent resident of the United States must provide the college or university  
1.5 with an affidavit that the individual will file an application to become a permanent resident  
1.6 at the earliest opportunity the individual is eligible to do so."

## A bill for an act

1.2 relating to the military; requiring leaves of absence for the immediate family  
1.3 members of a seriously injured or killed member of the armed forces; requiring  
1.4 leaves for immediate family members to attend military ceremonies; providing  
1.5 for and funding certain programs benefiting veterans; creating an individual  
1.6 income tax subtraction for military pensions; requiring higher education  
1.7 veterans assistance offices; requiring educational fairness; appropriating money;  
1.8 amending Minnesota Statutes 2005 Supplement, sections 192.502, by adding  
1.9 subdivisions; 290.01, subdivision 19b; 290.091, subdivision 2; proposing coding  
1.10 for new law in Minnesota Statutes, chapters 181; 197.

1.11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.12 Section 1. [181.947] LEAVE FOR IMMEDIATE FAMILY MEMBERS OF  
1.13 MILITARY PERSONNEL INJURED OR KILLED IN ACTIVE SERVICE.

1.14 Subdivision 1. Definitions. (a) The definitions in this subdivision apply to this  
1.15 section.

1.16 (b) "Active service" has the meaning given in section 190.05, subdivisions 5b and 5c.

1.17 (c) "Employee" means a person who performs services for compensation, in  
1.18 whatever form, for an employer.

1.19 (d) "Employer" means a person or entity located or doing business in this state  
1.20 and having one or more employees, and includes the state and all political or other  
1.21 governmental subdivisions of the state.

1.22 (e) "Immediate family member" means a person's grandparent, parent, legal  
1.23 guardian, sibling, child, grandchild, spouse, fiance, or fiancée.

1.24 Subd. 2. Unpaid leave required. An employer must grant a leave of absence  
1.25 without pay to an employee whose immediate family member, as a member of the United  
1.26 States armed forces, has been injured or killed while engaged in active service. The  
1.27 length of the leave shall be determined by the employee, but may not exceed five working

2.1 days, unless agreed to by the employer. The purpose of the leave is to attend to an  
2.2 injured immediate family member or to attend services for and attend to the affairs of an  
2.3 immediate family member who has been killed.

2.4 Subd. 3. Notice. An employee must give as much notice to the employee's employer  
2.5 as practicable of the employee's intent to exercise the leave guaranteed by this section.

2.6 Subd. 4. Relationship to other leave. The length of leave provided under this  
2.7 section may be reduced by any period of paid leave provided by the employer. Nothing  
2.8 in this section prevents an employer from providing leave benefits in addition to those  
2.9 provided in this section or otherwise affects an employee's rights with respect to other  
2.10 employment benefits.

2.11 Subd. 5. Posting of law. The Department of Labor and Industry shall develop,  
2.12 with the assistance of interested business and veterans' organizations, an educational  
2.13 poster stating employees' rights under this section. The department shall make the poster  
2.14 available, upon request, to employers for posting on the employer's premises.

2.15 Subd. 6. Individual remedies. In addition to any other remedies provided by law, a  
2.16 person injured by a violation of this section may bring a civil action to recover any and all  
2.17 damages recoverable at law, together with costs and disbursements, including reasonable  
2.18 attorney fees, and may receive injunctive and other equitable relief as determined by a  
2.19 court.

2.20 **Sec. 2. [181.948] LEAVE TO ATTEND MILITARY CEREMONIES.**

2.21 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms  
2.22 have the meaning given to them in this subdivision.

2.23 (b) "Employee" means a person who performs services for compensation, in  
2.24 whatever form, for an employer.

2.25 (c) "Employer" means a person or entity located or doing business in this state  
2.26 and having one or more employees, and includes the state and all political or other  
2.27 governmental subdivisions of the state.

2.28 (d) "Immediate family member" means a person's grandparent, parent, legal  
2.29 guardian, sibling, child, grandchild, spouse, fiance, or fiancée.

2.30 Subd. 2. Unpaid leave required. An employer shall grant a leave of absence  
2.31 without pay to an employee for the actual time necessary for an employee to attend a  
2.32 send-off or homecoming ceremony for an immediate family member who, as a member of  
2.33 the United States armed forces, has been mobilized for active service in support of a war or  
2.34 other national emergency. The leave required by this subdivision shall not exceed one day.

3.1 Sec. 3. Minnesota Statutes 2005 Supplement, section 192.502, is amended by adding a  
subdivision to read:

3.3 Subd. 3. Unpaid leave to attend military ceremonies. Employees are entitled  
3.4 to unpaid leave, as provided in section 181.948, to attend the send-off or homecoming  
3.5 ceremony of an immediate family member who, as a member of the United States  
3.6 armed forces, has been mobilized for active service in support of a war or other national  
3.7 emergency.

3.8 Sec. 4. Minnesota Statutes 2005 Supplement, section 192.502, is amended by adding a  
subdivision to read:

3.10 Subd. 4. Unpaid leave for families of injured or deceased military members.  
3.11 Employees are entitled to unpaid leave, as provided in section 181.947, when an  
3.12 immediate family member, as a member of the United States armed forces, has been  
3.13 injured or killed while engaged in active service.

3.14 Sec. 5. [197.585] HIGHER EDUCATION VETERANS ASSISTANCE OFFICES.

3.15 Each campus of the University of Minnesota and each institution within the  
3.16 Minnesota State Colleges and Universities system shall provide adequate space for a  
3.17 veterans assistance office to be administered by the commissioner of veterans affairs, and  
3.18 each private college and university in Minnesota is encouraged to provide adequate space  
3.19 for a veterans assistance office to be administered by the commissioner of veterans affairs.  
3.20 The veterans assistance office must provide information and assistance to veterans who  
1 are students or family members of students at the school regarding the availability of  
3.22 state, federal, local, and private resources.

3.23 Sec. 6. [197.775] HIGHER EDUCATION FAIRNESS.

3.24 Subdivision 1. Definitions. (a) The definitions in this subdivision apply to this  
3.25 section.

3.26 (b) "Commissioner" means the commissioner of veterans affairs.

3.27 (c) "State college or university" means a unit of the University of Minnesota or  
3.28 Minnesota State Colleges and Universities.

3.29 Subd. 2. Recognition of courses. (a) Minnesota State Colleges and Universities  
3.30 must recognize courses and award educational credits for courses that were part of a  
3.31 veteran's military training or service if the courses meet the standards of the American  
3.32 Council on Education or equivalent standards for awarding academic credits.

4.1 (b) The University of Minnesota and private colleges and universities in Minnesota  
4.2 are encouraged to recognize courses and award educational credits for courses that were  
4.3 part of a veteran's military training or service if the courses meet the standards of the  
4.4 American Council on Education or equivalent standards for awarding academic credits.

4.5 Subd. 3. Tuition status. A state college or university must treat a veteran as a  
4.6 Minnesota resident for purposes of determining the veteran's undergraduate tuition rate,  
4.7 and must treat a veteran as a Minnesota resident for purposes of determining the veteran's  
4.8 graduate school tuition rate if the veteran was a Minnesota resident on entering military  
4.9 service and starts attending the state college or university graduate program within two  
4.10 years of completing military service.

4.11 Subd. 4. Delayed payment of tuition. A state college or university may not assess  
4.12 late fees or other late charges for veterans who are eligible and have applied for federal  
4.13 educational assistance but have not yet received it, nor may it prevent these students from  
4.14 registering for a subsequent term because of outstanding tuition charges that arise from  
4.15 delayed federal payments. The state college or university may request without delay  
4.16 the amount of tuition above expected federal educational assistance and may require  
4.17 payment of the full amount of tuition owed by the veteran within 30 days of receipt of the  
4.18 expected federal educational assistance.

4.19 Sec. 7. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19b, is  
4.20 amended to read:

4.21 **Subd. 19b. Subtractions from federal taxable income.** For individuals, estates,  
4.22 and trusts, there shall be subtracted from federal taxable income:

4.23 (1) net interest income on obligations of any authority, commission, or  
4.24 instrumentality of the United States to the extent includable in taxable income for federal  
4.25 income tax purposes but exempt from state income tax under the laws of the United States;

4.26 (2) if included in federal taxable income, the amount of any overpayment of income  
4.27 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
4.28 is received as a refund or as a credit to another taxable year's income tax liability;

4.29 (3) the amount paid to others, less the amount used to claim the credit allowed under  
4.30 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten  
4.31 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
4.32 transportation of each qualifying child in attending an elementary or secondary school  
4.33 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
4.34 resident of this state may legally fulfill the state's compulsory attendance laws, which  
4.35 is not operated for profit, and which adheres to the provisions of the Civil Rights Act

5.1 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
5.3 "textbooks" includes books and other instructional materials and equipment purchased  
5.4 or leased for use in elementary and secondary schools in teaching only those subjects  
5.5 legally and commonly taught in public elementary and secondary schools in this state.  
5.6 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
5.7 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
5.8 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
5.9 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
5.10 or materials for, or transportation to, extracurricular activities including sporting events,  
5.11 musical or dramatic events, speech activities, driver's education, or similar programs. For  
5.12 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
3 given in section 32(c)(3) of the Internal Revenue Code;

5.14 (4) income as provided under section 290.0802;

5.15 (5) to the extent included in federal adjusted gross income, income realized on  
5.16 disposition of property exempt from tax under section 290.491;

5.17 (6) to the extent not deducted in determining federal taxable income by an individual  
5.18 who does not itemize deductions for federal income tax purposes for the taxable year, an  
5.19 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
5.20 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and  
5.21 under the provisions of Public Law 109-1;

5.22 (7) for taxable years beginning before January 1, 2008, the amount of the federal  
5.23 small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code  
5.24 which is included in gross income under section 87 of the Internal Revenue Code;

5.25 (8) for individuals who are allowed a federal foreign tax credit for taxes that do not  
5.26 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
5.27 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
5.28 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
5.29 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
5.30 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed  
5.31 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
5.32 the extent they exceed the federal foreign tax credit;

33 (9) in each of the five tax years immediately following the tax year in which an  
5.34 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
5.35 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
5.36 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means

6.1 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
6.2 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
6.3 positive value of any net operating loss under section 172 of the Internal Revenue Code  
6.4 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
6.5 less than zero;

6.6 (10) job opportunity building zone income as provided under section 469.316;

6.7 (11) the amount of compensation paid to members of the Minnesota National Guard  
6.8 or other reserve components of the United States military for active service performed  
6.9 in Minnesota, excluding compensation for services performed under the Active Guard  
6.10 Reserve (AGR) program. For purposes of this clause, "active service" means (i) state  
6.11 active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally  
6.12 funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal  
6.13 active service as defined in section 190.05, subdivision 5c, but "active service" excludes  
6.14 services performed exclusively for purposes of basic combat training, advanced individual  
6.15 training, annual training, and periodic inactive duty training; special training periodically  
6.16 made available to reserve members; and service performed in accordance with section  
6.17 190.08, subdivision 3;

6.18 (12) the amount of compensation paid to Minnesota residents who are members  
6.19 of the armed forces of the United States or United Nations for active duty performed  
6.20 outside Minnesota;

6.21 (13) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
6.22 qualified donor's donation, while living, of one or more of the qualified donor's organs  
6.23 to another person for human organ transplantation. For purposes of this clause, "organ"  
6.24 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
6.25 "human organ transplantation" means the medical procedure by which transfer of a human  
6.26 organ is made from the body of one person to the body of another person; "qualified  
6.27 expenses" means unreimbursed expenses for both the individual and the qualified donor  
6.28 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
6.29 may be subtracted under this clause only once; and "qualified donor" means the individual  
6.30 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
6.31 individual may claim the subtraction in this clause for each instance of organ donation for  
6.32 transplantation during the taxable year in which the qualified expenses occur;

6.33 (14) in each of the five tax years immediately following the tax year in which an  
6.34 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a  
6.35 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
6.36 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the



7.1 case of a shareholder of a corporation that is an S corporation, minus the positive value of  
7.2 any net operating loss under section 172 of the Internal Revenue Code generated for the  
7.3 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a  
7.4 subtraction is not allowed under this clause;

7.5 (15) to the extent included in federal taxable income, compensation paid to a  
7.6 nonresident who is a service member as defined in United States Code, title 10, section  
7.7 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public  
7.8 Law 108-189, section 101(2); ~~and~~

7.9 (16) international economic development zone income as provided under section  
7.10 469.325; and

7.11 (17) to the extent included in federal taxable income, a percentage, up to a maximum,  
7.12 of the amount received from a pension or other retirement pay from the government for  
7.13 service in the armed forces of the United States, regardless of whether the recipient served  
7.14 in the military. For taxable years beginning after December 31, 2005, and before January  
7.15 1, 2007, the percentage is 25 percent and the maximum amount is \$7,500; for taxable  
7.16 years beginning after December 31, 2006, and before January 1, 2008, the percentage  
7.17 is 50 percent and the maximum amount is \$15,000; for taxable years beginning after  
7.18 December 31, 2007, and before January 1, 2009, the percentage is 75 percent and the  
7.19 maximum amount is \$22,500; and for taxable years beginning after December 31, 2008,  
7.20 the percentage is 100 percent and there is no maximum amount.

7.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
7.22 December 31, 2005.

7.23 Sec. 8. Minnesota Statutes 2005 Supplement, section 290.091, subdivision 2, is  
7.24 amended to read:

7.25 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following  
7.26 terms have the meanings given:

7.27 (a) "Alternative minimum taxable income" means the sum of the following for  
7.28 the taxable year:

7.29 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
7.30 55(b)(2) of the Internal Revenue Code;

7.31 (2) the taxpayer's itemized deductions allowed in computing federal alternative  
7.32 minimum taxable income, but excluding:

7.33 (i) the charitable contribution deduction under section 170 of the Internal Revenue  
7.34 Code:

8.1 (A) for taxable years beginning before January 1, 2006, to the extent that the  
8.2 deduction exceeds 1.0 percent of adjusted gross income;

8.3 (B) for taxable years beginning after December 31, 2005, to the full extent of the  
8.4 deduction.

8.5 For purposes of this clause, "adjusted gross income" has the meaning given in  
8.6 section 62 of the Internal Revenue Code;

8.7 (ii) the medical expense deduction;

8.8 (iii) the casualty, theft, and disaster loss deduction; and

8.9 (iv) the impairment-related work expenses of a disabled person;

8.10 (3) for depletion allowances computed under section 613A(c) of the Internal  
8.11 Revenue Code, with respect to each property (as defined in section 614 of the Internal  
8.12 Revenue Code), to the extent not included in federal alternative minimum taxable income,  
8.13 the excess of the deduction for depletion allowable under section 611 of the Internal  
8.14 Revenue Code for the taxable year over the adjusted basis of the property at the end of the  
8.15 taxable year (determined without regard to the depletion deduction for the taxable year);

8.16 (4) to the extent not included in federal alternative minimum taxable income, the  
8.17 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the  
8.18 Internal Revenue Code determined without regard to subparagraph (E);

8.19 (5) to the extent not included in federal alternative minimum taxable income; the  
8.20 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

8.21 (6) the amount of addition required by section 290.01, subdivision 19a, clauses  
8.22 (7), (8), and (9);

8.23 less the sum of the amounts determined under the following:

8.24 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);

8.25 (2) an overpayment of state income tax as provided by section 290.01, subdivision  
8.26 19b, clause (2), to the extent included in federal alternative minimum taxable income;

8.27 (3) the amount of investment interest paid or accrued within the taxable year on  
8.28 indebtedness to the extent that the amount does not exceed net investment income, as  
8.29 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include  
8.30 amounts deducted in computing federal adjusted gross income; and

8.31 (4) amounts subtracted from federal taxable income as provided by section 290.01,  
8.32 subdivision 19b, clauses (9) to ~~(16)~~ (17).

8.33 In the case of an estate or trust, alternative minimum taxable income must be  
8.34 computed as provided in section 59(c) of the Internal Revenue Code.

8.35 (b) "Investment interest" means investment interest as defined in section 163(d)(3)  
8.36 of the Internal Revenue Code.

9.1 (c) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable  
9.2 income after subtracting the exemption amount determined under subdivision 3.

9.3 (d) "Regular tax" means the tax that would be imposed under this chapter (without  
9.4 regard to this section and section 290.032), reduced by the sum of the nonrefundable  
9.5 credits allowed under this chapter.

