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## HIGHER EDUCATION SVCS OFFICE - EXECUTIVE SUMMARY

### AGENCY MISSION AND VISION:

#### ***Mission:***

Through our advocacy and actions, we work to

- Achieve student financial access to post-secondary education;
- Enable students to choose among post-secondary educational options;
- Protect and inform educational consumers;
- Produce independent, statewide information on post-secondary education; and
- Facilitate interaction among and collaborate with organizations that share responsibility for education in Minnesota.

#### ***Vision:***

Our services enable Minnesota to provide access for people who seek post-secondary education to achieve personal goals and contribute to the educational, cultural, civic and economic advancement of the state and nation.

The Services Office mission and vision relate directly to several key items in the Governor's Big Plan. The attainment of post-secondary education contributes fundamentally to self-sufficiency and the capacity to further pursue lifelong learning for work and life. Accessing education beyond high school--in all of its many forms--links strongly to the goal of making Minnesota a "world competitor" by developing the workforce of tomorrow. Reducing financial barriers to college attendance while retaining personal responsibility for investing in education underscores the goal of self-sufficiency.

Further, as a part of its mission, the Services Office is committed to collaborating with others who share responsibility for education in Minnesota in providing better, broader, and more accessible services to our citizens than would otherwise be possible. For example, the Services Office is working collaboratively with the Department of Administration, the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), the Private College Council and others to further develop the Learning Network of Minnesota into a technologically diversified system that contributes to "...an information highway that leaves no community excluded". Moreover, the agency's ongoing commitment to electronically provided services via the Internet serves to propel forward the Governor's "electronic government services" initiative.

### KEY SERVICE STRATEGIES:

To address its mission and vision, the Higher Education Services Office provides:

- administration of state financial aid programs for students;

- approval, registration, and licensing of private colleges and career schools;
- administration of the Minnesota Education Telecommunications Council, the Learning Network of Minnesota, and the statewide Library Planning Task Force;
- negotiation and administration of interstate tuition reciprocity agreements;
- publication and distribution of information, on planning for post-secondary education and financial aid to students and parents;
- collection and maintenance of student enrollment and financial aid data; and
- administration of federal programs that affect students and institutions on a statewide basis.

The Service Office pursues innovations in services and delivery strategies, including expansion of services through the agency web site. Services available through the web site include information for students and parents; enrollment data which can be customized by the customer; information concerning private post-secondary institutions licensed or registered by the Services Office; on-line tuition reciprocity applications; and a financial aid estimator.

### OPERATING ENVIRONMENT:

Several factors affect the operating environment of the Services Office:

- the price of post-secondary education that students and parents must pay, both in Minnesota and in states with which Minnesota has tuition reciprocity agreements;
- the ability of students to meet their share of the cost of attending a Minnesota post-secondary institution (as required under Minnesota's Design for Shared Responsibility) given the increasing costs of attendance;
- the creation of federal tax credits and state savings programs, which can help families meet the cost of college, and create the need for further information about college costs and financial planning for Minnesotans;
- growth among populations historically under-represented in post-secondary education which will increase the need for strategically timed information and interventions to help low income students achieve access to and success in post-secondary education; and
- changes in technology enabling further electronic access to post-secondary education and library resources.

HIGHER EDUCATION SVCS OFFICE - EXECUTIVE SUMMARY (Continued)

**ORGANIZATION/PROGRAM STRUCTURE:**

Agency Director and Executive Management Structure	
__Agency Director Office	1.2
__Financial Services	9.9
__Human Resources and Agency Services	3.4
__Information and Technology Services	6.0
__Research and Program Services	13.4
__Student Financial Aid Services	16.8
__Communications, Legislation & Outreach Services (Community Outreach = 32.7 FTE of the total 36.0)	36.0

9/30/2000 TOTAL FTE's = 86.7

Agency: HIGHER EDUCATION SVCS OFFICES

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Program:</b>									
STUDENT FINANCIAL AID SERVICES	130,700	132,915	157,665	151,184	161,687	149,831	151,301	174,064	158,908
STATE STUDENT LOAN SERVICES	73,187	92,689	109,069	114,053	114,053	114,053	119,053	119,053	119,053
RESEARCH & PROGRAM SERVICES	1,524	1,678	1,758	1,649	1,909	1,649	1,665	1,925	1,665
LIBRARY & TECHNOLOGY SERVICES	12,489	15,412	23,152	13,816	17,116	15,616	13,816	17,041	15,541
AGENCY/LOAN ADMINISTRATION	2,185	1,980	12,915	12,896	13,060	12,896	12,956	13,073	12,956
<b>Total Expenditures</b>	<b>220,085</b>	<b>244,674</b>	<b>304,559</b>	<b>293,598</b>	<b>307,825</b>	<b>294,045</b>	<b>298,791</b>	<b>325,156</b>	<b>308,123</b>
<b>Financing by Fund:</b>									
<b>Carry Forward:</b>									
GENERAL	3	7	50	50	50	50	50	50	50
<b>Direct Appropriations:</b>									
GENERAL	141,244	144,815	176,463	160,602	174,829	161,049	160,670	187,035	170,002
<b>Statutory Appropriations:</b>									
GENERAL	0	0	318	250	250	250	250	250	250
SPECIAL REVENUE	130	228	161	162	162	162	162	162	162
FEDERAL	1,522	2,402	3,242	3,206	3,206	3,206	3,306	3,306	3,306
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669
HIGHER EDUCATION SVCS OFFICE	74,129	93,570	120,656	125,659	125,659	125,659	130,684	130,684	130,684
<b>Total Financing</b>	<b>220,085</b>	<b>244,674</b>	<b>304,559</b>	<b>293,598</b>	<b>307,825</b>	<b>294,045</b>	<b>298,791</b>	<b>325,156</b>	<b>308,123</b>
<b>FTE by Employment Type:</b>									
FULL TIME	63.6	83.4	86.7	85.7	88.7	85.7	86.7	89.7	86.7
<b>Total Full-Time Equivalent</b>	<b>63.6</b>	<b>83.4</b>	<b>86.7</b>	<b>85.7</b>	<b>88.7</b>	<b>85.7</b>	<b>86.7</b>	<b>89.7</b>	<b>86.7</b>

