MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES

Agenda Item Summary Sheet

Committee: Advancement

Date of Meeting: March 17, 2009

Agenda Item: Federal Update

- [ ] Proposed Policy Change
- [ ] Approvals Required by Policy
- [ ] Other Approvals
- [ ] Monitoring
- [x] Information

Cite policy requirement, or explain why item is on the Board agenda:
Review of 2009 congressional activity.

Scheduled Presenter(s):
Mary Davenport, Director of Government Relations

Outline of Key Points/Policy Issues:
American Recovery and Reinvestment Act – the Federal stimulus bill
Federal appropriations FY2009
President’s budget FY2010
Federal appropriations FY2010
The American Recovery and Reinvestment Act (ARRA)
The American Recovery and Reinvestment Act was signed into law by President Barack Obama on Tuesday, February 17, 2009. The goal of this historic legislation is to immediately stimulate job growth through investments and tax cuts over the next two years, with a particular focus on education and infrastructure, and the critical industry sectors of energy and health care. While the federal government will assist with the plan’s investment, the implementation of the plan will rest mostly with the states. A number of components within the ARRA have funding implications for Minnesota State Colleges & Universities, students and their families. These are highlighted below:

1. **State Fiscal Stabilization Fund**
   One large portion of that funding is a State Fiscal Stabilization Fund of $53.6 billion to help state and local governments avert budget cuts. *Estimated Minnesota share: $816.5 million total; 81.8% or $667.0 million for early childhood, K-12 and higher education; 18.2% or $146.6 million for general purpose (including education)*
   - Provides funding for FY09, FY10, and FY11
   - To restore the level of state support to the greater of FY08 or FY09 levels (excluding tuition and fees in higher education)
   - If the funds are not sufficient for restoration, a governor shall allocate funds between K-12 and higher education relative to shortfall
   - If funds exceed the amount needed for restoration, a governor shall allocate funds to local education agencies relative to their Title I share (Elementary and Secondary Education Act – Improving The Academic Achievement Of The Disadvantaged)
   - Higher education shall use funds to 1) mitigate the need to raise tuition and fees for in-State students; or 2) for modernization, renovation, or repair of higher education facilities that are primarily used for instruction, research, or student housing.
   - Funds may not be used for payment of maintenance systems, equipment, or facilities modernization of athletic facilities; or facilities used for sectarian instruction or religious worship; or in which a substantial portion of the functions are subsumed in religious mission.

2. **Direct Funding and/or Tax Credits to Students and their Families**
   - **Pell Grants:** increases the maximum Pell Grant award to $5,350 (up from $4,860) for the 2009-2010 school year.
   - **College-Work Study:** estimated additional $3.89 million to Minnesota over two years for colleges to support low and moderate-income undergraduate and graduate students who work while attending school (25% campus match required).
American Opportunity Tax Credit: provides financial assistance for individuals seeking a college education. For 2009 and 2010, the bill would provide taxpayers with a tax credit of up to $2,500 of the cost of tuition and related expenses paid during the taxable year. Under this new tax credit, taxpayers will receive a tax credit based on one hundred percent (100%) of the first $2,000 of tuition and related expenses (including books) paid during the taxable year and twenty-five percent (25%) of the next $2,000 of tuition and related expenses paid during the taxable year. Forty percent (40%) of the credit would be refundable. This tax credit will be subject to a phase-out for taxpayers with adjusted gross income in excess of $80,000 ($160,000 for married couples filing jointly).

Computers as Qualified Education Expenses in 529 Education Plans: the bill provides that computers and computer technology qualify as qualified education expenses.

3. Workforce, Employment and Training
The recovery plan includes critical funding to help the unemployed and invest in training programs. Formula funding will go to states to provide for employment and training programs under the Workforce Investment Act (WIA) of 1998, including the below funding estimates to Minnesota:

- **Dislocated Worker Program:** $17.45 million for training and reemployment services for dislocated workers. New language allows higher education providers to train groups of students.
- **Adult Program:** $7 million to serve eligible low income adults for two years.
- **Youth Program:** $18 million for youth activities including summer jobs for youth. The eligibility age for youth recovery funds is extended to age 24.
- **Unemployment Insurance (UI) Modernization:** UI incentive funding is available for specific reforms designed to increase UI coverage among low-wage, part-time and other jobless workers.
- **Weekly Unemployment Insurance Benefit Increase:** States may voluntarily enter into an agreement with the Secretary of Labor to provide an increase to both regular and extended unemployment benefits by $25 a week through December 31, 2009, with full reimbursement paid by the federal government.
- **State Employment Service and Reemployment Services Grants:** for reemployment and job matching assistance.
- **Trade Adjustment Assistance:** The TAA Act was reauthorized within the stimulus bill and establishes an Office of Trade Adjustment Assistance at the Department of Labor, Employment and Training Administration. Training funds are available with expansions to programs offering eligibility to workers of the service sector and public agencies; additional training options for long-term, part-time and pre-layoff training; and allows training funds to be used for apprenticeship programs, prerequisite training, and training at an accredited institution of higher education; allows for training in which to obtain or complete a degree or certification program (where degree/certificate lead to employment).
4. Competitive Grant Opportunities:

- **Employment and Training Grants**: competitive funds for High Growth and Emerging Industry Sectors including special set-aside to prepare workers for efficiency and renewable energy careers; Dislocated Workers Assistance grants to serve areas of high unemployment or high poverty and providing the income and support services necessary for an individual to participate in job training; YouthBuild grants to help at-risk youth gain education and occupational credentials while building or rehabilitating affordable housing.

