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State of Minnesota

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**HOUSE OF REPRESENTATIVES**

**EIGHTY-EIGHTH SESSION**

**H. F. No. 983**

- 02/28/2013 Authored by Lien, Pelowski, Dorholt and Rosenthal  
The bill was read for the first time and referred to the Committee on Higher Education Finance and Policy
- 04/17/2013 Adoption of Report: Pass as Amended  
Pursuant to Joint Rule 2.03, re-referred to the Committee on Rules and Legislative Administration
- 05/18/2013 Adoption of Report: Pass and Read Second Time

1.1 A bill for an act  
 1.2 relating to higher education; making technical, conforming, policy, and clarifying  
 1.3 changes to provisions related to higher education; modifying provisions related  
 1.4 to student grants, awards, and aid, school registration, and licensure; prohibiting  
 1.5 use of state appropriations for certain bonuses and performance-based incentive  
 1.6 payments; requiring certain information to be provided in higher education  
 1.7 budget proposals; modifying procedures related to terminating institutions from  
 1.8 financial aid programs; establishing procedure for cancellation of required surety  
 1.9 bond; establishing MnDRIVE program; repealing Higher Education Advisory  
 1.10 Council; amending Minnesota Statutes 2012, sections 135A.031, subdivision 7;  
 1.11 136A.101, subdivision 9; 136A.125, subdivisions 2, 4; 136A.233, subdivision  
 1.12 2; 136A.646; 136A.65, subdivision 8; 136A.653, by adding a subdivision;  
 1.13 136F.40, subdivision 2; 137.027; 141.35; 299A.45, subdivision 4; proposing  
 1.14 coding for new law in Minnesota Statutes, chapters 136A; 137; repealing  
 1.15 Minnesota Statutes 2012, section 136A.031, subdivision 2; Minnesota Rules,  
 1.16 parts 4830.0120; 4830.0130; 4830.0140; 4830.0150; 4830.0160; 4830.0170;  
 1.17 4830.0180; 4830.0190; 4830.0195.

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

1.19 Section 1. Minnesota Statutes 2012, section 135A.031, subdivision 7, is amended to  
 1.20 read:

1.21 Subd. 7. **Reports.** ~~(a) Instructional and noninstructional expenditure data and~~  
 1.22 ~~enrollment data must be submitted in the biennial budget document under section~~  
 1.23 ~~135A.034. This report must include a description of the methodology for determining~~  
 1.24 ~~instructional and noninstructional expenditures and estimates of inflation in higher~~  
 1.25 ~~education and the methodology or index used to determine the inflation rate. The~~  
 1.26 University of Minnesota and the Minnesota State Colleges and Universities systems shall  
 1.27 include in their biennial budget proposals to the legislature:

1.28 (1) a five-year history of systemwide expenditures, reported by:

2.1 (i) functional areas, including instruction, research, public service, student financial  
 2.2 aid, and auxiliary services, and including direct costs and indirect costs, such as  
 2.3 institutional support, academic support, student services, and facilities management,  
 2.4 associated with each functional area; and

2.5 (ii) objects of expenditure, such as salaries, benefits, supplies, and equipment;

2.6 (2) a five-year history of the system's total instructional expenditures per full-year  
 2.7 equivalent student, by level of instruction, including upper-division undergraduate,  
 2.8 lower-division undergraduate, graduate, professional, and other categories of instructional  
 2.9 programs offered by the system;

2.10 (3) a five-year history of the system's total revenues by funding source, including  
 2.11 tuition, state operations and maintenance appropriations, state special appropriations, other  
 2.12 restricted state funds, federal appropriations, sponsored research funds, gifts, auxiliary  
 2.13 revenue, indirect cost recovery, and any other revenue sources;

2.14 ~~(b) By February 1 of each even-numbered year, the Board of Regents of the University~~  
 2.15 ~~of Minnesota and the Board of Trustees of the Minnesota State Colleges and Universities~~  
 2.16 ~~must submit a report to the chairs of the legislative committees with jurisdiction over~~  
 2.17 ~~higher education policy and finance. The report must describe the following:~~

2.18 ~~(1)~~ (4) an explanation describing how state appropriations made to the system in  
 2.19 the previous ~~odd-numbered year~~ biennium were allocated and the methodology used to  
 2.20 determine the allocation;

2.21 ~~(2)~~ (5) data describing how the institution reallocated resources to advance the  
 2.22 priorities set forth in the budget submitted under section 135A.034 and the statewide  
 2.23 objectives under section 135A.011. The information must indicate whether instruction  
 2.24 and support programs received a reduction in or additional resources. The total amount  
 2.25 reallocated must be clearly explained;