**HIGHER EDUCATION SVCS OFFICES - BUDGET BRIEF**

**Fund: GENERAL**

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
<b>BASE YEAR (FY 2001) (\$000s)</b>			
Appropriations	\$160,527	\$160,527	\$321,054
<b><u>BASE ADJUSTMENT</u></b>			
Doc. Space Rental/Lease	17	26	43
2002-03 Salaries & Benefits	<u>58</u>	<u>117</u>	<u>175</u>
<b><u>BASE LEVEL (for 2002 and 2003)</u></b>	<b>\$160,602</b>	<b>\$160,670</b>	<b>\$321,272</b>
<b><u>CHANGE ITEMS</u></b>			
State Grants- Individual Tuition & Fees	450	5,140	5,590
State Grants- Length of Eligibility	5,090	5,560	10,650
State Grants- LME Adjustment & Reallocation	(4,880)	(1,120)	(6,000)
State Grants- Tuition & Fee Changes	3,230	6,540	9,770
State Grants- Summer Academic Enrichment	50	50	100
State Grants- Program Rewrite	164	117	281
Child Care	2,150	2,150	4,300
Work Study	3,000	3,000	6,000
Learning Network of Minnesota	1,500	1,500	3,000
Post Secondary Service Learning	260	260	520
Student Parent Information	55	60	115
Interstate Tuition Reciprocity	750	750	1,500
Intervention Investment Grants	500	500	1,000
Get Ready- Greater Minnesota	100	125	225
Minitex	1,800	1,725	3,525
Midwestern Higher Education Commission	<u>8</u>	<u>8</u>	<u>16</u>
<b>AGENCY REQUEST</b>	<b>174,829</b>	<b>187,035</b>	<b>361,864</b>
<b><u>GOVERNOR'S RECOMMENDATION</u></b>			
State Grants- Individual Tuition and Fees	450	5,140	5,590
State Grants- LME Adjustment & Reallocation	(11,900)	(8,100)	(20,000)
State Grants- Individual Tuition and Fees	5,090	5,560	10,650
State Grants- Financial Aid for Ind. Students	7,000	7,000	14,000
Interstate Tuition Reciprocity	750	750	1,500
Intervention Investment Grants	2,000	2,000	4,000
Minitex	1,800	1,725	3,525
Child Care Consolidation	<u>(4,743)</u>	<u>(4,743)</u>	<u>(9,486)</u>
<b>TOTAL</b>	<b>\$161,049</b>	<b>\$170,002</b>	<b>\$331,051</b>

**BRIEF EXPLANATION OF BUDGET DECISIONS:**

The Budget Recommendations of the Minnesota Higher Education Services Office (HESO) and the Services Council were developed following careful review of the Governor's *Big Plan* priorities and an extensive process of public hearings and focus groups around the State.

The public hearings and focus groups enabled students, parents, financial aid administrators, and members of the public to present their views on the programs administered by the Office and to offer advice and recommendations. The public hearings were held in Duluth, Mankato, Moorhead, Rochester, St. Cloud, and St. Paul and the focus groups in Duluth, Moorhead, and Pipestone.

Further, HESO management utilized the agency mission to ensure that budget proposals were mission aligned. Agency staff questioned whether programs established ten or more years ago were meeting contemporary needs of Minnesotans. Non-mission-relevant proposals were discarded and program innovations were introduced wherever evaluative information or research showed that contemporary service needs were not being met as fully as possible.

Finally, HESO examined ways in which federal dollars received within the State could be leveraged to fund innovations in successful services and to minimize new spending. One primary example of this is the use of state revenues freed by federal increases in the maximum Pell Grant award to fund significant innovation in the length of student eligibility for Minnesota State Grants.

Collectively, these resources, processes and actions guided HESO and the Services Council in making budget decisions.

**GOVERNOR'S RECOMMENDATION(S):**

The Governor recommends an increase of \$447,000 in FY 2002 and \$9.332 million in FY 2003 for the Higher Education Services Office (HESO). This appropriation increases State Grant awards for independent students, extends the period which a student is eligible to receive a State Grant, and includes individual tuition and fees in the grant calculation. It also provides funding to continue the Interstate Tuition Reciprocity program, increases funding for Intervention Investment Grants, and increases support for MINITEX library services.

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## HIGHER EDUCATION SVCS OFFICES - REVENUE SUMMARY

### **REVENUE SOURCES:**

The Higher Education Services Office (HESO) generates non-dedicated revenue, dedicated revenue and federal revenue. The non-dedicated revenue is primarily generated through refunds of prior year financial aid payments. In addition, the office receives payments on several miscellaneous loan programs. All non-dedicated revenue is deposited to the State General Fund.

### **FEE STRUCTURE:**

The office has two programs that are funded primarily through specific licensing fees: the Private Institution Registration Program and the Private Career School Licensure Program. In FY 2000, the revenue for these programs totaled \$107,000.

