SESSION LAWS

of the

STATE OF MINNESOTA

ENACTED BY THE EIGHTY-SECOND LEGISLATURE

AT THE FIRST SPECIAL SESSION IN 2001,

FROM JUNE 11 TO JUNE 29

CHAPTER 1—S.F.No. 11

An act relating to education; appropriating money for education and related purposes to the higher education services office, board of trustees of the Minnesota state colleges and universities, board of regents of the University of Minnesota, and the Mayo Medical Foundation, with certain conditions; establishing an account in the state enterprise fund; authorizing appropriations from the medical education endowment fund; modifying state appropriations for certain enrollments; extending expiration deadline for certain advisory groups; adjusting assigned family responsibility; modifying grant provisions; establishing a grant program; authorizing acquisition of certain facilities by the board of trustees; providing for refund of tuition for certain students; making various clarifying and technical changes; deleting obsolete references; establishing a developmental education demonstration project; establishing a commission on University of Minnesota excellence; requiring reports; amending Minnesota Statutes 2000, sections 13.322, subdivision 3; 16A.87; 62J.694, subdivisions 1, 2, by adding a subdivision; 135A.031, subdivision 2; 136A.031, by adding a subdivision; 136A.101, subdivisions 5a, 8; 136A.121, subdivisions 6, 9; 136A.125, subdivisions 2, 4; 136A.241; 136A.242; 136A.243, subdivisions 1, 2, 3, 4, 9, by adding a subdivision; 136A.244, subdivisions 1, 4; 136A.245, subdivisions 2, 4, by adding subdivisions; 136F.13, subdivision 1; 136F.60, subdivision 2; 137.10; 169.966; 299A.45, subdivisions 1, 4; 354.094, subdivision 2; 354.69; 356.24, subdivision 1; Laws 1986, chapter 398, article 1, section 18, as amended; proposing coding for new law in Minnesota Statutes, chapters 16A; 136A; 136F; repealing Minnesota Statutes 2000, sections 135A.06, subdivision 1; 136F.13, subdivision 2; Laws 1994, chapter 643, section 66.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

APPROPRIATIONS

Section 1. **HIGHER EDUCATION APPROPRIATIONS.**

The sums in the columns marked "APPROPRIATIONS" are appropriated from the general fund, or other named fund, to the agencies and for the purposes specified in this article. The listing of an amount under the figure "2002" or "2003" in this article indicates that the amount is appropriated to be available for the fiscal year ending June 30, 2002, or June 30, 2003, respectively. "The first year" is fiscal year 2002. "The second year" is fiscal year 2003. "The biennium" is fiscal years 2002 and 2003.

SUMMARY BY FUND

	2002	2003	TOTAL
General	$1,380,039,000	$1,464,114,000	$2,844,153,000
Health Care Access	2,537,000	2,537,000	5,074,000

SUMMARY BY AGENCY - ALL FUNDS

	2002	2003	TOTAL
Higher Education Services Office	148,699,000	157,650,000	306,349,000
Board of Trustees of the Minnesota State Colleges and Universities	601,583,000	639,984,000	1,241,567,000
Board of Regents of the University of Minnesota	630,657,000	667,380,000	1,298,037,000
Mayo Medical Foundation	1,637,000	1,637,000	3,274,000

	APPROPRIATIONS Available for the Year Ending June 30	
	2002	2003
Sec. 2. HIGHER EDUCATION SERVICES OFFICE		
Subdivision 1. Total Appropriation	$148,699,000	$157,650,000

The amounts that may be spent from this appropriation for each purpose are specified in the following subdivisions.

Notwithstanding Minnesota Statutes, section 136A.1211, savings in the state grant program in fiscal years 2002 and 2003 resulting from any increases in the maximum federal grant from $3,300 up to $3,750 must be used as provided in this section.

Subd. 2. State Grants	113,668,000	122,598,000

If the appropriation in this subdivision for either year is insufficient, the appropriation for the other year is available for it.

The legislature intends that the higher education services office make full grant awards in each year of the biennium.

For the biennium, the private institution tuition maximum shall be $8,764 in the first year and $8,983 in the second year for four-year institutions and $6,744 in the first year and $6,913 in the second year for two-year institutions.

This appropriation contains money to set the living and miscellaneous expense allowance at $5,405 in each year.

This appropriation contains money to match scholarship grants made under the President's Student Service Scholarship program of the Corporation for National Service to students attending Minnesota high schools and who will attend a Minnesota post-secondary institution. Not more than one matching grant of $500 may be made for each high school per year.

Notwithstanding Minnesota Statutes, section 136A.1211, savings in the state grant program in fiscal years 2002 and 2003 resulting from any increase in the maximum federal grant over $3,750 or from any other source must be used to provide additional decreases in the family responsibility for independent students up to an additional ten percent from the decrease in this bill and to increase funding for work study programs.

Subdivision 3. Interstate Tuition Reciprocity	5,250,000	5,250,000

If the appropriation in this subdivision for either year is insufficient, the appropriation for the other year is available to meet reciprocity contract obligations.

The higher education services office must negotiate the reciprocity agreements for remission of nonresident tuition under Minnesota Statutes, section 136A.08. The agreements must be negotiated under this subdivision with the goal of reducing and minimizing the obligation of participating states to make general fund transfers for the tuition reciprocity program while maintaining access for Minnesota students. Negotiations must include consideration of new methods of collaboration with education institutions in reciprocity states to improve student access at lower costs, including on-line learning. The chancellor of the Minnesota state colleges and universities and the president of the University of Minnesota or their designees may participate in any negotiations on the tuition reciprocity agreement. The higher education services office must present progress on negotiations under this subdivision to the higher education finance committees of the 2002 legislature.

Subd. 4. State Work Study

12,444,000 12,444,000

Subd. 5. Minitex and MnLINK

5,868,000 5,868,000

Subd. 6. Learning Network of Minnesota

6,079,000 6,079,000

Subd. 7. Income Contingent Loans

The higher education services office shall administer an income-contingent loan repayment program to assist graduates of Minnesota schools in medicine, dentistry, pharmacy, chiropractic medicine, public health, and veterinary medicine, and Minnesota residents graduating from optometry and osteopathy programs. Applicant data collected by the office for this program may be disclosed to a consumer credit reporting agency under the same conditions as those that apply to the supplemental loan program under Minnesota Statutes, section 136A.162. No new applicants may be accepted after June 30, 1995.

Subd. 8. Minnesota College Savings Plan

1,520,000 1,520,000

Subd. 9. Agency Administration

3,870,000 3,891,000

This appropriation includes base funding to foster post-secondary attendance by providing outreach services to historically underserved groups of Minnesota elementary and secondary students. The office may retain the entire appropriation or contract with other agencies or nonprofit organizations for specific services in this effort.

This appropriation contains money for grants to increase campus-community collaboration and service learning statewide. For every $1 in state funding, grant recipients must contribute $2 in campus or community-based support. Up to five percent of the allocation for this program may be used to develop and implement a performance-based accountability system to assess program outcomes.

This appropriation includes an increase in the dues for the Midwest Higher Education Compact.

Any appropriations remaining after final benefits are paid to youthworks grantees may be used for college early intervention programs.

Subd. 10. Balances Forward

A balance in the first year under this section does not cancel, but is available for the second year.

Subd. 11. Transfers

The higher education services office may transfer unencumbered balances from the appropriations in this section to the state grant appropriation, the interstate tuition reciprocity appropriation, the child care appropriation, and the state work study appropriation.

Subd. 12. Reporting

The higher education services office shall collect data monthly from institutions disbursing state financial aid. The data collected shall include, but is not limited to, expenditures by type to date and unexpended balances.

The higher education services office shall evaluate and report on state financial aid expenditures and unexpended balances to the chairs of the higher education finance committees of the senate and house of representatives and the commissioner of finance on February 1, May 1, September 1, and December 1 each year.

Sec. 3. BOARD OF TRUSTEES OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES

Subdivision 1. Total Appropriation	601,583,000	639,984,000

The amounts that may be spent from this appropriation for each purpose are specified in the following subdivisions.

The legislature intends that state appropriations be used to strengthen and support education of students. To this end, all money appropriated in this section, except that in direct support of system office activities, shall be allocated by the board directly to the colleges and universities.

Subd. 2. Estimated Expenditures and Appropriations

The legislature estimates that instructional expenditures will be $795,927,000 in the first year and $847,873,000 in the second year.

The legislature estimates that noninstructional expenditures will be $70,964,000 in the first year and $74,736,000 in the second year.

The Northeast Higher Education District shall be the fiscal agent for the Arrowhead University Center.

This appropriation includes money for a grant to Minnesota state university, Mankato, for the Talented Youth Mathematics Program and to expand the program in the second year to an additional region.

During the biennium, neither the board nor campuses shall plan or develop doctoral level programs or degrees until after they have received the recommendation of the house and senate committees on education, finance, and ways and means.

By January 1, 2002, the board must implement the Minnesota transfer curriculum at all state colleges and universities.

Once a course has met the criteria necessary for inclusion in the Minnesota transfer curriculum in any area of emphasis, the course must be accepted for full credit in that area of emphasis at all Minnesota state colleges and universities.

By July 1, 2002, the board must publish an internet-based student manual that identifies and describes how general education courses at two-year MnSCU institutions transfer to state universities within the Minnesota state colleges and universities system.

In each year, the board of trustees shall increase the percentage of the total general fund expenditures for direct instruction and academic support, as reported in the federal Integrated Postsecondary Education Data System (IPEDS). By February 15 of each year, the board of trustees shall report to the higher education finance committees of the legislature the percentage of total general fund expenditures spent on direct instruction and on academic support during the previous fiscal year by institution and for the system as a whole.

During the biennium, technical and consolidated colleges shall make use of instructional advisory committees consisting of employers, students, and instructors. The instructional advisory committee shall be consulted when a technical program is proposed to be created, modified, or eliminated. If a decision is made to eliminate a program, a college shall adequately notify students and make plans to assist students affected by the closure.

The board may waive tuition for eligible Southwest Asia veterans, as provided in Minnesota Statutes, section 136F.28.

