Session review
The session started in January with anticipation of a $6.4 billion budget shortfall, later softened by federal stimulus assistance to $4.6 billion through the one-time money. Governor Pawlenty presented budget proposals with several key principles in mind: balance the budget, fund priorities in order of importance, strategically position Minnesota for success in a changing world, enhance and expand pay for performance, and do not increase burdens by raising taxes. A total reduction of $312.7 million was targeted for higher education, representing a 10 percent decrease over the total higher education base budget. The governor recommended a reduction to the Minnesota State Colleges and Universities of $146 million, a 10.7 percent reduction, which comes on top of a budget rescission of $20 million in the current biennium. The Governor also recommended that both the Minnesota State Colleges and Universities and the University of Minnesota institute firm caps on tuition increases.

System testimony throughout the session emphasized the desire of the Minnesota State Colleges and Universities Board of Trustees to follow three key principles as decisions were made regarding the proposed shortfall: decisions will be made in a way that best serve students, the economic development needs of the communities and state will be taken into account, and the board will take a multiyear approach to position the system for long-term financial viability.

Going into conference committee, the governor and House were recommending a 2010-11 base cut to the Minnesota State Colleges and Universities system of $161.8 million, with a one-time federal stimulus state stabilization appropriation of $133.8 million. The Senate was recommending a cut of $103.8 million, with a one-time federal stimulus appropriation of $75 million.

The House and Senate approved the higher education conference committee report Wednesday, May 13. The final bill cut the Minnesota State Colleges and Universities system $93.7 million over the 2010-11 biennium, with a one-time federal stabilization appropriation of $79.2 million, $15.3 million one-time in the current fiscal year 2009 and $63.9 million one-time funds in fiscal year 2010.

By the end of the last week of session, Governor Pawlenty signaled his intent to sign all the omnibus appropriation bills sent to him, but that he would exercise line-item veto authority in the short term and unallot in the next fiscal year, starting July 1. The Governor did sign major finance bills the final weekend of session, including the higher education omnibus bill. The higher education bill received three line-item vetoes, discussed below.
A bonding bill was also signed which included $40 million for Minnesota State Colleges and Universities asset preservation. The five projects that were approved by the Legislature in the 2008 bonding bill and later vetoed, also moved forward in the 2009 bill but were vetoed once again.

With a budget deficit of $2.7 billion still remaining (after line-item vetoes), the governor stated that he is prepared to make budget unallotments if no budget compromise is reached by the close of session, Monday, May 18. Results, he warned, would reflect his January budget proposal. A tax bill was passed earlier by the Legislature in an attempt to resolve that shortfall. The governor vetoed that bill, saying he will not sign a bill with any tax increases included. This was brought back to the House floor Sunday night for a potential override but did not get the 90-needed votes for a 2/3 majority (85-49).

Offers and counteroffers of compromise on how to close the budget gap went back and forth over the final weekend, including a proposal by the Governor to cut higher education another $190 million.

The 2009 legislative session came to an end at midnight on the last night with no global budget resolution agreement as legislative leaders and the governor were not able to resolve their differences. The governor has said he will unallot to bridge the remaining gap after the line-item vetoes in the spending bills. It is anticipated that the Minnesota State Colleges and Universities system will receive an unallotment of approximately $70 million in 2011, the second year of the biennium. An unallotment is considered one-time.

**Highlights of the higher education omnibus appropriation bill**

Three items in the bill were vetoed: funding for the TEACH program, which would have provided $250,000 for tuition scholarships to early childhood care and education providers; funding for the Power of You program, which would have provided $500,000 for the current program and $500,000 in one-time funds for the pilot expansion; and, $40,000 for the Cook County higher education community-based program that focuses on rural access to higher education.

For financial aid, the bill includes language that requires the Pell grant surplus to stay in the State Grant program. The surplus increases the tuition maximum for students in four-year programs $650 to $10,488 and does not change the two-year cap; increases the number of semesters a student is eligible for a state grant from eight semesters to nine semesters; funds a summer bridge program, which is a research-based high school-to-college development transition program after high school graduation to prepare students for college-level academic coursework; and increases the living and miscellaneous expenses, or LME, by $800 to $7,000. The bill also increases work study by $5 million and child care assistance grants by $1 million.

Included in the bill for the Minnesota State Colleges and Universities:

- **Tuition cap** of 5 percent each year with a buy-down using the federal stimulus funds to 3 percent in FY 2010 and 3 percent in FY 2011 for a net increase of 6 percent. The language was revised in a separate bill the last night of session. The language now reads
that tuition must not exceed five percent per year for the biennium. Federal stimulus money must be used to buy down the tuition increase in FY2010 to not more than three percent. There is no requirement to buy-down tuition in FY2011.

- **Language on the American Recovery and Reinvestment Act of 2009** taken from the House bill that states the federal funds may be used for modernization, renovation, or repair of facilities that are primarily used for instruction, research or student housing. Language also reads that the federal funds must be used as a bridge for budget reductions, and may be used to retain faculty and staff jobs, provide severance and early retirement incentives and to mitigate the rising costs of attendance through minimizing tuition increases and the support of student employment opportunities.