### **RECENT CHANGES:**

The office obtained a \$8.5 million grant from the U.S. Department of Education for early awareness outreach. The grant is for five years subject to annual funding. It began in FY 2000 and ends in FY 2004. In FY 2001 the office also received an AmeriCorps grant of \$446,000 through the Department of Children, Families and Learning.

### **FORECAST BASIS:**

Federal funding is expected to remain consistent with current projections over the next biennium. Fee revenue is expected to remain consistent with projected expenditures for areas dependent on fee revenue. At this time, no fee structure changes are proposed.

### **CHANGE ITEMS:**

None of the change items submitted by the office relates to fee structure changes.



Agency: HIGHER EDUCATION SVCS OFFICES

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<b>Non-Dedicated Revenue:</b>									
<b>Other Revenues:</b>									
GENERAL	182	551	60	380	380	60	60	(171)	(28.0%)
<b>Other Sources:</b>									
GENERAL	71	34	30	30	30	30	30	(4)	(6.3%)
<b>Taxes:</b>									
GENERAL	1	0	0	0	0	0	0	0	
<b>Total Non-Dedicated Receipts</b>	<b>254</b>	<b>585</b>	<b>90</b>	<b>410</b>	<b>410</b>	<b>90</b>	<b>90</b>	<b>(175)</b>	<b>(25.9%)</b>
<b>Dedicated Receipts:</b>									
<b>Departmental Earnings:</b>									
SPECIAL REVENUE	105	106	111	112	112	112	112	7	3.2%
<b>Grants:</b>									
FEDERAL	1,461	2,350	3,186	3,150	3,150	3,250	3,250	864	15.6%
<b>Other Revenues:</b>									
GENERAL	0	318	0	250	250	250	250	182	57.2%
SPECIAL REVENUE	117	78	55	50	50	50	50	(33)	(24.8%)
FEDERAL	17	20	20	20	20	20	20	0	0.0%
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	17	0.2%
HIGHER EDUCATION SVCS OFFICE	64,566	88,635	117,359	122,353	122,353	127,373	127,373	43,732	21.2%
<b>Other Sources:</b>									
FEDERAL	47	29	36	36	36	36	36	7	10.8%
HIGHER EDUCATION SVCS OFFICE	8,635	3,623	2,515	3,306	3,306	3,311	3,311	479	7.8%
<b>Total Dedicated Receipts</b>	<b>78,005</b>	<b>98,811</b>	<b>126,951</b>	<b>132,946</b>	<b>132,946</b>	<b>138,071</b>	<b>138,071</b>	<b>45,255</b>	<b>20.0%</b>
<b>Agency Total Revenues</b>	<b>78,259</b>	<b>99,396</b>	<b>127,041</b>	<b>133,356</b>	<b>133,356</b>	<b>138,161</b>	<b>138,161</b>	<b>45,080</b>	<b>19.9%</b>

## PROGRAM SUMMARY

**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

### PROGRAM PROFILE:

Minnesota's financial aid policy, the Design for Shared Responsibility, enables people to enhance their self-sufficiency by facilitating financial access for residents, regardless of their economic status, to attend the institution that can best meet their educational needs.

The Design for Shared Responsibility assigns responsibilities for paying for post-secondary education to students, families, and taxpayers. Students, as primary beneficiaries, are assigned a significant payment responsibility. The remainder of the price is assigned to families and taxpayers. Assignments to families are based on their ability to pay.

Minnesota State Grants, working in combination with Federal Pell Grants, provide coverage of the Assigned Taxpayer Responsibilities, as necessary. Minnesota Work Study jobs assist students in earning money to help meet their assigned payment responsibilities. Minnesota Student Educational Loan Fund (SELF) loans, along with other federal and private loans, enable students and their families defer part of their payment responsibilities until after the student completes his or her academic career. The Post-secondary Child Care Grant Program and the Safety Officers' Survivor Grant Program assist students, who have specific needs or circumstances, cover expenses associated with pursuing post-secondary educations.

Interstate Tuition Reciprocity agreements enhance student access by eliminating non-resident admission barriers and expanding student choice by reducing non-resident tuition prices. The Minnesota College Savings Plan will enable families to save for their children's post-secondary expenses with tax deferred accounts. The Parent and Student Information Program helps students and families plan for and make informed decisions about post-secondary education participation.

### STRATEGIES AND PERFORMANCE:

For the 2002-03 biennium, the objectives for student financial aid are to:

- Enable residents of Minnesota to enroll in a post-secondary institution.
- Support the ability of students to choose the post-secondary institution that best meets their educational needs, regardless of their financial circumstances.
- Help pay for child care if students need such assistance to attend post-secondary institutions.
- Expand work opportunities so that students can earn income to help pay for post-secondary education.

- Encourage post-secondary participation by providing information about college and how to pay for college, especially to low income and families of color.

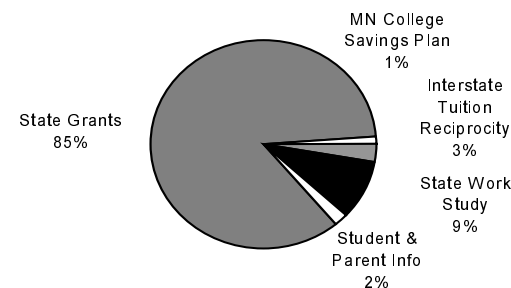
### BUDGET ISSUES:

To compete in today's global economy, most Minnesotans will enroll in some form of post-secondary education. As education has become more and more essential, Minnesota has enacted significant programs of financial aid and other assistance so that barriers to post-secondary education can be overcome. The activities under this program are part of the state's strategy to keep education affordable and accessible for all Minnesota families.