Subd. 3. Accountability

(a) By February 1 of each even-numbered year, the board must submit a report to the chairs of the appropriate education committees of the legislature describing the following:

(1) how it allocated the state appropriations

made to the system in the omnibus higher education funding bill in the odd-numbered year;

(2) the tuition rates and fees set by the board; and

(3) the amount of state money used to leverage money from other funding sources and the level of support from those sources.

(b) By February 15, 2002, and each odd-numbered year thereafter, the board of trustees of the Minnesota state colleges and universities must submit a report to the commissioner of finance and the chairs of the higher education finance committees delineating:

(1) the five undergraduate degree programs determined to be of highest priority to the system, and the revenue necessary to advance each program to be a center of excellence;

(2) the reallocation of money and curricular and staffing changes, by campus and program, made to advance the system's priorities;

(3) baseline data, and the methodology used to measure the number of first generation students admitted systemwide, together with a plan to increase both the recruitment and retention through graduation of these students;

(4) progress towards increasing the percentage of students at four-year institutions graduating within four, five, and six years and the percentage of students at two-year institutions completing a program or transferring to a four-year institution, as reported in IPEDS. Data should be provided

for each institution by race, ethnicity, and gender. Data provided should include information on successful retention strategies and the money allocated to enhance student retention; and

(5) progress towards increasing the revenue generated from contracts with employers for customized training.

Subd. 4. Base Appropriations

For fiscal years 2002 and 2003, there is a one-time reduction of $13,500,000 in the base appropriation for the Minnesota state colleges and universities.

Subd. 5. Reserves

The board must distribute $5,000,000 of the balance held in central office reserves at the end of fiscal year 2001 to campuses in fiscal year 2002 through a leveraged equipment purchase program. Participating campuses must match the money distributed through the leveraged equipment purchase program at least dollar for dollar with nonstate funds.

By December 1, 2002, the board of trustees must adopt policies to clarify the purposes of the central reserve and under what general conditions it will be used.

Subd. 6. Central Office Services

The board of trustees of the Minnesota state colleges and universities, in cooperation with the council of presidents, must develop a plan to increase autonomy for campuses and accountability at the system level. The plan must include the provision of central office services in ways that better reflect campus needs. The plan must consider the following:

(1) core central office services funded through a nominal fee paid by all campuses;

(2) an option for campuses to contract for services from the central office;

(3) the streamlined delivery of services to eliminate duplication at the campus and central office;

(4) the impact of alternative service delivery methods on various types of campuses; and

(5) making central office services more market-sensitive.

The board must present a plan to restructure central office services to the chairs of the higher education finance committees of the legislature by February 15, 2003.

Sec. 4. BOARD OF REGENTS OF THE UNIVERSITY OF MINNESOTA

Subdivision 1. Total Appropriation	630,657,000	667,380,000

The amounts that may be spent from this appropriation for each purpose are specified in the following subdivisions.

Subd. 2 Operations and Maintenance	554,211,000	590,934,000

Estimated Expenditures and Appropriations

The legislature estimates that instructional expenditures will be $485,793,000 in the first year and $522,184,000 in the second year.

The legislature estimates that noninstructional expenditures will be $230,349,000 in the first year and $242,812,000 in the second year.

Subd. 3. Health Care Access Fund	2,537,000	2,537,000

This appropriation is from the health care access fund for primary care education initiatives.

Subd. 4. Special Appropriation	73,909,000	73,909,000

The amounts expended for each program in the four categories of special appropriations shall be stated in the 2003 biennial budget document.

(a) Agriculture and Extension Service

58,838,000 58,838,000

This appropriation is for the Agricultural Experiment Station, Minnesota Extension Service.

The university must continue to provide support for the rapid agricultural response fund, and sustainable and organic agriculture initiatives including, but not limited to, the alternative swine systems program.

Any salary increases granted by the University to personnel paid from the Minnesota Extension appropriation must not result in a reduction of the county responsibility for the salary payments.

During the biennium, the University shall maintain an advisory council system for each experiment station. The advisory councils must be broadly representative of the range in size and income distribution of farms and agribusinesses and must not disproportionately represent those from the upper half of the size and income distributions.

The board of regents of the University of Minnesota is requested to review and analyze the programmatic mission, scope, and cost-effectiveness of the Minnesota Extension Service with the goal of assuring that the Minnesota Extension Service offers programs and services effectively and efficiently and within the scope of its current defined mission. The board is requested to report, by February 15, 2002, to the governor and the chairs of the higher education finance committees of the legislature with recommendations for priorities in the extension service.

(b) Health Sciences

5,846,000 5,846,000

This appropriation is for the rural physicians associates program, the Veterinary Diagnostic Laboratory, health sciences research, dental care, and the Biomedical Engineering Center.

(c) Institute of Technology

1,645,000 1,645,000

This appropriation is for the Geological Survey and the Talented Youth Mathematics Program.

(d) System Specials

7,580,000 7,580,000

This appropriation is for general research, student loans matching money, industrial relations education, Natural Resources Research Institute, Center for Urban and Regional Affairs, Bell Museum of Natural History, and the Humphrey exhibit.

This appropriation contains money for an increase in each year for the Natural Resources Research Institute.

Subd. 5. Accountability

(a) By February 1 of each even-numbered year, the board must submit a report to the chairs of the appropriate education committees of the legislature describing the following:

(1) how it allocated the state appropriations made to the system in the omnibus higher education funding bill in the odd-numbered year;

(2) the tuition rates and fees set by the board; and

(3) the amount of state money used to leverage money from other funding sources and the level of support from those sources.

(b) By February 15, 2002, and each odd-numbered year thereafter, the board of regents of the University of Minnesota must submit a report to the commissioner of finance and the chairs of the higher education finance committees delineating:

(1) the five undergraduate degree programs determined to be of highest priority to the system, and the revenue necessary to advance each program to be a center of excellence;

(2) the reallocation of money and curricular and staffing changes, by campus and program, made to advance the system's priorities;

(3) baseline data, and the methodology used to measure, the number of first gen-

eration students admitted systemwide, together with a plan to increase both the recruitment and retention through graduation of these students;

(4) progress towards increasing the percentage of students graduating within four, five, and six years as reported in IPEDS. Data should be provided for each institution by race, ethnicity, and gender. Data provided should include information on successful retention strategies and the money allocated to enhance student retention;

(5) progress towards increasing the revenue received, from all sources, to support research activities. Data provided should include information on the increase in funding from each source; and

(6) progress of the academic health center in meeting the goals and outcomes in paragraph (c) including how money appropriated from the medical endowment fund contributed to meeting specific workforce training and health education goals for the academic health center.

(c) The Academic Health Center, in cooperation with the department of health, shall:

(1) develop new strategies for health care delivery and professional training in this state that takes into account the changing racial and ethnic composition of this state;

(2) develop new strategies to meet the health care workforce needs in the state; and

(3) base these strategies on analysis of the population's health status and opportunities for its improvement.

Sec. 5. MAYO MEDICAL FOUNDATION

Subdivision 1. Total Appropriation	1,637,000	1,637,000

The amounts that may be spent from this appropriation for each purpose are specified in the following subdivisions.

Subd. 2. Medical School

605,000 605,000

The state of Minnesota must pay a capitation of $14,405 each year for each student who is a resident of Minnesota. The appropriation may be transferred between years of the biennium to accommodate enrollment fluctuations.

The legislature intends that during the biennium the Mayo foundation use the capitation money to increase the number of doctors practicing in rural areas in need of doctors.

Subd. 3. Family Practice and Graduate Residency Program

625,000 625,000

The state of Minnesota must pay a capitation of $22,313 for 26 residents each year and $44,627 for one resident each year.

Subd. 4. St. Cloud Hospital-Mayo Family Practice Residency Program

407,000 407,000

This appropriation is to the Mayo foundation to support 12 resident physicians each year in the St. Cloud Hospital-Mayo Family Practice Residency program. The program shall prepare doctors to practice primary care medicine in the rural areas of the state. It is intended that this program will improve health care in rural communities, provide affordable access to appropriate medical care, and manage the treatment of patients in a more cost-effective manner.

Sec. 6. POST-SECONDARY SYSTEMS

Subdivision 1. Post-Secondary Planning Report

By February 15 of each year the board of trustees of the Minnesota state colleges and universities must and the board of regents of the University of Minnesota is requested to report to the legislature on progress under the master academic plan for the metropolitan area. The report must include a discussion of coordination and duplication of program offerings, developmental and remedial education, credit transfers within and between the post-secondary systems, and planning and delivery of coordinated programs. In order to better achieve the goal of a more integrated, effective, and seamless post-secondary education system in Minnesota, the report must also identify statewide efforts at integration and cooperation between the post-secondary systems.

ARTICLE 2

RELATED PROVISIONS

Section 1. **[16A.532] MINNESOTA STATE COLLEGES AND UNIVERSITIES ENTERPRISE ACCOUNT.**

There is created in the state enterprise fund a Minnesota state colleges and universities account. The commissioner must report to committees of the legislature having jurisdiction over the account on activity in this account at the same time fund balance statements are issued for the general fund. The amounts in this account earn investment income as provided in section 136F.71, subdivision 3.

New language is indicated by underline**, deletions by** ~~strikeout.~~

Sec. 2. Minnesota Statutes 2000, section 16A.87, is amended to read:

16A.87 **TOBACCO SETTLEMENT FUND.**

Subdivision 1. **ESTABLISHMENT; PURPOSE.** The tobacco settlement fund is established as a clearing account in the state treasury.

Subd. 2. **DEPOSIT OF MONEY.** The commissioner shall credit to the tobacco settlement fund the tobacco settlement payments received by the state on September 5, 1998, January 4, 1999, January 3, 2000, ~~and~~ January 2, 2001, January 2, 2002, and January 2, 2003, as a result of the settlement of the lawsuit styled as State v. Philip Morris Inc., No. C1-94-8565 (Minnesota District Court, Second Judicial District).

