



## Legislative Notes May 9, 2008

### State Update

#### Lawmakers wrap up budget bill but wait for global deal

The omnibus supplemental budget bill conference committee wrapped up its work this week, and conferees adopted the budget report. However, the committee co-chairs, Rep. Lyndon Carlson, DFL-Crystal, and Sen. Richard Cohen, DFL-St. Paul, said they would wait to sign the bill while negotiations continue between legislative leaders and the governor. Based on the February forecast, lawmakers were faced with resolving a \$935 million budget shortfall. Since then, legislative action, such as the creation of a compensation fund for victims of the Interstate 35W bridge collapse that was signed by the governor this week, pushed that number to about \$1 billion. Rep. Carlson said that future changes could be made to the budget bill if necessary.

Included in the bill is a cut for the Minnesota State Colleges and Universities system of \$6.6 million, which is in line with the original House and Senate bills. The rider language states that \$5 million of the cut is to come from technology and the remaining cut is to come from the Office of the Chancellor budget. With the cut at \$6.6 million, the bill specifies that tuition increases will be 2 percent for colleges and 3 percent for universities.

There is new money for four areas, which brings the actual cut to the system to \$4.08 million. The bill appropriates \$900,000 to the Board of Trustees for the Power of You program at Metropolitan State University, Saint Paul College and Minneapolis Community and Technical College. The new language does not include funding for the suburban and rural pilot programs as originally proposed. Also, \$120,000 is appropriated for a Teachers of Diverse Backgrounds financial aid pilot program. The program is to be implemented at Winona State University in partnership with the Rochester school district and St. Cloud State University in partnership with the Robbinsdale school district. The pilot program is intended to increase the diversity of teachers in school districts with a significant concentration of minority students and attain the state's interest in enhancing the academic achievement of diverse student populations.

In addition, \$500,000 will fund the elimination of non-resident undergraduate tuition at Alexandria Technical College, Anoka Technical College, Hennepin Technical College and North Hennepin Community College, and \$1 million is appropriated to any two-year college that experienced a reduction in reciprocity tuition revenue directly resulting from the elimination of non-resident tuition in the 2007 higher education bill.

In regard to the \$11.3 million state grant surplus that had been recommended for multiple uses, such as reducing the student share, reducing the assigned family responsibility and

increasing the four-year tuition maximum 3 percent, the decision was to use it toward the living and miscellaneous expense, or LME. That amount is increased \$300 per student, from \$5,900 to \$6,200 in fiscal year 2009. The bill does leave an unallocated amount of \$1.9 million in the state grant surplus to be used as a cushion or safety net.

Negotiations between legislative leaders and the governor on how to resolve the \$935 million budget deficit continue. Gov. Tim Pawlenty has said he is considering his options, including a special session, if he and legislative leaders fail to reach a global agreement before legislators need to adjourn May 19. However, with more than a week remaining in the session, lawmakers continue to remain optimistic that a deal can be reached. Speaker of the House, Margaret Anderson Kelliher, DFL-Minneapolis, said that between \$100 million and \$150 million is what separates DFL leadership from the governor. Rep. Kelliher said if an agreement is not reached in the next 48 hours, the omnibus supplemental budget bill will need to be sent to the governor by Monday or Tuesday in order for the Legislature to have time to respond to the governor's action on the bill.

### **Higher education policy bill heads to governor**

Two major pieces of legislation affecting higher education currently are traveling through the legislative process. The first is the omnibus supplemental budget bill that includes higher education as referenced above, and the other is the higher education policy bill. The higher education policy bill conference committee adopted the conference committee report early this week, and shortly thereafter, both the Senate and House took up the bill on the floor and passed it without opposition by a vote of 64-0 and 132-0 respectively.

Included in the bill is:

- language that adds the spouse of a veteran as a Minnesota resident in the state grant program;
- language that makes permanent the use of any state grant surplus to be used for living and miscellaneous expenses;
- language that provides clarification to the Achieve scholarship program;
- authority for a nonprofit organization to use 5 percent of TEACH grant funds for administration purposes;
- language that adds two-year colleges as potential users of the revenue fund;
- a study prepared by the Office of Higher Education on the enrollment patterns of students from low-income families in higher education;
- a change in the make-up of the Board of Trustees to include one labor member;
- language that requires the board to report to the Legislature programs that were granted a waiver from the 60 or 120 program credit cap; and
- language that convenes an oral health practitioner work group to develop recommendations and proposed legislation for the education and regulation of oral health practitioners.

The bill was sent to the governor for signature, and as of this writing, the governor has not taken action on the bill. The governor has three days from when the bill is presented to him

to decide whether to sign or veto the bill. You may view the policy bill at [www.revisor.leg.state.mn.us/bin/bldbill.php?bill=ccrsf2942.html&session=ls85](http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=ccrsf2942.html&session=ls85)

## **Federal Update**

### **President Bush signs Ensuring Continued Access to Student Loans Act**

President Bush signed HR 5715, the Ensuring Continued Access to Student Loans Act, Wednesday after Congress quickly passed the bill last week in response to growing concern that student loans may become less available for the next academic school year. The law seeks to curb the departure of loan companies from the federally guaranteed student loan program and reassures families that student loans will be available in the fall. To encourage lenders to remain in the federal program, the law allows Education Secretary Margaret Spellings to buy loans that lenders have struggled to sell to investors. The law also clarifies that the Education Department has the authority to advance federal funds to guarantee agencies, so those agencies could make loans, if necessary, under a lender-of-last-resort system. The lender-of-last-resort program provides loans to students who are unable to obtain a loan under the regular application process.

The bill also raises the amount students can borrow under the federally subsidized program by \$2,000 per year and would raise aggregate borrowing limits to accommodate those increases. The total amount that could be borrowed would be \$31,000 for dependent undergraduates and \$57,500 for independent graduates. The bill also encourages parent borrowers of PLUS loans (Parent Loan of Undergraduate Students) by letting them defer payment until six months after their children leave college.

### **Higher Education Act extended another month**

Congress once again has passed a one-month extension of the Higher Education Act through the end of May. A conference committee has been working to reconcile the differences between the House and Senate bills and hopes to be finished by the end of this month.

The Higher Education Act was signed into law on Nov. 8, 1965, and was intended “to strengthen the educational resources of our colleges and universities and to provide financial assistance for students in postsecondary and higher education.” Because the law was last reauthorized in 1998 and the titles have not been fully reauthorized since then, the law has been extended several times since the last authorization expired in 2003.

Over the past five years, Congress has made various efforts to finalize a reauthorization. While Congress has not successfully passed a final reauthorization for the entire law, over the past several years “budget reconciliation” bills have been signed into law that have made major changes to student financial aid, mostly in regard to subsidy levels for lenders and guaranty agencies. The House and Senate have both passed bills, H.R. 4137 and S. 1642, respectively. If Congress does not complete the reauthorization process by the end of May, it is expected that Congress will pass another extension.

## **Here's What's Happening at the Capitol:**

This schedule shows all meetings that we are aware of at the time of publication that may have an impact on the system. This schedule may change. Watch the House and Senate schedules posted on the Legislature Web site ([www.leg.state.mn.us](http://www.leg.state.mn.us)).

### **Monday, May 12**

9:00 AM

#### **Conference Committee on SF3363/HF3587**

Room: 123 State Capitol

Chairs: Rep. Loren Solberg, Senator Richard Cohen

Agenda: Budget development specified, Subcommittee on Government Accountability established, performance goals and agency resources aligned, duties and cash flow forecast required, and executive employees rights established.

10:00 AM

#### **House Meets in Session**

11:00 AM

#### **Senate Meets in Session**