9.6 (e) "Net minimum tax" means the minimum tax imposed by this section.

9.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
9.8 December 31, 2005.

9.9 **Sec. 9. APPROPRIATIONS.**

9.10 **Subdivision 1. State soldiers' assistance fund.** \$3,000,000 is appropriated in fiscal  
9.11 year 2007 from the general fund to the commissioner of veterans affairs to be deposited  
9.12 in the state soldiers' assistance fund established in Minnesota Statutes, section 197.03.  
9.13 The appropriations in this subdivision are in addition to other appropriations made to the  
9.14 commissioner of veterans affairs.

9.15 **Subd. 2. Centralized Web site for veterans services.** \$200,000 is appropriated  
9.16 in fiscal year 2007 from the general fund to the commissioner of veterans affairs to  
9.17 fund a veterans service coordinator and a veterans assistance Web manager within  
9.18 the Department of Veterans Affairs, whose mission is to create a centralized Web site  
9.19 containing information on all state, federal, local, and private agencies and organizations  
9.20 that provide goods or services to veterans or their families.

9.21 **Subd. 3. County veterans service officers service enhancement grants.**  
9.22 \$3,000,000 is appropriated in fiscal year 2007 from the general fund to the commissioner  
9.23 of veterans affairs to provide grants to counties for enhancing the benefits, programs,  
9.24 and services they provide to veterans. The commissioner, in consultation with the  
9.25 County Veterans Service Officers Association, shall establish grants based on objective  
9.26 benchmarks and standards. A county may not reduce its veterans service office budget by  
9.27 any amount received as a grant under this section. This grant program is in addition to  
9.28 grants made under Minnesota Statutes, section 197.608.

9.29 **Subd. 4. Higher education veterans assistance offices.** (a) \$2,600,000 is  
9.30 appropriated in fiscal year 2007 from the general fund for the purposes of Minnesota  
9.31 Statutes, section 197.585.

9.32 (b) Of the amount in paragraph (a), \$2,500,000 is to the commissioner of veterans  
9.33 affairs for the veterans assistance offices under Minnesota Statutes, section 197.585. The

10.1 commissioner, in consultation with the Office of Higher Education, shall determine the  
10.2 most appropriate method of allocating this appropriation to align with the needs of the  
10.3 students at Minnesota State Colleges and Universities and the University of Minnesota  
10.4 who are veterans. Methods may include, but are not limited to, providing grants for  
10.5 work study positions and providing central liaison and coordination staff to enhance  
10.6 the responsiveness of higher education institutions to students who are veterans. The  
10.7 commissioner shall designate a liaison to the University of Minnesota and a liaison to the  
10.8 private colleges and universities in Minnesota for the purposes of Minnesota Statutes,  
10.9 section 197.585.

10.10 (c) Of the amount in paragraph (a), \$100,000 is to the Board of Trustees of the  
10.11 Minnesota State Colleges and Universities to fund a systemwide coordinator to facilitate  
10.12 the provision of assistance to veterans at Minnesota State Colleges and Universities  
10.13 campuses under Minnesota Statutes, section 197.585.

10.14 **Sec. 10. REVISOR'S INSTRUCTION.**

10.15 The revisor of statutes shall insert a first grade headnote after Minnesota Statutes,  
10.16 section 181.946, that reads "LEAVE FOR FAMILIES OF MOBILIZED MILITARY  
10.17 MEMBERS."

10.18 **Sec. 11. EFFECTIVE DATE.**

10.19 Sections 1 and 4 are effective the day following final enactment and apply to the  
10.20 immediate family members of military personnel injured or killed on or after that date, as  
10.21 well as to the immediate family members of military personnel who, on the effective date,  
10.22 are recovering from injuries that occurred before that date.

**Senate Counsel, Research,  
and Fiscal Analysis**

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# Senate

State of Minnesota

## **S.F. No. 2654: Providing Various Benefits to Military Personnel**

**Author:** Senator Jim Vickerman  
**Prepared by:** Maja Weidmann, Senate Research (651-296-4855)  
**Date:** March 22, 2006

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**Section 1, subdivision 1** contains definitions.

**Subdivision 2** requires employers to grant a leave of absence without pay to an employee whose immediate family member has been injured or killed while engaged in active service.

**Subdivisions 3 through 6** specify various terms of the leave; persons injured by violations of this law may file a civil action.

**Section 2, subdivision 1** contains definitions.

**Subdivision 2** requires employers to grant a leave of absence without pay to an employee to attend a send-off or homecoming ceremony for an immediate family member mobilized for active service.

**Sections 3 and 4** grant the leave rights provided in sections one and two to other sections in statute that grant benefits to military personnel.

**Section 5** requires University of Minnesota and MnSCU campuses to provide space at each of their campuses for a veterans assistance office. Private colleges are requested to provide this space.

**Section 6, subdivision 1** contains definitions

**Subdivision 2** specifies the process MnSCU, the University of Minnesota, and private colleges should follow in granting credit for courses taken as part of a veteran's military training or service.

**Subdivision 3** specifies the manner in which MnSCU and the University of Minnesota must treat veterans for the purpose of determining tuition rate status.

**Subdivision 4** disallows the assessment of late fees to veterans enrolled at MnSCU and University of Minnesota institutions who are eligible to receive federal financial aid.

**Sections 7 and 8** provide a state income tax subtraction for military pension benefits.

**Section 9** makes appropriations.

**Section 10** contains instructions to the revisor.

**Section 11** makes sections 1 to 4 effective the day following final enactment.

# **Report from the Task Force to Study the Implementation of Higher Education Funding Policy**

**A Report Required Under Session Laws 2005, Chapter 107**

**January 15, 2006**

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## Executive Summary

Chapter 107 enacted in the 2005 session contains appropriations for the 2006-07 biennium to for the Minnesota State Colleges and Universities and the University of Minnesota, a variety of grant programs to students and related policy changes. A section in the act required a study of specific parts of the funding for the two public systems. The language in the bill was as follows:

*[ADVISORY TASK FORCE ON PUBLIC POSTSECONDARY FUNDING.]*

*The Higher Education Services Office shall convene an advisory task force to study the current postsecondary funding policy under Minnesota Statutes, 135A.01 to 135A.034. The task force must include the chief financial officers of the University of Minnesota and the Minnesota State Colleges and Universities and the commissioner of finance, or their designees. The task force may include other members as selected by the Higher Education Services Office. The task force must study and make specific recommendations on alternatives to the methods currently used by the postsecondary systems to implement the provisions of Minnesota Statutes, 135A.031, subdivision 4. The task force must submit its recommendations to the legislature and the governor by January 15, 2006. The task force expires on June 30, 2007.*

As directed in the language a Task Force was convened by the Minnesota Office of Higher Education. Membership on the Task Force included senior finance and budget personnel from both systems, a representative of the Commissioner of the Minnesota Department of Finance and several other appointees familiar with higher education funding issues. As a part of the evaluation process, background information was prepared, data on historical appropriations and instructional costs was assembled and meetings were held to evaluate the issues raised in the legislation.

The Task Force recommends the following for consideration by policy makers:

1. It is recommended that the funding policy statement in section 135A.01 be repealed but that a new statement be developed that more clearly addresses the needs and missions of both systems.
2. It is recommended that all remaining language in 135A.031, except subdivision seven, be repealed in order to retain statutory consistency with recommendation 1. It is also recommended that sections 135A.032 and 135A.033 be repealed to retain similar consistency.
3. It is recommended that M.S. 135A.031, subdivision 7 be retained but changed to have the data be reported to the Office of Higher Education with specific reference to 136A, which requires a data advisory group to determine the relevance of the data request. The Department of Finance would also receive the data as part of the budget process.
4. It is recommended that both systems be allowed to separately develop and submit the respective budget priorities to the legislature and the executive branch and that the

relevant statutory language in 135A.034 on budget priorities be amended to be consistent with the changes in the policy statement.

5. It is recommended that new goals for higher education be developed in conjunction with an accountability plan for higher education in the state currently being developed by the Office of Higher Education.

## **Members of the Task Force**

**Richard Pfitzenreuter**  
Vice President and Chief Financial Officer  
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### **Facilitated and staffed by**

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## **Staff Contributions**

The Task Force recognizes the following staff members at the Office of Higher Education for their technical contributions to this report: Gerald Setter, Jack Rayburn, Tricia Grimes and Cheryl Maplethorpe. The Task Force also thanks Doug Berg, House Fiscal Staff, who provided historical data on legislative appropriations.

## Introduction

This report is issued under a legislative directive enacted in the 2005 session in Chapter 107, the bill appropriating funds for higher education. A Task Force was formed and staffed by the Minnesota Office of Higher Education, and a number of meetings were held between August 1 and December 1, 2005 to consider the directive.

Funding for the two public higher education systems in the state, the Minnesota State Colleges and Universities and the University of Minnesota, is a key component of the biennial budget process. The combined biennial appropriation for the two systems from all sources for fiscal years 2006 and 2007 is \$2.81 billion. Together the systems enrolled 196,778 students on a full-year equivalent basis in 2004-05.

There are many demographic and social factors, public expectations and economic conditions that drive higher education funding needs. At the University of Minnesota, research activities are significant. In both systems, outreach or public service and enrollment growth are important cost drivers. Costs related to enrollment growth can be particularly acute. When more students of diverse backgrounds with varying skill levels and educational needs enroll, increased higher expenditures are required.

## Background

Prior to changes made in the 2005 session, *Minnesota Statutes 2004*, 135A.031, subdivision 4 required an adjustment for every two percent change in estimated full-year equivalent enrollment.<sup>1</sup> The adjustment was to be made to sixty-five percent of each system's instructional service base. The law partially defines what is meant by instructional services base. It also defines which students are to be included in the measure of full-year equivalent. The statute also provides for adjustments for inflation and allows for an increase in the appropriation of up to one percent if systems meet performance standards.

The overarching policy that informs all of these provisions is found in M.S. 135A.01 which states:

*"It is the policy of the legislature to provide stable funding, including recognition of the effects of inflation, for instructional services at public postsecondary institutions and that the state and students share the cost of those services. The legislature intends to provide at least 67 percent of the instructional services costs for each postsecondary system. It is also the policy of the legislature that the budgetary process serves to support high quality public postsecondary education."*

There are two central points that are important to understanding the recommendations of the committee. The first, found in M.S. 135A.031, subdivision 4 is the meaning of the adjustment to the base required under law. The second is the policy statement of intent to provide at least 67 percent of instructional services costs.

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<sup>1</sup> See Appendix 3 for the changes.

Defining the enrollment adjustment to the instructional services base required in M.S. 135A.031 subdivision 4 was the initial focus of the Task Force. This focus was due in part to the perceived motivation for the statutory change. This adjustment must be evaluated from two distinct vantage points in the budget process. The first is the base or starting point, and the second is the final appropriation that results from legislative deliberation. *Minnesota Statutes* 16A.11, subdivision 3 defines the starting point for all appropriations in the state budget as:

*“...the appropriation base is the amount appropriated for the second year of the current biennium.”*

This definition is important for both the general fund forecast developed by the Department of Finance and the budget recommendations made by the Governor. For each forecast, the Department of Finance begins with the base number and makes a series of adjustments. These adjustments may reflect provisions in an earlier appropriation that indicated the appropriation was made on a one-time basis, other adjustments to the base required by current law or policies of the Commissioner of Finance. These adjustments are included in the forecast presented in November prior to a budget session. The adjustment for enrollment changes in higher education has been the most significant base adjustment related to higher education in the last two budget cycles. In 2003 the base enrollment adjustment was \$35.6 million for the MnSCU system and \$14.9 million for the University of Minnesota. By 2005 the base enrollment adjustment grew to a combined \$205 million.<sup>2</sup>

In presenting budget recommendations to the Legislature, the Governor may propose an amount different from the adjusted base presented in the forecast. This amount will reflect the priorities of the Governor and may recognize enrollment changes in part, whole or not at all. The recommendations may also reflect other changes that concur with requests made by the systems or add to these requests. The Legislature has the constitutional power to make the appropriations for higher education. The legislative process has resulted in appropriations that are typically shaped initially by the forecast and the Governor's recommendations, but that may differ significantly from both. The reality has been that the phrase “requires an adjustment” only applies to the starting point, or base number. The final appropriations have never matched these figures.

The dramatic increase in the adjustment in the 2005 session was one motivation for repeal of the adjustments for enrollments effective June 30, 2007. This change was in the House bill and adopted by the conference committee.<sup>3</sup> The bill also included a study to evaluate this change.

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<sup>2</sup> Chapter 135A also requires base adjustments for performance and inflation, but these have never been included in the higher education budgets.

<sup>3</sup> See H.F. 1385 for the specific language.

The language in the bill was as follows:

*[ADVISORY TASK FORCE ON PUBLIC POSTSECONDARY FUNDING.]*

*The Higher Education Services Office shall convene an advisory task force to study the current postsecondary funding policy under Minnesota Statutes, 135A.01 to 135A.034. The task force must include the chief financial officers of the University of Minnesota and the Minnesota State Colleges and Universities and the commissioner of finance, or their designees. The task force may include other members as selected by the Higher Education Services Office. The task force must study and make specific recommendations on alternatives to the methods currently used by the postsecondary systems to implement the provisions of Minnesota Statutes, 135A.031, subdivision 4. The task force must submit its recommendations to the legislature and the governor by January 15, 2006. The task force expires on June 30, 2007.*

The directive requires two important evaluations.

- First, it requires a Task Force to study and make recommendations on alternatives to implementing 135A.031, subdivision 4, the adjustment for enrollment.
- Second, it also required the Task Force to study the broader “current postsecondary funding policy under Minnesota Statutes, 135A.01 to 135A.034.”

The directive to study the broader policy language led the Task Force to look beyond a simple evaluation of the enrollment adjustment. As historical appropriation data was studied and compared to the actual instructional spending by the systems, significant questions were raised about the underlying policy. An analysis of the data revealed a significant discrepancy between the instructional costs calculated by the systems and the instructional cost identified in the appropriation session law, which is a derived number based on the final appropriation and not the real instructional costs.

## **The Process**

The Office of Higher Education was required to convene a task force with certain named people from the two public systems and other members as appropriate.<sup>4</sup> The list of the membership is on page five of this report. Two former Commissioners of Finance were active members of the Task Force.

Three meetings were held by the Task Force following the session. These occurred on August 30, September 29, and November 2. These were public meetings and were attended by legislative staff and other interested parties.

At the initial meeting of the Task Force, the current statutory language, changes made during the 2005 session, and the study directive were discussed. It was determined that the initial goal of the group was to address how the appropriation base for public post-secondary systems should be developed, how this base should be used in the budget forecast process, and how the base is used as the starting point for budget deliberations.

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<sup>4</sup> The agency was renamed in the appropriation bill from the Higher Education Services Office.

## Issues and Discussions

Prior to the 2005 session there were three elements that were identified in statute as factors in adjusting the higher education base. These were adjustments for enrollment changes, inflation and performance. Adjustments for enrollment change were eliminated last session with a delayed effective date and the other two are not operable.<sup>5</sup>

Although the Legislature repealed the adjustment for enrollment changes, there were initial concerns whether this was the appropriate change. There were discussions regarding the continuation of what could be characterized as “current service levels” for higher education in the forecast base. This concern may be reflected legislatively in the requirement that the group “make specific recommendations on alternatives to the methods currently used by postsecondary systems to implement the provisions of M.S. 135A.031, subdivision 4”. This subdivision is the current law reference to enrollment changes.

While there is no statutory definition of current service levels, the concept of forecasted programs may come closest to addressing the issue. The Department of Finance has generally included programs with open appropriations (E-12, tax aids and credits, others), those with a legal entitlement (certain human service programs) or those with statutory language designating that they be included in the forecast. The Department of Finance has never created a general definition of “current services”.

### Explanation of Tables (pp. 10 and 11)

To inform the discussion and improve the analysis, the two public systems were asked to provide information on a variety of measures. The two systems, with the help of legislative staff, each submitted a spreadsheet indicating the relationship between state funding and instruction spending over the last decade or so. The two tables on the following pages each contain four parts.