- **Separate line item** for the Office of the Chancellor and Shared Services Division of $47.3 million in both FY 2010 and FY 2011.

- The Board of Trustees is required to submit an expenditure reduction plan by March 15, 2010 which describes the plans developed at each institution detailing reductions to achieve lower base allocations at the institution. Each plan must focus on protecting direct instruction.

- Caps the technology initiative, including technology infrastructure improvements, at $40 million for the 2010-11 biennium.

- $150,000 each year for technical and community college emergency grants for students experiencing extraordinary economic circumstances that may result in the student dropping out of school without completing the term or their program.

- $500,000 ongoing funds each year for the Power of You program at the three current institutions; Saint Paul College, Minneapolis Community and Technical College and Metropolitan State University; and $500,000 one-time funds each year for an expansion of the program to rural and suburban pilot sites. (This provision was vetoed by the governor.)

- $40,000 each year for the Cook County Higher Education Board to provide educational programs and academic support services. (This provision was vetoed by the governor.)

- $1 million each year for the Northeast Higher Education District and area high schools for state-of-the-art technical education opportunities.

- $225,000 each year to enhance the eFolio Minnesota project on the Iron Range.

- The Board of Trustees is encouraged to place a priority on identifying and implementing measures to improve the human resources system used by the Minnesota State Colleges and Universities in order to increase efficiencies and equity for faculty and staff.

The provision from the House bill that stated the Minnesota State Colleges and Universities could not fill administrative or managerial positions or use search firms for hiring was not included in the final bill.

The language that capped the funds for underrepresented students at $5 million over the biennium was not included in the final bill.

The Senate language that removes the restriction on marketing to high school students about the financial benefits of the PSEO program was not included in the final bill, but discussion led to
clarification regarding intent, which would allow for marketing of the PSEO program.

The tuition guarantee language that requires the system to offer students a four-year stable tuition rate was not included in the final bill.

The language restrictions that the board may not reserve or expend appropriations for competitive salaries, awards of excellence, campus and technology initiatives outside the allocation model, or other board or chancellor initiatives during the 2010-11 biennium was not included in the final bill.

Included in the final bill was the House language on the 60 college and 120 university credit cap policy for the Minnesota State Colleges and Universities system. The language states that the A.A.S. degree is exempt from the 60-credit limit until July 2, 2012. By January 2, 2012, MSCF and MSCSA are to present a joint report to the Legislature on a process for reviewing the credit requirements for an A.A.S. degree.

The provision on course equivalency that directs the Minnesota State Colleges and Universities system to maintain course equivalency guides that include information on the course equivalency and awarding of credit for learning acquired as a result of the successful completion of formal military courses and occupational training, is in the final bill. (Colleges and universities are already in compliance.)

The language on notice to prospective students on possible impact of criminal records was amended in the final bill to read that each institution is to give notice to every person accepted for admission. The notice is to be given at or before the time of acceptance for admission to the institution and at or before the time students select a major. An institution is not liable for failing to provide notice.

The provision on American made clothing in bookstores was amended to delete the word "only." The final language now reads, "To the extent possible, a bookstore located on the campus of a public college or university in Minnesota must offer for sale clothing or articles of apparel that are manufactured in the United States of America. The college or university must make a report to the legislature on the results of efforts to comply with this section."

There is language included in the bill that encourages public higher education institutions to offer research-based high school-to-college developmental transition programs to prepare students for college-level academic coursework. A program must not be more than one semester of full-time study occurring in the summer following high school graduation.

The provision in the bill that required, as a condition of enrollment, each entering Minnesota resident student complete the federal application for student aid, or FAFSA, was amended to now require all eligible institutions to adopt policies and procedures that ensure applicants are aware that they must annually complete the FAFSA to be eligible for financial aid. The Minnesota Office of Higher Education is to report to the Legislature.

Regarding the Board of Trustees, language was adopted that amends the board’s membership so that a commissioner of a state agency may not serve as a member of the board. However, the
bill includes language that allows for a commissioner currently serving on the board to continue serving the remainder of the term. The addition of a second labor representative to the Board of Trustees was not included in the final bill.

The final language on labor market data review for the Minnesota State Colleges and Universities was amended to now read, "The board must assess labor market data when conducting college program reviews. Colleges must provide prospective students with the job placement rate for graduates of technical and occupational programs offered at the colleges."

Language regarding textbooks was included that requires the Office of Higher Education to report to the Legislature on the implementation of textbook information requirements under federal code. The Minnesota State Colleges and Universities system is to take part in preparing the report.

Also included in the bill is the Senate language on a teacher education report. The Minnesota Office of Higher Education and the Minnesota Department of Education are to report on best practices in innovative teacher education programs and teacher education research by June 15, 2010.

The language that was in the House bill for the sale of the Minnesota State College - Southeast Technical aviation training center was included in the final bill.