Subd. 3. **APPROPRIATION.** (a) Of the amounts credited to the fund prior to January 2, 2002, 61 percent is appropriated for transfer to the tobacco use prevention and local public health endowment fund created in section 144.395 and 39 percent is appropriated for transfer to the medical education endowment fund created in section 62J.694.

(b) The entire amount credited to the fund from the payment made on January 2, 2002, and January 2, 2003, is appropriated for transfer to the academic health center account under section 62J.694, subdivision 1, paragraph (b), in the medical education endowment fund created under section 62J.694, subdivision 1.

Subd. 4. **SUNSET.** The tobacco settlement fund expires June 30, ~~2015~~ 2004.

Sec. 3. Minnesota Statutes 2000, section 62J.694, subdivision 1, is amended to read:

Subdivision 1. **CREATION.** (a) The medical education endowment fund is created in the state treasury. The state board of investment shall invest the fund under section 11A.24. All earnings of the fund must be credited to the fund. The principal of the fund must be maintained inviolate, except that the principal may be used to make expenditures from the fund for the purposes specified in this section when the market value of the fund falls below 105 percent of the cumulative total of the tobacco settlement payments received by the state and credited to the tobacco settlement fund under section 16A.87, subdivision 2. For purposes of this section, "principal" means an amount equal to the cumulative total of the tobacco settlement payments received by the state and credited to the tobacco settlement fund under section 16A.87, subdivision 2.

(b) The academic health center account is created as a separate account in the medical education endowment fund. The account is invested under paragraph (a). All earnings of the account must be credited to the account. The principal of the account must be maintained inviolate, except that the principal may be used to make expenditures from the account for the purposes specified in subdivision 2a when the value of the account falls below an amount equal to deposits made to the account under section 16A.87, subdivision 3, paragraph (b).

Sec. 4. Minnesota Statutes 2000, section 62J.694, subdivision 2, is amended to read:

Subd. 2. **EXPENDITURES.** (a) Up to five percent of the fair market value of the fund excluding the value of the academic health center account, is annually appropriated for medical education activities in the state of Minnesota. The appropriations are to be transferred quarterly for the purposes identified in the following paragraphs.

(b) For fiscal year 2000, 70 percent of the appropriation in paragraph (a) is for transfer to the board of regents for the instructional costs of health professional programs at the academic health center and affiliated teaching institutions, and 30 percent of the appropriation is for transfer to the commissioner of health to be distributed for medical education under section 62J.692.

(c) For fiscal year 2001, 49 percent of the appropriation in paragraph (a) is for transfer to the board of regents for the instructional costs of health professional programs at the academic health center and affiliated teaching institutions, and 51 percent is for transfer to the commissioner of health to be distributed for medical education under section 62J.692.

(d) For fiscal year 2002, and each year thereafter, 42 percent of the appropriation in paragraph (a) ~~may be~~ is appropriated ~~by another law~~ for the instructional costs of health professional programs at ~~publicly funded~~ the University of Minnesota academic health ~~centers and affiliated teaching institutions~~ center, and 58 percent is for transfer to the commissioner of health to be distributed for medical education under section 62J.692.

(e) A maximum of $150,000 of each annual appropriation to the commissioner of health in paragraph (d) may be used by the commissioner for administrative expenses associated with implementing section 62J.692.

Sec. 5. Minnesota Statutes 2000, section 62J.694, is amended by adding a subdivision to read:

Subd. 2a. **EXPENDITURE; ACADEMIC HEALTH CENTER ACCOUNT.** Beginning in January 2002, up to five percent of the fair market value of the academic health center account is annually appropriated to the board of regents for the costs of the academic health center. Appropriations are to be transferred quarterly and may only be used for instructional costs of health professional programs at the academic health center and for interdisciplinary academic initiatives within the academic health center.

Sec. 6. Minnesota Statutes 2000, section 135A.031, subdivision 2, is amended to read:

Subd. 2. **APPROPRIATIONS FOR CERTAIN ENROLLMENTS.** The state share of the estimated expenditures for instruction shall vary for some categories of students, as designated in this subdivision.

(a) The state must provide at least 67 percent of the estimated expenditures for:

(1) students who resided in the state for at least one calendar year prior to applying for admission or dependent students whose parent or legal guardian resides in Minnesota at the time the student applies;

(2) Minnesota residents who can demonstrate that they were temporarily absent from the state without establishing residency elsewhere;

(3) residents of other states or provinces who are attending a Minnesota institution under a tuition reciprocity agreement; ~~and~~

(4) students who have been in Minnesota as migrant farmworkers, as defined in the Code of Federal Regulations, title 20, section 633.104, over a period of at least two years immediately before admission or readmission to a Minnesota public post-secondary institution, or students who are dependents of such migrant farmworkers; and

(5) persons who: (i) were employed full time and were relocated to the state by the person's current employer, or (ii) moved to the state for employment purposes and, before moving and before applying for admission to a public post-secondary institution, accepted a job in the state, or students who are spouses or dependents of such persons.

(b) The definition of full year equivalent for purposes of the formula calculations in this chapter is twice the normal value for the following enrollments:

(1) students who are concurrently enrolled in a public secondary school and for whom the institution is receiving any compensation under the Post-Secondary Enrollment Options Act; and

(2) students enrolled under the student exchange program of the Midwest Compact.

~~(c) The state may not provide any of the estimated expenditures for undergraduate students (1) who do not meet the residency criteria under paragraph (a), or (2) who have completed, without receiving a baccalaureate degree, 48 or more quarter credits or the equivalent, applicable toward the degree, beyond the number required for a baccalaureate in their major. Credits for courses in which a student received a grade of "F" or "W" shall be counted toward this maximum, as if the credits had been earned.~~

Sec. 7. Minnesota Statutes 2000, section 136A.031, is amended by adding a subdivision to read:

Subd. 5. **EXPIRATION.** Notwithstanding section 15.059, subdivision 5a, the advisory groups established in this section expire on June 30, 2003.

Sec. 8. Minnesota Statutes 2000, section 136A.101, subdivision 5a, is amended to read:

Subd. 5a. **ASSIGNED FAMILY RESPONSIBILITY.** "Assigned family responsibility" means the amount of a family contribution to a student's cost of attendance, as determined by a federal need analysis, except that, beginning for the 1998-1999

New language is indicated by underline, deletions by ~~strikeout.~~

academic year, up to $25,000 in savings and other assets shall be subtracted from the federal calculation of net worth before determining the contribution. For dependent students, the assigned family responsibility is the parental contribution. For independent students with dependents other than a spouse, the assigned family responsibility is the student contribution. For independent students without dependents other than a spouse, the assigned family responsibility is 80 percent of the student contribution. Beginning in fiscal year 2002, the assigned family responsibility for all independent students is reduced an additional ten percent.

Sec. 9. Minnesota Statutes 2000, section 136A.101, subdivision 8, is amended to read:

Subd. 8. **RESIDENT STUDENT.** "Resident student" means a student who meets one of the following conditions:

(1) ~~an independent~~ a student who has resided in Minnesota for purposes other than post-secondary education for at least 12 months without being enrolled at a post-secondary educational institution for more than five credits in any term;

(2) a dependent student whose parent or legal guardian resides in Minnesota at the time the student applies;

(3) a student who graduated from a Minnesota high school, if the student was a resident of Minnesota during the student's period of attendance at the Minnesota high school; or

(4) a student who, after residing in the state for a minimum of one year, earned a high school equivalency certificate in Minnesota.

Sec. 10. Minnesota Statutes 2000, section 136A.121, subdivision 6, is amended to read:

Subd. 6. **COST OF ATTENDANCE.** (a) The recognized cost of attendance consists of allowances specified in law for ~~room and board~~ living and miscellaneous expenses, and

(1) for public institutions, the actual tuition and fees charged by the institution; or

(2) for private institutions, an allowance for tuition and fees equal to the lesser of the actual tuition and fees charged by the institution, or the private institution tuition and fee maximums established in law.

(b) For the purpose of paragraph (a), clause (2), the private institution tuition and fee maximum for two- and four-year, private, residential, liberal arts, degree-granting colleges and universities must be the same.

(c) For a student ~~attending~~ registering for less than full time, the office shall prorate the ~~recognized cost of attendance~~ living and miscellaneous expense allowance to the actual number of credits for which the student is enrolled.

New language is indicated by underline, deletions by ~~strikeout.~~

The recognized cost of attendance for a student who is confined to a Minnesota correctional institution shall consist of the tuition and fee component in paragraph (a), clause (1) or (2), with no allowance for living and miscellaneous expenses.

Sec. 11. Minnesota Statutes 2000, section 136A.121, subdivision 9, is amended to read:

Subd. 9. **AWARDS.** An undergraduate student who meets the office's requirements is eligible to apply for and receive a grant in any year of undergraduate study unless the student has obtained a baccalaureate degree or previously has been enrolled full time or the equivalent for ~~eight~~ ten semesters or ~~12 quarters~~ the equivalent, excluding courses taken from a Minnesota school or post-secondary institution which is not participating in the state grant program and from which a student transferred no credit.

Sec. 12. **[136A.124] ADVANCED PLACEMENT AND INTERNATIONAL BACCALAUREATE GRANT.**

Subdivision 1. **ESTABLISHMENT.** Appropriations for this section must be used by the office for grants to encourage Minnesota students participating in advanced placement and international baccalaureate programs to attend a college or university in Minnesota. For enrollment beginning in the fall of 2002, the grants must be awarded to students who apply for the grant, are eligible under subdivision 2, and who enroll in an eligible institution as defined in subdivision 2 during the year following high school graduation. An institution, on behalf of the student, must request payment of the grant from the higher education services office. The grant may be used only for the costs of the actual tuition, required fees, and books in nonsectarian courses or programs. A grant under this section may be made for a maximum of two years.

Subd. 2. **ELIGIBILITY.** A grant must be awarded to a student scoring an average of three or higher on five or more advanced placement examinations on full-year courses or an average of four or higher on five or more international baccalaureate examinations on full-year courses. The annual amount of each grant must be based on the student's scores on the examinations and the funds available under this section.

A grant under this subdivision must not affect a recipient's eligibility for a state grant under section 136A.121.