2.26 ~~(3)~~ (6) the tuition rates and fees established by the governing board in each of the  
 2.27 past ten years and comparison data for peer institutions and national averages;

2.28 ~~(4)~~ (7) data on the number and proportion of students graduating within four, five,  
 2.29 and six years from universities and within three years from colleges as reported in the  
 2.30 integrated postsecondary education data system. These data must be provided for each  
 2.31 institution by race, ethnicity, and gender. Data and information must be submitted that  
 2.32 describe the system's plan and progress toward attaining the goals set forth in the plan  
 2.33 to increase the number and proportion of students that graduate within four, five, or six  
 2.34 years from a university or within three years from a college;

2.35 ~~(5)~~ (8) data on, and the methodology used to measure, the number of students  
 2.36 traditionally underrepresented in higher education enrolled at the system's institutions.

3.1 Data and information must be submitted that describe the system's plan and progress  
 3.2 toward attaining the goals set forth in the plan to increase the recruitment, retention, and  
 3.3 timely graduation of students traditionally underrepresented in higher education; and

3.4 ~~(6)~~ (9) data on the revenue received from all sources to support research or  
 3.5 workforce development activities or the system's efforts to license, sell, or otherwise  
 3.6 market products, ideas, technology, and related inventions created in whole or in part by  
 3.7 the system. Data and information must be submitted that describe the system's plan and  
 3.8 progress toward attaining the goals set forth in the plan to increase the revenue received  
 3.9 to support research or workforce development activities or revenue received from the  
 3.10 licensing, sale, or other marketing and technology transfer activities by the system.

3.11 ~~(e) Instructional expenditure and enrollment data~~ (b) Data required by this  
 3.12 subdivision shall be submitted by the public postsecondary systems to the Minnesota  
 3.13 Office of Higher Education and the Department of Management and Budget and included  
 3.14 in the biennial budget document. The specific data shall be submitted only after the  
 3.15 director of the Minnesota Office of Higher Education has consulted with a data advisory  
 3.16 task force to determine the need, content, and detail of the information. Representatives  
 3.17 from each system, in consultation with the commissioner of management and budget  
 3.18 and the director of the Office of Higher Education, shall develop consistent reporting  
 3.19 practices for this purpose.

3.20 (c) To the extent practicable, each system shall develop the ability to respond to  
 3.21 legislative requests for financial analyses that are more detailed than those required by this  
 3.22 subdivision, including but not limited to analyses that show expenditures or revenues by  
 3.23 institution or program, or in multiple categories of expenditures or revenues, and analyses  
 3.24 that show revenue sources for particular types of expenditures.

3.25 Sec. 2. Minnesota Statutes 2012, section 136A.101, subdivision 9, is amended to read:

3.26 Subd. 9. **Independent student.** "Independent student" has the meaning given it in  
 3.27 under Title IV of the Higher Education Act of 1965, United States Code, title 20, section  
 3.28 1070a-6 as amended, and applicable regulations.

3.29 Sec. 3. **[136A.104] INSTITUTION TERMINATION.**

3.30 (a) The office shall have the authority to terminate a postsecondary institution's  
 3.31 eligibility to participate in state student aid programs if the institution meets one of the  
 3.32 following criteria:

3.33 (1) violates a provision of Minnesota Statutes, Minnesota Rules, or administrative  
 3.34 policies governing student aid programs and fails to correct the violation and reimburse

4.1 the office for audit findings within the time frame specified in the audit report or other  
 4.2 notice furnished by the office;

4.3 (2) has a consistent pattern of noncompliance with Minnesota Statutes, Minnesota  
 4.4 Rules, or administrative policies governing student aid programs as documented by the  
 4.5 office or lacks administrative capability to successfully administer student financial aid  
 4.6 programs on campus based on factors including, but not limited to:

4.7 (i) adequacy of financial aid staffing levels, experience, training, and turnover of key  
 4.8 financial aid staff;

4.9 (ii) adequate checks and balances in its system of internal controls;

4.10 (iii) maintenance of records required for programs; or

4.11 (iv) the ability to participate in the electronic processes used for program  
 4.12 administration;

4.13 (3) refuses to allow inspection of or provide information relating to financial aid  
 4.14 records after written request by the office;

4.15 (4) misappropriates student aid program funds;

4.16 (5) falsifies information or engages in misleading or deceptive practices involving  
 4.17 the administration of student financial aid programs;

4.18 (6) no longer meets institutional eligibility criteria in section 136A.103 or 136A.155,  
 4.19 or additional criteria for state grant participation in Minnesota Rules, part 4830.0300,  
 4.20 subparts 1 and 2; or

4.21 (7) is terminated from participating in federal financial aid programs by the United  
 4.22 States Department of Education, if such termination was based on violation of laws,  
 4.23 regulations, or participation agreements governing federal financial aid programs.

