

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

INFORMATION ITEM
LEGISLATIVE RESULTS

2014 Legislative Session Summary

Session Overview

In November 2013, Minnesota Management and Budget was projecting a balance for the current 2014-2015 biennium of \$1.086 billion. Current law requires any forecast balance to be used to repay the K-12 shift, so the first \$246 million of the balance was used to complete that payment. In addition, \$15 million was transferred to the state airports fund, restoring money originally borrowed in 2008, leaving a forecasted balance of \$825 million.

The economic forecast released in February showed an improvement of \$408 million from the November projected forecast, so lawmakers had a budget surplus of \$1.2 billion to work with during the 2014 legislative session.

One of the first things the Democratic-Farmer-Labor (DFL) leadership in both the House and Senate, and Gov. Mark Dayton wanted to do this session with the budget surplus was reverse some of the tax laws they passed last year. In March, about a month into session, Gov. Dayton signed a \$432 million tax relief bill into law, which provides a long list of credits and deductions by aligning state and federal tax codes, as well as repeals business sales taxes passed in 2013.

Postsecondary students benefit from conforming the state's tax code to several federal provisions with an unlimited time period for deduction of student loan interest, and a higher education tuition expense deduction.

Lawmakers also passed a second tax bill providing \$103 million in additional tax cuts, including property tax reductions for Minnesota homeowners, renters and farmers. The two bills provide for \$550 million in tax relief.

The 2014 legislative session was also considered the "unsession," an initiative proposed by Gov. Dayton. He asked the Legislature to spend time looking at eliminating excessive laws, rules, and regulations; and "getting rid of anything else that makes state government nearly impossible to understand." Minnesota State Colleges and Universities, University of Minnesota and the Office of Higher Education submitted proposals, and a higher education unsession bill that streamlines higher education statutes passed the Legislature and was signed by Gov. Dayton early in the session.

Even-numbered legislative sessions are traditionally bonding years, and the 2014 session was no

exception. Legislative leaders were working under an agreement formed at the end of last session that set the framework for this year's bonding bill at approximately \$850 million.

Gov. Dayton, not part of last session's agreement, released his \$986 million bonding recommendation mid-January and included \$151 million for Minnesota State Colleges and Universities (MnSCU), \$114 million in state financing. Of the \$151 million, Gov. Dayton included \$40 million in HEAPR funding (out of a \$110 million request), along with \$111 million in funding for 17 of the system's 24 campus projects.

On April 1, the House released their first bonding bill, which included \$193.6 million for MnSCU; \$139 million in state financing. The House bill funded \$30 million in HEAPR and recommended funding for 20 of the 24 projects on the Board of Trustees list. A month later, in order to operate within the \$850 million agreed-upon framework, the House issued a second bonding bill that dropped funding for MnSCU to \$176.6 million, moved the \$30 million in HEAPR to a cash bill, and funded 16 MnSCU projects.

Soon after, the Senate released their bonding bill, which funded MnSCU at \$172.9 million, or \$130 million in state financing. The Senate included more funding for asset preservation projects at \$45 million, and funded 16 projects on the Board of Trustee's list.

Both bodies agreed on a separate bill that uses \$200 million one-time cash from the budget surplus to fund additional bonding projects. The last week of session, legislative leaders negotiated an agreement and finalized it with just days remaining in the session. The bill, which passed the House by a vote of 92-40, and then the Senate, by a vote of 47-17, includes \$159.8 million, of which \$120.7 million is state financing, for MnSCU.

Lawmakers also worked on a supplemental budget bill this session that spends \$263 million in areas such as, higher education, E-12 education, health and human services, environment and agriculture, state government, transportation, jobs and economic development and housing.

When the 2013 legislative session ended, \$17 million of funding for compensation costs was not part of the colleges and universities base and was considered one-time expenditures. From the close of the 2013 session, the system advocated to make permanent the \$17 million one-time funds. Late January MnSCU put forward an official supplemental budget request to Minnesota Management and Budget.