The language in the final bill on the oral health practitioner and dental therapist programs was amended to be the advanced dental therapist program. Either the University of Minnesota or the Minnesota State Colleges and Universities will be able to train dental therapists and advanced practice dental therapists.

Final bonding bill
The Legislature approved a bonding bill with a total general obligation bond proceed amount of $299.9 million. Included in the bill was $40 million in HEAPR for the Minnesota State Colleges and Universities. All five of the 2008 vetoed projects were included in the final bill:
- Lake Superior College health science center - $11 million (vetoed)
- Mesabi Range Community and Technical College, Eveleth - $5.25 million (vetoed)
- Metropolitan State University classroom center - $5.7 million (vetoed)
- North Hennepin Community College center for business - $13.3 million (vetoed)
- System wide classroom renovations - $3.625 million (vetoed)

The governor signed the bonding bill with a number of vetoes. Minnesota State Colleges and Universities HEAPR projects were funded at $40 million, however all the other projects were line-item vetoed.

Board of Trustee appointments:
The full Senate confirmed Cheryl Dickson, Jacob Englund, Clarence Hightower, Allyson Lueneburg, Louise Sundin and Terri Thomas appointments to the Minnesota State Colleges and Universities Board of Trustees. The Senate higher education committee recommended the final trustee confirmation of David Paskach. That recommendation has not yet been finalized by the
full Senate and awaits consideration in the 2010 session. (Dr. David Metzen was also confirmed by the full Senate as director of the Minnesota Office of Higher Education).

**Other bill highlights related to Minnesota State Colleges and Universities**

**Contract ratification bill** - included in the bill is the 2010-11 Inter Faculty Organization contract. Also included is the 2008-09 MSUAASF contract that was not ratified last session due to timing. The 2010-11 MSUAASF and MSCF contracts, as well as other contracts and plans, will be heard by the Legislative Coordinating Commission Subcommittee on Employee Relations during the interim and ratified by the Legislature next session.

**Pension bill** – included in the bill is the provision that permits the Minnesota State Colleges and Universities system to establish an early separation incentive program for its employees.

**Environment and natural resources bill** - the International Renewable Energy Technology Institute, IRETI, at Minnesota State University, Mankato, received $1.5 million of funding. IRETI is a public-private partnership that supports applied research in renewable energy and energy efficiency to aid in the transfer of technology from Sweden to Minnesota and to support technology commercialization from companies located in Minnesota and throughout the world.

**Bioscience business infrastructure grants** - A bill that makes public colleges and universities eligible to receive money under the state’s bioscience business development infrastructure program passed this session and was signed by the governor. The program, run by the Department of Employment and Economic Development, allows state general obligation bonds to be used for grants to cover capital costs for bioscience-related business facilities. Prior to the bill, only local governments were eligible for the grants.

**Economic development bill** – included in the bill is $1 million from the 21st Century Minerals Fund for a grant to the Northeast Higher Education District for planning, design, and construction of classrooms and housing facilities for upper-division students in the engineering program.

**Agriculture and veterans affairs bill** - includes $100,000 each year for mental health counseling support to farm families and business operators through farm business management programs at Central Lakes College and Ridgewater College; establishes a Green Jobs Food Production Study provision that requires the Agricultural Utilization Research Institute to prepare a study of the state's food production sector in coordination with the Minnesota State Colleges and Universities and others. In the veterans section of the bill, $100,000 each year is included for the costs of administering the Minnesota GI Bill program.

**Office of Legislative Auditor to study the Office of the Chancellor** - the “MnSCU System Office Services and Expenditures” was one of the topics the Legislative Audit Commission chose for a program evaluation study this year. The topic selection background paper described the study, “An evaluation of MnSCU’s system office could be useful given the size of the system and the complexity of its delivery of systemwide services. However, MnSCU’s specific structure is unique among higher education systems and it could be difficult to determine
benchmarks against which to measure effectiveness.”

**K-12 Education** - The governor signed the omnibus K-12 education appropriation bill without any line-item vetoes, however he issued a letter that stated he signed the bill with reluctance because the K-12 education system is in need of significant reform and he believes the bill did not meaningfully address that need. Included in the bill is the establishment of a P-20 education partnership, which adds four legislators to the initial membership of the Minnesota P-16 Education Partnership. The P-20 Partnership is established to create a seamless system of education that maximizes achievements of all students, from early childhood through elementary, secondary, and postsecondary education. A college and career-readiness workgroup on a comprehensive high school assessment and accountability system that aligns to college and career readiness was also created in the bill. The recommendation from the workgroup is to address the design of Minnesota's high school assessment system for ensuring that students are college and career ready upon graduation from high school, as well as a plan for Minnesota postsecondary institutions to evaluate these assessments for possible use in admissions, placement, and scholarship opportunities as the system is implemented.

The 2010 legislative session is scheduled to begin on February 4, 2010.

**Mandates and Curiosities** is an annual publication that highlights and summarizes new laws relating to higher education in Minnesota. It will be available online in the coming weeks at [www.govtrelations.mnsuc.edu/publications/index.html](http://www.govtrelations.mnsuc.edu/publications/index.html).