The important budget issues facing student financial aid services are to reach decisions that will:

- reflect accurate and increasing prices for post-secondary education so that students do not fall behind in their ability to pay educational expenses;
- maintain eligibility requirements for student aid that are consistent with enrollment patterns of today's students; expect a rigorous but reasonable investment by students in their own educations and provide flexible opportunities to meet this expectation through work and borrowing;
- meet obligations under interstate tuition reciprocity agreements that reduce the price of educational options available to Minnesota residents; and
- respond to changes in Minnesota's increasingly diverse population by providing information and other support mechanisms for low income students and families to increase their awareness of post-secondary educational opportunities, and the steps they must take to prepare academically and financially to access such opportunities.

**Student Financial Aid Services  
2000-01 Expenditures by Activity  
Total \$290.6 Million**



Program: STUDENT FINANCIAL AID SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Activity:</b>									
STATE GRANTS	113,903	114,366	133,286	129,162	135,252	125,059	129,162	147,482	134,019
MN COLLEGE SAVINGS PLAN	8	15	3,025	1,520	1,520	1,520	1,520	1,520	1,520
INTERSTATE TUITION RECIPROCITY	4,111	4,195	4,805	4,500	5,250	5,250	4,500	5,250	5,250
STATE WORK STUDY	11,398	11,955	12,933	12,444	15,444	12,444	12,444	15,444	12,444
STUDENT & PARENT INFORMATION	646	1,749	2,845	2,829	3,484	4,829	2,934	3,619	4,934
STUDENT FINANCIAL AID SERVICES	634	635	771	729	737	729	741	749	741
<b>Total Expenditures</b>	<b>130,700</b>	<b>132,915</b>	<b>157,665</b>	<b>151,184</b>	<b>161,687</b>	<b>149,831</b>	<b>151,301</b>	<b>174,064</b>	<b>158,908</b>

<b>Change Items:</b>	<b>Fund</b>								
(B) STATE GRANTS- LENGTH OF ELIGIBILITY	GEN				5,090	5,090		5,560	5,560
(B) STATE GRANT- LME ADJ & REALLOCATION	GEN				(4,880)	(11,900)		(1,120)	(8,100)
(B) STATE GRANTS-INDIVIDUAL TUITION & FEES	GEN				450	450		5,140	5,140
(B) STATE GRANTS- TUITION & FEE CHANGES	GEN				3,230			6,540	
(B) STATE GRANTS- SUMMER ACADEMIC ENRICH	GEN				50			50	
(B) FINANCIAL AID-INDEPENDENT STUDENTS	GEN					7,000			7,000
(B) CHILD CARE	GEN				2,150			2,150	
(B) CHILD CARE CONSOLIDATION	GEN					(4,743)			(4,743)
(B) INTERSTATE TUITION RECIPROCITY	GEN				750	750		750	750
(B) STATE WORK STUDY	GEN				3,000			3,000	
(B) GET READY - GREATER MINNESOTA	GEN				100			125	
(B) INTERVENTION INVESTMENT GRANTS	GEN				500	2,000		500	2,000
(B) STUDENT PARENT INFORMATION	GEN				55			60	
(B) MIDWESTERN HIGHER EDUCATION COMM	GEN				8			8	
<b>Total Change Items</b>					<b>10,503</b>	<b>(1,353)</b>		<b>22,763</b>	<b>7,607</b>

<b>Financing by Fund:</b>									
<b>Carry Forward:</b>									
GENERAL	3	7	50	50	50	50	50	50	50
<b>Direct Appropriations:</b>									
GENERAL	129,926	131,414	154,853	148,441	158,944	147,088	148,458	171,221	156,065
<b>Statutory Appropriations:</b>									
GENERAL	0	0	318	250	250	250	250	250	250
SPECIAL REVENUE	12	3	0	0	0	0	0	0	0
FEDERAL	759	1,491	2,444	2,443	2,443	2,443	2,543	2,543	2,543
<b>Total Financing</b>	<b>130,700</b>	<b>132,915</b>	<b>157,665</b>	<b>151,184</b>	<b>161,687</b>	<b>149,831</b>	<b>151,301</b>	<b>174,064</b>	<b>158,908</b>

Program: STUDENT FINANCIAL AID SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>FTE by Employment Type:</b>									
FULL TIME	18.2	37.8	40.7	41.7	43.7	41.7	42.7	44.7	42.7
<b>Total Full-Time Equivalent</b>	<b>18.2</b>	<b>37.8</b>	<b>40.7</b>	<b>41.7</b>	<b>43.7</b>	<b>41.7</b>	<b>42.7</b>	<b>44.7</b>	<b>42.7</b>

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**BUDGET ACTIVITY SUMMARY**

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

**ACTIVITY PROFILE:**

The State Grant Activity provides financial aid in four categories for Minnesota residents attending Minnesota post-secondary institutions.

**1. Minnesota State Grant Program [M.S. 136A.121]**

The State Grant Program is the state's foundational program of post-secondary financial aid assistance grants for undergraduate students.

Financing a post-secondary education is a major undertaking for most students and their families. In Minnesota for the 2000-01 academic year, students pay average tuition and fees of \$2,388 in the technical colleges, \$2,590 in community colleges, \$3,258 in state universities, \$4,877 at the University of Minnesota, and \$16,873 at a private liberal arts colleges. During the 1990s, Minnesota per capita income rose by 50%. Students and families, however, faced tuition and fee increases ranging from 58% in technical colleges to 82% at the University of Minnesota.