Subd. 3. **ALLOCATION OF FUNDS.** The office, in consultation with representatives of the advanced placement and international baccalaureate programs selected by the advanced placement advisory council, international baccalaureate of Minnesota (IBMN), and the department of children, families, and learning must allocate the available funds fairly between the advanced placement and international baccalaureate programs.

Subd. 4. **ELIGIBLE INSTITUTION.** An "eligible institution" under this section is a public or private four-year degree-granting college or university or a two-year public college in Minnesota that has a credit and placement policy for either advanced placement or international baccalaureate scholarship recipients, or both. Each eligible

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institution must annually certify its policies to the office. The office must provide each Minnesota secondary school with a copy of the post-secondary advanced placement and international baccalaureate policies of eligible institutions.

Sec. 13. Minnesota Statutes 2000, section 136A.125, subdivision 2, is amended to read:

Subd. 2. **ELIGIBLE STUDENTS.** An applicant is eligible for a child care grant if the applicant:

(1) is a resident of the state of Minnesota;

(2) has a child 12 years of age or younger, or 14 years of age or younger who is handicapped as defined in section 125A.02, and who is receiving or will receive care on a regular basis from a licensed or legal, nonlicensed caregiver;

(3) is income eligible as determined by the office's policies and rules, but is not a recipient of assistance from the Minnesota family investment program;

(4) has not earned a baccalaureate degree and has been enrolled full time less than ~~eight~~ ten semesters~~,~~ ~~12~~ ~~quarters,~~ or the equivalent;

(5) is pursuing a nonsectarian program or course of study that applies to an undergraduate degree, diploma, or certificate;

(6) is enrolled at least half time in an eligible institution; and

(7) is in good academic standing and making satisfactory academic progress.

Sec. 14. Minnesota Statutes 2000, section 136A.125, subdivision 4, is amended to read:

Subd. 4. **AMOUNT AND LENGTH OF GRANTS.** The amount of a child care grant must be based on:

(1) the income of the applicant and the applicant's spouse~~,~~ ~~if any~~;

(2) the number in the applicant's family, as defined by the office; and

(3) the number of eligible children in the applicant's family.

The maximum award to the applicant shall be ~~$2,000~~ $2,600 for each eligible child per academic year, except that the campus financial aid officer may apply to the office for approval to increase grants by up to ten percent to compensate for higher market charges for infant care in a community. The office shall develop policies to determine community market costs and review institutional requests for compensatory grant increases to ensure need and equal treatment. The office shall prepare a chart to show the amount of a grant that will be awarded per child based on the factors in this subdivision. The chart shall include a range of income and family size.

Sec. 15. Minnesota Statutes 2000, section 136F.13, subdivision 1, is amended to read:

Subdivision 1. **OPERATION.** The ~~state university~~ board shall operate an educational program for a state university center as organized in the seven county metropolitan area. The center may operate in facilities acquired through the commissioner of administration by gift or lease. The faculty and staff ~~of the state university system~~ shall provide assistance in developing curricular and educational programs for the university.

Sec. 16. Minnesota Statutes 2000, section 136F.60, subdivision 2, is amended to read:

Subd. 2. **METHODS OF ACQUISITION AND REAL PROPERTY TRANSACTIONS.** (a) If money has been appropriated to the board to acquire lands or sites for public buildings or real estate, the acquisition may be by gift, purchase, or condemnation proceedings. Condemnation proceedings must be under chapter 117.

(b) The board may accept gifts to improve or acquire facilities as provided in this paragraph:

(1) for remodeling existing facilities if the remodeling does not materially increase the square footage of the facility;

(2) for the acquisition, construction, or remodeling costs of facilities for which state capital appropriations have been made and whose use will not be substantially changed; or

(3) for capital projects not authorized by the legislature if the board first certifies that project revenues, other gifts or grants, or other sources of capital funds are available for project costs and that no tuition revenues or state or federal appropriations are used for the capital or operating costs, including all program costs, salaries, and benefits, of the facility.

(c) The board may convey or lease real property under the board's control, with or without monetary consideration, to provide a facility for the primary benefit of a state college or university or its students if the board certifies that project revenues, other gifts or grants, or other sources of funds are available for project costs and that no tuition revenues or state or federal appropriations are used for the capital cost of the facility. Agreements under this paragraph must demonstrate to the board's satisfaction the financial viability of the proposed project, including all proposed financial and contractual obligations, and operating costs, including all program costs, salaries and benefits, and other costs reasonably expected to be incurred or binding upon the college or university. Siting and design of the facility must be consistent with the campus master plan and Minnesota state colleges and universities building standards. Agreements under this paragraph to convey, or to lease for a term not to exceed 30 years, subject to section 16A.695, may be made following requests for proposal or by direct negotiation. Conveyances by the board under this paragraph must be by quitclaim deed in a form approved by the attorney general. Land conveyed by the board must revert to the state if it is no longer used for the primary benefit of a state college or university or its students.

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(d) For purposes of this subdivision, "facility" includes student unions, recreational centers and athletic centers, or facilities for which state capital appropriations have been made and the use of which will not be substantially changed. "Facility" also includes self-supporting student housing.

(e) The board must report in a timely manner to the chairs of the house and senate committees with jurisdiction over higher education finance, capital investment, and ways and means any capital project under paragraphs (b) or (c) with a cost of $3,000,000 or more.

Sec. 17. **[136F.701] REFUND OF TUITION.**

(a) Any student who is a resident of the state, has enrolled in the state colleges and universities and paid tuition for the course, and who, prior to the termination of the school year for which the tuition was paid, enlisted or has been inducted into the military service of the United States, either voluntarily or pursuant to the present selective service law, is entitled to the refund of all tuition paid for which credit cannot properly be given.

(b) The administrative officers of the state colleges and universities shall refund to the students any tuition so paid. Any student making application for refund of any paid tuition must furnish to the administrative officers of the state colleges and universities a certificate from the proper officers reciting the fact of the enlistment or the induction of the student into the military service of the United States.

Sec. 18. Minnesota Statutes 2000, section 137.10, is amended to read:

137.10 **REFUND OF TUITION TO STUDENTS IN CERTAIN CASES.**

Any student who, being a resident of the state, has enrolled to pursue any course in the University of Minnesota ~~or any state university~~ and paid tuition for the course, and who, prior to the termination of the school year for which the tuition was paid, enlisted or has been inducted into the military services of the United States, either voluntarily or pursuant to the present selective service law, is entitled to the refund of all tuition paid for which credit cannot properly be given.

The administrative officers of the University of Minnesota ~~and of the universities or institutions~~ shall refund to the students any tuition so paid. Any student making application for refund of any paid tuition shall furnish to the administrative officers of the University of Minnesota ~~or of the universities~~ a certificate from the proper officers reciting the fact of the enlistment or the induction of the student into the military service of the United States.

Sec. 19. Minnesota Statutes 2000, section 169.966, is amended to read:

169.966 **STATE UNIVERSITY BOARD TO REGULATE TRAFFIC.**

Subdivision 1. **AUTHORITY.** The ~~state university~~ board of trustees of the Minnesota state colleges and universities may from time to time make, adopt, and enforce such rules or ordinances not inconsistent with this chapter, as it may find expedient or necessary relating to the regulation of traffic and parking upon parking facilities and private roads and roadways situated on property owned, leased, occupied or operated by state universities.

Subd. 1a. **PARKING FACILITIES.** The ~~state university~~ board of trustees may establish rents, charges or fees for the use of parking facilities owned, leased, occupied, or operated by the state university board. The money collected by the board as rents, charges or fees in accordance with this subdivision shall be deposited in the university activity fund and is annually appropriated to the ~~state university~~ board of trustees for state university purposes and to maintain and operate parking lots and parking facilities.

Subd. 2. **PETTY MISDEMEANOR.** Any person violating such rule or ordinance shall be guilty of a petty misdemeanor and subject to the provisions of sections 169.891 and 169.90, subdivision 1.

Subd. 3. **PROSECUTION.** The prosecution may be before a district court having jurisdiction over the place where the violation occurs.

Subd. 4. **ENFORCEMENT.** Every sheriff, constable, police officer, or other peace officer shall see that all rules and ordinances are obeyed and shall arrest and prosecute offenders.

Subd. 5. **ENFORCEMENT POWERS.** The ~~state university~~ board of trustees may appoint and employ, and fix the compensation to be paid out of funds which may be available for such purposes, persons who shall have and may exercise on property owned, leased, or occupied by the state universities the same powers of arrest for violation of rules or ordinances adopted by the board as possessed by a sheriff, constable, police officer, or peace officer.

Subd. 6. **JUDICIAL NOTICE.** All persons shall take notice of such rules and ordinances without pleading and proof of the same.

Subd. 7. **NOTICE, HEARING, FILING, AND EFFECT.** (a) The ~~state university~~ board of trustees shall fix a date for a public hearing on the adoption of any such proposed rule or ordinance. Notice of such hearing shall be published in a legal newspaper in the county in which the property affected by the rule or ordinance is located. The publication shall be at least 15 days and not more than 45 days before the date of the hearing.

(b) If, after the public hearing, the proposed rule or ordinance shall be adopted by a majority of the members of the board, the same shall be considered to have been enacted by the board. A copy of the same shall be signed by the president and filed with the county recorder of each county where the rule or ordinance shall be in effect, together with proof of publication. Upon such filing, the rule or ordinance, as the case may be, shall thenceforth be in full force and effect.

Subd. 8. **DELEGATION.** The ~~state university~~ board of trustees may delegate its responsibilities under this section to a state university president. Actions of the president shall be presumed to be those of the board. The university president shall file with the board president the results of any public hearings and the subsequent adoption of any proposed rule or ordinance enacted pursuant thereto.

Sec. 20. Minnesota Statutes 2000, section 299A.45, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY.** Following certification under section 299A.44 and compliance with this section and rules of the commissioner of public safety and the higher education services office, dependent children less than 23 years of age and the surviving spouse of a public safety officer killed in the line of duty on or after January 1, 1973, are eligible to receive educational benefits under this section. To qualify for an award, they must be enrolled in undergraduate degree or certificate programs after June 30, 1990, at an eligible Minnesota institution as provided in section 136A.101, subdivision 4. Persons who have received a baccalaureate degree or have been enrolled full time or the equivalent of ~~eight~~ ten semesters or ~~12~~ ~~quarters~~ the equivalent, whichever occurs first, are no longer eligible.