- The first part of the table shows the relationship between the general fund appropriation, tuition revenue, and instructional costs for 1998 and 2003. (These two years were chosen due to data limitations. While MnSCU evaluates the instructional costs at each of its campuses annually, the University of Minnesota stopped doing annual studies in 1998 and only recently completed a study for 2003.)
- The second part of the table shows the relationship between the general fund appropriation for basic operations and tuition between 1996 and 2005. Although this is not the funding relationship addressed by the policy, this relationship was considered important for contextual purposes. This percentage is not the same as the measure required under the statute which focuses on just instructional costs. The total appropriations include funding for non-instructional costs as well. While this relationship for both systems was around 67 percent in the late 1990’s, by 2005 it had dropped to 52 percent.

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<sup>5</sup> See 16A.103 “*Expenditure estimates must not include an allowance for inflation*”. As mentioned above, adjustments for performance funding have never been implemented.



- The third part of the table shows enrollment changes under the statutory definition of enrollment between 1998 and 2004. These figures may differ from other numbers published by each system for different reasons, but they are consistent with the specific language of the statute.
- The fourth part of the table shows the appropriations for instructional services for each system and the relationship to instructional costs. The percentage is shown for the two years the data is available, 1998 and 2003.

Once the data was before the group the discussion moved into the broader policy questions. The current sections of law dealing with higher education funding, M.S. 135A.01 to 135A.034, focus on instructional expenditures. Historically these have been the main concern of the Legislature. The most important provision of the policy asserts the intent of the Legislature to provide funds to cover 67 percent of instructional costs. In 1998 this figure was close for MnSCU at 63.8 percent but covered only 46 percent at the U of M. By 2003, the annual instructional appropriation as a percent of instructional costs had dropped to 54 percent at MnSCU and only 38 percent at the University of Minnesota. Both figures are significantly lower than the 67 percent called for in the policy statement, and more importantly, although only two years are available, the trend suggested is quite negative.

One clear conclusion reached by the group was the disconnection between the policy stated in the law and actual practice in the appropriation process. It is important to note that these percentages are a function of the way the appropriation for instruction is determined by the Legislature. As such, they reflect this process as much as they do the policy commitment. Nonetheless, the disconnection between policy and reality is stark. These important facts led to the Task Force recommendations concerning the repeal of current funding policy.

**Minnesota State Colleges and Universities Data**  
**Funding Policy Implementation Task Force**  
**(all figures in millions)**

**1 Appropriations, Tuition, Instructional Costs**

	<u>FY1998</u>	<u>FY2003</u>
Total General Fund	499.7	592.3
Total Tuition Revenue	244.8	392.0
Instructional Cost*	714.6	963.0

\* from Instructional Cost Study done by MnSCU

**2 State Aid to Tuition**

	<u>FY1996</u>	<u>FY1997</u>	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
Total General Fund Appropriation	465.5	475.2	499.7	548.2	549.3	579.7	601.6	592.3	559.6	546.4
Total Tuition	219.2	233.9	244.8	238.9	265.2	289.2	335.4	392.0	449.0	509.5
Appropriation as % of Appropriation + Tuition	68.0%	67.0%	67.1%	69.6%	67.4%	66.7%	64.2%	60.2%	55.5%	51.7%

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**3 Enrollment**

Measured by Statutory Definitions	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Undergraduate	100,197	93,903	100,592	104,465	110,627	116,432	119,124
Graduate/Professional	4,163	3,777	3,947	4,024	4,045	4,151	4,396
Marginally Funded (PSEO/MC)	2,031	2,265	2,417	2,445	2,860	3,063	3,228
Total Formula Enrollment	106,391	99,945	106,956	110,934	117,532	123,646	126,748

**4 Appropriations for Instructional Costs**

*(figures provided by legislative staff)*

	<u>FY1996</u>	<u>FY1997</u>	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
Instructional Appropriation as % of Instructional Cost	424.1	433.9	455.9	503.2	483.5	512.2	530.6	523.1	500.1	486.9
			63.8%					54.3%		

**University of Minnesota Data  
Funding Policy Implementation Task Force  
(all figures in millions)**

**1 Appropriations, Tuition, Instructional Costs**

	<u>FY1998</u>	<u>FY2003</u>
Total General Fund O&M Appropriation*	470.9	544.4
Total Tuition Revenue	217.8	346.1
Instructional Cost**	628.1	847.5

\* excludes state specials

\*\* from Instructional Cost Study done by U of M

**2 State Aid to Tuition**

	<u>FY1996</u>	<u>FY1997</u>	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
Total General Fund O&M Appropriation*	395.4	395.4	470.9	501.9	510.2	531.0	554.2	544.4	483.9	486.7
Total Tuition	196.5	211.7	217.8	240.4	243.3	258.8	313.6	346.1	399.2	442.0
Appropriation as % of Appropriation + Tuition	66.8%	65.1%	68.4%	67.6%	67.7%	67.2%	63.9%	61.1%	54.8%	52.4%

\* excludes state specials

**3 Enrollment**

Measured by Statutory Definitions	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Undergraduate	33,827	35,815	34,204	35,079	36,921	39,613	39,283
Graduate/Professional	14,650	14,075	14,385	15,168	16,101	16,688	17,484
Marginally Funded (PSEO/MC)	300	345	368	364	402	290	400
Total Formula Enrollment	48,777	50,235	48,957	50,611	53,424	56,591	57,167

**4 Appropriations for Instructional Costs**

*(figures provided by legislative staff)*

	<u>FY1996</u>	<u>FY1997</u>	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
Instructional Appropriation as % of Instructional Cost	290.4	298.0	288.9	311.8	310.9	332.2	323.9	319.5	245.3	247.9
			46.0%					37.7%		

## Recommendations

Based on the data provided here, and the discussion that occurred in the meetings, the Task Force adopted the following recommendations and rationale.

1. The Task Force recommends that the funding policy statement in section 135A.01 be repealed but that a new statement be developed that more clearly addresses the needs and missions of both systems. It is clear from the data that this funding policy of covering 67 percent of instructional costs is not being met. The discrepancy is so large that it is unlikely in the current budget environment the goal will be met in the foreseeable future. Second, from the perspective of the University of Minnesota, the policy does not address two significant parts of its mission, research and public outreach. A large and growing part of the University of Minnesota's budget is devoted to these two goals.
2. The Task Force recommends the repeal of any remaining language in 135A.031, except for subdivision seven. The Task Force reviewed the language specific to the enrollment adjustment. Because nearly all of the remaining language in this section as well as in 135A.032 and 135A.033 is no longer relevant, language in these sections should be repealed as well. The University of Minnesota felt this adjustment was not relevant to its operations and budgeting. In fact, the adjustment was counterproductive to its strategies for obtaining additional funding from the Legislature. The MnSCU representatives also agreed that the language should not be reinstated.
3. The Task Force recommends that subdivision 7 be retained but changed to have the data be reported to the Office of Higher Education with specific reference to 136A which requires a Data Advisory Group to determine the relevance of the data request. M.S. 135A.031, subdivision 7 contains reporting requirements for expenditures and enrollments.
4. The Task Force recommends that both systems be allowed to separately develop and submit the respective budget priorities to the Legislature and the executive branch. The remaining relevant section is 135A.034 on budget priorities. Further, that section would be amended to be consistent with the changes in the policy statement.
5. The Office of Higher Education is currently working on an accountability plan for higher education in the state. The Task Force recommends that new goals for higher education be developed in conjunction with that plan. The plan could be used to inform future funding discussions.

# Appendix 1

This appendix contains the recommended changes in statute marked by the usual strike-out and insert method. When whole subdivisions are repealed they are shown here as totally struck-out in order to convey with clarity to the reader the intent.

## 135A.01 Funding policy.

~~It is the policy of the legislature to provide stable funding, including recognition of the effects of inflation, for instructional services at public postsecondary institutions and that the state and students share the cost of those services. The legislature intends to provide at least 67 percent of the instructional services costs for each postsecondary system. It is also the policy of the legislature that the budgetary process serves to support high quality public postsecondary education.~~

## 135A.01 Funding policy.

~~It is the policy of the legislature to provide stable funding, including recognition of the effects of inflation, for instructional services at public postsecondary institutions and that the state and students share the cost of those services. The legislature intends to provide at least 67 percent of the instructional services costs for each postsecondary system. It is also the policy of the legislature that the budgetary process serves to support high quality public postsecondary education.~~

==135A.031

## 135A.031 Appropriations for instructional services.

~~Subdivision 1. **Determination of appropriation.** The direct appropriation to each board for instructional services shall equal 67 percent of the estimated total cost of instruction for the University of Minnesota, the state universities, and the community colleges, and, for technical colleges, at least 67 percent of the estimated total cost of instruction.~~

~~Subd. 2. **Appropriations for certain enrollments.** The state share of the estimated expenditures for instruction shall vary for some categories of students, as designated in this subdivision.~~

~~(a) The state must provide at least 67 percent of the estimated expenditures for:~~

~~(1) students who resided in the state for at least one calendar year prior to applying for admission or dependent students whose parent or legal guardian resides in Minnesota at the time the student applies;~~

~~(2) Minnesota residents who can demonstrate that they were temporarily absent from the state without establishing residency elsewhere;~~

~~(3) residents of other states or provinces who are attending a Minnesota institution under a tuition reciprocity agreement;~~

~~(4) students who have been in Minnesota as migrant farmworkers, as defined in the Code of Federal Regulations, title 20, section 633.104, over a period of at least two years immediately before admission or readmission to a Minnesota public postsecondary institution, or students who are dependents of such migrant farmworkers; and~~

~~(5) persons who: (i) were employed full time and were relocated to the state by the person's current employer, or (ii) moved to the state for employment purposes and, before moving and before applying for admission to a public postsecondary institution, accepted a job in the state, or students who are spouses or dependents of such persons.~~

~~(b) The definition of full year equivalent for purposes of the formula calculations in this chapter is twice the normal value for the following enrollments:~~

~~(1) students who are concurrently enrolled in a public secondary school and for whom the institution is receiving any compensation under the Postsecondary Enrollment Options Act; and~~

~~(2) students enrolled under the student exchange program of the Midwest Compact.~~

~~Subd. 3. **Determination of instructional services base.**~~

~~The instructional services base for each public postsecondary system is the sum of: (1) the state share; and (2) the legislatively estimated tuition for the second year of the most recent biennium; and (3) adjustments for inflation, enrollment changes as calculated in subdivision 4, and performance as calculated in subdivision 5.~~

~~Subd. 4. **Adjustment for enrollments.** (a) Each public postsecondary system's instructional services base shall be adjusted for estimated changes in enrollments. For each two percent change in estimated full-year equivalent enrollment, an adjustment shall be made to 65 percent of the instructional services base. The remaining 35 percent of the instructional services base is not subject to the adjustment in this subdivision.~~

~~(b) For all purposes where student enrollment is used for budgeting purposes, student enrollment shall be measured in full-year equivalents and shall include only enrollments in courses that award credit or otherwise satisfy any of the requirements of an academic or vocational program.~~

~~(c) The enrollment adjustment shall be made for each year of the subsequent biennium. The base enrollment year is the 1995 fiscal year enrollment. The base enrollment shall be updated for each two percent change in estimated full-year equivalent enrollment. If the actual enrollment differs from the estimated enrollment, an adjustment shall be made in the next biennium.~~

~~Subd. 5. **Adjustment for performance.** Each public~~

~~postsecondary system's instructional services base shall be adjusted, up to one percent, if the system meets the performance standards established by the system's governing board as part of the biennial budget document.~~

~~Subd. 6. **Adjustment for change items.** The instructional services base may be adjusted for change items as determined by the governor and the legislature after adjustments for inflation, enrollments, and performance.~~

Subd. 7. **Reports.** Instructional expenditure and enrollment data for each instructional category shall be submitted to the Office of Higher Education and the Department of Finance and included in the biennial budget document. The specific data shall be submitted only after the Director of the Office of Higher Education has consulted with a data advisory task force to determine the need, content and detail of the information.

~~==135A.032~~

~~**135A.032 Appropriations for noninstructional services.**~~

~~Subdivision 1. **Determination of noninstructional appropriations base.** The noninstructional services base for each public postsecondary system is the state share for the second year of the most recent biennium plus adjustments for inflation and for performance as specified in subdivision 2. The cost of technical college extension programs shall be included in noninstructional services.~~

~~Subd. 2. **Adjustment for performance.** The noninstructional services base shall be increased, up to one percent, if the system meets the performance standards established by the system's governing board as part of the biennial budget document.~~

~~Subd. 3. **Adjustment for change items.** The noninstructional services base may be adjusted for change items as determined by the governor and the legislature after noninstructional base adjustments for inflation and performance.~~

~~==135A.033~~

~~**135A.033 Performance funding.**~~

~~The governing boards of the University of Minnesota and the Minnesota State Colleges and Universities, in conjunction with their respective campuses, shall each specify performance categories and indicators relating to section 135A.053, subdivision 1, to be used for policy and appropriations decisions, as well as allocations for rewarding campuses that achieve performance levels and assisting campuses that are unable to achieve these levels. Because the mission of each system and type of campus varies, categories and indicators shall vary accordingly.~~

==135A.034

**135A.034 Budget priorities.**

Subdivision 1. **Operating budget.** The governing boards of the University of Minnesota, and the Minnesota State Colleges and Universities shall each develop, for legislative and executive branch acceptance, its highest budget priorities in accordance with statewide objectives for higher education. ~~It is the intent of the legislature to appropriate at least 67 percent of the total cost of instruction after adjusting for inflation and enrollment changes. However, in the event of a budget shortfall, or if funding of inflation is not possible, available funding shall first be applied to the agreed upon budget priorities.~~



## Appendix 2

- 9.20 Section 1. Minnesota Statutes 2004, section 135A.031,  
9.21 subdivision 3, is amended to read:  
9.22 Subd. 3. [DETERMINATION OF INSTRUCTIONAL SERVICES BASE.]  
9.23 The instructional services base for each public postsecondary  
9.24 system is the sum of: (1) the state share; and (2) the  
9.25 legislatively estimated tuition for the second year of the most  
9.26 recent biennium; and (3) ~~adjustments for inflation, enrollment~~  
9.27 ~~changes as calculated in subdivision 4, and performance as~~  
9.28 ~~calculated in subdivision 5.~~  
9.29 [EFFECTIVE DATE.] This section is effective June 30, 2007.  
9.30 Sec. 2. Minnesota Statutes 2004, section 135A.031,  
9.31 subdivision 4, is amended to read:  
9.32 Subd. 4. [ADJUSTMENT FOR ENROLLMENTS FOR BUDGETING.] (a)  
9.33 ~~Each public postsecondary system's instructional services base~~  
9.34 ~~shall be adjusted for estimated changes in enrollments. For~~  
9.35 ~~each two percent change in estimated full-year equivalent~~  
9.36 ~~enrollment, an adjustment shall be made to 65 percent of the~~  
9.37 ~~instructional services base. The remaining 35 percent of the~~  
9.38 ~~instructional services base is not subject to the adjustment in~~  
9.39 ~~this subdivision.~~  
9.40 (b) For all purposes where student enrollment is used for  
9.41 budgeting purposes, student enrollment shall be measured in  
9.42 full-year equivalents and shall include only enrollments in  
9.43 courses that award credit or otherwise satisfy any of the  
10.1 requirements of an academic or vocational program.  
10.2 (c) ~~The enrollment adjustment shall be made for each year~~  
10.3 ~~of the subsequent biennium. The base enrollment year is the~~  
10.4 ~~1995 fiscal year enrollment. The base enrollment shall be~~  
10.5 ~~updated for each two percent change in estimated full-year~~  
10.6 ~~equivalent enrollment. If the actual enrollment differs from~~  
10.7 ~~the estimated enrollment, an adjustment shall be made in the~~  
10.8 ~~next biennium.~~  
10.9 [EFFECTIVE DATE.] This section is effective June 30, 2007.

8.1 Sec. 12. Minnesota Statutes 2004, section 43A.316, is amended by adding a  
 8.2 subdivision to read:

8.3 Subd. 9a. Report. The commissioner shall report biennially to the governor and  
 8.4 legislature on March 1 of each odd-numbered year. The report must include information  
 8.5 on membership, finances, operations, effectiveness, and impact of the public buyers group  
 8.6 program. The report may include discussion of changes and innovations, particularly with  
 8.7 respect to improving health care costs, quality, and outcomes, and any issues or challenges  
 8.8 faced by the program and how they might be addressed. The report must be posted on a  
 8.9 Web site maintained by or for the public buyers group program, and must be available  
 8.10 to the public.