State Grants help maintain an appropriate and reasonable distribution of the price of post-secondary education among students, families, and taxpayers so that Minnesotans of all economic backgrounds can choose and attend Minnesota post-secondary institutions. While future changes in post-secondary education expenses are likely, the State Grant Program is designed to respond to actual charges for tuition and estimated living costs.

The program accommodates a wide array of undergraduate students and student choices. There are no age or program restrictions. Students may be enrolled for as few as three semester credits. Undergraduates may attend any Minnesota public post-secondary institution and most Minnesota private post-secondary institutions.

**2. Minnesota Post-Secondary Child Care Grant Program [M.S. 136A.125]**

Minnesota students with young children face additional expenses associated with child care while attending school. To help offset the price paid for child care services, Post-Secondary Child Care Grants are made available to students who: have children 12 years of age and younger (14 years of age and younger if the child has a disability); do not receive assistance under the Minnesota Family Investment Program (MFIP); and who need child care assistance in order to attend an eligible post-secondary institution.

This was established in 1989 because other state child care subsidies, including the Basic Sliding Fee Program, are targeted to working parents.

**3. Public Safety Officers' Survivor Grant [M.S. 299.45]**

The Public Safety Officers' Survivor Grant program honors public safety officers killed in the line of duty and assures that their survivors will be able to afford higher education tuition. Dependent children and surviving spouses may receive assistance under this program.

**4. Summer Scholarships for Academic Enrichment [M.S. 126.56]**

Summer Scholarships for Academic Enrichment encourage talented Minnesota students in grades 7-12 to pursue academic development and exposure to post-secondary education opportunities during the summer.

Low income Minnesota students in grades 7-12, who attend eligible summer academic programs sponsored by Minnesota post-secondary institutions, are eligible for tuition grants. Students must have a B average overall or in the relevant subject area for the academic term prior to application.

**FINANCING INFORMATION:**

Programs under this activity are funded from General Fund appropriations.

**STRATEGIES AND PERFORMANCE:**

Program	Number of Awards	Total Award Amount
Minnesota State Grants*	61,618	\$108,931,824
Minnesota Post-Secondary Child Care Grants	2,659	\$4,179,769
Safety Officer Survivor Grants	13	\$35,522
Minnesota Summer Scholarships for Academic Enrichment	284	\$189,400

FY 1999 statistics \*

**Minnesota State Grant Program**

Minnesota State Grants are based on a policy called the Design for Shared Responsibility, which assigns specific responsibilities for paying the price of attendance to students, families, and taxpayers. Minnesota State Grants are determined by establishing a price of attendance and then subtracting the amount

## BUDGET ACTIVITY SUMMARY (Continued)

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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of that price assigned to students, families, and the amount paid by taxpayers through Federal Pell Grants.

The Design starts with a recognized, realistic price of attendance defined as tuition and fees plus a standard living and miscellaneous expense allowance. The allowance is established by legislation and reflects the prices of room and board, books, supplies and miscellaneous expenses. For students attending public institutions, actual tuition and fees are used. For students attending eligible private institutions, a tuition maximum limits the recognized price. To keep up with increasing prices, the recognized tuition and fees and living and miscellaneous allowance should be adjusted each year to reflect what students and families actually pay. The price of attendance is based on 15 credits per term for two semesters (or equivalent), and the price of attendance used to calculate the grant is reduced if the student registers for fewer credits.

Under the Design for Shared Responsibility, students are assigned a major part of the price of attendance which can be covered by savings, earnings, loans, or assistance from institutional or private sources. The amount assigned to students should be "rigorous, but reasonable" for students to assume with work or borrowing if necessary. The current Assigned Student Responsibility is 46 percent of the price of attendance.

The remaining part of the price is assigned to families and taxpayers. The dollar amount assigned to families is based on the family's income and net worth. Some students who meet specific criteria are eligible to apply as independent students. These students are assigned a family responsibility based on their ability to pay similar to the way the state assigns payment responsibilities to the parents of dependent students.

The policy assigns taxpayers the responsibility for covering the amount not assigned to students and families. Taxpayer assignments are covered by a combination of Federal Pell Grants which students receive from the federal government and Minnesota State Grants from the state government. The basic strategy of the Design for Shared Responsibility is that Minnesota should set state policy for the appropriate responsibilities of students themselves, their families, and taxpayers for the accurate cost of attending post-secondary education. Minnesota leverages the taxpayer-provided aid invested in the student through the Federal Pell Grant Program and appropriates sufficient state funds to guarantee that the remaining taxpayer's responsibility is picked up by a State Grant for students who qualify.

### **Minnesota Post-Secondary Child Care Grant Program**

A maximum grant award (currently \$2,000) is established in statute. Grant awards are based on family income and family size. Students may receive grant assistance for up to 40 hours/week per eligible child. The selection of recipients is made on campus from an allocation made to the institution from the state appropriation.

### **Public Safety Officers' Survivor Grant**

The Commissioner of Public Safety certifies that the applicant is a survivor of a public safety officer killed in the line of duty. Eligible applicants receive grant assistance to enroll in an undergraduate or certificate program at a Minnesota post-secondary institution. The grant is equal to the tuition and fees charged by that institution up to the amount of the highest tuition and fees charged by a Minnesota public institution.

### **Summer Scholarships for Academic Enrichment**

Grants for actual tuition costs, up to \$1,000, are made to students from families with annual incomes of less than \$24,000. The program is publicized by Minnesota secondary schools, summer enrichment programs offered by Minnesota post-secondary institutions, the Minnesota Minority Education Partnership, and the Academic Excellence Foundation.