Sec. 21. Minnesota Statutes 2000, section 299A.45, subdivision 4, is amended to read:

Subd. 4. **RENEWAL.** Each award must be given for one academic year and is renewable for a maximum of ~~six~~ eight semesters or ~~nine~~ ~~quarters~~ ~~or~~ ~~their~~ the equivalent. An award must not be given to a dependent child who is 23 years of age or older on the first day of the academic year.

Sec. 22. Minnesota Statutes 2000, section 354.094, subdivision 2, is amended to read:

Subd. 2. **MEMBERSHIP; RETENTION.** Notwithstanding section 354.49, subdivision 4, clause (3), a member on extended leave whose employee and employer contributions are paid into the fund pursuant to subdivision 1 shall retain membership in the association for as long as the contributions are paid, under the same terms and conditions as if the member had continued to teach in the district~~,~~ ~~the~~ ~~community~~ ~~college~~ ~~system,~~ or the Minnesota state ~~university~~ colleges and universities system.

Sec. 23. Minnesota Statutes 2000, section 354.69, is amended to read:

354.69 **INFORMATION SUPPLIED BY DISTRICT.**

Each school district covered by the provisions of this chapter and the ~~community~~ ~~college~~ Minnesota state colleges and ~~state~~ ~~university~~ ~~systems~~ universities system shall furnish to the teachers retirement association all information and reports deemed necessary by the executive director to administer the provisions of section 354.66.

Sec. 24. Minnesota Statutes 2000, section 356.24, subdivision 1, is amended to read:

Subdivision 1. **RESTRICTION; EXCEPTIONS.** It is unlawful for a school district or other governmental subdivision or state agency to levy taxes for, or contribute public funds to a supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees other than:

(1) to a supplemental pension plan that was established, maintained, and operated before May 6, 1971;

(2) to a plan that provides solely for group health, hospital, disability, or death benefits;

(3) to the individual retirement account plan established by chapter 354B;

(4) to a plan that provides solely for severance pay under section 465.72 to a retiring or terminating employee;

(5) for employees other than personnel employed by the ~~state university board or the community college board and covered by the~~ board of trustees of the Minnesota state colleges and universities and covered under the higher education supplemental retirement plan under chapter 354C, if provided for in a personnel policy of the public employer or in the collective bargaining agreement between the public employer and the exclusive representative of public employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of $2,000 a year per employee;

(i) to the state of Minnesota deferred compensation plan under section 352.96; or

(ii) in payment of the applicable portion of the contribution made to any investment eligible under section 403(b) of the Internal Revenue Code, if the employing unit has complied with any applicable pension plan provisions of the Internal Revenue Code with respect to the tax-sheltered annuity program during the preceding calendar year; or

(6) for personnel employed by the ~~state university board or the community college~~ board of trustees of the Minnesota state colleges and universities and not covered by clause (5), to the supplemental retirement plan under chapter 354C, if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of the covered employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of $2,700 a year for each employee.

Sec. 25. Laws 1986, chapter 398, article 1, section 18, as amended by Laws 1987, chapter 292, section 37; Laws 1989, chapter 350, article 16, section 8; Laws 1990, chapter 525, section 1; Laws 1991, chapter 208, section 2; Laws 1993, First Special Session chapter 2, article 6, section 2; Laws 1995, chapter 212, article 2, section 11; Laws 1997, chapter 183, article 3, section 29; Laws 1998, chapter 395, section 7; Laws 1998, chapter 402, section 6; and Laws 1999, chapter 214, article 2, section 19, is amended to read:

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Sec. 18. **REPEALER.**

Sections 1 to 17 and Minnesota Statutes, section 336.9-501, subsections (6) and (7), and sections 583.284, 583.285, 583.286, and 583.305, are repealed on ~~July 1~~ June 30, ~~2001~~ 2005.

Sec. 26. **DEVELOPMENTAL EDUCATION DEMONSTRATION PROJECT.**

Subdivision 1. **COLLEGE AND UNIVERSITY READINESS.** Prior to July 1, 2001, the chancellor, in consultation with the commissioner of children, families, and learning and selected school boards, must designate at least one state college or university and a minimum of four school districts to implement a comprehensive demonstration project designed to increase the number of high school graduates who are academically prepared to enroll in college level courses.

Subd. 2. **IMPLEMENTATION.** Beginning in the 2001-2002 academic year, the designated institution must administer college readiness assessment tests in math, reading, and writing to all students in the designated school districts, in the first quarter of the student's junior year of high school. The school district must inform each student of any academic areas in which the student needs additional preparation during high school to ensure college readiness.

Subd. 3. **STUDENT FOLLOW-UP.** The designated college or university must monitor and report on the college enrollment and college placement of all graduating students participating in the demonstration project. The report must identify any changes in college readiness between initial and final assessment of students involved in the demonstration project.

Subd. 4. **REPORT AND RECOMMENDATIONS.** By December 15, 2003, the designated college or university must report to the board of trustees, the commissioner of children, families, and learning and the committees of the legislature having jurisdiction over higher education on the effectiveness of the college readiness demonstration project, including the estimated cost of the demonstration project and recommendations for future remediation efforts.

Sec. 27. **LAWRENCE HALL REMODELING.**

The board of trustees of Minnesota state colleges and universities may use funds from nonstate sources to remodel the top floor of Lawrence Hall for student housing.

Sec. 28. **COMMISSION ON UNIVERSITY OF MINNESOTA EXCELLENCE.**

Subdivision 1. **ESTABLISHMENT.** The commission on University of Minnesota excellence is established to:

(1) review the university's current nationally ranked areas of excellence;

(2) review major investment efforts in interdisciplinary initiatives identified by the university in 1998, including digital technology, design, new media, molecular and cellular biology, medical science, and agriculture;

(3) evaluate and make recommendations on how the university can develop additional centers of excellence that will achieve a national ranking in the top ten within the next ten years and identify centers of excellence which are best positioned and have the best potential to achieve this goal;

(4) examine the university's mission, scope, and financing of programs and propose possible ways in which the university can refocus or refine its mission and offerings; and

(5) identify undergraduate degree programs in which quality and productivity improvements could be achieved through increased collaboration with public and private post-secondary institutions in and outside of Minnesota.

Subd. 2. **MEMBERSHIP; STAFF.** (a) The commission on University of Minnesota excellence consists of 15 members. Four members must be appointed by the governor, including the chair of the commission. Four members must be appointed by the speaker of the house of representatives. Up to two members of the house of representatives may be appointed. Four members must be appointed by the subcommittee on committees of the senate committee on rules and administration. Up to two senators may be appointed. Three members must be appointed by the chair of the University of Minnesota board of regents and may include current members of the board. Appointments must be made by September 1, 2001. Members appointed to the commission must be selected for their expertise in complex organizational structure and should include leaders of business, industry, or post-secondary institutions. The president of the University of Minnesota or the president's designee is an ex officio, nonvoting member of the commission.

(b) Members of the commission serve without compensation or expenses under Minnesota Statutes, section 15.0575, subdivision 3.

(c) The board of regents of the University of Minnesota is requested to make University of Minnesota staff available to the commission.

Subd. 3. **CENTERS OF EXCELLENCE.** The commission must, at a minimum, identify five additional centers of excellence at the University of Minnesota in which to focus resources and policy initiatives. The goal for these centers is to have them develop national stature and achieve a national ranking in the top ten within ten years. The additional centers of excellence must be chosen from a group of potential centers of excellence that includes the programs and departments in which the university is currently considered a national or regional leader and from existing or potential interdisciplinary initiatives at the university.

Subd. 4. **REPORT.** The commission must report to the legislature by July 1, 2002, on areas of excellence, mission, and focus of the University of Minnesota. In preparing its report on areas of excellence, the task force is encouraged to consider operation and capital financing needs, Minnesota economic needs, federal research priorities, and opportunities for private financial support.

Subd. 5. **EXPIRATION.** The commission on University of Minnesota excellence expires on December 31, 2002.

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Sec. 29. **REPEALER.**

(a) Minnesota Statutes 2000, sections 135A.06, subdivision 1; and 136F.13, subdivision 2, are repealed.

(b) Laws 1994, chapter 643, section 66, is repealed.

Sec. 30. **EFFECTIVE DATES.**

(a) Section 10 is effective July 1, 2002.

(b) Section 25 is effective the day following final enactment.

ARTICLE 3

MINNESOTA COLLEGE SAVINGS PLAN

Section 1. Minnesota Statutes 2000, section 13.322, subdivision 3, is amended to read:

Subd. 3. **HIGHER EDUCATION SERVICES OFFICE.** (a) **GENERAL.** Data sharing involving the higher education services office and other institutions is governed by section 136A.05.

(b) **STUDENT FINANCIAL AID.** Data collected and used by the higher education services office on applicants for financial assistance are classified under section 136A.162.

(c) **MINNESOTA COLLEGE SAVINGS PLAN DATA.** Account owner data, account data, and data on beneficiaries of accounts under the Minnesota college savings plan are classified under section 136A.243, subdivision 10.

(d) **SCHOOL FINANCIAL RECORDS.** Financial records submitted by schools registering with the higher education services office are classified under section 136A.64.

Sec. 2. Minnesota Statutes 2000, section 136A.241, is amended to read:

136A.241 **~~EDVEST PROGRAM~~ MINNESOTA COLLEGE SAVINGS PLAN ESTABLISHED.**

~~An Edvest savings program~~ A college savings plan known as the Minnesota college savings plan is established. In establishing this ~~program~~ plan, the legislature seeks to encourage individuals to save for post-secondary education by:

(1) providing a qualified state tuition ~~program~~ plan under federal tax law;

(2) providing matching grants for contributions to the program by low- and middle-income families; and

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(3) by encouraging individuals, foundations, and businesses to provide additional grants to participating students.

