

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance and Facilities Committee **Date of Meeting:** May 22, 2013

Agenda Item: Report on the Results of the 2013 Legislative Session

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda:

The 2013 legislative session is scheduled to conclude on May 21, 2013. Staff will distribute a summary of the key accomplishments of the session at the Finance and Facilities committee meeting.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - CFO
Michael Dougherty – Vice Chancellor for Advancement

Outline of Key Points/Policy Issues:

Background Information:

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

INFORMATION ITEM
Report on Results of 2013 Legislative Session

SESSION OVERVIEW

In November 2012, Minnesota Management and Budget was projecting a \$1.1 billion budget deficit for the 2014-2015 biennium. The economic forecast released in February brought better news, an improvement of \$463 million, so lawmakers were charged with resolving a projected \$627 million deficit.

The other dynamic at play was a Democrat majority in both the House and Senate and a Democrat governor, a scenario Minnesota hadn't experienced in 22 years. Governor Dayton and both bodies prepared tax proposals to raise revenue and spend money on priorities which included higher education; however, they went about it a little differently.

Governor Dayton's proposal included creating a new income tax bracket on the wealthiest 2 percent of Minnesotans, eliminating corporate tax loopholes, and raising the cigarette tax 94 cents per pack.

The House weighed in next with a \$2.6 billion revenue plan that would create a new fourth-tier income tax rate similar to Governor Dayton's proposal, increase cigarette and alcohol taxes and close some corporate loopholes. The House's plan was to pay back the \$850 million shift owed to K-12 schools, erase the state's projected \$627 million deficit, pay for property tax relief and invest in priorities such as education.

The Senate's plan would raise \$1.8 billion in new revenues through increasing the income tax rate on top earners, different than creating a new tier as the House and Governor did; extend the sales tax to clothing and personal services, again, unlike the House and Governor; and raise the cigarette tax.

While finance committee targets were released end of March, and the higher education committees crafted their bills structured around their targets, \$262 million in the Senate (same as Governor) and \$150 million in the House, conference committees could not wrap up their work until both bodies negotiated the final budget with Governor Dayton.

One week before the constitutionally mandated adjournment date of May 20, DFL legislative leaders and Governor Dayton reached an overall agreement, bringing the higher education target to \$250 million. The tax agreement included raising \$2 billion in new revenue by implementing a new fourth-tier income tax rate of 9.85 percent and increasing the tax

increase on cigarettes by \$1.60 a pack. The House also dropped their income tax surcharge plan to pay back the K-12 school shift.

The tax conference committee met throughout the final days of session and passed the tax package. The House then passed the bill followed by the Senate, who debated the bill with only minutes to spare on Monday, May 20. Lawmakers passed all nine finance bills setting a \$38 billion budget. All the finance bills and the tax bill have been sent to Governor Dayton for consideration.

HIGHER EDUCATION FINANCE OMNIBUS BILL

The Minnesota State Colleges and Universities Board of Trustee's submitted a \$97 million budget request, *Working Together for Minnesota's Prosperity*, to the Legislature. The request focused on three areas tied directly to advancing the strategic framework: advance competitiveness of Minnesota's workforce; increase access and affordability; and accelerate completion.

The budget proposal was built on the principles of shared responsibility and accountability. Shared responsibility included not just asking for additional funding from the Legislature but also reallocating \$44 million over the biennium in existing resources to meet emerging needs; increasing fundraising efforts to support student scholarships; asking business and industries to support our students by providing student internships and helping fund instructional equipment needs; and asking students to pay for a modest annual tuition increase of \$145 for full-time college students and \$205 for full-time university students.

The final higher education bill includes \$250 million in new funding, of which **\$102 million is for Minnesota State Colleges and Universities. \$78 million is to be used to offset a 3% tuition increase**, with language that **freezes MnSCU's tuition for two years. \$17 million in one-time funds is included to retain quality faculty and staff**, with reporting requirements on how the money is spent; **and \$7.3 million is included for the leveraged equipment initiative**. MnSCU's base will be \$587.9 million in fiscal year 2014 and \$605.1 million in fiscal year 2015.

The \$102 million increase to MnSCU's budget will help provide access to higher education for all Minnesotans and ensure that our colleges and universities remain affordable and within reach of students from all backgrounds.