The Services Office surveyed students who received grants in 1998 to ask about their experiences. Students overwhelmingly reported that they had academically benefited and learned what it will be like to attend college.

### **BUDGET ISSUES:**

The Minnesota State Grant Program has been successful in managing the impact of paying for post-secondary education on Minnesota students and families. It is a major way in which the state has supported student financial access to post-secondary education and the financial ability of students to choose among post-secondary options according to their educational needs. The current appropriation recognizes the actual prices paid by students attending public institutions, a legislatively-determined tuition maximum, a frugal but livable allowance for living and miscellaneous expenses, and a manageable Assigned Student Responsibility.

- For the coming biennium, prices charged by public and private institutions are likely to increase, and living costs continue to rise. Adjustments in the appropriation will be needed to help students respond to the increasing price of attending higher education.

## BUDGET ACTIVITY SUMMARY (Continued)

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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- The Services Office is also proposing that the prices charged to students would be more accurate if Minnesota State Grants were no longer based on a uniform charge for students attending the same institution. In reality, tuition and fees can vary under the pricing policies of many institutions.
- Another change that policymakers could consider would extend the maximum eligibility for State Grants for workers who return to post-secondary education and other students who take longer than four years of attendance to earn a baccalaureate degree. The current policy restricts the ability of Minnesotans to use post-secondary education to respond to workforce demands in a changing economy.

In the Post-Secondary Child Care Grant Program, reflecting realistic costs of child care is an important issue to evaluate when making appropriations decisions. Students attending for-profit institutions and religious programs and institutions are currently not eligible for Post-Secondary Child Care Grants, but this policy is inconsistent with the eligibility requirements of other state student financial aid programs.

As more is learned about the importance of early awareness and encouragement for low income students to attend post-secondary education, the Summer Scholarships for Academic Enrichment could play a wider role by serving students before they reach the seventh grade.

### **GOVERNOR'S RECOMMENDATION:**

The Governor recommends an increase of \$450,000 in FY 2002 and \$5.14 million in FY 2003 to recognize individual tuition and fees charged by institutions in the calculation of State Grants, as proposed by HESO.

The Governor recommends an increase of \$5.09 million in FY 2002 and \$5.56 million in FY 2003 to extend the length of time a student is eligible to receive a State Grant, as proposed by HESO.

The Governor recommends an increase of \$7.0 million in FY 2002 and \$7.0 million in FY 2003 to reduce the assessment of independent students' income by 33% for the State Grant Program.

The Governor recommends reallocating \$11.9 million in FY 2002 and \$8.1 million in FY 2003 by capping the increase in Living and Miscellaneous Expenses (LME) at 2.5% per year. The Governor recommends using the

remaining savings generated by the increase in the federal Pell Grant maximum to help finance the State Grant initiatives recommended above by the Governor.

The Governor recommends the Child Care Grant program be consolidated with other state child care programs operated by the Department of Children, Families, and Learning. More information on this proposal can be found in the Children, Families and Learning budget book.



Activity: STATE GRANTS  
 Program: STUDENT FINANCIAL AID SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	21	23	27	26	26	26	26	26	26
OTHER OPERATING EXPENSES	4	7	7	7	5,837	457	7	8,697	7
<b>Subtotal State Operations</b>	<b>25</b>	<b>30</b>	<b>34</b>	<b>33</b>	<b>5,863</b>	<b>483</b>	<b>33</b>	<b>8,723</b>	<b>33</b>
PAYMENTS TO INDIVIDUALS	113,761	114,336	133,252	129,129	129,389	124,576	129,129	138,759	133,986
LOCAL ASSISTANCE	117	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>113,903</b>	<b>114,366</b>	<b>133,286</b>	<b>129,162</b>	<b>135,252</b>	<b>125,059</b>	<b>129,162</b>	<b>147,482</b>	<b>134,019</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) STATE GRANTS- LENGTH OF ELIGIBILITY	GEN				5,090	5,090		5,560	5,560
(B) STATE GRANT- LME ADJ & REALLOCATION	GEN				(4,880)	(11,900)		(1,120)	(8,100)
(B) STATE GRANTS-INDIVIDUAL TUITION & FEES	GEN				450	450		5,140	5,140
(B) STATE GRANTS- TUITION & FEE CHANGES	GEN				3,230			6,540	
(B) STATE GRANTS- SUMMER ACADEMIC ENRICH	GEN				50			50	
(B) FINANCIAL AID-INDEPENDENT STUDENTS	GEN					7,000			7,000
(B) CHILD CARE	GEN				2,150			2,150	
(B) CHILD CARE CONSOLIDATION	GEN					(4,743)			(4,743)
<b>Total Change Items</b>					<b>6,090</b>	<b>(4,103)</b>		<b>18,320</b>	<b>4,857</b>
<b>Financing by Fund:</b>									
<b>Carry Forward:</b>									
GENERAL	3	7	50	50	50	50	50	50	50
<b>Direct Appropriations:</b>									
GENERAL	113,406	113,865	132,323	128,368	134,458	124,265	128,368	146,688	133,225
<b>Statutory Appropriations:</b>									
GENERAL	0	0	318	250	250	250	250	250	250
FEDERAL	494	494	595	494	494	494	494	494	494
<b>Total Financing</b>	<b>113,903</b>	<b>114,366</b>	<b>133,286</b>	<b>129,162</b>	<b>135,252</b>	<b>125,059</b>	<b>129,162</b>	<b>147,482</b>	<b>134,019</b>