- **Community College and Career Training Grant Program**: $40 million in discretionary grants for each fiscal year 2009 and 2010, and $10 million for October 1, 2010 – December 31, 2010 to develop, offer, or improve education and career training for eligible TAA workers.

- **Teacher Quality Enhancement, State Grants**: $100 million for a competitive grant program for states to improve the quality of the teacher workforce, including reforms in the areas of alternative routes to teacher certification, teacher preparation, and teacher licensing.

- **Statewide Data Systems**: $250 million for competitive grants to states to develop statewide longitudinal data systems. Up to $5 million is reserved for state data coordinators and for awards to public or private organization or agencies to improve data coordination.

- **National Science Foundation**: $3 billion increase ($9.05 billion total) for research, research equipment and facilities, education and human resource programs, and academic research infrastructure and instrumentation.

- **Department of Energy**: $5.5 billion for basic research, energy efficiency and renewable research, fossil energy research and other advanced research projects.

- **National Institutes of Health**: $10.4 billion for research, modernization of existing academic research facilities, NIH labs and facilities and health care comparative effectiveness research.

- **Training Primary Care Providers**: $500 million investments in health care workforce development programs for the Nation Health Service Corps recruitment and field activities and for primary care medicine, dentistry, public health and preventive medicine program, scholarship and loan repayment programs, and cross-state licensing for health specialists.

- **Department of Defense Research**: $75 million for research into using renewable energy to power weapons systems and military bases.

- **Health Information Technology (HIT)**: States or a state-designated entity could receive grants for planning or implementation to assist with and expand adoption of HIT and to move toward adoption of national HIT standards, provide incentives for adoption and use of HIT, and addresses privacy and security issues.

- **Broadband Technology**: Grants to states, municipalities, non-profits or private companies to promote high-speed Internet programs. Funding will be used to increase broadband access in rural, unserved and under-served areas, to support programs that encourage broadband adoption in low-income communities, for initiatives that expand public community centers' capacity and for the development of a national broadband map.
5. Tax Relief for Individuals

- **“Making Work Pay Credit:”** the bill provides for a refundable tax credit of up to $400 for working individuals and $800 for working families. This tax credit would be calculated at a rate of 6.2% of earned income, and would phase out for taxpayers with adjusted gross income in excess of $75,000 ($150,000 for married couples filing jointly). Taxpayers can receive this benefit through a reduction in the amount of income tax that is withheld from their paychecks, or through claiming the credit on their tax returns.

- **Expand Earned Income Tax Credit (EITC):** increases the earned income tax credit to forty-five percent (45%) of the family’s first $12,570 of earned income for families with three or more children and would increase the beginning point of the phase-out range for all married couples filing a joint return (regardless of the number of children) by $1,880.

- **Increase in child tax credit:** increases the eligibility for the refundable child tax credit in 2009 and 2010. For 2008, the child tax credit is refundable to the extent of 15 percent of the taxpayer’s earned income in excess of $8,500. The bill would reduce this floor for 2009 and 2010 to $3000.

- **Sales tax deduction for vehicle purchases.** The bill provides all taxpayers with a deduction for State and local sales and excise taxes paid on the purchase of new cars, light truck, recreational vehicles, and motorcycles through 2009. This deduction is subject to a phase-out for taxpayers with adjusted gross income in excess of $125,000 ($250,000 in the case of a joint return).

- **Temporary suspension of taxation of unemployment benefits.** Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately $300 per month. The proposal temporarily suspends federal income tax on the first $2,400 of unemployment benefits per recipient. Any unemployment benefits over $2,400 will be subject to federal income tax. This proposal is in effect for taxable year 2009.

- **First-time homebuyers credit:** extends the existing credit to qualifying first-time home purchases made before December 1, 2009, increases the maximum credit amount to $8,000 ($4,000 for a married individual filing separately), and repeals repayment requirement under Housing and Economic Recovery Act of 2008. If the taxpayer disposes of the home or the home otherwise ceases to be the principal residence of the taxpayer within 36 months from the date of purchase, the present law rules for recapture of the credit will apply.