The Senate position on the **State Grant program** was included in the final bill, which consists of \$75.4 million in new funds for the program. Included is a pilot program for **part-time students** at MnSCU institutions. For students registering for less than full-time, the assigned family responsibility (AFR) will be prorated by the percent of full-time for which a student is enrolled. This initiative will help make education more affordable for approximately 7,800 part-time students every year.

There is also an **increase to the living and miscellaneous expense allowance (LME)** from \$7,000 to \$7,900; and a **decrease in the AFR for independent students** without dependents, from 68 percent to 50 percent of the student contribution.

There is an increase in the assigned student responsibility (ASR) from 46 percent to 50 percent; and a provision that increases the tuition maximum for purposes of the state grant program for students in four-year programs from \$10,488 to \$13,000; however, it does not increase the cap for students in two-year programs. That maximum would remain at \$5,808.

The **performance measure** language from the Senate bill is in the final bill. It withholds five percent of the fiscal year 2015 appropriation until MnSCU meets at least three of the five stated performance goals. Those goals are:

1. Increase by at least four percent in fiscal year 2013, compared to fiscal year 2010, graduates or degrees, diplomas, and certificates conferred;
2. Increase by at least one percent the fall 2013 persistence and completion rate for fall 2012 entering students compared to the fall 2010 rate for fall 2009 entering students;
3. Increase by at least four percent the fiscal year 2013 related employment rate for 2012 graduates compared to the 2011 rate for 2010 graduates;
4. By 2014, MnSCU must collect data on the number of Open Educational Resources (OER) tools and services offered and formulate a plan to actualize a one percent reduction in expenses directly related to the cost of instruction incurred by students; and
5. Reallocate \$22 million that became available through expense realignment in fiscal year 2014.

The bill includes the **DREAM Act** as well, which changes residency eligibility to allow all immigrant students who attended a Minnesota high school for three or more years and graduated from a Minnesota high school to pay in-state tuition rates at Minnesota public colleges and universities. Also, students who qualify will be allowed to apply for state financial aid and participate in foundation scholarship programs.

Other policy provisions in the bill include language that requires MnSCU and the University of Minnesota to **report on a five-year history of the system's expenditures and revenues** to the Legislature when submitting a biennial budget proposal.

There is a provision that requires MnSCU, in cooperation with the Department of Human Services, **to convene a mental health summit and then develop a comprehensive development plan** with the goal of increasing the number of mental health professionals and practitioners, ensuring appropriate course work and training experience, and increasing the number of culturally diverse mental health professionals and practitioners. There is a \$50,000 appropriation included in the bill for this summit.

The bill **repeals the Higher Education Advisory Council**. The Council was made up of the president of the University of Minnesota, the chancellor of the Minnesota State Colleges and Universities, the president of the Private College Council, and a representative from the Minnesota Career College Association charged with discussing statewide higher education

issues and bringing them to the attention of the Minnesota Office of Higher Education. This Council will no longer exist in statute.

There is language in the bill regarding **bonuses in contracts** at both MnSCU and the University of Minnesota. A contract must not authorize or otherwise provide for a discretionary or mandatory bonus or other performance-based incentive payment.

The bill includes language regarding **veterans**, directing MnSCU and the University of Minnesota to adopt policies recognizing an applicant's veterans' status as a positive factor in determining whether to grant admission to a graduate program; as well as directing both systems to give consideration to credit for prior learning for veterans.

The bill also includes language and funding for the **statewide longitudinal education data system (SLEDS)**. Under the direction of the P-20 Education Partnership Statewide Longitudinal Education Data System Governance Committee, the Office of Higher Education and DEED shall improve and expand SLEDS to provide policymakers, education and workforce leaders, researchers and members of the public with data, research and reports for multiple purposes.

BONDING

In the final days of session, lawmakers attempted to pass multiple versions of a bonding bill. The House first attempted to pass an \$800 million bonding bill that included \$94.6 million for MnSCU, of which \$35 million was intended for asset preservation. A bonding bill needs a three-fifths majority to pass, which means it needed 8 Republican votes to join the DFL majority. The bill was just five votes shy of passing. Republicans said the bill was too large and therefore said they couldn't vote for it.