4.24 **Sec. 4. [136A.1041] TERMINATION PROCEDURE.**

4.25 The office shall provide written notice of its intent to terminate an institution's  
 4.26 eligibility to participate in student financial aid programs if the institution meets any of  
 4.27 the criteria for termination in section 136A.104. The office shall send the institution  
 4.28 written notification of the termination which is effective 90 days from the date of the  
 4.29 written notification. The office shall also provide an institution an opportunity for a  
 4.30 hearing pursuant to chapter 14.

4.31 **Sec. 5. [136A.1042] REQUEST FOR HEARING.**

4.32 An institution may request a hearing pursuant to chapter 14 regarding its termination  
 4.33 of eligibility to participate in a student aid program. The request must be in writing and  
 4.34 must be received by the director within 30 days of the date on the written notification of

5.1 termination sent by the office. Within ten days of receipt of the request for hearing, the  
5.2 office shall contact the Office of Administrative Hearings to arrange a hearing date.

5.3 **Sec. 6. [136A.1043] RESTRICTION ON AWARDS DURING TERMINATION**  
5.4 **PERIOD.**

5.5 After the notice of termination and until such time as the termination becomes  
5.6 effective, the office reserves the right to withhold further financial aid disbursements to the  
5.7 institution. During this period, the institution may not make any new awards to students  
5.8 but may use any remaining student aid program funds on campus to make disbursements  
5.9 to any students awarded funds prior to the notice of termination.

5.10 **Sec. 7. [136A.1044] FINAL DECISION, ORDERS.**

5.11 The director shall render a decision and order in writing following receipt of the  
5.12 report issued by the administrative law judge after the hearing. The final decision of the  
5.13 director shall take into consideration the hearing record and the report of the administrative  
5.14 law judge. The order of the director is the final decision in the termination of the  
5.15 institution's eligibility to participate in a student aid program administered by the office.

5.16 **Sec. 8. [136A.1045] REINSTATEMENT OF ELIGIBILITY.**

5.17 An institution terminated from participating in student financial aid programs  
5.18 may submit a request for reinstatement of eligibility. The institution must wait at least  
5.19 12 consecutive months from the effective date of the termination to submit a request  
5.20 for reinstatement. A request for reinstatement must be in writing and submitted to the  
5.21 director. If the institution is initially denied reinstatement, the institution must wait at  
5.22 least 90 days from the date of denial of reinstatement to resubmit a subsequent request  
5.23 for reinstatement. If an institution's eligibility is reinstated after the start of the academic  
5.24 term, eligible students shall receive payment retroactively to the beginning of the term  
5.25 during which the institution was reinstated.

5.26 **Sec. 9. [136A.1046] REINSTATEMENT REQUIREMENTS.**

5.27 An institution's reinstatement request must include:

5.28 (1) written documentation specifying changes the institution has made to  
5.29 successfully address the reasons for termination, as outlined in the termination notice;

5.30 (2) permission for the office's staff to conduct a reinstatement audit and to evaluate  
5.31 systems put in place to address the reasons for termination;

- 6.1 (3) evidence of full repayment to the office of student aid program funds the  
6.2 institution improperly received, withheld, disbursed, or caused to be disbursed;  
6.3 (4) new participation agreements with the office for all student aid programs in  
6.4 which the institution wishes to participate; and  
6.5 (5) if applicable, documentation of the institution's eligibility to participate in  
6.6 federal financial aid programs.

6.7 **Sec. 10. [136A.1047] RESPONSE TO REINSTATEMENT REQUEST.**

- 6.8 Within 60 days of receiving the institution's reinstatement request, the office shall  
6.9 conduct a reinstatement audit and either:  
6.10 (1) place the institution on probationary status for a period of one year; or  
6.11 (2) deny the request based on the institution meeting one or more of the termination  
6.12 criteria in section 136A.104.

6.13 **Sec. 11. [136A.1048] PROBATIONARY PERIOD.**

- 6.14 During the probationary period, the office may audit the institution's records without  
6.15 notice. If, while on probation, the institution violates a condition under section 136A.104,  
6.16 as documented by the office's audit staff, the office must remove the institution from  
6.17 probationary status and deny the request for reinstatement. If the institution fails to  
6.18 successfully complete the probationary period, termination is final and effective within 30  
6.19 days of written notice of the denial of the reinstatement request.