Activity: STATE GRANTS  
 Program: STUDENT FINANCIAL AID SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Revenue Collected:</b>									
<b>Dedicated</b>									
GENERAL	0	318	0	250	250	250	250	250	250
FEDERAL	494	494	595	494	494	494	494	494	494
<b>Nondedicated</b>									
GENERAL	165	306	50	320	320	320	50	50	50
<b>Total Revenues Collected</b>	<b>659</b>	<b>1,118</b>	<b>645</b>	<b>1,064</b>	<b>1,064</b>	<b>1,064</b>	<b>794</b>	<b>794</b>	<b>794</b>
<b>FTE by Employment Type:</b>									
FULL TIME	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<b>Total Full-Time Equivalent</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

**BUDGET CHANGE ITEM (46890)**

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

**Item Title:** STATE GRANT- LENGTH OF ELIGIBILITY

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$5,090	\$5,560	\$5,560	\$5,560
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statute(s) affected:

New Activity  Supplemental Funding  Reallocation

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's request.

**RATIONALE:**

This request would update State Grant eligibility criteria to accommodate the attendance patterns of many of today's workers and students. Minnesota faces workforce shortages that can be alleviated by making it easier for residents to return to post-secondary education for new skills.

Currently, eligibility for a State Grant expires once a student has attained a baccalaureate degree or has attended college for the equivalent of four years on a full-time basis. Students who wish to pursue educational opportunities often find, however, that prior course work does not apply toward their current undergraduate degree if it was earned at another institution or in a different field of study.

This request would allow students to retain eligibility for State Grants until they obtain a baccalaureate degree. Program regulations would no longer be an obstacle for students who run out of eligibility a few credits short of a degree and for students who return to college for new skills.

Existing policies will continue to deter students from prolonging enrollment. All students are expected to cover 46 percent of the price of attendance and make satisfactory academic progress.

**FINANCING:**

The Services Office is requesting \$5.1 million in FY 2002 and \$5.6 million in FY 2003 to adapt the State Grant Program to modernize the length of time for State Grant eligibility.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	\$128,275,000	\$128,745,000

Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$123,185,000	4.1%	4.5%

**OUTCOMES:**

This proposal change would reduce financial barriers for adults returning to post-secondary education or for students whose programs require more than four years of attendance. An estimated 2,400 students per year who otherwise would have exhausted their State Grant eligibility would be eligible for State Grants if they meet other requirements. These students may be:

- current workers who see opportunities for a different career in Minnesota's changing economy;
- students who adjusted their educational objectives and career plans as they learned more about their abilities and the job market; or
- students enrolled in programs that take longer than four years because jobs require advanced and multiple competencies.

As a secondary outcome, the process of applying for financial aid will be easier for transfer students. Students will no longer have to obtain transcripts from all institutions they have previously attended even when credits previously earned are not applicable to the educational programs being pursued.

**BUDGET CHANGE ITEM (59833)**

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICES  
**Item Title:** STATE GRANT-LME ADJ & REALLOCATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	(\$4,880)	(\$1,120)	(\$1,120)	(\$1,120)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency request. In the time following approval of HESO's request by the HESO Board of Directors, Congress took final action on the federal Pell Grant Maximum, increasing it \$450 to \$3,750. HESO assumed only a \$250 increase when calculating the cost of this initiative.

If the LME increase is capped at 2.5% per year (as suggested by HESO in this initiative), significant reallocation opportunities are created. According to HESO estimates, \$11.9 million in FY 2002 and \$8.1 million in FY 2003 are available for reallocation. The Governor recommends these dollars be reallocated to increase aid for independent students, to allow for individual tuition and fees to be included in the State Grant calculations, and to extend the time a student is eligible to receive a State Grant.

**RATIONALE:**

A guiding principle of this budget activity is recognize living and miscellaneous expenses faced by students and then to assign responsibility for these payment responsibilities to students, families, and taxpayers. To keep up with rising expenses due to inflation, adjustments in the prices used to calculate Minnesota State Grants are needed. Without such adjustments, more of the payment responsibility would fall to the low and moderate income families served by Minnesota State Grants.

Minnesota State Grants are coordinated with Federal Pell Grants, so increases in the Federal Pell Grant Maximum result in smaller Minnesota State Grants for *some* students and less overall state spending. In past years, the state has chosen to reinvest the savings to improve Minnesota State Grants. Current statutes (M.S. 36A.1211) require any savings due to changes in the Federal Pell Grant Maximum be used to increase the Living and Miscellaneous Expense Allowance (LME) component of the price of attendance.

The Federal Pell Grant Maximum is likely to be increased for the state's FY 2002 as part of the budget appropriation being negotiated by Congress and the President for federal FY 2001. The most conservative estimate of the amount to be included in the appropriations for the U.S. Department of Education has been in the range of an \$250 increase. An increase of \$250 would allow the LME to be increased from \$5,405 in FY 2001 to \$5,705 in FY 2002 and FY 2003.

Consumer prices are projected to increase 2.5 percent each year of the biennium. If LME increases were limited to inflation, the LME would be increased from \$5,405 in FY 2001 to \$5,540 in FY 2002 and \$5,679 in FY 2003.

Funding only inflationary increases in the LME would free up funds that could be reallocated to other change items. HESO proposes that these funds be used as an offset the cost of implementing the Change Item: State Grant - Length of Eligibility described below.