The second attempt was in the Senate, who unanimously passed a scaled-down bonding bill in the early morning on the last day of session that included \$132 million for the next phase of the State Capitol restoration project. The House did not take up that bill, instead, they passed a slightly larger bonding bill by a vote of 121-10, and the Senate immediately followed suit, passing it 57-6 (the third and final attempt). The final bonding bill includes \$176.7 million (\$156 in general obligation) for the State Capitol restoration project, flood relief, and the Minneapolis Veterans Home.

Legislators will begin reviewing 2014 proposed bonding projects this summer and fall as they prepare for the 2014 legislative session.

OTHER BILL HIGHLIGHTS RELEVANT TO MINNESOTA STATE COLLEGES AND UNIVERSITIES

CONTRACT RATIFICATION BILL

Chapter 77, the bill that **ratifies contracts and compensation plans for FY2012-2013**, was signed by Governor Dayton on May 20, 2013. Among the contracts and plans ratified in the

bill are the Inter Faculty Organization (IFO), which represents approximately 2,800 four-year university faculty; the Minnesota State College Faculty (MSCF), which represents about 5,000 two-year college faculty; the Minnesota State University Association of Administrative and Service Faculty (MSUAASF), which represents approximately 735 faculty employed in admissions, financial aid, housing and student service positions at MnSCU's four-year universities; and the MnSCU administrator's personnel plan, which defines the terms and conditions of employment for approximately 550 unrepresented managers at MnSCU.

OMNIBUS JOBS AND ECONOMIC DEVELOPMENT FINANCE BILL

The final bill includes funding of \$1.5 million each year of the 2014-2015 biennium from the workforce development fund for a grant to **FastTRAC**, a Minnesota Adult Careers Pathway Program.

One-time funds of \$987,000 in fiscal year 2014 were included to develop a pilot **customized training program for skilled manufacturing industries** that integrates academic instruction and job-related learning in the workplace and MnSCU institutions. Of these funds, \$187,000 is for a grant to Alexandria Technical and Community College; \$380,000 is for a grant to Century College; \$90,000 is for Hennepin Technical College; and \$90,000 is for Central Lakes College. The Department of Employment and Economic Development (DEED) and the four MnSCU institutions are to report back to the Legislature addressing the progress and success of the implementation of a customized training program for skilled manufacturing industries at each institution, providing recommendations on where a skilled manufacturing customized training program should be implemented next.

There is funding of \$425,000 each year of the biennium from the workforce development fund for a grant to the Minnesota High Tech Association to support SciTechsperience, a program that supports **STEM internship opportunities** for two- and four-year college and university students in their field of study.

Also in the bill is \$500,000 each year of the biennium for the **publication, dissemination and use of labor market information**. DEED is to collaborate with the Office of Higher Education and local workforce councils to produce and publish labor market analysis describing the alignment between employer requirements and workforce qualifications. The analysis is to be reviewed regularly by the higher education community and be easily accessible on DEED's Web site.

When conducting program reviews, postsecondary institutions are to assess labor market data and provide prospective students with job placement rates for graduates of technical and occupational programs offered at colleges. There is language in the bill that states this data must include labor market data compiled by DEED and used when deciding upon course and program offerings. MnSCU must provide a link to the labor market data on its Web site. DEED is also to provide at local workforce centers services that assist people in identifying and obtaining industry-recognized credentials for jobs, particularly in high-demand. Workforce centers are to work with postsecondary institutions to identify credential programs.

There is also language regarding **four pilot programs in the workforce service areas of Hennepin/Carver, Northeast Minnesota, Stearns/Benton, and rural Minnesota CEP** to partner with at least one school district in its service area to operate a program to assist high school students in selecting careers of interest to a student and a postsecondary path to prepare for that career.

OMNIBUS K-12 EDUCATION FINANCE BILL

The bill increases the basic funding formula for K-12 schools by three percent over the biennium, which amounts to an increase of approximately \$156 per pupil. Because of this increase, the reimbursement rate to the colleges and universities for postsecondary enrollment options (PSEO) will also increase by \$3 per credit each year of the biennium. Minnesota State Colleges and Universities will see an **increase in funding for PSEO** of approximately \$900,000 over the biennium; an additional \$300,000 in fiscal year 2014 and \$600,000 in fiscal year 2015.

