State Financial Aid Fund Balances Program Background and Spending History

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Introduction

The Minnesota Higher Education Services Office (MHESO) administers more than $130 million in State Grant Program funds each year to enable students to have financial access to post-secondary education and to choose among post-secondary educational options. Moreover, the Office administers $18 million in additional financial aid so that students can participate in the State Work Study Program, Post-Secondary Child Care Grant Program, and Public Safety Officers' Survivors Benefit Program. The Office also administers the Minnesota College Savings Plan and the Interstate Tuition Reciprocity Programs which support the goal of financial access.

In accordance with action taken by the 2003 Minnesota Legislature, the Higher Education Services Office is to

> "...collect data monthly from institutions disbursing state financial aid. The data collected shall include, but not be limited to, expenditures by type to date and unexpended balances.
>
> The higher education services office shall evaluate and report monthly 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. (*Laws of Minnesota for 2003,* Chapter 133, Article 1, Section 2, Subdivision 14)

Several steps have been taken by MHESO staff in recent years to comply with these reporting requirements, first mandated by the 2001 Legislature, and improve cash management for state financial aid programs:

- MHESO has created an internal team to collect and analyze monthly spending data and expenditure projections for state financial aid programs. The team meets monthly with the agency director.

- Calendars and tracking sheets have been designed by MHESO State Grant staff to more closely monitor the amount of initial funds allocated to each institution, monthly reporting, and year end close out activities of participating schools.

- Only institutions that have proven they are ready and able to communicate with the Minnesota Higher Education Services Office electronically are sent their initial allocation. Funds are no longer sent to them automatically at the beginning of each year.

- State Grant fund advances are made only to schools meeting reporting requirements.

- MHESO adjusts the institution's initial request for State Grant funds based on its historical use of funds each year.

- Schools have been notified (1) of time lines for submitting State Grant student data to MHESO, reflecting payments for each term and (2) that fund advances will not be made if schools are not meeting reporting requirements.

- The disbursement pattern for State Work Study and Post-Secondary Child Care Grant annual institutional allocations has been changed to 25 percent in July, 25 percent in September and 50 percent in December.

- MHESO staff have been contacting schools monthly via email to obtain spending figures for the State Work Study and Post-Secondary Child Care Grant Programs.

The definitions for the lines in the program spreadsheets are as follows:

Appropriation: This is the amount of funds appropriated by the Legislature to MHESO for the program.

Balance Forward - In: This is the amount carried forward to the current fiscal year from the previous fiscal year.

Transfers - In: This is the amount of funds transferred into this program from other programs during the current year.

Federal LEAP Funds: This is the amount of federal allocation from the Leveraging Educational Assistance Partnership (LEAP) program to the Minnesota State Grant Program. LEAP was formerly the Federal State Student Incentive Grant Program (SSIG) program.

Total Funds Available for Grants: This is the addition of all the previous fields (Appropriations, Balance Forward - In, Transfers - In, Federal LEAP Funds) to show the total amount of funds available to students through this program.

Advances to Schools: This is the amount of funds sent to the campus to disburse to students.

Balance Forward - Out: This is the amount of funds carried forward at the end of the fiscal year to the new fiscal year.

Transfers - Out: This is the amount of funds transferred out of this program into another program during the current year.

Balance on Hand - HESO: This is the amount of funds remaining with MHESO which are dedicated to this program.

Reported Payments to Students: This is the amount of funds that the institutions report they have disbursed to students.

Balance on Hand - Campuses: This is derived by subtracting the amount of student payments from the amount of disbursed funds to the campuses. If this amount is negative, it means that campuses paid students from institutional funds waiting for a reimbursement from the state.

Disbursements to Schools: These are funds sent to institutions.

Total Unexpended Funds: This is the total amount of funds on campus and with MHESO that are allocated to this program but are not disbursed.