**Federal Budget**

Each year, Congress develops tax and spending legislation, initiated by the President’s budget request. In response to the President’s request, Congress considers appropriations measures, which provide funding for numerous activities, including education. The process begins in February and is supposed to be completed by October 1, but recently rarely is. In September 2008, Congress failed to finalize a budget for Federal Fiscal Year 2009 and passed legislation to keep federal programs in operation through March 6, 2009. As of this writing, Congress is working toward resolution on House and Senate omnibus spending bills in an effort to complete their work by March 6. If a bill is not completed, another Continuing Resolution will be required in order to keep the federal government in operation. In the meantime, President
Barack Obama provided Congress with a $3.55 trillion budget plan for 2010, kicking-off the current year’s budget process.

**Minnesota State Colleges & Universities projects pending in the FY2009 budget:**
At the time of this writing, the House has passed a $410 billion appropriations omnibus to fund the federal government through the end of the current fiscal year with the Senate expected to take up the measure Friday, March 6. The bill includes $3,058,625 in spending for five Minnesota State Colleges & Universities special projects. While all projects submitted received congressional member support and were submitted for consideration by appropriation committees, the below projects were included in the pending bill:

- **$951,000** from the Department of Education for the system’s Veterans Re-entry Education Program (original request: $2,300,000)
- **$713,625** from the Department of Energy for the Minnesota Center for Renewable Energy at Minnesota State University, Mankato and Minnesota West Community & Technical College (original request: $1,500,000)
- **$700,000** from the Office of Justice Programs for the Winona State University National Child Protection Training Center (original request: $3,000,000)
- **$466,000** from the Department of Education for the New Faculty Model for Addressing Nursing Shortage project with Metropolitan State University, Century College, Inver Hills Community College and St. Paul College (original request: $975,000)
- **$228,000** from the Department of Education for the Biomedical Device Manufacturing project at Anoka-Ramsey Community College

**President’s Federal FY2010 budget proposal**
The president’s budget proposal for FY2010 includes a strong education agenda, and includes expanding higher education opportunities and making college affordable as priorities. The President’s proposal includes:

- Pell grant increase: supports a $5,550 Pell Grant maximum award for 2010-2011
- Index Pell grants to the Consumer Price Index plus 1 percent in order to address inflation
- Shift the Pell grant program to a mandatory rather than discretionary program
- Simplify the student aid application process
- Filter all student loans through the Department of Education’s Direct Lending Program and end the Federal Family Education Loan Program; overhaul the Perkins Loan program
- Make the new $2,500 American Opportunity Tax Credit permanent
- Focus on college completion through a new $2.5 billion, five-year Access and Completion Incentive Fund to support innovative state efforts to increase enrollment, particularly among low-income families.

**Minnesota State Colleges & Universities projects agenda for the FY2010 budget**
The course that Congress will take when addressing earmark reform for FY2010 remains unclear. While President Obama is expected to sign the FY2009 spending bill with earmarks intact, his spokesperson has said that Mr. Obama plans new rules for earmarks before Congress acts on the 2010 budget. During the presidential campaign, candidate Obama promised that he would reform the federal budget process by going line by line through appropriation bills, eliminating wasteful earmarks, vetoing the bills, and telling Congress to send them back stripped
of the pork. President Obama has echoed that promise, along with the promise to ensure that all spending decisions are open to the public. With the current environment, FY2009 member support, and recent discussion with congressional staff in mind, 10 projects are carried over for FY2010 submission and 16 new projects with expressed member interest are under development. These include:

- $2,300,000 Veterans Re-entry Education Program
- $1,500,000 International Renewable Energy Technology Institute (IRETI)
- $750,000 Healthcare Education Industry Partnership, Healthcare Education Technology, Medical Records Systems

**District 1**
- $3,000,000 National Child Protection Training Center, Winona State University
- $2,500,000 The Minnesota State Modeling and Simulation Center, Minnesota State University, Mankato
- $1,500,000 Center for Family Health Promotion, Minnesota State University, Mankato

**District 3**
- $1,000,000 Biomedical Device Manufacturing, Anoka-Ramsey Community College

**District 4**
- $975,000 New Faculty Model for Addressing Nursing Shortage, Metropolitan State University, Century College, Inver Hills Community College, St. Paul College
- $975,000 Advanced Dental Hygiene Practitioner Demonstration Project, Metropolitan State University and Normandale Community College

**District 5**
- $358,130 Power of YOU to Close the Achievement Gap, Minneapolis Community and Technical College

**District 6**
- $1,000,000 Science Initiative of Central Minnesota, St. Cloud State University

**District 7**
- $1,460,000 Regional Science Center Road Minnesota, State University Moorhead
- $300,000 Nursing Education Program on White Earth Indian Reservation, Northland Community and Technical College

**District 8**
- $2,500,000 Minnesota Center for Advanced Aviation, Lake Superior College
- $2,200,000 Corrosion Training Simulation Program, Pine Technical College
- $3,400,000 Geothermal Heating & Cooling System, Northeast Higher Education District, Vermillion
- $1,800,000 Center for the Young Child, Pine Technical College