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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 2671

05/16/2017 Authored by Carlson, L.; Johnson, C.; Sauke; Hausman; Bly and others
The bill was read for the first time and referred to the Committee on Higher Education and Career Readiness Policy and Finance

1.1 A bill for an act
1.2 relating to higher education; automatically funding public higher education systems
1.3 from a general fund balance if the legislature does not fulfill its postsecondary
1.4 funding policy; amending Minnesota Statutes 2016, sections 16A.152, subdivisions
1.5 1b, 2, by adding a subdivision; 135A.01.

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

1.7 Section 1. Minnesota Statutes 2016, section 16A.152, subdivision 1b, is amended to read:

1.8 Subd. 1b. Budget reserve level. (a) The commissioner of management and budget shall
1.9 calculate the budget reserve level by multiplying the current biennium's general fund
1.10 nondedicated revenues and the most recent budget reserve percentage under subdivision 8.

1.11 (b) If, on the basis of a November forecast of general fund revenues and expenditures,
1.12 the commissioner of management and budget determines that there will be a positive
1.13 unrestricted general fund balance at the close of the biennium and that the provisions of
1.14 subdivision 2, clauses (1), (2), (3), (4), and (5), and (6) are satisfied, the commissioner shall
1.15 transfer to the budget reserve account in the general fund the amount necessary to increase
1.16 the budget reserve to the budget reserve level determined under paragraph (a). The amount
1.17 of the transfer authorized in this paragraph shall not exceed 33 percent of the positive
1.18 unrestricted general fund balance determined in the forecast.

1.19 Sec. 2. Minnesota Statutes 2016, section 16A.152, subdivision 2, is amended to read:

1.20 Subd. 2. Additional revenues; priority. (a) If on the basis of a forecast of general fund
1.21 revenues and expenditures, the commissioner of management and budget determines that
1.22 there will be a positive unrestricted budgetary general fund balance at the close of the

2.1 biennium, the commissioner of management and budget must allocate money to the following  
 2.2 accounts and purposes in priority order:

2.3 (1) the cash flow account established in subdivision 1 until that account reaches  
 2.4 \$350,000,000;

2.5 (2) the budget reserve account established in subdivision 1a until that account reaches  
 2.6 \$1,596,522,000;

2.7 (3) the amount necessary to increase the aid payment schedule for school district aids  
 2.8 and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest  
 2.9 tenth of a percent without exceeding the amount available and with any remaining funds  
 2.10 deposited in the budget reserve; ~~and~~

2.11 (4) the amount necessary to restore all or a portion of the net aid reductions under section  
 2.12 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75,  
 2.13 subdivision 5, by the same amount; and

2.14 (5) if, in the last biennium, the legislature did not provide at least 67 percent of the  
 2.15 instructional costs to public postsecondary institutions, in compliance with the funding  
 2.16 policy in section 135A.01, subdivision 1, the commissioner must transfer up to 25 percent  
 2.17 of the unrestricted budgetary general fund balance to the Board of Trustees of the Minnesota  
 2.18 State Colleges and Universities and the Board of Regents of the University of Minnesota.  
 2.19 The amounts transferred by the commissioner, combined with the amounts appropriated by  
 2.20 the legislature, must not exceed the 67 percent funding target. When transferring money,  
 2.21 the commissioner must allocate the funds to the two boards in proportion to the respective  
 2.22 differences between money appropriated by the legislature for the system and the 67 percent  
 2.23 funding target. The Board of Trustees is required, and the Board of Regents is requested,  
 2.24 to use the money transferred in this paragraph to reduce undergraduate tuition.

2.25 (b) The amounts necessary to meet the requirements of this section are appropriated  
 2.26 from the general fund within two weeks after the forecast is released or, in the case of  
 2.27 transfers under paragraph (a), clauses (3) ~~and~~ (4), and (5), as necessary to meet the  
 2.28 appropriations schedules otherwise established in statute.

2.29 (c) The commissioner of management and budget shall certify the total dollar amount  
 2.30 of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education.  
 2.31 The commissioner of education shall increase the aid payment percentage and reduce the  
 2.32 property tax shift percentage by these amounts and apply those reductions to the current  
 2.33 fiscal year and thereafter.

3.1 Sec. 3. Minnesota Statutes 2016, section 16A.152, is amended by adding a subdivision to  
3.2 read:

3.3 Subd. 9. **Higher education reserve account.** (a) A higher education reserve account is  
3.4 created in the general fund in the state treasury.

3.5 (b) The higher education reserve account may be used when a negative budgetary balance  
3.6 is projected. Funds in the account may only be appropriated to the Board of Trustees of the  
3.7 Minnesota State Colleges and Universities or the Board of Regents of the University of  
3.8 Minnesota.

3.9 (c) The funding target for this account is 15 percent of the combined appropriations to  
3.10 the Board of Trustees of the Minnesota State Colleges and Universities and the Board of  
3.11 Regents of the University of Minnesota in the previous biennium.

3.12 Sec. 4. Minnesota Statutes 2016, section 135A.01, is amended to read:

3.13 **135A.01 FUNDING POLICY.**

3.14 Subdivision 1. **State share of higher education funding.** It is the policy of the legislature  
3.15 to provide stable funding for public postsecondary institutions and that the state and students  
3.16 share the cost of public postsecondary education. The legislature intends to provide at least  
3.17 67 percent of the combined revenue from tuition, the university fee at the University of  
3.18 Minnesota, and state general fund appropriations total instructional services costs to public  
3.19 postsecondary institutions. It is also the policy of the legislature that the budgetary process  
3.20 serves to support high quality public postsecondary education.

3.21 Subd. 2. **Calculation of instructional services costs.** The total instructional services  
3.22 costs shall be calculated in the following manner:

3.23 (1) determine the student enrollment, for each program category, for the fiscal year  
3.24 before the fiscal year for which the appropriation is to be made;

3.25 (2) multiply the student enrollment by the average cost of instruction per student in each  
3.26 program category; and

3.27 (3) add the resulting products.

3.28 Subd. 3. **Calculation of student enrollment.** Student enrollment shall be the full-year  
3.29 equivalent enrollment in each program category in the fiscal year before the fiscal year for  
3.30 which the appropriations are being made. Student enrollment shall include students enrolled  
3.31 in courses that award credit or otherwise satisfy any of the requirements of an academic  
3.32 program.

4.1 Subd. 4. Calculation of the average cost of instruction. (a) The average cost of  
4.2 instruction shall be determined by program categories. Program categories are delineated  
4.3 by the cost of the program and level of instruction and student enrollment in each category.

4.4 (b) The average cost of instruction within a program category shall include direct  
4.5 instructional costs and other costs necessary to provide instruction, such as facilities,  
4.6 administration, and support. The average cost of instruction shall include only those costs  
4.7 attributable to academic programs.

4.8 (c) Every biennium each board must submit the average cost of instruction for each  
4.9 instructional category as necessary to determine appropriations as part of the biennial budget  
4.10 proposal submitted under section 135A.031, subdivision 7.