Session Law Funds Table

Several aid programs are included in the State Grant budget line through the appropriation process. The following table shows these appropriations for programs for the Fiscal Years 2002 and 2003 **prior to changes made by the 2002 Legislature and transfers to the State Grant Program from other Services Office accounts.**

	FY 2002	FY 2003
State Grants	$108,485,000	$117,265,000
Child Care	$4,743,000	$4,743,000
Safety Officer Survivors	$40,000	$40,000
Summer Scholarships	$275,000	$275,000
Advanced Placement		$150,000
Total Appropriation:	$113,543,000	$122,473,000

Program Descriptions

Minnesota State Grant Program

Background

This program assists students by helping families who can not afford to pay for their child's post-secondary education. Students determine their price of investing in post-secondary education by their choice of institutions. Students and families finance the investment by using past (savings), present (earnings), and future (loans) income. The Design for Shared Responsibility distributes the price of post-secondary education among students, families, and taxpayers based on family circumstances and attendance choices.

The Minnesota State Grant Program provides grants to eligible Minnesota undergraduate residents attending eligible Minnesota post-secondary educational institutions. State Grants must not exceed the student's recognized cost of attendance at an institution minus the Assigned Student Responsibility of 46 percent of the cost of attendance, minus the Assigned Family Responsibility as determined by a federal need analysis with Minnesota modifications, minus the amount of the Federal Pell Grant awarded to the student.

The State Grant Program uses a decentralized delivery system (DDS). Students apply using the Free Application for Federal Student Aid (FAFSA). Participating colleges screen applications and calculate State Grant awards on campus, based on the eligibility requirements set at the state level. MHESO advances funds to institutions that meet State Grant reporting requirements before the start of each term throughout the year, and schools disburse funds to students on campus. Schools are required to report award and payment activity to MHESO monthly. Unexpended balances are returned to MHESO at the end of the year.

History

Summary of the State Grant Accounting System Entries				
	Biennium 00 - 01		Biennium 02-03	
	FY2000	FY 2001	FY 2002	FY 2003
Appropriation	$112,725,000	$123,185,000	$108,485,000	$117,265,000
Federal Funds	$493,933	$595,370	$579,811	$1,725,345
Tuition and Fee Programming			($260,509)	
Refunds/Payments prior year	($371,558)	$241,943	($147,836)	$289,677
Balance forward-In		$3,312,794		$582,400
Transfer-In			$11,085,270	$14,322,548
Additional Appropriations			$6,460,000	
Total Funds Available	$112,847,375	$127,335,107	$126,201,736	$134,187,970
Award Payments	($109,534,581)	($115,749,764)	($125,619,336)	$133,590,250
Balance forward-Out	$3,312,794		($582,400)	
Transactions after closing				($120,947)
Cancellation		($11,585,343)		($220,414)
Final Balance	$0	$0	$0	$253,359
Number of awards	62,802	65,246	71,326	72,396

Source: Minnesota State Accounting System

Minnesota State Work Study Program

Background

The State Work Study Program assists students by subsidizing jobs to provide students with valuable work experiences, and to provide nonprofit service agencies, handicapped persons, and persons more than 65 years old with low cost student assistance. Students must be paid at least minimum wage, currently $5.15 per hour. At least 25 percent of the wage must be paid by the employer, and the remainder is paid by the program funds. The campus financial aid office determines the award which can not exceed the cost of attendance minus the Expected Family Contribution and other forms of financial aid. On a pilot basis, the MHESO has been allowing institutions to award State Work Study up to the Assigned Student Responsibility used for the State Grant Program which is 46 percent of the State Grant Budget. Campuses may select either method for determining the State Work Study award.

The program's appropriation is $12.4 million per year. As required by *Laws of Minnesota 2002*, Chapter 374, these funds were moved to the State Grant Program in order to make full State Grant awards for Fiscal Year 2003.