The colleges and universities received support from Gov. Dayton and lawmakers in their efforts to secure funding for faculty compensation costs. Heading into conference committee, Gov. Dayton was supporting \$17 million base funding in fiscal year 2015, and the House included \$17 million in fiscal year 2015, with \$14 million ongoing funds. The Senate included \$17 million in fiscal year 2015, but due to funding constraints in the tails, had to remove the ongoing funds. The last week of session, conferees charged with working through the House and Senate finance division bills, were able to include \$17 million ongoing funds for Minnesota State Colleges and Universities faculty compensation costs.

Bonding

The Legislature approved an \$846 million bonding bill plus a separate bill that includes \$200 million of general fund cash for additional projects. Included in the bonding bill is \$159.8 million for Minnesota State Colleges and Universities, \$120.7 million of which is in state financing.

Included in the MnSCU number, is \$42.5 million in HEAPR. The investment made in HEAPR, or asset preservation and replacement, will impact the 435,000 students the colleges and universities serve across Minnesota. Students will have access to welcoming, safe, climate-controlled classrooms, labs, offices, and study spaces. The bonding projects passed by the Legislature are critical to students and the communities served by the colleges and universities.

Project Title	Request	Final Bill
Higher Education Asset Preservation and Replacement (HEAPR)	\$110.000	\$42.500
Demolition (systemwide)	\$20.601	
Metropolitan State University science education center	\$35.865	\$35.865
Bemidji State University Memorial, Decker renovation, Sanford Hall demolition and Hagg Sauer design	\$13.790	\$13.790
Lake Superior College allied health revitalization renovation	\$5.266	\$5.266
Minneapolis Community & Technical College workforce, phase 2 renovation	\$3.600	\$3.600
Saint Paul College culinary arts and computer numerical control/machine tool renovation	\$1.500	\$1.500
Minnesota State College-Southeast Technical, Red Wing and Winona welding, science labs and classrooms renovation	\$1.700	\$1.700
Central Lakes College, Staples campus rightsizing renovation	\$4.581	\$4.234
Minnesota State University, Mankato clinical science facility	\$25.818	\$25.818
Minnesota State Community & Technical College, Moorhead transportation center addition and renovation	\$6.544	\$6.544
Rochester Community & Technical College Art Hall renovation and post-demolition design of Plaza and Memorial Halls	\$1.000	\$1.000
Minnesota West Community & Technical College, Jackson and Canby classroom, powerline facility and Geothermal System renovation	\$3.487	

Dakota County Technical College transportation and emerging technologies renovation	\$7.586	
Century College digital fab lab, kitchen space and solar panel system renovation	\$2.020	\$2.020
Northland Community & Technical College, Thief River Falls aviation maintenance facility addition and demolition	\$5.864	\$5.864
Northeast Higher Education District; Itasca, Rainy River, Vermilion and Hibbing science labs, classroom, biomass heating renovation and demolition	\$3.344	\$3.344
Winona State University Education Village, Phase I, renovation	\$5.902	\$5.902
Anoka Technical College manufacturing technology hub and auto tech lab	\$1.500	
Saint Paul College health and science alliance center addition	\$14.482	
Century College classroom and workforce alignment addition	\$1.000	
South Central College, North Mankato STEM and healthcare renovation	\$7.467	
St. Cloud State University student health and academic renovation	\$0.865	\$0.865
Minnesota State Community & Technical College, Fergus Falls and Wadena campus rightsizing and Center for Student Success renovation	\$1.385	
Northland Community and Technical College, East Grand Forks lab renovation	\$0.749	
Winona State University Phelps Hall Psychology Lab renovation	\$0.592	
Total	\$286.5	\$159.8
User Financing	\$52.0	\$120.7
General Obligation	\$234.5	\$39.1

Supplemental Budget Bill

The final supplemental budget bill includes \$263 million in funding for areas such as higher education, E-12 education, health and human services, environment and agriculture, state government, transportation, jobs and economic development and housing.