6.20 **Sec. 12. [136A.1049] REINSTATEMENT.**

- 6.21 If an institution no longer violates a condition under section 136A.104 and  
6.22 successfully completes the probationary period, the office must reinstate the institution's  
6.23 eligibility to participate in student financial aid programs effective the last date of the  
6.24 probationary period.

6.25 **Sec. 13. [136A.105] STUDENT AWARDS AFTER TERMINATION.**

- 6.26 If an institution is terminated from participating in student financial aid programs  
6.27 during a payment period, and a student at the institution was eligible for an award other  
6.28 than a Student Educational Loan Fund loan before the effective date of the institution's  
6.29 termination, the office must issue a payment for that payment period, as long as the student  
6.30 will not receive a payment for the same payment period from another institution and the  
6.31 student continues to meet the program's eligibility requirements.

7.1 Sec. 14. Minnesota Statutes 2012, section 136A.125, subdivision 2, is amended to read:

7.2 Subd. 2. **Eligible students.** (a) An applicant is eligible for a child care grant if  
7.3 the applicant:

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

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

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

7.10 (4) has not earned a baccalaureate degree and has been enrolled full time less than  
7.11 eight semesters or the equivalent;

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

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

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

7.16 (b) A student who withdraws from enrollment for active military service or for a  
7.17 major illness, while under the care of a medical professional, that substantially limits the  
7.18 student's ability to complete the term is entitled to an additional semester or the equivalent  
7.19 of grant eligibility and will be considered to be in continuing enrollment status upon return.

7.20 Sec. 15. Minnesota Statutes 2012, section 136A.125, subdivision 4, is amended to read:

7.21 Subd. 4. **Amount and length of grants.** (a) The amount of a child care grant  
7.22 must be based on:

7.23 (1) the income of the applicant and the applicant's spouse;

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

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

7.26 (b) The maximum award to the applicant shall be ~~\$2,600~~ \$2,800 for each eligible  
7.27 child per academic year, except that the campus financial aid officer may apply to the  
7.28 office for approval to increase grants by up to ten percent to compensate for higher market  
7.29 charges for infant care in a community. The office shall develop policies to determine  
7.30 community market costs and review institutional requests for compensatory grant  
7.31 increases to ensure need and equal treatment. The office shall prepare a chart to show the  
7.32 amount of a grant that will be awarded per child based on the factors in this subdivision.  
7.33 The chart shall include a range of income and family size.

7.34 Sec. 16. Minnesota Statutes 2012, section 136A.233, subdivision 2, is amended to read:

8.1 Subd. 2. **Definitions.** For purposes of sections 136A.231 to 136A.233, the words  
8.2 defined in this subdivision have the meanings ascribed to them.

8.3 (a) "Eligible student" means a Minnesota resident enrolled or intending to enroll at  
8.4 least half time in a degree, diploma, or certificate program in a Minnesota postsecondary  
8.5 institution.

8.6 (b) "Minnesota resident" means a student who meets the conditions in section  
8.7 136A.101, subdivision 8.

8.8 (c) "Financial need" means the need for financial assistance in order to attend a  
8.9 postsecondary institution as determined by a postsecondary institution according to  
8.10 guidelines established by the Minnesota Office of Higher Education.

8.11 (d) "Eligible employer" means any eligible postsecondary institution, any nonprofit,  
8.12 nonsectarian agency or state institution located in the state of Minnesota, a disabled person  
8.13 or a person over 65 who employs a student to provide personal services in or about the  
8.14 person's residence, or a private, for-profit employer employing a student as an intern in a  
8.15 position directly related to the student's field of study that will enhance the student's  
8.16 knowledge and skills in that field.

8.17 (e) "Eligible postsecondary institution" means any postsecondary institution eligible  
8.18 for participation in the Minnesota state grant program as specified in section 136A.101,  
8.19 subdivision 4.

8.20 (f) "Independent student" has the meaning given ~~it in~~ under Title IV of the Higher  
8.21 Education Act of 1965, United States Code, title 20, section 1070a-6 as amended, and  
8.22 applicable regulations.

8.23 (g) "Half time" for undergraduates has the meaning given in section 136A.101,  
8.24 subdivision 7b, and for graduate students is defined by the institution.