History

State Work Study Accounting System Entries				
	Biennium 00-01		Biennium 02-03	
	FY2000	FY 2001	FY 2002	FY 2003
31-Oct-2001				
Appropriation	$12,444,000	$12,444,000	$12,444,000	$12,444,000
Balance forward-In		$489,182		$0
Transfers-In		$100,000		$7,369
Total Funds Available	$12,444,000	$13,033,182	$12,444,000	$12,451,369
Award Payments	($11,954,818)	($12,887,617)	($12,262,074)	$0
Balance forward-Out	($489,182)		$0	$0
Transfer to Grant			($181,926)	($12,451,369)
Cancellation	$0	($145,565)		$0
Balance			$0	$0
Number of awards	11,481	12,079	11,978	0

Source: Minnesota State Accounting System

Post-Secondary Child Care Grant Program

Background

This program provides students who have children 12 and under assistance to help pay for child care. Recipients may not receive benefits under the Minnesota Family Investment Program (MFIP) and must demonstrate financial need. The award is based upon the income of the applicant and spouse, the number in the applicant's family, the number of eligible children within the family who need child care, and the applicant's registration load. The maximum award amount for Fiscal Year 2004 is $2,200 per eligible child per academic year, a reduction of $400 from Fiscal Year 2003. The maximum award may be increased an additional 10 percent to compensate for higher infant care costs at the discretion of the campus. Institutions are allowed to take up to 5 percent of the funds that they spend on student Post-Secondary Child Care awards as an administrative expense.

The program's appropriation is $4.7 million per year; however, this program was reduced to $1.1 million in order to fund the projected State Grant shortfall for Fiscal Year 2003.

History

Post-Secondary Child Care Grant Program Accounting System Entries				
	Biennium 00-01		Biennium 02-03	
31-Oct-2001	FY2000	FY2001	FY 2002	FY 2003
Appropriation	$4,742,000	$4,742,000	$4,743,000	$4,743,000
Balance forward-In		$557,841		$0
Transfers-In				$0
Total Funds Available	$4,742,000	$5,299,841	$4,743,000	$4,710,000
Child Care Grant Payments	$(4,154,535)	$(4,697,162)	($4,637,634)	$1,084,355
HESO Admn Expenditures	$(29,624)	$(27,071)	($30,389)	$20,781
Balance forward-Out to Work Study	$(557,841)	$(100,000)		$0
Transfer to Grants			($74,977)	($3,637,864)
Cancellation		$(475,608)		($16,449)
Balance			$0	$0
Number of awards	2,659	2,736	2,429	935

Source: Minnesota State Accounting System

Summer Scholarships for Academic Enrichment Program

Background

This program provides grants to low-income students in grades 7 - 11 who want to enrich their learning beyond those academic experiences provided by secondary schools. Awards are based on direct and related costs of attending the program at one of the 46 sponsoring post secondary institutions. In Fiscal Year 2000, the smallest award was $390. The maximum total award is $1,000. Qualifying income guidelines for the scholarship are now based on adjusted gross income and family size; the guidelines correspond to those used for the free hot lunch program, which is based on 185 percent of the Federal poverty guidelines. Previously, a family of any size had to earn under $24,000 to qualify, which prevented full use of program funds.

Students submit applications to participating colleges which screen applications and forward them to the Services Office. The Office then disburses scholarships to the colleges for the students enrolled in their programs. A final report is generated for each college at the end of the year which the college uses to reconcile with the Office's expenditures. In order to improve use of program funds, the Services Office revised the qualifying income guidelines for this program which affected spending for the summer of 2001. Changes were based on input from the program advisory committee.

The annual appropriation for the program was $275,000. The 2002 Legislature, however, reduced the program appropriation to $200,000 for Fiscal Years 2002 and 2003. In Fiscal Year 2002, $191,125 was awarded; in Fiscal Year 2003, these funds were transferred to the State Grant Program, and scholarships were not awarded for summer 2003. The 2003 Legislature repealed the program.