8.11 Sec. 13. Minnesota Statutes 2004, section 43A.316, subdivision 10, is amended to read:

8.12 Subd. 10. **Exemption.** The public ~~employee insurance~~ buyers group program  
 8.13 and, where applicable, the employers participating in it are exempt from chapters 60A,  
 8.14 62A, 62C, 62D, 62E, and 62H, section 471.617, subdivisions 2 and 3, and the bidding  
 8.15 requirements of section 471.6161. Nothing in this statute or other statutes shall limit the  
 8.16 commissioner's ability to develop and test innovative health insurance benefit designs for  
 8.17 the public buyers group program.

### 8.18 ARTICLE 3

### 8.19 HIGHER EDUCATION

8.20 Section 1. Minnesota Statutes 2004, section 135A.031, subdivision 7, is amended to  
 8.21 read:

8.22 Subd. 7. **Reports.** Instructional expenditure and enrollment data ~~for each~~  
 8.23 ~~instructional category~~ shall be submitted to the Office of Higher Education and the  
 8.24 Department of Finance and included in the biennial budget document. The specific data  
 8.25 shall be submitted only after the director of the Office of Higher Education has consulted  
 8.26 with a data advisory task force to determine the need, content, and detail of the information.

8.27 Sec. 2. Minnesota Statutes 2004, section 135A.034, subdivision 1, is amended to read:

8.28 Subdivision 1. **Operating budget.** The governing boards of the University of  
 8.29 Minnesota, and the Minnesota State Colleges and Universities shall each develop, for  
 8.30 legislative and executive branch acceptance, its highest budget priorities in accordance  
 8.31 with statewide objectives for higher education. ~~It is the intent of the legislature to~~  
 8.32 ~~appropriate at least 67 percent of the total cost of instruction after adjusting for inflation~~  
 8.33 ~~and enrollment changes. However, in the event of a budget shortfall, or if funding of~~

9.1 ~~inflation is not possible, available funding shall first be applied to the agreed upon budget~~  
 2 ~~priorities.~~

9.3 Sec. 3. Minnesota Statutes 2004, section 135A.053, subdivision 2, is amended to read:

9.4 Subd. 2. **Performance and accountability.** Higher education systems and  
 9.5 campuses are expected to achieve the objectives in subdivision 1 and will be held  
 9.6 accountable for doing so. The legislature is increasing the flexibility of the systems and  
 9.7 campuses to provide greater responsibility to higher education in deciding how to achieve  
 9.8 statewide objectives, and to decentralize authority so that those decisions can be made  
 9.9 at the level where the education is delivered. ~~To demonstrate their accountability, the~~  
 9.10 ~~legislature expects each system and campus to measure and report on its performance,~~  
 9.11 ~~using meaningful indicators that are critical to achieving the objectives in subdivision 1,~~  
 12 ~~as provided in section 135A.033.~~ Nothing in this section precludes a system or campus  
 9.13 from determining its own objectives and performance measures beyond those identified  
 9.14 in this section.

9.15 Sec. 4. Minnesota Statutes 2004, section 136A.101, subdivision 4, is amended to read:

9.16 Subd. 4. **Eligible institution.** "Eligible institution" means a postsecondary  
 9.17 educational institution that:

9.18 (1) is located in this state or in a state with which the office has entered into a higher  
 9.19 education reciprocity agreement on state student aid programs ~~that either (1);~~

9.20 (2) is operated by this state or by the University of Minnesota, or (2) is operated  
 21 publicly or privately and, as determined by the office, maintains academic standards  
 9.22 substantially equivalent to those of comparable institutions operated in this state;

9.23 (3) is licensed or registered as a postsecondary institution by the Office of Higher  
 9.24 Education or another state agency; and

9.25 (4) is participating in federal student aid programs under Title IV of the Higher  
 9.26 Education Act of 1965, as amended. Institutions not participating in federal student aid  
 9.27 programs on the effective date of this section have three years from the effective date of  
 9.28 this act to begin participating in federal student aid programs under Title IV.

9.29 Sec. 5. Minnesota Statutes 2004, section 136A.101, subdivision 8, is amended to read:

30 Subd. 8. **Resident student.** "Resident student" means a student who meets one of  
 9.31 the following conditions:

10.1 (1) a student who has resided in Minnesota for purposes other than postsecondary  
 10.2 education for at least 12 months without being enrolled at a postsecondary educational  
 10.3 institution for more than five credits in any term;

10.4 (2) a dependent student whose parent or legal guardian resides in Minnesota at the  
 10.5 time the student applies;

10.6 (3) a student who graduated from a Minnesota high school, if the student was a  
 10.7 resident of Minnesota during the student's period of attendance at the Minnesota high  
 10.8 school and the student is physically attending a Minnesota postsecondary educational  
 10.9 institution; or

10.10 (4) a student who, after residing in the state for a minimum of one year, earned a  
 10.11 high school equivalency certificate in Minnesota;

10.12 (5) a member, spouse, or dependent of a member of the armed forces of the United  
 10.13 States stationed in Minnesota on active federal military service as defined in section  
 10.14 190.05, subdivision 5c;

10.15 (6) a person or spouse of a person who relocated to Minnesota from an area that is  
 10.16 declared a presidential disaster area within the preceding 12 months; or

10.17 (7) a person defined as a refugee under United States Code, title 8, section  
 10.18 1101(a)(42), who, upon arrival in the United States, moved to Minnesota and has  
 10.19 continued to reside in Minnesota.

10.20 Sec. 6. Minnesota Statutes 2004, section 136A.15, subdivision 6, is amended to read:

10.21 Subd. 6. **Eligible institution.** "Eligible institution" means a postsecondary  
 10.22 educational institution that ~~either:~~

10.23 (1) is operated or regulated by this state or by the University of Minnesota, or ~~(2)~~ is  
 10.24 operated publicly or privately in another state, is approved by the United States Secretary  
 10.25 of Education, and, as determined by the office, maintains academic standards substantially  
 10.26 equal to those of comparable institutions operated in this state. ~~It also includes any~~  
 10.27 ~~institution chartered in a province.;~~

10.28 (2) is licensed or registered as a postsecondary institution by the Office of Higher  
 10.29 Education or another state agency; and

10.30 (3) is participating in federal student aid programs under Title IV of the Higher  
 10.31 Education Act of 1965, as amended. Institutions not participating in federal student aid  
 10.32 programs on the effective date of this section have three years from the effective date of  
 10.33 this section to begin participating in federal student aid programs under Title IV.

10.34 Sec. 7. Minnesota Statutes 2004, section 136A.15, subdivision 9, is amended to read:

11.1 Subd. 9. ~~Minnesota resident student.~~ "Minnesota resident student" means a  
 11.2 student who meets one of the following conditions in section 136A.101, subdivision 8. :

11.3 (1) a student who has resided in Minnesota for purposes other than postsecondary  
 11.4 education for at least 12 months without being enrolled at a postsecondary educational  
 11.5 institution for more than five credits in any term;

11.6 (2) a dependent student whose parent or legal guardian resides in Minnesota at the  
 11.7 time the student applies;

11.8 (3) a student who graduated from a Minnesota high school, if the student was a  
 11.9 resident of Minnesota during the student's period of attendance at the Minnesota high  
 11.10 school and the student is physically attending a Minnesota postsecondary-educational  
 11.11 institution; or

11.12 (4) a student who, after residing in the state for a minimum of one year, earned a  
 11.13 high school equivalency certificate in Minnesota.

11.14 Sec. 8. Minnesota Statutes 2004, section 136A.15, is amended by adding a subdivision  
 11.15 to read:

11.16 Subd. 10. Eligible cosigner. "Eligible cosigner" means a cosigner who:

11.17 (1) is creditworthy. "Creditworthy" means one who, in the judgment of the director,  
 11.18 has:

11.19 (i) no credit bureau balances discharged through bankruptcy;

11.20 (ii) no garnishments, attachments, foreclosure, repossession, or suit;

11.21 (iii) no delinquent or unsatisfied credit obligation, such as tax or mechanics liens  
 11.22 or judgments; and

11.23 (iv) no more than five percent of current credit bureau balances past due.

11.24 A cosigner is considered creditworthy if the total obligation in subclause (iii) or the  
 11.25 amount past due in subclause (iv) does not exceed \$50 and all other requirements under  
 11.26 this clause are met;

11.27 (2) is at least 24 years old;

11.28 (3) is a United States citizen or permanent resident;

11.29 (4) permanently resides in the United States; and

11.30 (5) agrees to the release of information to a consumer credit reporting agency, as  
 11.31 specified in section 136A.162, paragraph (b).

11.32 The office may establish alternative credit requirements using credit scoring.

11.33 Sec. 9. Minnesota Statutes 2004, section 136A.16, is amended by adding a subdivision  
 11.34 to read:

12.1 Subd. 16. Interest rate swaps and other agreements. (a) The office may enter into  
12.2 interest rate exchange or swap agreements, hedges, forward purchase or sale agreements,  
12.3 or other comparable interest rate protection agreements with a third party in connection  
12.4 with the issuance or proposed issuance of bonds, outstanding bonds or notes, or existing  
12.5 comparable interest rate protection agreements.

12.6 (b) The agreements authorized by this subdivision include, without limitation, master  
12.7 agreements, options, or contracts to enter into those agreements in the future and related  
12.8 agreements, including, without limitation, agreements to provide credit enhancement,  
12.9 liquidity, or remarketing.

12.10 (c) The agreements authorized by this subdivision may be entered into on the basis  
12.11 of negotiation with a qualified third party or through a competitive proposal process on  
12.12 terms and conditions as and with covenants and provisions approved by the office and  
12.13 may include, without limitation:

12.14 (1) provisions establishing reserves;

12.15 (2) pledging assets or revenues of the office for current or other payments or  
12.16 termination payments;

12.17 (3) contracting with the other parties to the agreements to provide for the custody,  
12.18 collection, securing, investment, and payment of money of the office or money held in  
12.19 trust; or

12.20 (4) requiring the issuance of bonds or other agreements authorized by this section  
12.21 in the future.

12.22 (d) With respect to bonds or notes outstanding or proposed to be issued bearing  
12.23 interest at a variable rate, the office may agree to pay sums equal to interest at a fixed rate  
12.24 or at a different variable rate determined in accordance with a formula set out in the  
12.25 agreement on an amount not exceeding the outstanding principal amount of the bonds or  
12.26 notes at the time of payment in exchange for an agreement by the third party to pay sums  
12.27 equal to interest on a like amount at a variable rate determined according to a formula  
12.28 set out in the agreement.

12.29 (e) With respect to bonds or notes outstanding or proposed to be issued bearing  
12.30 interest at a fixed rate or rates, the office may agree to pay sums equal to interest at a  
12.31 variable rate determined in accordance with a formula set out in the agreement on an  
12.32 amount not exceeding the outstanding principal amount of the bonds or notes at the time of  
12.33 payment in exchange for an agreement by the third party to pay sums equal to interest on a  
12.34 like amount at a fixed rate or rates determined according to a formula set in the agreement.

12.35 (f) Subject to any applicable covenants of the office, payments required to be made  
12.36 by the office under the agreement, including termination payments, may be made from

13.1 amounts pledged or available to pay debt service on the bonds or notes with respect to  
 13.2 which the agreement was made or from assets of the loan capital fund of the office.  
 13.3 The office may issue bonds or notes to provide for any payments, including, without  
 13.4 limitation, a termination payment due or to become due under an agreement authorized  
 13.5 under this section.

13.6 Sec. 10. Minnesota Statutes 2004, section 136A.162, is amended to read:

13.7 **136A.162 CLASSIFICATION OF DATA.**

13.8 All data on applicants for financial assistance collected and used by the Higher  
 13.9 Education Services Office for student financial aid programs administered by that office  
 13.10 shall be classified as private data on individuals under section 13.02, subdivision 12.

13.11 Exceptions to this classification are that:

13.12 ~~(a) the names and addresses of program recipients or participants are public data;~~

13.13 ~~(b)~~ data on applicants may be disclosed to the commissioner of human services  
 13.14 to the extent necessary to determine eligibility under section 136A.121, subdivision 2,  
 13.15 clause (5); and

13.16 ~~(c)~~ (b) the following data collected in the Minnesota supplemental loan program  
 13.17 under section 136A.1701 may be disclosed to a consumer credit reporting agency only  
 13.18 if the borrower and the cosigner give informed consent, according to section 13.05,  
 13.19 subdivision 4, at the time of application for a loan:

13.20 (1) the lender-assigned borrower identification number;

13.21 (2) the name and address of borrower;

13.22 (3) the name and address of cosigner;

13.23 (4) the date the account is opened;

13.24 (5) the outstanding account balance;

13.25 (6) the dollar amount past due;

13.26 (7) the number of payments past due;

13.27 (8) the number of late payments in previous 12 months;

13.28 (9) the type of account;

13.29 (10) the responsibility for the account; and

13.30 (11) the status or remarks code.

13.31 Sec. 11. Minnesota Statutes 2004, section 136A.1701, subdivision 4, is amended to  
 13.32 read:

13.33 **Subd. 4. Terms and conditions of loans.** (a) The office may loan money upon such  
 13.34 terms and conditions as the office may prescribe. The principal amount of a loan to an

14.1 undergraduate student for a single academic year shall not exceed \$6,000 for grade levels  
 14.2 1 and 2 effective July 1, 2006, through June 30, 2008. Effective July 1, 2008, the principal  
 14.3 amount of a loan for grade levels 1 and 2 shall not exceed \$7,500. The principal amount  
 14.4 of a loan for grade levels 3, 4, and 5 shall not exceed \$7,500 effective July 1, 2006. The  
 14.5 aggregate principal amount of all loans made under this section to an undergraduate  
 14.6 student shall not exceed ~~\$25,000~~ \$34,500 through June 30, 2008, and \$37,500 after June  
 14.7 30, 2008. The principal amount of a loan to a graduate student for a single academic year  
 14.8 shall not exceed \$9,000. The aggregate principal amount of all loans made under this  
 14.9 section to a student as ~~a~~ an undergraduate and graduate student shall not exceed ~~\$40,000~~  
 14.10 \$52,500 through June 30, 2008, and \$55,500 after June 30, 2008. The amount of the loan  
 14.11 may not exceed the cost of attendance less all other financial aid, including PLUS loans or  
 14.12 other similar parent loans borrowed on the student's behalf. The cumulative SELF loan  
 14.13 debt must not exceed the borrowing maximums in paragraph (b).

14.14 (b) The cumulative undergraduate borrowing maximums for SELF loans are:

14.15 (1) effective July 1, 2006, through June 30, 2008:

14.16 (i) grade level 1, \$6,000;

14.17 (ii) grade level 2, \$12,000;

14.18 (iii) grade level 3, \$19,500;

14.19 (iv) grade level 4, \$27,000; and

14.20 (v) grade level 5, \$34,500; and

14.21 (2) effective July 1, 2008:

14.22 (i) grade level 1, \$7,500;

14.23 (ii) grade level 2, \$15,000;

14.24 (iii) grade level 3, \$22,500;

14.25 (iv) grade level 4, \$30,000; and

14.26 (v) grade level 5, \$37,500.

14.27 Sec. 12. Minnesota Statutes 2004, section 136A.1701, subdivision 7, is amended to  
 14.28 read:

14.29 Subd. 7. **Repayment of loans.** (a) The office shall establish repayment procedures  
 14.30 for loans made under this section, but in no event shall the period of permitted repayment  
 14.31 for SELF II or SELF III loans exceed ten years from the eligible student's termination of  
 14.32 the student's postsecondary academic or vocational program, or 15 years from the date of  
 14.33 the student's first loan under this section, whichever is less.

14.34 (b) For SELF loans from phases after SELF III, eligible students with aggregate  
 14.35 principal loan balances from all SELF phases that are less than \$18,750 shall have a



15.1 repayment period not exceeding ten years from the eligible student's graduation or  
15.2 termination date. For SELF loans from phases after SELF III, eligible students with  
15.3 aggregate principal loan balances from all SELF phases of \$18,750 or greater shall  
15.4 have a repayment period not exceeding 15 years from the eligible student's graduation  
15.5 or termination date. For SELF loans from phases after SELF III, the loans shall enter  
15.6 repayment no later than seven years after the first disbursement date on the loan.