8.25 Sec. 17. Minnesota Statutes 2012, section 136A.646, is amended to read:

8.26 **136A.646 ADDITIONAL SECURITY.**

8.27 (a) In the event any registered institution is notified by the United States Department  
8.28 of Education that it has fallen below minimum financial standards and that its continued  
8.29 participation in Title IV will be conditioned upon its satisfying either the Zone Alternative,  
8.30 Code of Federal Regulations, title 34, section 668.175, paragraph (f), or a Letter of Credit  
8.31 Alternative, Code of Federal Regulations, title 34, section 668.175, paragraph (c), the  
8.32 institution shall provide a surety bond conditioned upon the faithful performance of all  
8.33 contracts and agreements with students in a sum equal to the "letter of credit" required by  
8.34 the United States Department of Education in the Letter of Credit Alternative, but in no  
8.35 event shall such bond be less than \$10,000 nor more than \$250,000.

9.1 (b) In lieu of a bond, the applicant may deposit with the commissioner of  
9.2 management and budget:

9.3 (1) a sum equal to the amount of the required surety bond in cash; or

9.4 (2) securities, as may be legally purchased by savings banks or for trust funds, in an  
9.5 aggregate market value equal to the amount of the required surety bond.

9.6 (c) The surety of any bond may cancel it upon giving 60 days' notice in writing to  
9.7 the office and shall be relieved of liability for any breach of condition occurring after  
9.8 the effective date of cancellation.

9.9 Sec. 18. Minnesota Statutes 2012, section 136A.65, subdivision 8, is amended to read:

9.10 Subd. 8. **Disapproval of registration appeal.** ~~(a) If a school's degree or use of a~~  
9.11 ~~term in its name is disapproved by the office, the school may request a hearing under~~  
9.12 ~~chapter 14. The request must be in writing and made to the office within 30 days of the~~  
9.13 ~~date the school is notified of the disapproval.~~

9.14 ~~(b) (a)~~ The office may refuse to renew, revoke, or suspend registration, approval of  
9.15 a school's degree, or use of a regulated term in its name by giving written notice and  
9.16 reasons to the school. ~~The school may request a hearing under chapter 14. If a hearing is~~  
9.17 ~~requested, no revocation or suspension shall take effect until after the hearing.~~

9.18 ~~(e) (b)~~ Reasons for revocation or suspension of registration or approval may be  
9.19 for one or more of the following reasons:

9.20 (1) violating the provisions of sections 136A.61 to 136A.71;

9.21 (2) providing false, misleading, or incomplete information to the office;

9.22 (3) presenting information about the school which is false, fraudulent, misleading,  
9.23 deceptive, or inaccurate in a material respect to students or prospective students; or

9.24 (4) refusing to allow reasonable inspection or to supply reasonable information after  
9.25 a written request by the office has been received.

9.26 (c) Any order refusing, revoking, or suspending a school's registration, approval of a  
9.27 school's degree, or use of a regulated term in the school's name is appealable in accordance  
9.28 with chapter 14. The request must be in writing and made to the office within 30 days of the  
9.29 date the school is notified of the action of the office. If a school has been operating and its  
9.30 registration has been revoked, suspended, or refused by the office, the order is not effective  
9.31 until the final determination of the appeal, unless immediate effect is ordered by the court.

9.32 Sec. 19. Minnesota Statutes 2012, section 136A.653, is amended by adding a  
9.33 subdivision to read:

10.1            Subd. 5. **Free educational courses.** A school providing exclusively free training or  
10.2 instructional programs or courses where no tuition, fees, or any other charges are required  
10.3 for a student to participate is exempt from the provisions of sections 136A.61 to 136A.71.

10.4            Sec. 20. Minnesota Statutes 2012, section 136F.40, subdivision 2, is amended to read:

10.5            Subd. 2. **Contracts.** (a) The board may enter into a contract with the chancellor,  
10.6 a vice-chancellor, or a president, containing terms and conditions of employment. The  
10.7 terms of the contract must be authorized under a plan approved under section 43A.18,  
10.8 subdivision 3a.

10.9            (b) Notwithstanding section 43A.17, subdivision 11, or other law to the contrary, a  
10.10 contract under this section may provide a liquidated salary amount or other compensation  
10.11 if a contract is terminated by the board prior to its expiration.

10.12            (c) Notwithstanding section 356.24 or other law to the contrary, a contract under  
10.13 this section may contain a deferred compensation plan made in conformance with section  
10.14 457(f) of the Internal Revenue Code.

10.15            (d) Notwithstanding any provision of the plan approved under section 43A.18,  
10.16 subdivision 3a, a contract under this section must not authorize or otherwise provide for a  
10.17 discretionary or mandatory bonus or other performance-based incentive payment.