In addition to the PSEO funding increase, the K-12 bill includes language addressing the **transition from secondary to postsecondary education redesign** plan originally designed by Department of Education Commissioner Brenda Cassellius, MnSCU Chancellor Steven Rosenstone and Office of Higher Education Executive Director Larry Pogemiller.

The bill includes an **alignment of assessments**, addressing the need to assess students earlier to help students, parents and teachers know if they are meeting the benchmarks for college and career readiness standards. There is also an **articulated and aligned series of targeted interventions** for those identified to need support while still in high school. This is intended to reduce the need for remediation at the post-secondary level.

Also included is language that calls for **student planning for post-secondary education and employment beginning in high school**. The language puts in place a requirement to help students and families to begin to explore life after high school. The benefits of this include clear and transparent information intended to guide students' career and educational aspirations aligned with labor market information.

There is specific language in the bill that directs the education commissioner, after consulting with the Minnesota State Colleges and Universities chancellor to contract for a series of assessments that are aligned with state academic standards, and include career and college benchmarks. The commissioner and chancellor are also directed to collaborate in aligning instruction and assessments for adult basic education students to provide the students with diagnostic information about the targeted interventions the students need so they may seek postsecondary education or employment without need for postsecondary remediation.

The bill also **establishes an advisory task force** to recommend to the Legislature how to structurally redesign secondary and postsecondary education to improve the secondary and postsecondary outcomes for students and adult learners, align secondary and postsecondary

programs and Minnesota's workforce needs, and measure and evaluate the combined efficacy of public K-12 and postsecondary education programs.

Regarding the **Basic Skills Exam** teacher candidates are required to pass prior to becoming licensed, the Board of Teaching is allowed to issue up to two additional temporary one-year teaching licenses to an otherwise qualified candidate who has not passed the college-level basic skills exam at the time they successfully complete a teacher preparation program. School districts may make available upon request remedial assistance to those persons employed by the district and have completed their teacher education program, but have not achieved a qualifying score on the basic skills exam.

OMNIBUS STATE GOVERNMENT AND VETERANS FINANCE BILL

The bill **expands eligibility for GI Bill educational benefits** to include all veterans, not just a veteran who has served after September 11, 2001. There is also an appropriation of \$200,000 each year of the biennium for the costs of administering the Minnesota GI Bill postsecondary educational benefits, on-the-job training and apprenticeship program.

OMNIBUS ENVIRONMENT, NATURAL RESOURCES AND AGRICULTURE FINANCE BILL

This bill includes \$94,000 each year of the biennium for statewide mental health counseling support to farm families and business operators through **farm business management programs** at Central Lakes College and Ridgewater College.

OMNIBUS TAX BILL

The final tax bill includes a provision for a **Greater Minnesota internship program** administered by the Office of Higher Education. Greater Minnesota businesses who hire interns for employment are eligible for a tax credit up to \$2,000 per intern. An intern must be an eligible student who has been admitted to a major program that is related to the intern experience as determined by the eligible institution.

To participate in the program, an eligible institution must enter into written agreements with eligible employers to provide internships that are at least 12 weeks long and located in greater Minnesota; determine that the work experience of the internship is related to the eligible student's course of study; and provide academic credit for the successful completion of the internship or ensure that it fulfills requirements necessary to complete a vocational technical education program.

The employer must ensure that the intern would not have been hired without the tax credit; did not work for the employer in the same or a similar job prior to entering into the agreement; does not replace an existing employee; has not previously participated in the program; will be employed at a location in greater Minnesota; will be paid at least minimum wage for a minimum of 16 hours per week for a period of at least 12 weeks; and will be supervised and evaluated by the employer.

EMPLOYEE PERSONAL SICK LEAVE BILL

This bill amends the **use of sick leave benefits** to include care of an adult child, spouse, sibling, parent, grandparent or stepparent. An employer may limit the use of personal sick leave benefits provided by the employer for absences due to an illness of or injury to the employee's adult child, spouse, sibling, parent, grandparent, or stepparent to no less than 160 hours in any 12-month period.

Lawmakers are scheduled to return to St. Paul for the 2014 legislative session Tuesday, February 25, 2014 at noon.

Note: A complete summary of all 2013 session laws that affect Minnesota State Colleges and Universities will be prepared and published on the Web site.

Date Presented to the Board of Trustees: May 22, 2013