Sec. 3. Minnesota Statutes 2000, section 136A.242, is amended to read:

136A.242 **DEFINITIONS.**

Subdivision 1. **GENERAL.** For purposes of sections 136A.241 to ~~136A.245~~ 136A.246, the following terms have the meanings given.

Subd. 1a. **ACCOUNT.** "Account" means the formal record of transactions relating to a Minnesota college savings plan beneficiary.

Subd. 1b. **ACCOUNT OWNER.** "Account owner" means a person who enters into a participation agreement and is entitled to select or change the beneficiary of an account or to receive distributions from the account for other than payment of qualified higher education expenses.

Subd. 2. **ADJUSTED GROSS INCOME.** "Adjusted gross income" means adjusted gross income as defined in section 62 of the Internal Revenue Code.

Subd. 3. **BENEFICIARY.** "Beneficiary" means the designated beneficiary for the account, as defined in section 529(e)(1) of the Internal Revenue Code.

Subd. 4. **BOARD.** "Board" means the state board of investment.

Subd. 4a. **CONTINGENT ACCOUNT OWNER.** "Contingent account owner" means the individual designated as the account owner, either in the participation agreement or pursuant to a separate Minnesota college savings plan form, in the event of the death of the account owner.

Subd. 4b. **CONTRIBUTION.** "Contribution" means a payment directly allocated to an account for the benefit of a beneficiary. For a rollover distribution, only the portion of the rollover amount that constitutes investment in the account is treated as a contribution to the account.

Subd. 5. **DIRECTOR.** "Director" means the director of the higher education services office.

Subd. 5a. **DISTRIBUTION.** "Distribution" means a disbursement from an account to the account owner, the beneficiary, or the beneficiary's estate or to an eligible educational institution. Distribution does not include a change of beneficiary to a member of the family of the prior beneficiary or a rollover distribution.

Subd. 5b. **DORMANT ACCOUNT.** "Dormant account" means an account that has not received contributions for at least three consecutive years and the account statements mailed to the account owner have been returned as undeliverable.

Subd. 5c. **EARNINGS.** "Earnings" means the total account balance minus the investment in the account.

Subd. 5d. **ELIGIBLE EDUCATIONAL INSTITUTION.** "Eligible educational institution" means an institution as defined in section 529(e)(5) of the Internal Revenue Code.

Subd. 5e. **INACTIVE ACCOUNT WITH A MATCHING GRANT ACCOUNT.** "Inactive account with a matching grant account" means an account in which the beneficiary:

(1) is not the account owner, the beneficiary has reached 28 years of age, and the beneficiary has not informed the plan administrator that the beneficiary is enrolled in an eligible educational institution;

(2) is the account owner, the beneficiary was over the age of 18 when the account was opened, and the beneficiary has not informed the program administrator that the beneficiary is enrolled in an eligible educational institution within ten years of the date of opening the account; or

(3) is the account owner, the beneficiary was a minor when the account was opened, the account becomes inactive when the beneficiary turns 28 years of age, and the beneficiary has not informed the program administrator that the beneficiary is enrolled in an eligible educational institution.

Subd. 6. **EXECUTIVE DIRECTOR.** "Executive director" means the executive director of the state board of investment.

Subd. 7. **INTERNAL REVENUE CODE.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

Subd. 7a. **INVESTMENT IN THE ACCOUNT.** "Investment in the account" means the sum of all contributions made to an account by a particular date minus the aggregate amount of contributions included in distributions or rollover distributions, if any, made from the account as of that date.

Subd. 7b. **MATCHING GRANT.** "Matching grant" means an amount added to a matching grant account under section 136A.245.

Subd. 7c. **MATCHING GRANT ACCOUNT.** "Matching grant account" means an account owned by the state that contains matching grants and earnings.

Subd. 7d. **MAXIMUM ACCOUNT BALANCE LIMIT.** "Maximum account balance limit" means the amount established by the office under section 136.2441, subdivision 8, paragraph (d).

Subd. 7e. **MEMBER OF THE FAMILY.** "Member of the family" means an individual who is related to the beneficiary as defined in section 529(e)(2) of the Internal Revenue Code.

Subd. 7f. **NONQUALIFIED DISTRIBUTION.** "Nonqualified distribution" means a distribution made from an account other than (1) a qualified distribution; or (2) a distribution due to the death or disability of, or scholarship to, a beneficiary.

New language is indicated by underline, deletions by ~~strikeout.~~

Subd. 8. **OFFICE.** "Office" means the higher education services office.

Subd. 8a. **PARTICIPATION AGREEMENT.** "Participation agreement" means an agreement to participate in the Minnesota college savings plan between an account owner and the state, through its agencies, the office, and the board.

Subd. 8b. **PENALTY.** "Penalty" means the amount established by the office that is applied against the earnings portion of a nonqualified distribution. The amount established by the office must be the minimum required to be de minimis under section 529 of the Internal Revenue Code. The office must impose, collect, and apply penalties consistent with section 529 of the Internal Revenue Code.

Subd. 8c. **PERSON.** "Person" means an individual, trust, estate, partnership, association, company, corporation, or the state.

Subd. 9. **~~PROGRAM~~ PLAN.** ~~"Program"~~ ~~or~~ "~~Edvest~~ Plan" refers to the ~~program~~ plan established under sections 136A.241 to ~~136A.245~~ 136A.246.

Subd. 10. **PLAN ADMINISTRATOR.** "Plan administrator" means the person selected by the office and the board to administer the daily operations of the Minnesota college savings plan and to provide marketing, recordkeeping, investment management, and other services for the program.

Subd. 11. **QUALIFIED DISTRIBUTION.** "Qualified distribution" means a distribution made from an account for qualified higher education expenses of the beneficiary.

Subd. 12. **QUALIFIED HIGHER EDUCATION EXPENSES.** "Qualified higher education expenses" means expenses as defined in section 529(e)(3) of the Internal Revenue Code.

Subd. 13. **ROLLOVER DISTRIBUTION.** "Rollover distribution" means a transfer of funds made:

(1) from one account to another account within 60 days of a distribution;

(2) from another qualified state tuition program to an account within 60 days of the distribution; or

(3) to another qualified state tuition program from an account within 60 days of a distribution.

Each transfer of funds must be made for the benefit of a new beneficiary who is a member of the family of the prior beneficiary.

Subd. 14. **SCHOLARSHIP.** "Scholarship" means a scholarship, allowance, or payment under section 529(b)(3)(C) of the Internal Revenue Code.

Subd. 15. **STATE.** "State" means the state of Minnesota and any Minnesota agency or political subdivision of Minnesota.

Subd. 16. **TOTAL ACCOUNT BALANCE.** "Total account balance" means the amount in an account on a particular date or the fair market value of an account on a particular date.

Sec. 4. Minnesota Statutes 2000, section 136A.243, subdivision 1, is amended to read:

Subdivision 1. **RESPONSIBILITIES.** (a) The director shall establish the rules, terms, and conditions for the ~~program~~ plan, subject to the requirements of sections 136A.241 to ~~136A.245~~ 136A.246.

(b) The director shall prescribe the application forms, procedures, and other requirements that apply to the ~~program~~ plan.

Sec. 5. Minnesota Statutes 2000, section 136A.243, subdivision 2, is amended to read:

Subd. 2. **ACCOUNTS-TYPE ~~PROGRAM~~ PLAN.** The office must establish the ~~program~~ plan and the ~~program~~ plan must be operated as an accounts-type ~~program~~ plan that permits ~~individuals~~ persons to save for qualified higher education ~~costs~~ expenses incurred at any eligible educational institution, regardless of whether it is private or public or whether it is located within or outside of ~~this~~ the state. A separate account must be maintained for each beneficiary for whom contributions are made.

Sec. 6. Minnesota Statutes 2000, section 136A.243, subdivision 3, is amended to read:

Subd. 3. **CONSULTATION WITH STATE BOARD OF INVESTMENT.** In designing and establishing the ~~program's~~ plan's requirements and in negotiating or entering into contracts with third parties under subdivision 8, the director shall consult with the executive director. The director and the executive director shall establish an annual fee, equal to a percentage of the average daily net assets of the plan, to be imposed on participants to recover the costs of administration, recordkeeping, and investment management as provided in subdivision 9 and section 136A.244, subdivision 4.

Sec. 7. Minnesota Statutes 2000, section 136A.243, subdivision 4, is amended to read:

Subd. 4. **~~PROGRAM~~ PLAN TO COMPLY WITH FEDERAL LAW.** The director shall ~~take steps to~~ ensure that the ~~program~~ plan meets the requirements for a qualified state tuition program under section 529(b)(1)(A)(ii) of the Internal Revenue Code. The director may request a private letter ruling or rulings from the Internal Revenue Service or take any other steps to ensure that the ~~program~~ plan qualifies under section 529 of the Internal Revenue Code or other relevant provisions of federal law.

Sec. 8. Minnesota Statutes 2000, section 136A.243, subdivision 9, is amended to read:

Subd. 9. **AUTHORITY TO IMPOSE FEES.** The office may impose annual fees, as provided in subdivision 3, on participants in the ~~program~~ plan to recover the costs

New language is indicated by underline, deletions by ~~strikeout.~~

of administration. The office must use its best efforts to keep these fees as low as possible, consistent with efficient administration, so that the returns on savings invested in the ~~program~~ plan will be as high as possible.

Sec. 9. Minnesota Statutes 2000, section 136A.243, is amended by adding a subdivision to read:

Subd. 10. **DATA.** Account owner data, account data, and data on beneficiaries of accounts are private data on individuals as defined in section 13.02, except that the names and addresses of the beneficiaries of accounts that receive matching grants are public.

Sec. 10. Minnesota Statutes 2000, section 136A.244, subdivision 1, is amended to read:

Subdivision 1. **STATE BOARD TO INVEST.** The state board of investment shall invest the money deposited in accounts in the ~~program~~ plan and all investments are directed by the board. Neither persons making contributions to an account nor beneficiaries may direct the investment of contributions to the plan or plan earnings.