History

Summer Scholarships for Academic Enrichment Program Accounting System Entries				
	Biennium 00-01		Biennium 02-03	
	FY2000	FY 2001	FY 2002	FY 2003
31-Oct-2001				
Appropriation	$275,000	$275,000	$200,000	$275,000
Balance forward-In		$81,477		$11,084
Transfers-In				$0
Total Funds Available	$275,000	$356,477	$200,000	$286,084
Award Payments	$(193,523)	$(268,986)	($191,125)	$0
Balance forward-Out	$(81,477)		($8,875)	($286,084)
Cancellation		($87,491)		
Number of awards	284	438	293	0

Source: Minnesota State Accounting System

Public Safety Officers' Survivors Benefit Program

Background

This program provides an educational benefit to dependent children under age 23 and the spouses of public safety officers killed in the line of duty. Eligibility is determined by the Minnesota Department of Public Safety.

The award is equal to the cost of the tuition at the public institution the student is attending or up to the tuition charged at the highest tuition charged at a public institution if the student is attending a private institution. The award must not affect a recipient's eligibility for a Minnesota State Grant.

Students submit an application along with an eligibility certificate issued by the Department of Public Safety. The college certifies the student is enrolled and submits the application to MHESO for payment. MHESO then issues payments to recipients in care of the colleges they are attending.

History

Public Safety Officers' Survivors Benefits Program Accounting System Entries				
	Biennium 00-01		Biennium 02-03	
	FY2000	FY 2001	FY 2002	FY 2003
31-Oct-2001				
Appropriation	$40,000	$40,000	$40,000	$40,000
Balance forward-In		$4,947		
Transfers-In				$12,669
Total Funds Available	$40,000	$44,947	$40,000	$52,669
Award Payments	$(35,053)	$(39,231)	($38,191)	($52,669)
Balance forward-Out	$(4,947)		($1,809)	$0
Cancellation		($5,716)		$0
Number of awards	13	12	11	14

Source: Minnesota State Accounting System

Youthworks Post Service Benefits

Background

One cohort of Minnesota high school students in Fiscal Year 1996 who performed services to their community through the Federal AmeriCorps Program had their educational benefits funded by the state of Minnesota under the Youthworks Program. The funds are held by the Minnesota Higher Education Services Office for up to seven years. This ended in Fiscal Year 2003. The funds may be used to pay for college tuition, repay an educational loan or pay for expenses incurred during an approved apprenticeship. The 2001 Legislature authorized "any appropriations remaining after final benefits are paid to Youthworks grantees may be used for college early intervention programs."

Eighty-two high school students throughout Minnesota earned a benefit in 1995. The total benefits earned were $317,408. During Fiscal Year 2000, $6,415 was paid in benefits. During Fiscal Year 2001, $8,245 was paid in benefits. In the Fiscal Year 2002-2003 biennium, $25,686 was paid in benefits. Benefits that are not used by these students for repayment of educational loans, college tuition, or apprenticeships were to be available to the Office for early intervention activities. However, the 2002 Legislature reduced available funding for early intervention by $130,000. In Fiscal Year 2003, $140,223 was returned to the General Fund since all students eligible for the program had exceeded the time limit for using the funds.

History

Youthworks Post Service Benefits Accounting System Entries				
	Biennium 00-01		Biennium 02-03	
	FY2000	FY 2001	FY 2002	FY 2003
31-Oct-2001				
Appropriation				
Balance forward-In	$310,570	$304,155	$295,910	$140,239
Transfers-In				$0
Total Funds Available	$310,570	$304,155		
Award Payments	$(6,415)	$(8,245)	($25,670)	($16)
Balance forward-Out	$(304,155)	$(295,910)	($140,240)	
Cancellation			($130,000)	($140,223)
Number of awards	5	2	7	0