10.18            **EFFECTIVE DATE.** This section is effective the day following final enactment  
10.19 and applies to contracts entered into on or after that date.

10.20            Sec. 21. Minnesota Statutes 2012, section 137.027, is amended to read:

10.21            **137.027 APPROPRIATION; FRINGE BENEFITS.**

10.22            (a) Direct appropriations to the University of Minnesota include money to pay  
10.23 the employer's share of Social Security, state retirement, and health insurance. Money  
10.24 provided for these purposes shall be expended only for these purposes and any amounts in  
10.25 excess of the employer's share shall be returned to the state treasury.

10.26            (b) Unless otherwise explicitly provided for in law, direct appropriations to the  
10.27 University of Minnesota do not include, and may not be used to pay, any mandatory  
10.28 or discretionary bonus or other performance-based incentive payment provided for in  
10.29 an employment contract with the president or vice-presidents, chancellors, provosts,  
10.30 vice-provosts, deans, or directors of individual programs.

10.31            Sec. 22. **[137.71] MINNESOTA DISCOVERY, RESEARCH, AND INNOVATION**  
10.32 **ECONOMY FUNDING PROGRAM.**

11.1 Subdivision 1. **Establishment.** (a) The Minnesota Discovery, Research, and  
11.2 InnoVation Economy (MnDRIVE) funding program is established to discover new  
11.3 knowledge through scientific research that will:

11.4 (1) advance the state's economy;

11.5 (2) leverage opportunities and establish priorities in sectors of state strength and  
11.6 comparative advantage;

11.7 (3) improve the health and wellbeing of Minnesota's citizens;

11.8 (4) advance the capacity and competitiveness of existing and emerging food- and  
11.9 manufacturing-related science and technology industries; and

11.10 (5) build a better Minnesota by driving progress and advancing the common good.

11.11 (b) The MnDRIVE funding program shall establish priorities by investing in  
11.12 scientific research that promotes:

11.13 (1) programs that can position Minnesota as a leader in engineering, science,  
11.14 technology, and food-related solutions;

11.15 (2) initiatives that support the growth of targeted industry clusters and the  
11.16 competitiveness of existing Minnesota engineering, science, technology, and food  
11.17 companies in developing new products and services;

11.18 (3) initiatives that can result in creating new Minnesota-based companies;

11.19 (4) initiatives that can improve the quality of life of Minnesota's citizens, decrease  
11.20 the incidence of disease, and transform how we prevent, treat, and cure diseases; and

11.21 (5) initiatives that can secure a safer environment, seek sustainable energy solutions,  
11.22 and prevent, diagnose, and treat environmental problems associated with Minnesota  
11.23 industry.

11.24 Subd. 2. **Funding requests.** The Board of Regents of the University of Minnesota,  
11.25 acting alone or in partnership with other public or private entities, is requested to submit  
11.26 investment proposals consistent with the goals and objectives of the MnDRIVE funding  
11.27 program as part of the Board of Regents biennial budget request to the legislature. The  
11.28 Board of Regents must give consideration to investments in existing scientific research  
11.29 programs that meet these guidelines but may require additional resources in order to  
11.30 preserve or accelerate Minnesota into a national or global leadership position. The  
11.31 governor shall submit a recommendation to the legislature regarding funding requests  
11.32 submitted by the Board of Regents.

11.33 Subd. 3. **Reporting.** By March 1 of each odd-numbered year, the Board of Regents  
11.34 of the University of Minnesota must provide to the chairs and ranking minority members  
11.35 of the legislative committees with primary jurisdiction over higher education policy and

12.1 finance a summary report of investments and accomplishments related to funds received  
12.2 from the state under subdivision 2 from the prior biennium.

12.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

12.4 Sec. 23. Minnesota Statutes 2012, section 141.35, is amended to read:

12.5 **141.35 EXEMPTIONS.**

12.6 Sections 141.21 to 141.32 shall not apply to the following:

12.7 (1) public postsecondary institutions;

12.8 (2) postsecondary institutions registered under sections 136A.61 to 136A.71;

12.9 (3) schools of nursing accredited by the state Board of Nursing or an equivalent  
12.10 public board of another state or foreign country;

12.11 (4) private schools complying with the requirements of section 120A.22, subdivision  
12.12 4;

12.13 (5) courses taught to students in a valid apprenticeship program taught by or  
12.14 required by a trade union;

12.15 (6) schools exclusively engaged in training physically or mentally disabled persons  
12.16 for the state of Minnesota;

12.17 (7) schools licensed by boards authorized under Minnesota law to issue licenses  
12.18 except schools required to obtain a private career school license due to the use of  
12.19 "academy," "institute," "college," or "university" in their names;