Sec. 11. Minnesota Statutes 2000, section 136A.244, subdivision 4, is amended to read:

Subd. 4. **FEES.** The board may impose annual fees, as provided in section 136A.243, subdivision 3, on participants in the ~~program~~ plan to recover the cost of investment management and related tasks for the ~~program~~ plan. The board must use its best efforts to keep these fees as low as possible, consistent with high quality investment management, so that the returns on savings invested in the ~~program~~ plan will be as high as possible.

Sec. 12. **[136A.2441] MINNESOTA COLLEGE SAVINGS PLAN ACCOUNTS; GENERALLY.**

Subdivision 1. **CONTRIBUTIONS TO AN ACCOUNT.** A person may make contributions to an account on behalf of a beneficiary. Contributions to an account made by persons other than the account owner become the property of the account owner. A person does not acquire an interest in an account by making contributions to an account. Contributions to an account must be made by check, money order, or other commercially acceptable means as permitted by the United States Internal Revenue Service and authorized by the plan administrator in cooperation with the office and the board.

Subd. 2. **AUTHORITY OF ACCOUNT OWNER.** An account owner is the only person entitled to:

(1) select or change a beneficiary or a contingent account owner; or

(2) request distributions or rollover distributions from an account.

Subd. 3. **SECURITY FOR LOANS.** An interest in an account or matching grant account must not be used as security for a loan.

New language is indicated by underline, deletions by ~~strikeout.~~

Subd. 4. **SEPARATE ACCOUNTING.** The plan must provide a separate account for each beneficiary for whom contributions are made. Each account must have a single account owner and a single beneficiary. An account owner must not open more than one account for the same beneficiary, but several account owners may open accounts for the same beneficiary.

Subd. 5. **NAMING OF BENEFICIARY.** The account owner must designate the beneficiary of an account when the account is established, except for accounts established under section 529(e)(1)(C) of the Internal Revenue Code, which do not require a designated beneficiary until a distribution is made.

Subd. 6. **CHANGE OF BENEFICIARY.** An account owner may change the beneficiary of an account to a member of the family of the current beneficiary, at any time without penalty, if the change will not cause the total account balance of all accounts held for the new beneficiary to exceed the maximum account balance limit as provided in subdivision 8. A change of beneficiary other than as permitted in this subdivision is treated as a nonqualified distribution under section 136A.246, subdivision 3.

Subd. 7. **CHANGE OF ACCOUNT OWNERSHIP.** An account owner may transfer ownership of an account to another person eligible to be an account owner. All transfers of ownership are absolute and irrevocable.

Subd. 8. **MAXIMUM ACCOUNT BALANCE LIMIT.** (a) When a contribution is made, the total account balance of all accounts held for the same beneficiary, including matching grant accounts, must not exceed the maximum account balance limit as determined under this subdivision.

(b) The maximum account balance limit is reduced for withdrawals from any account for the same beneficiary that are qualified distributions, distributions due to the death or disability of the beneficiary, or distributions due to the beneficiary receiving a scholarship. Subsequent contributions must not be made to replenish an account if the contribution results in the total account balance of all accounts held for the beneficiary to exceed the reduced maximum account balance limit. Any subsequent contributions must be rejected. A subsequent contribution accepted in error must be returned to the account owner plus any earnings on the contribution less any applicable penalties.

(c) The maximum account balance limit is not reduced for a nonqualified distribution or a rollover distribution. When such distributions are taken, subsequent contributions may be made to replenish an account up to the maximum account balance limit.

(d) The office must establish a maximum account balance limit. The maximum account balance limit is four times the cost of one year of qualified higher education expenses at the most expensive eligible educational institution in Minnesota. The office must adjust the maximum account balance limit, as necessary, or on January 1 of each year. Qualified higher education expenses for the academic year prior to January 1 of each year must be used in calculating the maximum account balance limit. The maximum account balance limit must not exceed the amount permitted for the plan to qualify as a qualified state tuition program under section 529 of the Internal Revenue Code.

(e) If the total account balance of all accounts held for a single beneficiary reaches the maximum account balance limit prior to the end of that calendar year, the beneficiary may receive an applicable matching grant for that calendar year.

Subd. 9. **EXCESS CONTRIBUTIONS AND BALANCES.** A contribution to any account for a beneficiary must be rejected if the contribution would cause the total account balance of all accounts held for the same beneficiary, including the matching grant account, to exceed the maximum account balance limit under section 529 of the Internal Revenue Code as established by the office. If a contribution under this subdivision is accepted in error, the contribution must be returned to the account owner plus any earnings thereon, less applicable penalties. A payment of an excess contribution to the account owner may be a nonqualified distribution subject to a penalty.

Subd. 10. **DORMANT ACCOUNTS.** (a) The plan administrator shall attempt to locate the account owner or the beneficiary, or both, to determine the disposition of a dormant account. A fee of five percent of the total account balance of the dormant account, not to exceed $100, plus allowable costs, may be charged for this service. Costs will not exceed $100 or five percent of the total account balance in the dormant account, whichever is less.

(b) If the account owner, or the account owner's legal heirs, are not found after three attempts by the plan administrator, the remaining funds in the dormant account must be turned over to the office. The funds are treated as unclaimed property for purposes of sections 345.31 to 345.60, and the office shall turn all remaining dormant account funds over to the commissioner of commerce. If the dormant account has a matching grant account, all amounts in the beneficiary's matching grant account, if any, must be returned to the office.

Subd. 11. **EFFECT OF PLAN CHANGES ON PARTICIPATION AGREEMENT.** Amendments to sections 136A.241 to 136A.246 automatically amend the participation agreement. Any amendments to the operating procedures and policies of the plan shall amend the participation agreement 30 days after adoption by the office or the board.

Subd. 12. **SPECIAL ACCOUNT TO HOLD PLAN ASSETS IN TRUST.** All assets of the plan, including contributions to accounts and matching grant accounts and earnings, are held in trust for the exclusive benefit of account owners and beneficiaries. Assets must be held in a separate account in the state treasury to be known as the Minnesota college savings plan account. Plan assets are not subject to claims by creditors of the state, are not part of the general fund, and are not subject to appropriation by the state. Payments from the Minnesota college savings plan account shall be made under sections 136A.241 to 136A.246.

Sec. 13. Minnesota Statutes 2000, section 136A.245, subdivision 2, is amended to read:

Subd. 2. **FAMILY INCOME.** (a) For purposes of this section, "family income" means:

(1) if the beneficiary is under age 25, the combined adjusted gross income of the beneficiary's parents or legal guardians as reported on the federal tax return or returns for the most recently available tax year. If the beneficiary's parents are divorced, the income of the parent claiming the beneficiary as a dependent on the federal individual income tax return and the income of that parent's spouse, if any, is used to determine family income; or

(2) if the beneficiary is age 25 or older, the combined adjusted gross income of the beneficiary and spouse, if any.

(b) For a parent or legal guardian of beneficiaries under age 25 and for beneficiaries age 25 or older who resided in Minnesota and filed a federal individual income tax return two years prior to the year in which the matching grant is awarded, the matching grant must be based on family income from Internal Revenue Service tax data on file with the Minnesota department of revenue.

(c) Parents or legal guardians of beneficiaries under age 25 and beneficiaries age 25 or older who did not reside in Minnesota two years prior to the year in which the matching grant is awarded must provide a signed copy of their federal individual income tax return to the office, regardless of who the account owner is, in order to be considered for a matching grant.

Sec. 14. Minnesota Statutes 2000, section 136A.245, is amended by adding a subdivision to read:

Subd. 2a. **RESIDENCY REQUIREMENT.** (a) If the beneficiary is under age 25, the beneficiary's parents or legal guardians must be Minnesota residents to qualify for a matching grant. If the beneficiary is age 25 or older, the beneficiary must be a Minnesota resident to qualify for a matching grant.

(b) To meet the residency requirements, the parent or legal guardian of beneficiaries under age 25 must have filed a Minnesota individual income tax return as a Minnesota resident, claiming the beneficiary as a dependent, two years prior to the year in which the matching grant is awarded. For beneficiaries age 25 or older, the beneficiary, and a spouse, if any, must have filed a Minnesota individual income tax return as a Minnesota resident two years prior to the year in which the matching grant is awarded.

(c) A parent of beneficiaries under age 25 and beneficiaries age 25 or older who did not reside in Minnesota two years prior to the year in which the matching grant is awarded must establish Minnesota residency through the issuance of a Minnesota driver's license or identification card.

Sec. 15. Minnesota Statutes 2000, section 136A.245, is amended by adding a subdivision to read:

Subd. 2b. **AGE AND DATE OF BIRTH DETERMINATION OF BENEFICIARY.** In determining the age of the beneficiary for purposes of a matching grant, the plan administrator shall use the age of the beneficiary as reported on the participation agreement on December 31 of the year in which the request for a matching grant is made.

Sec. 16. Minnesota Statutes 2000, section 136A.245, subdivision 4, is amended to read:

Subd. 4. **BUDGET LIMIT.** If the total amount of matching grants determined under subdivision 3 exceeds the amount of the appropriation for the fiscal year, the director shall proportionately reduce each grant so that the total equals the available appropriation. The director must reduce matching grants so that the amount of the matching grant assigned to a beneficiary's account equals:

(1) the ratio of state appropriations for the matching grant divided by the total dollar amount of matching grants for all beneficiaries; multiplied by

(2) the dollar amount of the matching grant for each eligible beneficiary.

Sec. 17. Minnesota Statutes 2000, section 136A.245, is amended by adding a subdivision to read:

Subd. 7. **ANNUAL APPLICATION.** An account owner must submit an application form for a matching grant on an annual basis. The application must be postmarked by December 31 of the year preceding the awarding of the matching grant.

Sec. 18. Minnesota Statutes 2000, section 136A.245, is amended by adding a subdivision to read:

Subd. 8. **SINGLE BENEFICIARIES WITH MULTIPLE ACCOUNTS.** (a) A matching grant will first be computed on an account owned by a parent or legal guardian of the beneficiary, or an account owner who is also the beneficiary. If there are multiple accounts for a single beneficiary, any matching grant, up to the annual maximum, will be proportionately awarded to the beneficiary named in accounts owned by the parents or guardians.