15.7 Sec. 13. Minnesota Statutes 2005 Supplement, section 136A.1701, subdivision 12,  
15.8 is amended to read:

15.9 Subd. 12. **Eligible student.** "Eligible student" means a student who is a Minnesota  
15.10 resident who is enrolled or accepted for enrollment at an eligible institution in Minnesota  
15.11 or in another state ~~or province~~. Non-Minnesota residents are eligible students if they are  
15.12 enrolled or accepted for enrollment in a minimum of one course of at least 30 days in  
15.13 length during the academic year that requires physical attendance at an eligible institution  
15.14 located in Minnesota. Non-Minnesota resident students enrolled exclusively during the  
15.15 academic year in correspondence courses or courses offered over the Internet are not  
15.16 eligible students. Non-Minnesota resident students not physically attending classes in  
15.17 Minnesota due to enrollment in a study abroad program for 12 months or less are eligible  
15.18 students. Non-Minnesota residents enrolled in study abroad programs exceeding 12  
15.19 months are not eligible students. For purposes of this section, an "eligible student" must  
15.20 also meet the eligibility requirements of section 136A.15, subdivision 8.

15.21 Sec. 14. Minnesota Statutes 2004, section 136A.1701, is amended by adding a  
15.22 subdivision to read:

15.23 Subd. 13. **Cosigner requirement.** All borrowers under this section must have an  
15.24 eligible cosigner. The cosigner is jointly and separately responsible for making loan  
15.25 payments, including principal, interest, and other charges.

15.26 Sec. 15. [136A.1704] LOAN REHABILITATION.

15.27 (a) For SELF loans that have defaulted, the borrower or cosigner has the option to  
15.28 rehabilitate the loan, as loan rehabilitation is not prohibited under any federal or state  
15.29 statute, rule, regulation, act, or requirement.

15.30 (b) A defaulted SELF loan can be rehabilitated only once and rehabilitation can  
15.31 only be attempted twice per loan.

16.1 (c) An agreement specifying the required payment amount and payment due date  
16.2 must be signed by the borrower or cosigner prior to the start of the rehabilitation process  
16.3 and within two years of the default date.

16.4 (d) Twelve consecutive months of on-time payments are required to consider the  
16.5 loan rehabilitated. There is a five business day grace period.

16.6 (e) If the loan is paid in full within 90 days of default, the loan will be considered  
16.7 rehabilitated upon receipt of a rehabilitation request.

16.8 (f) Rehabilitation results in removal of the defaulted status, but not the past due  
16.9 history, from the credit bureau.

16.10 **Sec. 16. [136A.1705] TEMPORARY TOTAL DISABILITY.**

16.11 A temporary total disability for up to three years may be granted to a borrower upon  
16.12 medical certification that the total disability is expected to last four months or longer. The  
16.13 total disability must have originated after the loan was fully disbursed. The borrower is  
16.14 required to provide a certification from a qualified physician. A qualified physician is a  
16.15 doctor of medicine or osteopathy who is legally authorized to practice medicine. Periodic  
16.16 recertifications of the total disability status must be provided upon request. During the  
16.17 approved total disability period, the loan does not accrue interest. The borrower shall be  
16.18 given the option to sign a payment extension agreement at the time payments are resumed.

16.19 **Sec. 17. Minnesota Statutes 2004, section 136A.233, subdivision 3, is amended to read:**

16.20 **Subd. 3. Payments.** Work-study payments shall be made to eligible students by  
16.21 postsecondary institutions as provided in this subdivision.

16.22 (a) Students shall be selected for participation in the program by the postsecondary  
16.23 institution on the basis of student financial need.

16.24 (b) In selecting students for participation, priority must be given to students enrolled  
16.25 for at least 12 credits. A student may be awarded work-study payments during one period  
16.26 of nonenrollment or less than half-time enrollment per academic year, provided the student  
16.27 will enroll on at least a half-time basis during the next term.

16.28 (c) Students will be paid for hours actually worked and the maximum hourly rate  
16.29 of pay shall not exceed the maximum hourly rate of pay permitted under the federal  
16.30 college work-study program.

16.31 (d) Minimum pay rates will be determined by an applicable federal or state law.

16.32 (e) The office shall annually establish a minimum percentage rate of student  
16.33 compensation to be paid by an eligible employer.

17.1 (f) Each postsecondary institution receiving money for state work-study grants  
 17.2 shall make a reasonable effort to place work-study students in employment with eligible  
 17.3 employers outside the institution. However, a public employer other than the institution  
 17.4 may not terminate, lay off, or reduce the working hours of a permanent employee for the  
 17.5 purpose of hiring a work-study student, or replace a permanent employee who is on layoff  
 17.6 from the same or substantially the same job by hiring a work-study student.

17.7 (g) The percent of the institution's work-study allocation provided to graduate  
 17.8 students shall not exceed the percent of graduate student enrollment at the participating  
 17.9 institution.

17.10 (h) An institution may use up to 30 percent of its allocation for student internships  
 17.11 with private, for-profit employers.

17.12 Sec. 18. Minnesota Statutes 2004, section 137.17, subdivision 1, is amended to read:

17.13 Subdivision 1. **Establish.** The Board of Regents may establish a ~~school of~~  
 17.14 ~~professional and graduate studies as a nonresidential~~ branch campus of the University of  
 17.15 Minnesota; in Rochester, to serve the educational needs of working adults and other  
 17.16 ~~nontraditional students in southeastern Minnesota~~ and to foster the economic goals of the  
 17.17 region and the state. The legislature intends that the University of Minnesota expand higher  
 17.18 education offerings in Rochester. It is the intent of the legislature that this be achieved  
 17.19 in part by developing new and strengthening existing partnerships with higher education  
 17.20 institutions in Rochester and the region in which the state already has a significant  
 17.21 investment. The campus shall be a joint partnership of the University of Minnesota with  
 17.22 ~~Rochester Community and Technical College, and Winona State University.~~

17.23 ~~The Board of Trustees of the Minnesota State Colleges and Universities shall~~  
 17.24 ~~cooperate to achieve the foregoing.~~

17.25 Sec. 19. Minnesota Statutes 2004, section 137.17, subdivision 3, is amended to read:

17.26 Subd. 3. **Missions.** The legislature intends that the mission of the expanded  
 17.27 education offerings in Rochester be congruent with the university's unique core mission of  
 17.28 teaching, research, and outreach in order to support the educational needs and economic  
 17.29 development of this region and the state. The legislature recognizes that the distinctiveness  
 17.30 of each of the partner higher education institutions in Rochester must be maintained to  
 17.31 achieve success in serving the higher education needs of the community and the economic  
 17.32 goals of the state. Further, the legislature intends that the University of Minnesota and the  
 17.33 ~~other partner institutions avoid duplicative offerings of courses and programs. Therefore,~~  
 17.34 ~~the University of Minnesota, Winona State University, and Rochester Community and~~

18.1 ~~Technical College shall develop jointly a statement of missions, roles, and responsibilities~~  
 18.2 ~~for the programs and services at Rochester which shall be submitted to the legislature by~~  
 18.3 ~~January 30, 2000, and any time thereafter that the missions, roles, and responsibilities~~  
 18.4 ~~change.~~

18.5 Sec. 20. **APPROPRIATION.**

18.6 \$5,000,000 is appropriated from the general fund for fiscal year 2007 to the Board of  
 18.7 Regents of the University of Minnesota for the purposes of section 18. This appropriation  
 18.8 is for academic programs supporting the University of Minnesota - Rochester, including  
 18.9 faculty, staff, and program planning and development in the areas of biomedical  
 18.10 technologies, engineering and computer technologies, health care administration, and  
 18.11 allied health programs; ongoing operations of industrial liaison activities; and operation  
 18.12 of leased facilities. This appropriation is in addition to the appropriation in Laws 2005,  
 18.13 chapter 107, article 1, section 4, subdivision 2.

18.14 Sec. 21. **REVISOR'S INSTRUCTION.**

18.15 The revisor of statutes shall delete the term "sections 136A.15 to 136A.1702" and  
 18.16 insert "sections 136A.15 to 136A.1705" wherever it appears in Minnesota Statutes and  
 18.17 Minnesota Rules.

18.18 Sec. 22. **REPEALER.**

18.19 Minnesota Statutes 2004, sections 135A.01; 135A.031, subdivisions 1, 2, 5, and 6;  
 18.20 135A.032; 135A.033; 136A.15, subdivision 5; 136A.1702; and 137.17, subdivisions 2  
 18.21 and 4, and Minnesota Statutes 2005 Supplement, section 135A.031, subdivisions 3 and  
 18.22 4, and Minnesota Rules, part 4850.0011, subparts 9, 10, and 27; and 4850.0014, subpart  
 18.23 1, are repealed.

18.24 **ARTICLE 4**

18.25 **PUBLIC SAFETY AND JUDICIAL BRANCH**

18.26 Section 1. **SUPREME COURT**

-0-

750,000

18.27 In fiscal year 2007, \$750,000 is appropriated  
 18.28 from the general fund to the Supreme Court  
 18.29 for the first phase of a judicial initiative  
 18.30 to more effectively address the increasing  
 18.31 numbers of alcohol and other drug (AOD)

1.1 Senator ..... moves to amend S.F. No. 3317 as follows:

1.3 Page 18, line 13, after the period, insert "The funding base for activities related to section 18 is \$5,000,000 for fiscal year 2008 and \$6,330,000 for fiscal year 2009."

1.4 Page 18, after line 13, insert:

1.5 "Sec. 21. Laws 2005, chapter 107, article 1, section 1, is amended to read:

1.6 Section 1. **HIGHER EDUCATION APPROPRIATIONS**

1.7 The sums in the columns marked "APPROPRIATIONS" are appropriated from the  
1.8 general fund, or other named fund, to the agencies and for the purposes specified in this  
1.9 article. The listing of an amount under the figure "2006" or "2007" in this article indicates  
1.10 that the amount is appropriated to be available for the fiscal year ending June 30, 2006, or  
1.11 June 30, 2007, respectively. "The first year" is fiscal year 2006. "The second year" is fiscal  
1.12 year 2007. "The biennium" is fiscal years 2006 and 2007.

1.13 SUMMARY BY FUND

	2006	2007	TOTAL
			2,761,000,000
1.16 General	\$ 1,365,500,000	<del>1,395,500,000</del> \$ 1,395,200,000	\$ 2,760,700,000
1.17 Health Care Access	2,157,000	2,157,000	4,314,000

1.18 SUMMARY BY AGENCY - ALL FUNDS

	2006	2007	TOTAL
1.20 Higher Education Services		<del>177,181,000</del>	<del>349,310,000</del>
1.21 Office	172,129,000	<u>176,881,000</u>	<u>349,010,000</u>
1.22 Board of Trustees of the			
1.23 Minnesota State Colleges			
1.24 and Universities	600,694,000	602,194,000	1,202,888,000
5 Board of Regents of the			
1.26 University of Minnesota	593,348,000	616,736,000	1,210,084,000
1.27 Mayo Medical Foundation	1,391,000	1,391,000	2,782,000
1.28 Minnesota Department of			
1.29 Health	95,000	155,000	250,000

1.30 APPROPRIATIONS

1.31 Available for the Year

1.32 Ending June 30

1.33 2006 2007

1.35 Sec. 22. Laws 2005, chapter 107, article 1, section 2, subdivision 1, is amended to read:

1.37 Subdivision 1. <b>Total Appropriation</b>	\$ 172,129,000	\$ <del>177,181,000</del> <u>176,881,000</u>
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2.1 The amounts that may be spent from this  
 2.2 appropriation for each purpose are specified  
 2.3 in the following subdivisions.

2.4 Sec. 23. Laws 2005, chapter 107, article 1, section 2, subdivision 2, is amended to read:

2.5			<del>144,756,000</del>
2.6	Subd. 2. State Grants	136,394,000	<u>144,456,000</u>

2.7 If the appropriation in this subdivision for  
 2.8 either year is insufficient, the appropriation  
 2.9 for the other year is available for it. For  
 2.10 the biennium, the tuition and fee maximum  
 2.11 shall be \$9,208 the first year and \$9,438 the  
 2.12 second year for students enrolled in four-year  
 2.13 programs and \$6,567 the first year and  
 2.14 \$6,436 the second year for students enrolled  
 2.15 in two-year programs. The funding base for  
 2.16 this program in fiscal years 2008 and 2009 is  
 2.17 \$144,406,000 per year.

2.18 The Higher Education Services Office must  
 2.19 study the for-profit postsecondary education  
 2.20 sector licensed or registered in Minnesota.

2.21 The study must examine tuition levels  
 2.22 and program offerings, student debt load,  
 2.23 financial assistance, and the impact of the  
 2.24 tuition and fee maximums set in law on this  
 2.25 postsecondary sector and its students. The  
 2.26 study must also analyze the relationship of  
 2.27 the tuition and fee maximums and tuition  
 2.28 levels. The office must report on the findings  
 2.29 to the legislative committees responsible for  
 2.30 higher education finance by November 15,  
 2.31 2006. This study may be done in conjunction  
 2.32 with the licensing study in article 3.

2.33 This appropriation sets the living and  
 2.34 miscellaneous expense allowance at \$5,350  
 2.35 each year.

- 3.1 This appropriation contains money to provide educational benefits to dependent children
- under age 23 and the spouses of public safety officers killed in the line of duty under
- 3.3 Minnesota Statutes 2004, section 299A.45."
- 3.4 Renumber the remaining sections in Article 3 in sequence
- 3.5 Amend the title accordingly

1.1 Senator ..... moves to amend S. F. No. 3317 as follows:

1.2 Page 9, line 22, after the semicolon, insert "and"

1.3 Page 9, line 24, delete "; and" and insert a period

1.4 Page 9, line 25, delete "(4) is participating" and insert "Eligible institutions must  
1.5 participate"

1.6 Page 9, line 26, delete everything after the period

1.7 Page 9, delete lines 27 and 28 and insert "An institution that participated in the  
1.8 state grant program in fiscal year 2007 but did not participate in federal student aid  
1.9 programs under Title IV of the Higher Education Act of 1965, as amended, must become  
1.10 a participant in the federal student aid programs by July 1, 2009, or lose eligibility to  
1.11 participate in the state grant program."

1.12 Page 10, line 16, before the semicolon, insert "if the disaster interrupted the person's  
1.13 postsecondary education"

1.14 Page 10, line 27, after the semicolon, insert "or"

1.15 Page 10, line 29, delete "; and" and insert a period

1.16 Page 10, line 30, delete "(3) is participating" and insert "Eligible institutions must  
1.17 participate"

1.18 Page 10, line 31, delete everything after the period

1.19 Page 10, delete lines 32 and 33 and insert "An institution that participated in the  
1.20 SELF program in fiscal year 2007 but did not participate in federal student aid programs  
1.21 under Title IV of the Higher Education Act of 1965, as amended, must become a  
1.22 participant in the federal student aid programs by July 1, 2009, or lose eligibility to  
1.23 participate in the SELF program."

1.24 An eligible institution must sign an institutional loan participation agreement with  
1.25 the office that lists the duties and responsibilities of both the institution and the office."

1.26 Page 11, line 17, delete ", in the judgment of the director,"

1.27 Page 16, line 25, after the period, insert "In each academic year," and delete "during"  
1.28 and insert "for"

1.29 Page 16, line 26, delete "per academic year, provided" and insert "if"

1.30 Page 16, line 27, delete "will enroll" and insert "enrolls" and delete "next" and  
1.31 insert "following academic"

1.32 Page 18, line 22, after "10," insert "14,"



**Senate Counsel, Research,  
and Fiscal Analysis**

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**Senate**  

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**State of Minnesota**

**S.F. No. 3317-Article 3 Governor's Omnibus Supplemental  
Budget Bill: Higher Education**

**Author:** Senator Geoff Michalek  
**Prepared by:** Maja Weidmann, Senate Research (651-296-4855)  
**Date:** March 22, 2006

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**Article 3-Higher Education**

**Section 1** provides for the submission of instructional expenditure and enrollment data to the Office of Higher Education. The Office must consult with the data advisory task force to identify the data that must be submitted to them.

**Section 2** deletes statutory language, which no longer reflects current practice, specifying the legislative funding level for higher education.