12.20 (8) schools and educational programs, or training programs, contracted for by  
12.21 persons, firms, corporations, government agencies, or associations, for the training of their  
12.22 own employees, for which no fee is charged the employee;

12.23 (9) schools engaged exclusively in the teaching of purely avocational, recreational,  
12.24 or remedial subjects as determined by the office except schools required to obtain a private  
12.25 career school license due to the use of "academy," "institute," "college," or "university" in  
12.26 their names unless the school used "academy" or "institute" in its name prior to August  
12.27 1, 2008;

12.28 (10) classes, courses, or programs conducted by a bona fide trade, professional, or  
12.29 fraternal organization, solely for that organization's membership;

12.30 (11) programs in the fine arts provided by organizations exempt from taxation  
12.31 under section 290.05 and registered with the attorney general under chapter 309. For  
12.32 the purposes of this clause, "fine arts" means activities resulting in artistic creation or  
12.33 artistic performance of works of the imagination which are engaged in for the primary  
12.34 purpose of creative expression rather than commercial sale or employment. In making

13.1 this determination the office may seek the advice and recommendation of the Minnesota  
13.2 Board of the Arts;

13.3 (12) classes, courses, or programs intended to fulfill the continuing education  
13.4 requirements for licensure or certification in a profession, that have been approved by a  
13.5 legislatively or judicially established board or agency responsible for regulating the practice  
13.6 of the profession, and that are offered exclusively to an individual practicing the profession;

13.7 (13) classes, courses, or programs intended to prepare students to sit for  
13.8 undergraduate, graduate, postgraduate, or occupational licensing and occupational  
13.9 entrance examinations;

13.10 (14) classes, courses, or programs providing 16 or fewer clock hours of instruction  
13.11 that are not part of the curriculum for an occupation or entry level employment except  
13.12 schools required to obtain a private career school license due to the use of "academy,"  
13.13 "institute," "college," or "university" in their names;

13.14 (15) classes, courses, or programs providing instruction in personal development,  
13.15 modeling, or acting;

13.16 (16) training or instructional programs, in which one instructor teaches an individual  
13.17 student, that are not part of the curriculum for an occupation or are not intended to prepare  
13.18 a person for entry level employment; ~~and~~

13.19 (17) schools with no physical presence in Minnesota, as determined by the office,  
13.20 engaged exclusively in offering distance instruction that are located in and regulated by  
13.21 other states or jurisdictions; and

13.22 (18) schools providing exclusively free training or instructional programs or courses  
13.23 where no tuition, fees, or any other charges are required for a student to participate.

13.24 Sec. 24. Minnesota Statutes 2012, section 299A.45, subdivision 4, is amended to read:

13.25 Subd. 4. **Renewal.** Each award must be given for one academic year and is  
13.26 renewable for a maximum of eight semesters or the equivalent. A student who withdraws  
13.27 from enrollment for active military service or for a major illness, while under the care  
13.28 of a medical professional, that substantially limits the student's ability to complete the  
13.29 term is entitled to an additional semester or the equivalent of grant eligibility. An award  
13.30 must not be given to a dependent child who is 23 years of age or older on the first day of  
13.31 the academic year.

13.32 Sec. 25. **REPEALER.**

13.33 (a) Minnesota Statutes 2012, section 136A.031, subdivision 2, is repealed.

- 14.1 (b) Minnesota Rules, parts 4830.0120; 4830.0130; 4830.0140; 4830.0150;  
14.2 4830.0160; 4830.0170; 4830.0180; 4830.0190; and 4830.0195, are repealed.

APPENDIX  
Repealed Minnesota Statutes: H0983-1

**136A.031 ADVISORY GROUPS.**

Subd. 2. **Higher Education Advisory Council.** A Higher Education Advisory Council (HEAC) is established. The HEAC is composed of the president of the University of Minnesota or designee; the chancellor of the Minnesota State Colleges and Universities or designee; the commissioner of education; the president of the Private College Council; a representative from the Minnesota Career College Association; and a member appointed by the governor. The HEAC shall bring to the attention of the Minnesota Office of Higher Education any matters that the HEAC deems necessary.

**4830.0120 SCOPE.**

For the purposes of this chapter and chapter 4850, the procedure in parts 4830.0130 to 4830.0195 applies to the termination of an institution's eligibility to participate in a student financial aid program administered by the Minnesota Office of Higher Education.

**4830.0130 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4830.0120 to 4830.0195, the terms defined in this part have the meanings given them.