Source: Minnesota State Accounting System

Tuition Reciprocity Programs

Background

Minnesota's tuition reciprocity agreements are for the mutual improvement of the residents of Minnesota and the other states or provinces with whom agreements are made, *Minnesota Statutes 136A.08, Subd.2*. Minnesota's tuition reciprocity agreements remove non-resident admission and non-resident tuition barriers for students, expand markets for public post-secondary education institutions, and broaden post-secondary education opportunities for residents at minimal cost to state taxpayers. *Minnesota Statutes* 136A.08, Subd. 6 requires the University of Minnesota Board of Regents and the Minnesota State Colleges and State Universities Board of Trustees to approve the state's tuition reciprocity agreements.

Minnesota has had tuition reciprocity agreements with Wisconsin since 1968-69, North Dakota since 1975-76, South Dakota since 1978-79, Manitoba since 1989-90, and a partial agreement including Iowa Lakes Community College and Minnesota West Community and Technical College since 1978-79. Only the agreements with Wisconsin and North Dakota require an interstate payment. The interstate payment obligation is based on the marginal instructional costs of each state's reciprocity students minus student paid tuition.

History

Reciprocity Accounting System Entries				
	Biennium 00-01		Biennium 02-03	
	FY2000	FY 2001	FY 2002	FY 2003
31-Dec-2001				
Appropriation	$4,500,000	$4,500,000	$5,250,000	$5,250,000
Balance forward-In		$305,133		$0
Transfers-In		$0		$0
Total Funds Available	$4,500,000	$4,805,133	$5,250,000	$5,250,000
Award Payments	($4,194,867)	($3,665,504)	($3,083,656)	($127,850)
Balance forward-Out	($305,133)			
Transfers-Out			($666,344)	($4,122,150)
Cancellation / Reductions	$0	($1,139,629)	($1,500,000)	($1,000,000)
Balance		$0	$0	$0

Source: Minnesota State Accounting System

Minnesota College Savings Plan

Background

In establishing the Minnesota College Savings Plan, the Minnesota Legislature seeks to encourage individuals to save for post-secondary education, *Minnesota Statutes 136G. 01.* The Plan is a qualified state tuition plan under Section 529 of the Internal Revenue Code and provides a tax exemption on earnings when distributions are used for qualified higher education expenses. The Plan provides matching grants to account beneficiaries from Minnesota families with incomes below $80,000 federal adjusted gross income. Minnesota families at $50,000 or below federal adjusted gross income may qualify for a 15 percent matching grant on contributions up to a $300 maximum. Minnesota families between $50,000 and $80,000 federal adjusted gross incomes may qualify for a five percent matching grant on contributions up to a $300 maximum. To qualify for a matching grant, the account owner must apply annually and have made a $200 minimum account contribution. The Higher Education Services Office is responsible for the Plan, and the Minnesota State Board of Investment is responsible for making Plan investment decisions. The Office and the Board have contracted with TIAA-CREF, Tuition Financing, Inc. to administer the Plan.

The Minnesota College Savings Plan opened on September 20, 2001. As of October 29, 2003, the program had total assets of over $157 million and 26,453 accounts. In addition, there are 2,650 matching grant accounts with over $381,000 in assets.

History

Minnesota College Savings Plan Accounting System Entries				
	Biennium 00-01		Biennium 02-03	
	FY2000	FY 2001	FY 2002	FY 2003
31-Dec-2001				
Appropriation	$1,520,000	$1,520,000	$1,520,000	$1,520,000
Balance forward-In		$1,505,492		$0
Transfers-In		$0		$0
Total Funds Available	$1,520,000	$3,025,492	$1,520,000	$620,000
Admin. Expenditures	($14,508)	($41,555)	($162,526)	($320,790)
Balance forward-Out	($1,505,492)		($20,474)	
Transfer Out			($237,000)	
Cancellation/ Reduction	$0	($2,983,937)	($1,100,000)	($1,199,210)
Balance		$0	$0	$0

Source: Minnesota State Accounting System