**Section 3** deletes language pertaining to the reports the systems must submit to the legislature regarding their performance on various accountability measures.

**Section 4** amends language specifying the criteria a college or university must meet to be eligible to participate in the state grant and child care grant programs. Criteria added specify that participating institutions must be licensed or registered with the Office of Higher Education, and participating in federal student aid programs under Title IV.

**Section 5** amends language defining "resident student" for the purpose of receiving the state grant and child care grant by including the following individuals: (1) active military personnel stationed in Minnesota, their spouse, and dependents; (2) individuals who have relocated to Minnesota from a presidentially-declared disaster area; and (3) an individual meeting the definition of "refugee" under U.S. code. Also clarifies definition of "resident student" for Minnesota high school graduates.

**Section 6** amends language specifying the criteria a college or university must meet to be eligible to participate in the SELF loan program. Criteria added specify that participating institutions must be licensed or registered with the Office of Higher Education, and participating in federal student aid programs under Title IV.

**Section 7** amends language defining "Minnesota resident" for the purpose of participating in the SELF loan program.

**Section 8** adds language defining "eligible cosigner" for the purpose of receiving a SELF loan.

**Section 9** authorizes the Office of Higher Education to do interest rate swaps.

**Section 10** deletes language stating that the names and addresses of state financial aid participants are classified as public data.

**Section 11** increases the loan limits for SELF loan participants.

**Section 12** increases the repayment period for SELF loan borrowers with loans in excess of \$18,750.

**Section 13** eliminates students attending a postsecondary institution in a Canadian province from the definition of eligible student for the purpose of receiving a SELF loan.

**Section 14** makes SELF loan cosigner jointly and separately responsible for making loan payments. This language is currently in the rules pertaining to the SELF loan.

**Section 15** authorizes the Office of Higher Education to establish a loan rehabilitation program.

**Section 16** authorizes the Office to grant students in repayment "temporary total disability status" for up to three years. Interest would not accrue during this period of time.

**Section 17** authorizes the provision of state work study awards during one period of non-enrollment each year for students enrolled less than half-time.

**Section 18** amends language pertaining to the Rochester campus of the University of Minnesota to reflect the recommendations of the Rochester Higher Education Development Committee's recommendations for that institution.

**Section 19** amends language pertaining to the unique role of each of the higher education institutions in Rochester.

**Section 20** appropriates \$5 million to the University of Minnesota for program planning and development at the Rochester campus.

**Section 21** contains instructions to the revisor.

**Section 22** repeals the following statutory language and rules:

Minnesota Statutes 2004, section 135A.01: Funding Policy

Minnesota Statutes 2004, section 135A.031, subdivision 1: Determination of appropriation

Minnesota Statutes 2004, section 135A.031, subdivision 2: Appropriation for certain enrollments

Minnesota Statutes 2004, section 135A.031, subdivision 5: Adjustment for performance

Minnesota Statutes 2004, section 135A.031, subdivision 6: Adjustment for change items

Minnesota Statutes 2004, section 135A.032: Appropriations for noninstructional services

Minnesota Statutes 2004, section 135A.033: Performance funding

Minnesota Statutes 2004, section 136A.15, subdivision 5: Province

Minnesota Statutes 2004, section 136A.1702: Commission approval

Minnesota Statutes 2004, section 137.17, subdivision 2: Leadership

Minnesota Statutes 2004, section 137.17, subdivision 4: Changes

Minnesota Statutes Supplement 2005 Supplement, section 135A.031, subdivision 3: Determination of instructional services base

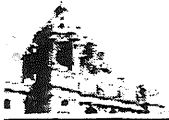
Minnesota Statutes Supplement 2005 Supplement, section 135A.031, subdivision 4: Enrollments for budgeting

Minnesota Rules, part 4850.0011, subpart 9: Creditworthy cosigner

Minnesota Rules, part 4850.0011, subpart 10: Cosigners

Minnesota Rules, part 4850.0011, subpart 27: Repayment period

Minnesota Rules, part 4850.0014, subpart 1: Loan amounts

**Minnesota Statutes 2005, 135A.01**

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Minnesota Statutes 2005, Table of Chapters

Table of contents for Chapter 135A

**135A.01 Funding policy.**

It is the policy of the legislature to provide stable funding, including recognition of the effects of inflation, for instructional services at public postsecondary institutions and that the state and students share the cost of those services. The legislature intends to provide at least 67 percent of the instructional services costs for each postsecondary system. It is also the policy of the legislature that the budgetary process serves to support high quality public postsecondary education.

HIST: 1983 c 258 s 29; 1Sp1985 c 11 s 14; 1994 c 532 art 3 s 1

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**Minnesota Statutes 2005, 135A.031**

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Minnesota Statutes 2005, Table of ChaptersTable of contents for Chapter 135A**135A.031 Appropriations for instructional services.**

**Subdivision 1.** **Determination of appropriation.** The direct appropriation to each board for instructional services shall equal 67 percent of the estimated total cost of instruction for the University of Minnesota, the state universities, and the community colleges, and, for technical colleges, at least 67 percent of the estimated total cost of instruction.

**Subd. 2.** **Appropriations for certain enrollments.** The state share of the estimated expenditures for instruction shall vary for some categories of students, as designated in this subdivision.

(a) The state must provide at least 67 percent of the estimated expenditures for:

(1) students who resided in the state for at least one calendar year prior to applying for admission or dependent students whose parent or legal guardian resides in Minnesota at the time the student applies;

(2) Minnesota residents who can demonstrate that they were temporarily absent from the state without establishing residency elsewhere;

(3) residents of other states or provinces who are attending a Minnesota institution under a tuition reciprocity agreement;

(4) students who have been in Minnesota as migrant farmworkers, as defined in the Code of Federal Regulations, title 20, section 633.104, over a period of at least two years immediately before admission or readmission to a Minnesota public postsecondary institution, or students who are dependents of such migrant farmworkers; and

(5) persons who: (i) were employed full time and were relocated to the state by the person's current employer, or (ii) moved to the state for employment purposes and, before moving and before applying for admission to a public postsecondary institution, accepted a job in the state, or students who are spouses or dependents of such persons.

(b) The definition of full year equivalent for purposes of the formula calculations in this chapter is twice the normal value for the following enrollments:

(1) students who are concurrently enrolled in a public secondary school and for whom the institution is receiving any compensation under the Postsecondary Enrollment Options Act; and

(2) students enrolled under the student exchange program of the Midwest Compact.

**Subd. 3. Determination of instructional services base.**

The instructional services base for each public postsecondary system is the sum of: (1) the state share; and (2) the legislatively estimated tuition for the second year of the most recent biennium; and (3) performance as calculated in subdivision 5.

**Subd. 4. Enrollments for budgeting.** For all purposes where student enrollment is used for budgeting purposes, student enrollment shall be measured in full-year equivalents and shall include only enrollments in courses that award credit or otherwise satisfy any of the requirements of an academic or vocational program.

**Subd. 5. Adjustment for performance.** Each public postsecondary system's instructional services base shall be adjusted, up to one percent, if the system meets the performance standards established by the system's governing board as part of the biennial budget document.

**Subd. 6. Adjustment for change items.** The instructional services base may be adjusted for change items as determined by the governor and the legislature after adjustments for inflation, enrollments, and performance.

**Subd. 7. Reports.** Instructional expenditure and enrollment data for each instructional category shall be submitted in the biennial budget document.

HIST: 1994 c 532 art 3 s 2; 1995 c 212 art 2 s 1; 1Sp2001 c 1 art 2 s 6; 2005 c 107 art 2 s 1,2

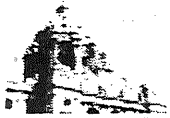
\* NOTE: The amendments to subdivisions 3 and 4 by Laws 2005, chapter 107, article 2, sections 1 and 2, respectively, are effective June 30, 2007. Laws 2005, chapter 107, article 2, sections 1 and 2, the effective dates.

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**Minnesota Statutes 2005, 135A.032**

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Minnesota Statutes 2005, Table of Chapters

Table of contents for Chapter 135A

**135A.032 Appropriations for noninstructional services.**

Subdivision 1. **Determination of noninstructional appropriations base.** The noninstructional services base for each public postsecondary system is the state share for the second year of the most recent biennium plus adjustments for inflation and for performance as specified in subdivision 2. The cost of technical college extension programs shall be included in noninstructional services.

Subd. 2. **Adjustment for performance.** The noninstructional services base shall be increased, up to one percent, if the system meets the performance standards established by the system's governing board as part of the biennial budget document.

Subd. 3. **Adjustment for change items.** The noninstructional services base may be adjusted for change items as determined by the governor and the legislature after noninstructional base adjustments for inflation and performance.

HIST: 1994 c 532 art 3 s 3

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**Minnesota Statutes 2005, 135A.033**

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[Minnesota Statutes 2005, Table of Chapters](#)

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**135A.033 Performance funding.**

The governing boards of the University of Minnesota and the Minnesota State Colleges and Universities, in conjunction with their respective campuses, shall each specify performance categories and indicators relating to section [135A.053](#), subdivision 1, to be used for policy and appropriations decisions, as well as allocations for rewarding campuses that achieve performance levels and assisting campuses that are unable to achieve these levels. Because the mission of each system and type of campus varies, categories and indicators shall vary accordingly.

HIST: 1994 c 532 art 3 s 4; 1996 c 398 s 26

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**Minnesota Statutes 2005, 136A.15**

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Minnesota Statutes 2005, Table of ChaptersTable of contents for Chapter 136A**136A.15 Definitions.**

Subdivision 1. **Scope.** For purposes of sections 136A.15 to 136A.1702, the terms defined in this section have the meanings ascribed to them.

Subd. 2. **Academic year or its equivalent.** "Academic year or its equivalent" shall be as defined in the federal regulations which govern the administration of the National Vocational Student Loan Insurance Act of 1965 and title IV of the Higher Education Act of 1965.

Subd. 3. **Office.** "Office" means the Minnesota Higher Education Services Office.

Subd. 4. **Director.** "Director" means the director of the Minnesota Higher Education Services Office.

Subd. 5. **Province.** "Province" means the Canadian province of Manitoba.

Subd. 6. **Eligible institution.** "Eligible institution" means a postsecondary educational institution that either (1) is operated or regulated by this state, or (2) is operated publicly or privately in another state, is approved by the United States Secretary of Education, and, as determined by the office, maintains academic standards substantially equal to those of comparable institutions operated in this state. It also includes any institution chartered in a province.

Subd. 7. **Eligible lender.** "Eligible lender" means an eligible institution, an agency or instrumentality of a state, or a financial or credit institution (including an insurance company) which is subject to examination and supervision by an agency of the state of Minnesota or of the United States.

Subd. 8. **Eligible student.** "Eligible student" means a student who is officially registered or accepted for enrollment at an eligible institution in Minnesota or a Minnesota resident who is officially registered as a student or accepted for enrollment at an eligible institution in another state or province. Eligible student, except for purposes of section 136A.1701, includes parents of an eligible student as the term "parent" is defined in the Higher Education Act of 1965, as amended, and applicable regulations. Except for the purposes of section 136A.1701, eligible student also includes students eligible for auxiliary loans as the term "auxiliary" is defined in the Higher Education Act of 1965, as amended, and

applicable regulations. An eligible student, for section 136A.1701, means a student who gives informed consent authorizing the disclosure of data specified in section 136A.162, paragraph (b), to a consumer credit reporting agency.

Subd. 9. **Resident student.** "Resident student" means a student who meets the conditions in section 136A.101, subdivision 8.

HIST: 1967 c 615 s 1; 1967 c 894 s 2; 1973 c 605 s 3,4; 1975 c 271 s 6; 1981 c 300 s 2; 1983 c 258 s 46; 1Sp1985 c 11 s 47; 1989 c 293 s 33-35; 1990 c 591 art 6 s 5; 1994 c 532 art 2 s 10; 1995 c 212 art 3 s 32,33,59

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**Minnesota Statutes 2005, 136A.1702**

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Minnesota Statutes 2005, Table of ChaptersTable of contents for Chapter 136A**136A.1702 Commission approval.**

The office shall obtain approval from the Legislative Advisory Commission prior to taking the following actions with regard to student loan programs described in Laws 1983, chapter 258:

- (1) implementing a loan program for parents and students eligible for auxiliary loans as defined in section 136A.15, subdivision 7;
- (2) acquiring student loans from other lenders to facilitate student loan programs provided for in section 136A.17; and
- (3) providing for programs of supplemental and additional loans as defined in section 136A.1701.

HIST: 1983 c 258 s 50; 1995 c 212 art 3 s 59

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**Minnesota Statutes 2005, 137.17**

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Minnesota Statutes 2005, Table of ChaptersTable of contents for Chapter 137**137.17 Rochester branch.**

Subdivision 1. **Establish.** The Board of Regents may establish a school of professional and graduate studies as a nonresidential branch campus of the University of Minnesota, Rochester, to serve the needs of working adults and other nontraditional students in southeastern Minnesota. The campus shall be a joint partnership of the University of Minnesota with Rochester Community and Technical College, and Winona State University.

The Board of Trustees of the Minnesota State Colleges and Universities shall cooperate to achieve the foregoing.

**Subd. 2. Leadership.** The legislature intends that the Rochester branch strengthen the existing partnership of institutions in Rochester by providing better coordination and leadership in serving the needs of the region, while maintaining a cooperative basis among the institutions. The University of Minnesota is expected to take the leadership role in assessing community needs and facilitating the delivery of upper division and graduate academic programming and student services by existing higher education providers. It is the intent of the legislature that this branch not diminish the role or function of existing higher education institutions in Rochester or elsewhere in the region in which the state already has a significant investment.

**Subd. 3. Missions.** The legislature recognizes that the distinctiveness of each of the partner institutions in Rochester must be maintained to achieve success in serving the higher education needs of the community and the economic goals of the state. Further, the legislature intends that the University of Minnesota and the other partner institutions avoid duplicative offerings of courses and programs. Therefore, the University of Minnesota, Winona State University, and Rochester Community and Technical College shall develop jointly a statement of missions, roles, and responsibilities for the programs and services at Rochester which shall be submitted to the legislature by January 30, 2000, and any time thereafter that the missions, roles, and responsibilities change.

**Subd. 4. Changes.** Major changes in the missions, programs, services or roles of the partner institutions shall be made in full consultation with the partner institutions and the systems.

HIST: 1999 c 214 art 2 s 16

CHAPTER 135A

PUBLIC POSTSECONDARY EDUCATION

135A.031 Appropriations for instructional services.  
135A.052 Postsecondary missions.  
135A.165 Deaf students; tuition assistance.

135A.30 Minnesota academic excellence scholarship.  
135A.52 Program and qualifications.

135A.031 APPROPRIATIONS FOR INSTRUCTIONAL SERVICES.

[For text of subs 1 and 2, see M.S.2004]

Subd. 3. Determination of instructional services base. The instructional services base for each public postsecondary system is the sum of: (1) the state share; and (2) the legislatively estimated tuition for the second year of the most recent biennium; and (3) performance as calculated in subdivision 5.

Subd. 4. Enrollments for budgeting. For all purposes where student enrollment is used for budgeting purposes, student enrollment shall be measured in full-year equivalents and shall include only enrollments in courses that award credit or otherwise satisfy any of the requirements of an academic or vocational program.

[For text of subs 5 to 7, see M.S.2004]

History: 2005 c 107 art 2 s 1,2

NOTE: The amendments to subdivisions 3 and 4 by Laws 2005, chapter 107, article 2, sections 1 and 2, respectively, are effective June 30, 2007. Laws 2005, chapter 107, article 2, sections 1 and 2, the effective dates.

135A.052 POSTSECONDARY MISSIONS.

Subdivision 1. Statement of missions. The legislature recognizes each type of public postsecondary institution to have a distinctive mission within the overall provision of public higher education in the state and a responsibility to cooperate with each other. These missions are as follows:

- (1) the technical colleges shall offer vocational training and education to prepare students for skilled occupations that do not require a baccalaureate degree;
(2) the community colleges shall offer lower division instruction in academic programs, occupational programs in which all credits earned will be accepted for transfer to a baccalaureate degree in the same field of study, and remedial studies, for students transferring to baccalaureate institutions and for those seeking associate degrees;
(3) consolidated community technical colleges shall offer the same types of instruction, programs, certificates, diplomas, and degrees as the technical colleges and community colleges offer;
(4) the state universities shall offer undergraduate and graduate instruction through the master's degree, including specialist certificates, in the liberal arts and sciences and professional education, and may offer applied doctoral degrees in education, business, psychology, physical therapy, audiology, and nursing; and
(5) the University of Minnesota shall offer undergraduate, graduate, and professional instruction through the doctoral degree, and shall be the primary state supported academic agency for research and extension services.