Higher Education

The final bill includes \$17 million in base funding that is available to use for faculty compensation costs in fiscal year 2015, with \$34 million in ongoing funds available each year of the 2016-2017 biennium.

Other funding in the article includes \$750,000 one-time funds to the Office of Higher Education for the College Possible program to expand College Possible coaching and mentoring programs in Minnesota schools. Conferees also included \$4.5 million ongoing funds for the University of Minnesota for regenerative medicine research.

The final bill includes policy provisions as well, including language that requires **study abroad programs** to report on safety and security of the programs to the Secretary of State, who will publish the reports on their Web site.

There is language requiring colleges and universities to provide **resident tuition for veterans**. Minnesota State Colleges and Universities Board Policy 2.2 provides for not only resident tuition for current and former members of the military, but also their spouses and dependent children.

The **state authorization reciprocity agreement**, or SARA, language is in the final bill as well. This is a national initiative to provide access to online programs while maintaining compliance standards with state regulatory agencies. SARA allows institutions to provide online courses outside of their own state borders by seeking and maintaining state approvals via a streamlined regional process. This legislative change will allow the Office of Higher Education to maintain high standards for institutions outside of Minnesota, while at the same time allowing Minnesota based colleges and universities to attract students from outside the state.

The bill includes language regarding **student loan refinancing**. The Office of Higher Education is to report back to the Legislature by Feb. 1, 2015 regarding its plans and proposed terms and conditions for operating a student loan refinancing program.

The bill also includes language regarding **transfer**, and requires the appropriate Charting the Future implementation team within the Minnesota State Colleges and Universities system to develop a plan to implement multi-campus articulation agreements that lead to baccalaureate degree completion after transfer to a system university from a system college.

There was also a proposal this session to use **the state grant surplus** of \$20.5 million to increase the living and miscellaneous expense allowance, or LME, from \$7,900 to \$8,300; as well as increase the tuition cap in the state grant program from \$13,000 to \$13,620. Gov. Dayton and the Senate carried this recommendation, but the House did not. Conferees did not adopt this recommendation in the final bill. Current law mandates any state grant surplus to be used to increase the LME, so by default, MnSCU students will be eligible for a higher LME allowance as will all participants in the state grant program.

The Office of Higher Education is anticipating the LME for fiscal year 2015 to increase to \$8,490 on a one-year basis. The average increase for a state grant will be \$118, but some students could receive an increase of as much as \$295. The Office of Higher Education is projecting there to be 100,900 state grant recipients in fiscal year 2015, an increase of 4,900 over the fiscal year 2014 base.

E-12 Education

The E-12 education policy bill that passed this session removes the prohibition that colleges and universities cannot advertise PSEO based on financial grounds, only on education or programmatic grounds. The E-12 education article in the supplemental budget bill amends the policy bill so that a college or university may only advertise a cost savings to PSEO students in a school district with 700 students or more in grades 10, 11 and 12.

The supplemental budget bill also includes language regarding career and technical education programs, requiring the Department of Education to work with experts knowledgeable about secondary and postsecondary career and technical education programs to determine the content and status of particular programs and to understand the current role of local school districts and postsecondary institutions in providing career and technical education programs. A report is due to the Legislature by Feb. 1, 2015 with information about each district's equipment, resources and relationships with postsecondary institutions and the local business community.

Jobs and Economic Development

The jobs and economic development article in the supplemental budget bill includes an increase of \$475,000 one-time funds in fiscal year 2015 for the Minnesota Jobs Skills Partnership program, a program through which many colleges and universities receive grants.

\$400,000 is also available in the bill for an innovation voucher pilot program to be developed by the Department of Employment and Economic Development (DEED) to provide financing to small businesses to purchase technical assistance and services from public higher education institutions and non-profit entities to assist in the development of commercialization of innovative new products or services. A voucher award is not to exceed \$25,000 per business.