Subp. 2. **Director.** "Director" means the director of the office, or office staff who perform duties as assigned by the director.

Subp. 3. **Fiscal year.** "Fiscal year" means the period from July 1 to the following June 30.

Subp. 4. **Funds.** "Funds" means money disbursed or the commitment to disburse money under any program to an institution or to an institution on behalf of students enrolled and attending the institution.

Subp. 5. **Institution.** "Institution" means a post-secondary institution that participates in a student financial aid program or student loan program administered by the office.

Subp. 6. **Office.** "Office" means the Minnesota Office of Higher Education.

Subp. 7. **Program.** "Program" means a financial aid and loan program administered by the Minnesota Office of Higher Education.

**4830.0140 TERMINATION.**

The office shall terminate an institution's eligibility to participate in a program if the institution:

- A. violates a provision of Minnesota statutes or rules governing the program, and fails to correct the violation within 90 days from the date on the written notification of the termination;
- B. refuses to allow inspection of or provide information relating to financial aid records, after written request by the office;
- C. is no longer eligible to participate in a program under part 4830.0300, subparts 1 and 2; 4830.7200; or 4850.0011, subpart 14; or
- D. is not complying with chapter 4850.

**4830.0150 TERMINATION PROCEDURE.**

Subpart 1. **Termination.** The office shall provide written notice of its intent to terminate an institution's eligibility to participate in a program or programs if there is evidence that the institution has been in noncompliance based on the criteria under part 4830.0140. At the time the office provides notice of its intent to terminate, it shall also provide an institution an opportunity for a hearing pursuant to Minnesota Statutes, chapter 14.

Subp. 2. **Notification.** The office shall send the institution written notification of the termination of the institution's eligibility to participate in a program. Termination shall be effective 90 days from the date of the written notification.

**4830.0160 REQUEST FOR HEARING.**

An institution may request a hearing pursuant to Minnesota Statutes, chapter 14, regarding its termination of eligibility to participate in a program. The request must be in writing and must be received by the director within 30 days of the date on the written notification of termination sent by the office. Within ten days of receipt of the request for hearing, the office shall contact the Office of Administrative Hearings to arrange a hearing date.

**4830.0170 FINAL DECISION, ORDERS.**

The director shall render a decision and order in writing following receipt of the report issued by the administrative law judge after the hearing. The final decision of the director shall take into consideration the hearing record and the report of the administrative law judge. The order of the director is the final decision in the termination of the institution's eligibility to participate in a program administered by the office.

**4830.0180 REIMBURSEMENTS AND REFUNDS.**

APPENDIX  
Repealed Minnesota Rule: H0983-1

A. The office's director of student financial aid services or the director of the office shall require an institution to remedy a violation of applicable program statutes and rules.

B. If an institution is required to reimburse or make other payments to the office, the director shall offset these claims against benefits or claims due to the institution.

**4830.0190 STUDENT AWARDS AFTER TERMINATION.**

Subpart 1. **Payment of awards.** If an institution is terminated from participating in a program during a payment period, a student at the institution who was eligible for an award before the effective date of the termination shall receive a payment for that payment period.

Subp. 2. **Notice.** For the purposes of subpart 1, "notice" occurs:

A. under the Student Educational Loan Fund (SELF) Program when the director or servicer advises the student, in writing, that the loan is approved; and

B. under the state grant and campus-based programs when the director or institution has notified the student, in writing, of the award.

**4830.0195 REINSTATEMENT.**

Subpart 1. **Application.** An institution terminated from participation in a program by the office under part 4830.0140, may request reinstatement to participate in the program. The institution must wait at least 12 consecutive months from the effective date of the termination to submit a request for reinstatement. A request for reinstatement must be in writing and submitted to the director. If the institution is initially denied reinstatement, the institution must wait at least 90 days from the date of denial of reinstatement, as specified in subpart 3, to resubmit a request for reinstatement. If an institution's eligibility is reinstated after the start of the academic term, eligible students shall receive payment retroactively to the beginning of the term when the institution was reinstated.

Subp. 2. **Reinstatement requirements.** An institution's reinstatement request must include:

A. written documentation of the process used to correct a violation, and how the violation will be prevented in the future;

B. evidence of full repayment to the office of program funds the institution improperly received, withheld, disbursed, or caused to be disbursed; and

C. new participation agreements with the office for all programs the institution wishes to participate in.

Subp. 3. **Response to reinstatement request.** Within 60 days of receiving the institution's reinstatement request, the office shall:

A. grant the request; or

B. deny the request based on evidence of noncompliance with the requirements in subpart 2.