It is part of the mission of each system that within the system's resources the system's governing board and chancellor or president shall endeavor to:

- (a) prevent the waste or unnecessary spending of public money;
(b) use innovative fiscal and human resource practices to manage the state's resources and operate the system as efficiently as possible;
(c) coordinate the system's activities wherever appropriate with the activities of the other system and governmental agencies;

(d) use technology for customer service, increase public participation in the system;
(e) utilize construction methods otherwise required by chapter 135A;
(f) recommend to the governing board the mission of the system.

History: 2005 c 107 art 2 s 1,2

135A.165 DEAF STUDENTS.

- (a) For the purpose of providing hearing loss of such severity that communication, such as sign language, is necessary;
(b) A deaf person, as defined in subdivision 8, is entitled to deduct any federal or state income tax person for the purpose of receiving a university or the University of Minnesota Pell grant or a state grant or assistance for that term.

History: 2005 c 107 art 2 s 1,2

135A.30 MINNESOTA ACADEMIC EXCELLENCE SCHOLARSHIP.

[F]

Subd. 3. Selection of institutions to determine, in consultation with the legislature, to be considered, and meeting with the approval of its governing board.

Subd. 4. Amount of scholarship. The amount of scholarship for public institutions, up to the amount of the academic year, or (2) at the discretion of the institution, shall be based on tuition and fees charged to students at that institution. Scholarships shall be awarded to determine a student's financial need.

Subd. 5. Renewals. A student receiving a scholarship shall be eligible for additional academic years,

- (1) maintains full-time enrollment;
(2) maintains a minimum four point scale;
(3) pursues studies approved by the institution and potential in the field of study;
(4) is achieving satisfactory academic progress.

[F]

History: 2005 c 107 art 2 s 1,2

135A.52 PROGRAM AND QUALIFICATIONS.

Subdivision 1. Fees and charges. The governing board at a level of public postsecondary education shall determine the payment of tuition or other charges for credit courses offered for credit at that institution of higher education. The institution shall pay any materials, supplies, and other charges that are not included in the tuition or other charges.

## CHAPTER 4850

## HIGHER EDUCATION SERVICES OFFICE

## SUPPLEMENTAL STUDENT LOANS

4850.0010	PURPOSE.	4850.0015	LOAN DISBURSEMENTS.
4850.0011	DEFINITIONS.	4850.0016	NONENROLLMENT, TRANSFER, AND WITHDRAWAL.
4850.0012	SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.	4850.0017	REPAYMENT PROCEDURES.
4850.0014	AMOUNT AND TERMS.	4850.0018	CLAIMS.

**4850.0010 PURPOSE.**

The purpose of parts 4850.0010 to 4850.0018 is to augment Minnesota Statutes, sections 136A.15 to 136A.1702, establishing a state program of supplemental loans to postsecondary students by providing standards, criteria, and rules for the program.

**Statutory Authority:** *MS s 136A.04; 136A.111; 136A.16; 136A.1701; 136A.234*

**History:** *10 SR 1852; 15 SR 1780*

**4850.0011 DEFINITIONS.**

Subpart 1. **Academic year.** "Academic year" means:

A. a period of time, typically eight or nine months, in which a full-time student is expected to complete the equivalent of at least two semesters, two trimesters, or three quarters at an eligible school using credit hours; or

B. at least 900 clock hours of training for a program at an eligible school using clock hours.

A student may borrow for a portion of the academic year, or for all of it (see "loan period").

Subp. 2. **Anticipated graduation date.** "Anticipated graduation date" means the date indicated by the eligible school at the time the student applies for a SELF loan, as the date that the student will graduate given the enrolled program and normal satisfactory academic progress.

Subp. 3. [Repealed, 20 SR 2214]

Subp. 4. **Capitalized interest.** "Capitalized interest" means accrued interest that is added to the outstanding loan principal.

Subp. 5. **Certificate or degree.** "Certificate" or "degree" means a written or printed statement of the fact that the holder has met the eligible school's minimum requirements for completion, and certifies a minimum mastery of the subject matter for a particular academic or vocational program.

Subp. 6. **Certification.** "Certification" means an eligible school verifies and documents the identity, eligible enrollment, satisfactory academic progress, and cost of attendance of the borrower; performs the "maximum effort" test; and calculates the maximum allowable SELF loan eligibility and recommends a specific loan amount. The school also shall determine whether or not the student is in default of previous loans through:

A. checking loan history at the school;

B. checking an available financial aid transcript from a school previously attended by a borrower who is a transfer student; and

C. using any other information reasonably available to the school about the student's prior student loan history, written, verbal, or electronic.

Subp. 7. [Repealed, 20 SR 2214]

Subp. 8. **Cost of attendance.** "Cost of attendance" includes:

A. tuition and fees charged for the loan period;

B. room and board charged for the loan period, or a reasonable allowance as determined by the school, for off-campus living; and

C. a reasonable allowance as determined by the school for books, supplies, transportation, and personal expenses.

Subp. 9. **Creditworthy cosigner.** "Creditworthy cosigner" means one who, in the judgment of the director has:

A. no credit bureau balances discharged through bankruptcy;

B. no garnishments, attachments, foreclosure, repossession, or suit;

C. no delinquent or unsatisfied credit obligation such as tax or mechanics liens, or judgments; or

D. no more than five percent of current credit bureau balances past due.

A cosigner will be considered creditworthy if the total amount in item C or D does not exceed \$50.

Subp. 10. **Cosigners.** All borrowers from the student educational loan fund shall have a creditworthy cosigner who is either a United States citizen or a permanent resident. The cosigner is jointly and separately responsible for making loan payments (principal, interest, and other charges). A cosigner must:

A. be a person at least 18 years old;

B. agree to the release of information to a consumer credit reporting agency, as described in part 4850.0012, subpart 4; and

C. permanently reside in the United States.

If the cosigner has no credit history, creditworthiness shall be determined by the director, by a review of banking references and a review of net worth data with a minimum test requiring that net worth equal or exceed a sum ten times the size of each loan amount requested.

Subp. 11. **Default.** "Default" means the condition that exists if the borrower fails to perform any of the conditions of the promissory note.

Subp. 12. **Delinquency.** "Delinquency" means the condition that exists when a borrower's scheduled payment of principal or interest or both is received by the director after the due date.

Subp. 12a. **Director.** "Director" means the director of the office, or office staff who perform duties as assigned by the director.

Subp. 13. **Due diligence.** "Due diligence" means the use of practices by the office in making, servicing, and collecting of SELF loans that are at least as extensive and forceful as those generally practiced by financial institutions for consumer loans.

Subp. 14. **Eligible school.** "Eligible school" means a school that:

A. meets the requirements for an eligible institution as defined in Minnesota Statutes, section 136A.15, subdivision 6; and

B. signs an institutional loan participation agreement with the director that lists the duties and responsibilities of both the school and the director.

Subp. 15. **Eligible student.** "Eligible student" means a student who:

A. is enrolled in an eligible school in Minnesota, or is a Minnesota resident enrolled in an eligible school in another state, United States territory, or province as defined in Minnesota Statutes, section 136A.15, subdivision 5;

B. is enrolled at least half-time in a program leading to a certificate, associate, baccalaureate, masters, doctorate, or other professional degree;

C. is making satisfactory academic progress as defined by the school;

D. is not currently in default, as defined by each specific program, of any student educational loan program (Stafford Loan, GSL, FISL, NDSL, Perkins, HPL, HEAL, ALAS/SLS, or other similar federal, state, private, or institutional student loan program) at the current or any previous school;

omi

E. is not currently delinquent in payment of interest or principal on an outstanding loan from the student educational loan fund;

F. has a creditworthy cosigner;

G. demonstrates financial eligibility by meeting the "maximum effort" test; and

H. has agreed to the release of information to a consumer credit reporting agency, as listed in part 4850.0012, subpart 4.

Subp. 16. **Enrolled student.** "Enrolled student" means a student who has registered for and begun the loan period at the eligible school.

Subp. 16a. [Repealed, 20 SR 2214]

Subp. 17. **Financial aid.** "Financial aid" includes all money flowing to the student that is contingent upon the student's enrollment at the eligible school.

Subp. 18. **Forbearance.** "Forbearance" means permitting the temporary halt of payments, allowing an extension of time for making payments, or accepting smaller payments than were scheduled.

Subp. 19. **Full-time student.** "Full-time student" means one who is enrolled in an eligible school and who carries a full-time postsecondary level, vocational or academic workload as determined by the eligible school, ending in a certificate or degree.

Subp. 20. **Grade level.** "Grade level" means the relative position of an eligible student in a degree or certificate granting program, and corresponds to an academic year. (For example, an eligible student in the second year of a four-year program would be in grade level 02.)

Subp. 21. **Graduate student.** "Graduate student" means a student who is pursuing a program, or has a baccalaureate degree and is enrolled in courses which are normally part of a program, leading to a graduate or professional degree or certificate at an eligible school; and has successfully completed the equivalent of at least three years of full-time study at an eligible school either prior to entrance into the program or as part of the program itself.

Subp. 22. **Half-time student.** "Half-time student" means one who is enrolled in an eligible school and carrying a half-time academic workload as determined by the eligible school that amounts to at least one-half the workload of a full-time certificate or degree seeking student. In eligible schools utilizing clock hours, half-time enrollment includes programs requiring at least 300 clock hours.

Subp. 23. **In-school period.** "In-school period" means the period that the eligible student is enrolled on at least a half-time basis in an eligible school.

Subp. 24. **Late charge.** "Late charge" means a charge, not to exceed \$20, that is assessed against borrowers each time a payment of principal and/or interest is received by the director more than 15 days after the due date.

Subp. 24a. **Loan forgiveness.** "Loan forgiveness" means the obligation of the borrower and the cosigner to repay the SELF loan is forgiven due to the death or total and permanent disability of the borrower. The total and permanent disability of the borrower must occur after all disbursements of the loan are made in order for the loan to be totally forgiven.

Subp. 25. **Loan period.** "Loan period" means the period for which the student receives the loan. The period begins on the first day of class. It must be at least 30 days in length, and must not exceed 12 months. A loan period may be the same as, or a portion of, the academic year. For example, the loan period may be for a single semester, or quarter.

Subp. 26. **Maximum effort.** To have used "maximum effort" means that the student has applied for and exhausted all eligibility for other forms of financial aid (except work-study, federal student loans covered under Code of Federal Regulations, title 34, part 674, the federal Perkins Loan Program, Code of Federal Regulations, title 34, part 682, the federal Family Education Loan Program or FFEL, Code of Federal

Regulations, title 34, part 685, the William D. Ford federal Direct Loan Program, or other similar federal student loan, and HEAL) before applying for a SELF loan. Financial aid administrators must include any financial aid that has been awarded or is expected to be awarded to the student for the loan period.

Subp. 26a. **Office.** "Office" means the Minnesota Higher Education Services Office.

Subp. 27. **Repayment period.** "Repayment period" means the time period which begins immediately following the transition period and runs to the earliest of:

A. ten years from the date the student ceases to be an eligible student; or

B. 15 years from the date of the first loan check; or

C. a shorter period negotiated with the borrower.

Subp. 28. [Repealed, 26 SR 1333]

Subp. 28a. **SELF II loans.** "SELF II loans" means SELF loans where the interest rate on the loan is determined by the director at a margin in excess of the SELF II index rate. The SELF II index rate is the average rounded to the nearest quarter of one percent of the bond equivalent yield, for auctions of 13-week treasury bills, during the calendar quarter immediately preceding the interest rate adjustment date.

Subp. 28b. **SELF III loans.** "SELF III loans" means SELF loans where the interest rate on the loan is determined by the director at a margin in excess of a SELF III index rate. The SELF III initial index rate is the arithmetic average rounded to the nearest tenth of one percent of the three-month London Interbank Offered Rates (LIBOR) rate during the calendar quarter immediately preceding the interest rate adjustment date. The LIBOR rate is determined by the British Banker's Association. Where terms can be obtained for issuance of SELF loans at a rate favorable to borrowers, the director may establish other indexes or utilize a fixed rate as provided for in the promissory note.

Subp. 29. **Transition period.** "Transition period" means a 12-month period immediately following graduation or termination of enrollment. Borrowers may extend the transition period an additional period not to exceed 24 months. During the transition period, borrowers are billed for interest only.

Subp. 30. **Undergraduate student.** "Undergraduate student" means a student who is not a graduate student.

**Statutory Authority:** *MS s 136A.01; 136A.04; 136A.111; 136A.134; 136A.16; 136A.1701; 136A.234*

**History:** *10 SR 1852; 13 SR 128; 15 SR 1780; 18 SR 1848; L 1995 c 212 art 3 s 59; 20 SR 2214; 26 SR 1333*

#### 4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.

Subpart 1. **Institutional loan participation agreement.** The eligible school and the director must sign a loan participation agreement that will:

A. state the eligible school's responsibility for proper certification and delivery of loans to students; and

B. name a representative of the eligible school who is to be responsible for the administration of the agreement.

Subp. 2. **Termination.** The director may terminate the agreement with an eligible school upon determining that the school is not complying with the rules in parts 4850.0010 to 4850.0018. All obligations of the school under the agreement shall continue in full force and effect with respect to all SELF loans then outstanding to students of the school. The termination of an agreement with a school shall be made pursuant to part 4830.0140.

Subp. 3. **Application and promissory note.** The student shall follow the appropriate SELF application process used at the eligible school. The student shall deliver or mail the application and promissory note to the cosigner who shall complete the cosigner's

portion of the application and promissory note and deliver or mail them to the director. The director will check the application and promissory note for completeness, determine the eligibility of the applicant, and conduct a credit check of the borrower and the cosigner. If the director approves the loan application, the document file is forwarded to the servicer. The servicer shall prepare and mail a disclosure statement to the borrower and cosigner, advise the school of the loan approval, schedule disbursements, and place the document file in permanent storage. If the director rejects the loan application, the applicant and the cosigner must be advised in writing of the decision and the reasons for the rejection.

**Subp. 4. Release of information.** The following information about the borrower and cosigner will be periodically released to a consumer credit reporting agency throughout the life of the loan:

- A. the lender-assigned borrower identification number, if any;
- B. the name and address of borrower;
- C. the name and address of cosigner;
- D. the date the account is opened;
- E. the outstanding account balance;
- F. the dollar amount past due;
- G. the number of payments past due;
- H. the number of late payments in previous 12 months;
- I. the type of account;
- J. the responsibility for the account; and
- K. the status or remarks code.

**Statutory Authority:** *MS s 136A.01; 136A.04; 136A.111; 136A.16; 136A.1701; 136A.234*

**History:** *10 SR 1852; 15 SR 1780; 17 SR 1279; 18 SR 1848; 20 SR 2214; 24 SR 389*

#### 4850.0014 AMOUNT AND TERMS.

**Subpart 1. Loan amounts.** The minimum loan amount from the student educational loan fund is \$500.

The annual and maximum loan amounts for:

A. an undergraduate student are those prescribed in this part, not to exceed the limits specified in Minnesota Statutes, section 136A.1701, subdivisions 4 and 5. The loan must not exceed the annual SELF borrowing maximums of \$4,500 for grade levels one and two, and \$6,000 for grade levels three, four, and five or the cost of attendance less all other financial aid (including PLUS loans or other similar federal parent loans borrowed on the student's behalf); and the cumulative SELF loan debt must not exceed the aggregate SELF borrowing maximums by grade level indicated in this subpart. The cumulative undergraduate borrowing maximums for SELF loans are:

- (1) grade level 1, \$ 4,500;
- (2) grade level 2, \$ 9,000;
- (3) grade level 3, \$15,000;
- (4) grade level 4, \$21,000; and
- (5) grade level 5, \$25,000.