There is also one-time funding of \$250,000 and language in the bill for the Department of Labor and Industry (DOLI), in collaboration with DEED, to establish competency standards for programs in advanced manufacturing, health care services, information technology and agriculture. To establish the competency standards, DOLI is to convene recognized industry experts, employers, higher education institutions and labor representatives to define credible competency standards acceptable to these industries.

Housing

The bill appropriates \$2.2 million in fiscal year 2015 for up to two housing project grants in communities that have low housing vacancy rates and education and training centers for jobs in the natural resources or aviation maintenance fields, or other fields with anticipated significant job growth potential. The funds are to be used for grants for housing projects with financial and in-kind contributions from non-agency resources, that when combined with a grant are sufficient to complete the housing project.

Other bill highlights relevant to Minnesota State Colleges and Universities

Contract Ratification

Gov. Dayton signed Chapter 151 into law, a contract ratification bill that includes salary increases for state employees, including, but not limited to MAPE, AFSCME, MMA, Commissioner's Plan and Managerial Plan. Once a tentative settlement has been reached on the Minnesota State Colleges and Universities negotiated contracts; IFO, MSCF and MSUAASF, and the bargaining units ratify the agreements, they will be presented to the Legislative Coordinating Commission Subcommittee on Employee Relations. This subcommittee can temporarily ratify the contracts until the next legislative session when the full Legislature must act on them.

Education Policy

This bill includes many provisions relevant to Minnesota State Colleges and Universities including a review of world language competencies. The commissioner of education and the Minnesota State Colleges and Universities (MnSCU) chancellor, after consulting with world language faculty at MnSCU and the University of Minnesota, must review the specific competencies a K-12 student masters in attaining a state bilingual seal, multilingual seal, Minnesota World Language Proficiency Certificate, or Minnesota World Language Proficiency High Achievement Certificate, and determine credit and course equivalencies for each seal or certificate.

The bill also requires school districts to provide up-to-date information on their web sites regarding PSEO including information about enrollment requirements and the ability to earn postsecondary credit. Language is also included that eliminates the prohibition that a postsecondary institution cannot advertise PSEO based on a cost savings to a student, but was amended later in the supplemental budget bill to so that colleges and universities can advertise cost savings only to school districts with 700 students or more in grades 10, 11 and 12.

There is also language that establishes a year-long student teaching pilot program for the 2015-2016 through 2018-2019 school years. An interested teacher preparation program can partner with one or more school districts and apply to the Board of Teaching to participate in the pilot program.

The bill also includes an alternative to teacher licensure for candidates unable to pass the state's basic skills test that demonstrates college-level math and English competencies. Candidates will be able to use ACT or SAT scores instead to demonstrate proficiency.

Pension

The omnibus pension bill contains various provisions related to pension of an administrative nature, including some policy substance. Included in the bill is an extension of the Minnesota State Colleges and Universities early retirement incentive program, scheduled to expire on June 30, 2014. The bill extends the sunset date to June 30, 2019.

Property Acquisition

This bill regulates acquisition of land by state agencies, including the Minnesota State Colleges and Universities. An agency must not pay more than ten percent above the appraised value for property where valued, in excess of \$100,000.

Unsession

Gov. Dayton signed Chapter 149 into law, a bill that modestly streamlines higher education statute and eliminates certain unnecessary or redundant laws. In the Minnesota State Colleges and Universities statute, M.S.136F, there are multiple places where the term, “Board of Trustees,” or the “Board of Trustees of the Minnesota State Colleges and Universities,” is changed to read, “Board.”

The bill also eliminates old or obsolete references, such as a reference to carrying out the merger of the three systems, or specific dates that have passed. The bill also updates the designated location of where MnSCU state community, technical and consolidated colleges, and the state universities are located.

Lawmakers are scheduled to return to St. Paul for the 2015 legislative session Tuesday, January 6, 2015.

Note: A complete summary of all 2014 session laws that affect Minnesota State Colleges and Universities will be prepared and published on the Web site.

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