(b) If the account owned by a parent or a guardian or an account owner who is also the beneficiary does not qualify for the maximum annual matching grant, any remaining matching grant funds are proportionately distributed to the beneficiary to an account or accounts owned by someone other than the parent or guardian.

(c) If the account for a beneficiary is not owned by a parent or a legal guardian, or an account owner who is also the beneficiary, then the matching grant will be proportionately distributed to the beneficiary to accounts owned by others.

Sec. 19. Minnesota Statutes 2000, section 136A.245, is amended by adding a subdivision to read:

Subd. 9. **OWNERSHIP OF MATCHING GRANT FUNDS.** The state retains ownership of all matching grants and earnings on matching grants until a qualified distribution is made to a beneficiary or an eligible educational institution.

Sec. 20. Minnesota Statutes 2000, section 136A.245, is amended by adding a subdivision to read:

Subd. 10. **INACTIVE ACCOUNTS WITH MATCHING GRANTS.** (a) The plan administrator will attempt to locate the account owner or the beneficiary of an inactive account with a matching grant to determine the disposition of the account. No fee will be charged for this service. The matching grants and matching grant earnings in the account must be returned to the office, unless the account owner applies for a deferment or the beneficiary begins attending an eligible educational institution within one year of the date of notification.

(b) The account owner may apply to the plan administrator for a deferment of inactive account time limits. Upon application, the plan administrator shall grant a one-time deferment of two years. In addition, the plan administrator shall grant a deferment for the beneficiary's initial enlistment for active duty in the armed forces of the United States, or for the period of active military duty required as part of the beneficiary's obligation as a member in a reserve military unit of the armed forces of the United States.

Sec. 21. Minnesota Statutes 2000, section 136A.245, is amended by adding a subdivision to read:

Subd. 11. **FORFEITURE OF MATCHING GRANTS.** (a) Matching grants are forfeited if:

(1) the account owner transfers the total account balance of an account to another account or to another qualified state tuition program;

(2) the beneficiary receives a full tuition scholarship or admission to a United States service academy;

(3) the beneficiary dies or becomes disabled;

(4) the account owner changes the beneficiary of the account; or

(5) the account owner closes the account with a nonqualified withdrawal.

(b) Matching grants must be proportionally forfeited if:

(1) the account owner transfers a portion of an account to another account or to another qualified state tuition program;

(2) the beneficiary receives a scholarship covering a portion of qualified higher education expenses; or

(3) the account owner makes a partial nonqualified withdrawal.

(c) If the account owner makes a misrepresentation in a participation agreement or an application for a matching grant that results in a matching grant, the matching grant associated with the misrepresentation is forfeited. The office and the board must instruct the plan administrator as to the amount to be forfeited from the matching grant account. The office and the board must withdraw the matching grant or the proportion of the matching grant that is related to the misrepresentation.

Sec. 22. **[136A.246] ACCOUNT DISTRIBUTIONS.**

Subdivision 1. **QUALIFIED DISTRIBUTION METHODS.** (a) Qualified distributions may be made:

(1) directly to participating eligible educational institutions on behalf of the beneficiary;

(2) in the form of a check payable to both the beneficiary and the eligible educational institution; or

(3) to an account owner with a receipt verifying the payment of qualified higher education expenses.

(b) When administratively feasible, distributions may be made when the account owner and beneficiary certify prior to the distribution that the distribution will be expended for qualified higher education expenses a reasonable time after the distribution. The plan administrator may retain a penalty on the earnings portion of the nonqualified distribution until payment of qualified higher education expenses are substantiated. A payment receipt showing payment for qualified higher education expenses must be submitted to the program administrator within 30 days of distribution.

(c) Qualified distributions must be withdrawn proportionally from contributions and earnings in an account owner's account on the date of distribution as provided in section 529 of the Internal Revenue Code.

Subd. 2. **MATCHING GRANT ACCOUNTS.** Qualified distributions are based on the total account balances in an account owner's account and matching grant account, if any, on the date of distribution. Qualified distributions must be withdrawn proportionally from each account based on the relative total account balance of each account to the total account balance for both accounts. Amounts for matching grants and matching grant earnings must only be distributed for qualified higher education expenses.

Subd. 3. **NONQUALIFIED DISTRIBUTION.** An account owner may request a nonqualified distribution from an account at any time. Nonqualified distributions are based on the total account balances in an account owner's account and must be withdrawn proportionally from contributions and earnings as provided in section 529 of the Internal Revenue Code. The earnings portion of a nonqualified distribution is subject to a penalty. For purposes of this subdivision, "earnings portion" means the ratio of the earnings in the account to the total account balance, immediately prior to the distribution, multiplied by the distribution. The penalty must be withheld from the total amount of any distribution.

Subd. 4. **NONQUALIFIED DISTRIBUTIONS FROM MATCHING GRANT ACCOUNTS.** (a) If an account owner requests a nonqualified distribution from an account that has a matching grant account, the total account balance of the matching grant account, if any, is reduced.

(b) After the nonqualified distribution is withdrawn from the account including any penalty as provided in subdivision 3, the account owner forfeits matching grant amounts in the same proportion as the nonqualified distribution is to the total account balance of the account.

Subd. 5. **DISTRIBUTIONS DUE TO DEATH OR DISABILITY OF, OR SCHOLARSHIP TO, A BENEFICIARY.** An account owner may request a distribution due to the death or disability of, or scholarship to, a beneficiary from an account by submitting a completed request to the plan. Prior to distribution, the account owner shall certify the reason for the distribution and provide written confirmation from a third party that the beneficiary has died, become disabled, or received a scholarship for attendance at an eligible educational institution. The plan must not consider a request to make a distribution until a third-party written confirmation is received by the plan. For purposes of this subdivision, a third-party written confirmation consists of the following:

(1) for death of the beneficiary, a certified copy of the beneficiary's death certificate;

(2) for disability of the beneficiary, a certification by a physician who is a doctor of medicine or osteopathy stating that the doctor is legally authorized to practice in a state of the United States and that the beneficiary is unable to attend any eligible educational institution because of an injury or illness that is expected to continue indefinitely or result in death. Certification must be on a form approved by the plan; or

(3) for a scholarship award to the beneficiary, a letter from the grantor of the scholarship or from the eligible educational institution receiving or administering the scholarship, that identifies the beneficiary by name and social security number or taxpayer identification number as the recipient of the scholarship and states the amount of the scholarship, the period of time or number of credits or units to which it applies, the date of the scholarship, and, if applicable, the eligible educational institution to which the scholarship is to be applied.

Sec. 23. **REVISOR'S INSTRUCTION.**

(a) The revisor of statutes shall renumber each section of Minnesota Statutes listed in column A with the section listed in column B.

Column A	Column B
136A.241	136G.01

New language is indicated by underline, **deletions by** ~~strikeout.~~

136A.242	136G.03
136A.243	136G.05
136A.244	136G.07
136A.2441	136G.09
136A.245	136G.11
136A.246	136G.13

(b) The revisor of statutes shall correct cross-references in Minnesota Statutes that are recodified by this act, and, if Minnesota Statutes, sections 136A.241 to 136A.246, are further amended in the 2001 legislative session, shall codify the amendments in a manner consistent with this act.

(c) The revisor of statutes shall change "Edvest" to "Minnesota college savings plan" wherever it appears in Minnesota Statutes.

Sec. 24. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

Presented to the governor June 27, 2001

Signed by the governor June 30, 2001, 8:46 p.m.

CHAPTER 2—S.F.No. 10

An act relating to state government; appropriating money for environmental, natural resources, and agricultural purposes; establishing and modifying certain programs; providing for regulation of certain activities and practices; providing for accounts, assessments, and fees; amending Minnesota Statutes 2000, sections 13.6435, subdivision 8; 17.039; 17.101, subdivision 5; 17.102, subdivision 3; 17.1025; 17.109, subdivision 3; 17.115; 17.116; 17.117; 17.457, subdivision 10; 17.53, subdivisions 2, 8, 13; 17.63; 17.85; 17A.03, subdivision 7; 17B.15, subdivision 1; 18B.01, by adding a subdivision; 18B.065, subdivision 5; 18E.04, subdivisions 2, 4, 5; 21.85, subdivision 12; 27.041, subdivision 2; 28A.04, subdivision 1; 28A.075; 28A.0752, subdivision 1; 28A.085, subdivision 4; 29.22, subdivision 2; 29.23, subdivisions 2, 3, 4; 29.237; 31.101, by adding a subdivision; 31.39; 31A.21, subdivision 2; 32.21, subdivision 4; 32.392; 32.394, subdivisions 4, 8a, 8e; 32.415; 32.475, subdivision 2; 32.70, subdivisions 7, 8; 34.07; 41B.025, subdivision 1; 41B.03, subdivision 2; 41B.043, subdivisions 1b, 2; 41B.046, subdivision 2; 84.0887, subdivisions 1, 2, 4, 5, 6, 9; 84.83, subdivision 3, as amended; 84.925, subdivision 1; 84.9256, subdivision 1; 84.928, subdivision 2; 85.015, by adding subdivisions; 85.052, subdivision 4; 85.055, subdivision 2; 85.32, subdivision 1; 86A.21; 86B.106; 88.641, subdivision 2, by adding subdivisions; 88.642; 88.645; 88.647; 88.648; 88.75, subdivision 1; 89A.06, subdivision 2a; 93.002, subdivision 1; 97A.045, subdivision 7; 97A.055, by adding a subdivision; 97A.405, subdivision 2; 97A.411, subdivision 2; 97A.473, subdivisions 2, 3, 5; 97A.474, subdivisions 2, 3; 97A.475, subdivisions 5, 6, 10; 97A.485, subdivision 6; 97B.001, subdivision 1; 97B.721; 97C.305; 115.03, by adding a subdivision; 115.55, subdivision 3; 115A.0716, by adding a subdivision; 115A.54, subdivision 2a; 115A.557, subdivision 2; 115A.912, subdivision 1;