B. a graduate student are those prescribed in Minnesota Statutes, section 136A.1701. The loan must not exceed the annual SELF graduate student borrowing maximum of \$9,000 for grade levels 6 through 9 or the cost of attendance less all other financial aid (including PLUS loans borrowed on the student's behalf); and the cumulative SELF student loan debt of the graduate student does not exceed \$40,000 for both undergraduate and graduate educations combined.

#### Subp. 2. Two loans in one year.

A. A student may borrow more than once in the same academic year as long as:

- (1) eligibility remains;
- (2) the annual borrowing maximum is not exceeded; and
- (3) the amount approved is at least \$500.

B. A student may borrow the annual maximum twice in the same grade level, as long as:

- (1) a total of 11 months elapses from the beginning of the first loan period to the beginning of the second loan period; and
- (2) the cumulative SELF loan debt maximum for that grade level is not exceeded.

C. A student who advances a grade level in the middle of an academic year may borrow at that new grade level, as long as the cumulative SELF loan debt maximum for that new grade level is not exceeded.

**Subp. 3. Interest rate.** For SELF II loans, the interest rate on the loan will be determined by the director at a margin in excess of the SELF II index rate. The SELF II index rate is the average rounded to the nearest quarter of one percent of the bond equivalent yield, for auctions of 13 week treasury bills, during the preceding calendar quarter. If the index rate increases or decreases, the interest rate on the loan automatically increases or decreases on the same day without notice to the borrower. The interest rate on the loan cannot increase or decrease more than two percentage points over any four consecutive calendar quarters. The director shall set the margin to reflect the costs of the SELF program. If the director determines that the margin does not reflect the costs of the SELF program, the director must increase or decrease the margin. The director shall advise borrowers of changes in the margin.

For SELF III loans, the interest rate on the loan will be determined by the director at a margin in excess of a SELF III index rate. The SELF III initial index rate to be used is the average rounded to the nearest tenth of one percent of the arithmetic average of the three-month London Interbank Offered Rates (LIBOR) rate during the calendar quarter immediately preceding the interest rate adjustment date. The LIBOR rate is determined by the British Banker's Association. Where terms can be obtained for issuance of SELF loans at a rate favorable to borrowers, the director may establish other indexes or utilize a fixed rate as provided for in the promissory note. The interest rate on the loan cannot increase or decrease more than three percentage points over any four consecutive calendar quarters. The director shall set the margin to reflect the costs of the SELF program. If the director determines that the margin does not reflect the costs of the SELF program, the director must increase or decrease the margin.

**Statutory Authority:** *MS s 136A.01; 136A.04; 136A.111; 136A.134; 136A.16; 136A.1701; 136A.234*

**History:** *10 SR 1852; 13 SR 128; 15 SR 1780; 18 SR 1848; 20 SR 2214; 22 SR 1369; 24 SR 389; 26 SR 1333*

#### 4850.0015 LOAN DISBURSEMENTS.

**Subpart 1. Disbursement scheduling.** If loan proceeds are in the form of an individual check, the check must be jointly payable to the borrower and the eligible school. If the loan period covers more than one academic or payment period, the loan must be disbursed in installments during each academic or payment period. (For example, if an eligible school's academic year is divided by quarters, the student's loan amount may be disbursed in three installments, once each quarter.) Disbursements must be made at the beginning of each academic term, unless the director requires or the school suggests other more appropriate dates.

**Subp. 2. Disbursement when loan proceeds arrive before loan period.** Loan proceeds must not be disbursed to the student before the start of the loan period. The school must verify the student's enrollment and that the student meets satisfactory



3/10/06 Strip

# We have to close our education deficit

• A collective effort might reverse Minnesota's loss of potential college graduates when employers need them more than ever.

By ART COLLINS

Decades of American economic prosperity have desensitized many of us to repeated urgent warnings about the inadequacy of American education.

Now once again, government and industry leaders are sounding the alarm about needed improvements in the teaching of math and science in American schools to help the United States compete with countries that are better at graduating students with the skills the global economy demands.

Unfortunately, previous warnings have been treated like a faulty smoke alarm that keeps sounding at night — something we turn off and go back to sleep.

We can't afford to sleep any longer. American education is losing ground to the rest of the world. And the harder truth is that Minnesota, along with the Upper Midwest, is losing ground to the rest of America.

College graduates — especially in math and science — represent

our intellectual capital, and this capital is shrinking. The number of college graduates we produce every year is projected to decline for the next 20 years, and the rate of decline is accelerating. As a result, Minnesota is on a path to a significant intellectual shortfall. That kind of shortfall occurs when the demand for skilled employees so far outstrips the supply that business can't function effectively.

Minnesota could be facing a scenario like that by 2015 if we don't make some strategic investments in our educational system. Of course, with the state's economy currently thriving on the strength of high-tech employment, this concern might very well sound like yet another false alarm. The handwriting, however, is already very much on the classroom wall.

If present trends continue, we're looking at a decline of 11.6 percent in bachelor's degrees earned at Minnesota's colleges and universities over the next 10 years. Put another way, we'll be losing potential college graduates

at the rate of 3,000 a year for the next 10 years. During that same period, the demand for college-educated recruits by Minnesota employers is expected to almost double. That adds up to a collision course between supply and demand.

Our challenge is rooted in demographics and geography.

Geographically, we can't count on attracting out-of-state college graduates to close our education deficit. We all know Minnesota is one of the most livable places on earth, but even we joke about living in a place where winter lasts six months. Realistically, we need to fill many of the jobs of the future with home-grown talent. And that brings us up against demographics.

While the number of high school graduates nationally is projected to increase by about 4 percent between 2003 and 2013, in Minnesota the number is forecast to drop by more than 10 percent. Part of the difference reflects lower birth rates, but we must address the fact that our fastest-growing population segments are minority and low-income youth who are the least likely to attend college. Minnesota not only owes

these children an opportunity to fully participate in our economy, we need them to allow our economy to grow.

The good news is we can meet this challenge by better targeting our tax dollars and through continued public/private educational initiatives. Medtronic, like many other local companies, has been involved with initiatives ranging from school-readiness programs for toddlers to college preparation for teenagers. The Admission Possible program and LearningWorks, to name just two, are examples of successful, donor-funded efforts to support low-income kids and prepare them for college.

Our state has never been short on innovative solutions. With the collective efforts of schools, parents, businesses and the kids themselves, we can do more than stave off an intellectual shortfall. Together, we can ensure that Minnesota remains a valuable asset to America's competitiveness and productivity — not to mention a great place to live.

Art Collins is chairman and CEO of Medtronic, a global medical technology company headquartered in Fridley.

who incur Allah's wrath" or as apes and pigs. She paused to consider the common Islamic description of Jews and Christians as "People of the Book."

"They are not the 'People of the Book,' the books. All the useful sciences we have today are theirs, the creative thinking."

Sultan then forthrightly herself is neither Muslim simply a secular humanist who believe in the supernatural, of others to believe what

"Are you a heretic?" demanded in triumphant tones. "You're like," she replied. In an attempt to assuage the Theo van Gogh assassination over a series of Danish newspaper Pym Fortune assassinations against Salman Rushdie, Iraq, among many others, a remarkable courage to stand before a camera and calmly perceived a heretic.

Sultan was raised as a Muslim, but his faith was shaken when she studied medicine at the Aleppo University. As the New York Times reported from the Muslim Brotherhood classroom in 1979 and she was watched. "They shot him, shouting, 'God is great in her life. She even moved with her husband to the United States."

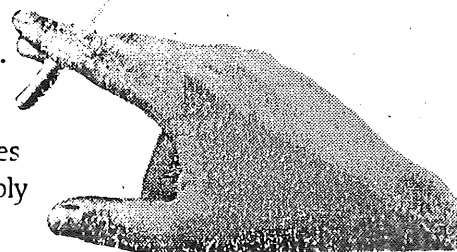
Sultan's debate is available at East Media Research [www.memritv.org](http://www.memritv.org). MEM has already received 3 million views on Feb. 21.

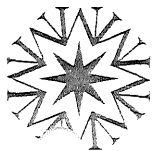
Courage is among the most important things people will not risk even to please their boss, far less their very lives. Sultan doubtless believes in. Sultan doubtless that has come to dominate the Muslim world. But without them they must feel besieged; a heroic stand deserves our support. Stand up, Wafa Sultan is

## short cuts

COMPILED BY EDITORIAL STAFF

**Cigarette smoking has fallen** to its lowest level since at least 1951, the association of states attorneys general reported March 8. Total tobacco use, relative to the population, is probably at its lowest level since the 1930s. The bad news? High school students are more likely to smoke than adults: 21.7 percent compared with 10.9 percent.





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March 21, 2006

The Honorable Cal Larson  
Minnesota Senate  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
Room 153  
St. Paul, MN 55155-1206

Dear Senator Larson:

In reply to your question last week regarding private money raised and gifts received by the foundations of our colleges and universities, please be advised that these gifts and grants totaled \$24.4 million in 2005. Of that total, \$1.1 million was for capital improvements and equipment, the vast majority of that being for equipment. Another \$1.1 million in non-cash and in-kind gifts was also received.

On a related topic, I am enclosing a spreadsheet that summarizes the amount of non-state money that has gone towards capital projects since merger. Most of these projects have had a strong student participation rate, such as residence halls and student unions. Some projects have also used state GO bond proceeds as authorized by the legislature in conjunction with non-state sources.

Please let me know if you have further questions. Thank you for your strong support of Minnesota State Colleges and Universities.

Sincerely,

A handwritten signature in black ink, appearing to read "Allan W. Johnson".

Allan W. Johnson  
Associate Vice Chancellor for Facilities

Enclosure

c Senator Sandra Pappas  
Catherine Ryan  
Jerry Janezich

Minnesota State Colleges and Universities  
Non-State Funded Capital Projects 1994-2006

Institution	Campus	Year Funded	Project Description	On / Off Campus	G.O. Bonds	R.F. Bonds	Foundation, City, County	Operating/Auxiliary	Federal	Private	Total
<b>Self-Supporting Projects (Revenue Fund and Foundation):</b>											
MSU Moorhead	Moorhead	2000	142 bed student residence hall (Neumaier), private developer, supported by room fees	On	0	0	3,940,000	0	0	0	3,940,000
St. Cloud SU	St. Cloud	2000	Husky stadium/Halenbeck addition & renovation, St. Cloud events center G.O. and Foundation bonds, student referendum; fee supported	On	4,761,400	0	10,133,600	320,000	0	100,000	15,315,000
MSU Moorhead	Moorhead	2001	Hendrix Health Center; supported by health fees & insurance charges	On	0	0	700,000	0	0	0	700,000
Metro SU	Minneapolis	2002	230 car parking ramp addition, supported by parking fees	On	0	5,000,000	0	700,000	0	0	5,700,000
MSU Mankato	Mankato	2002	Student union expansion and renovation, supported by facility fees	On	0	8,864,500	0	1,535,500	0	0	10,400,000
MSU Mankato	Mankato	2002	Carkoski Commons dining hall renovation, supported by facility fees	On	0	927,400	0	5,150	0	0	932,550
MSU Moorhead	Moorhead	2002	Comstock student union HVAC replacement	On	0	3,567,300	0	0	0	0	3,567,300
Southwest MSU	Marshall	2002	Student union complex (previously authorized, added to fire money)	On	5,200,000	1,397,400	0	0	0	10,650,000	17,247,400
St. Cloud SU	St. Cloud	2002	Atwood student union expansion and renovation, supported by facility fees	On	0	3,144,200	4,591,033	130,000	0	0	7,865,233
St. Cloud SU	St. Cloud	2002	Lawrence Dormitory addition & renovation (classrooms and dorms)	On	6,639,000	2,822,200	0	0	0	0	9,461,200
St. Cloud SU	St. Cloud	2002	192 bed Stateview North and South Apartments; purchase, rent-supported	On	0	2,000,000	0	0	0	0	2,000,000
Winona SU	Winona	2002	250 bed Gateway Dormitories - Purchase and demolition	On	0	1,500,000	0	0	0	0	1,500,000
Winona SU	Winona	2002	115 bed Tau Center - purchased from Franciscan nuns & remodeled	On	0	2,200,000	0	406,000	0	0	2,606,000
Winona SU	Winona	2003	450 bed East Lake Apartments - developed by Foundation	Off	0	0	12,500,000	0	0	0	12,500,000
Winona SU	Winona	2003	Lourdes Hall residence kitchen upgrade	On	0	0	0	1,955,000	0	0	1,955,000
Southwest MSU	Marshall	2004	142 bed residence hall, developed by Foundation, supported by room leases	Off	0	0	7,000,000	0	0	0	7,000,000
MSU Mankato	Mankato	2005	600 bed student residence hall (to replace Gage), supported by room lease fees	On	0	30,720,000	0	1,000,000	0	0	31,720,000
St. Cloud SU	St. Cloud	2005	525 car parking ramp, supported by parking fees	On	0	4,700,000	0	4,800,000	0	0	9,500,000
Winona SU	Winona	2005	Solarium in Krysko Commons - paid with reserves; support fr activity fees	On	0	0	0	2,723,100	0	0	2,723,100
NHED Itasca	Grand Rapids	2004	75 bed student residence (Itasca Hall); owned by Itasca County HRA, rents	On	0	0	2,095,000	205,000	0	1,000,000	3,300,000
MSU Moorhead	Moorhead	2005	Kise Commons renovation	On	0	550,000	0	0	0	0	550,000
MSU Moorhead	Moorhead	2006	Dragon Wellness Center; retrofit of leased space	Off	0	0	0	664,000	0	0	664,000
<b>SUBTOTAL</b>					<b>16,600,400</b>	<b>66,843,000</b>	<b>40,959,633</b>	<b>14,443,750</b>	<b>0</b>	<b>11,750,000</b>	<b>151,146,783</b>

Minnesota State Colleges Universities  
Non-State Funded Capital Projects 1994-2006

Institution	Campus	Year Funded	Project Description	On / Off Campus	G.O. Bonds	R.F. Bonds	Foundation, City, County	Operating/Auxiliary	Federal	Private	Total
<b>Academic (M&amp;E) Projects (State-Owned):</b>											
Northland CTC	Thief River Falls	1994	Multi-Events Sports Center, approp. required \$1 million local match	On	3,000,000	0	1,000,000	0	0	500,000	4,500,000
MSU Mankato	Mankato	1998	Andreas 250 seat black box theatre addition to Performing Arts	On	0	0	0	403,000	0	2,945,000	3,348,000
Pine TC	Pine City	1998	Technology/media center (virtual reality teaching laboratory)	On	1,700,000	0	0	0	1,379,600	0	3,079,600
Rochester CTC	Rochester	1998	Regional sports complex, partially funded by City of Rochester sales tax	On	5,000,000	0	10,480,500	0	0	0	15,480,500
St. Cloud SU	St. Cloud	1998	Bookstore renovation in Centennial - expanded in existing footprint	On	0	0	0	0	0	1,100,000	1,100,000
MSU Mankato	Mankato	1999	Taylor Center sports arena - 5,000 seat basketball, wrestling, volleyball	On	600,000	0	5,860,000	0	0	10,240,000	16,700,000
NHED Itasca	Grand Rapids	1999	Addition to Dailey Hall plus a Mullins Hall child care center addition	On	0	0	0	50,000	56,000	0	106,000
Bemidji SU	Bemidji	2000	American Indian Center	On	2,000,000	0	0	0	0	774,500	2,774,500
Fond du Lac CC	Cloquet	2000	Academic building expansion	On	4,500,000	0	0	0	1,088,080	1,550,033	7,138,113
NHED Itasca	Grand Rapids	2000	Technology & engineering center (classroom & 36 bed dorm), room rents	On	3,600,000	0	0	0	0	1,041,000	4,641,000
Metro SU	St. Paul	2002	Library and information access center; additional cash donations	On	17,422,000	0	2,562,000	0	0	0	19,984,000
St. Paul CTC	St. Paul	2002	Pipefitting lab expansion & renovation; built with cash donations	On	0	0	700,000	0	0	0	700,000
Winona SU	Winona	2004	Memorial stadium press box; built by Foundation & with cash, Phases 1 & 2	On	0	0	703,407	1,108,251	0	0	1,811,658
<b>SUBTOTAL</b>					<b>37,822,000</b>	<b>0</b>	<b>21,305,907</b>	<b>1,561,251</b>	<b>2,523,680</b>	<b>18,150,533</b>	<b>81,363,371</b>