**FINANCING:**

A \$250 increase in the Federal Pell Grant Maximum is projected to reduce Minnesota State Grant spending by \$8.52 million per year. The inflationary increases in LME are projected to increase spending by \$3.64 million in FY 2002 and \$7.4 million in FY 2003. The differences of \$4.88 million in FY 2002 and \$1.12 million in FY 2003 is proposed to be reallocated to the Change Item: State Grant - Length of Eligibility

	FY 2002	FY 2003
Grants to Students	\$3,640,000	\$7,400,000
Reallocation	\$4,880,000	\$1,120,000
Total	\$8,520,000	\$8,520,000

	FY 2002 Percent Change	FY 2003 Percent Change
State Grant Spending	2.9%	6.0%
FTE	No Change	No Change

**OUTCOMES:**

Unlike programs in many states, Minnesota State Grants are based on a recognition of all expense items related to students pursuing post-secondary education opportunities. The changes requested in this section will increase Minnesota State Grant awards as the prices students face increase.

**BUDGET CHANGE ITEM (45042)**

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

**Item Title:** STATE GRANT-INDIVIDUAL TUITION & FEES

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$450	\$-0-	\$-0-	\$-0-
-Grants	\$-0-	\$5,140	\$5,140	\$5,140
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statute(s) affected:

New Activity     Supplemental Funding     Reallocation

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's request.

**RATIONALE:**

Minnesota students need to attend post-secondary institutions that prepare them for lifelong learning and a world that relies on technology. Minnesota's financial aid programs should support their educational goals.

A guiding principle of the Minnesota State Grant program is to recognize the full tuition, fees, living and miscellaneous prices faced by students and then assign responsibility for these prices to students, families and state and federal taxpayers. State Grants have been calculated based on a single tuition and fee charge for 15 credits identified annually for each institution. Only fees paid by all undergraduates are recognized. Students taking fewer than 15 credits are assumed to pay prorated tuition and fees. (The calculation of grants for students attending private institutions is also subject to the tuition maximums set in state law.)

This practice does not reflect the increasing variation in charges made to students within an institution: 1) per credit tuition schedules that vary by the course load taken (i.e., "banding"); 2) special tuition rates in particular programs, 3) individual course fees; and 4) required computer and other equipment purchases or leases. Students who incur additional costs because

they take more than 15 credits do not receive any consideration of these expenses.

**FINANCING:**

Based on existing fee policies and attendance patterns at MnSCU institutions and University of Minnesota campuses, approximately 20,000 students per year would receive larger grants to recognize expenses in excess of current budgets.

To take advantage of the new flexibility, institutions will have to develop the ability to link student billing statements from the business office to financial aid processes.

The Services Office is requesting \$450,000 in FY 2002 to contract software program changes and \$5.14 million in FY 2003 to make State Grant awards that reflect actual educational costs charged to individual students by their institutions.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	-0-	\$5,140,000
Computer software Revisions	\$450,000	-0-
<b>Total</b>	<b>\$123,635,000</b>	<b>\$128,325,000</b>

Current Base	FY 2002 % Change	FY 2003 % Change
\$123,185,000	0.4%	4.2%

**OUTCOMES:**

The prices of attendance used to establish eligibility for State Grants will be consistent with the real expenses students encounter when they enroll in post-secondary education.

- This initiative supports the ability of students to choose the educational options that best meet their needs. It will reduce financial barriers for State Grant recipients who want to enroll in majors that require them to pay special tuition, computer or other charges.
- Recipients who take more than 15 credits a term in order to complete their programs within four years or to acquire additional skills will receive educational state grant assistance if they are charged for these additional credits.

**BUDGET CHANGE ITEM (46892)**

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICES

**Item Title:** STATE GRANT- TUITION & FEE CHANGES

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$3,230	\$6,540	\$6,540	\$6,540

Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_\_\_ No  X

If yes, statute(s) affected:

       New Activity     X  Supplemental Funding           Reallocation

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this initiative.

**RATIONALE:**

A guiding principle of this budget activity is to recognize tuition and fees, as well as living and miscellaneous expenses faced by students and then to assign these payment responsibilities to students, families and taxpayers. To keep up with rising expenses due to inflation, adjustments in the prices used to calculate Minnesota State Grants are needed. Without such adjustments, more of the payment responsibility would fall to the low and moderate income families served by Minnesota State Grants.

Although tuition and fees will be set later by the governing boards, tuition and fees are assumed to increase 2.5% each year. In accordance with state law, actual tuition and fees, up to statutory maximums, will be used to calculate awards. The Services Office is requesting an additional appropriation to increase the tuition and fee maximums specified in law by 2.5% each year. The maximum recognized tuition and fees for students attending four-year institutions would increase from \$8,550 in FY 2001 to \$8,764 in FY 2002 and \$8,983 in FY 2003. The maximum recognized tuition and fees for students

attending two-year institutions would increase from \$6,580 in FY 2001 to \$6,744 in FY 2002 and \$6,913 in FY 2003.

**FINANCING:**

To respond to the projected increases in tuition and fees as well as proposed changes in the tuition maximums, \$3.23 million is being requested for FY 2002 and \$6.54 million for FY 2003.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	\$126,415,000	\$129,725,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base \$123,185,000	2.6%	5.3%

**OUTCOMES:**

Minnesota State Grants are designed to respond to changes in tuition and fees. The changes requested in this section will fund larger Minnesota State Grant awards to moderate the effects of tuition and fee increases on students and families.

**BUDGET CHANGE ITEM (45237)**

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICES  
  
**Item Title:** STATE GRANTS- SUMMER ACADEMIC ENRICH

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$50	\$50	\$50	\$50
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this initiative.

**RATIONALE:**

The Summer Scholarship Program for Academic Enrichment serves students in the 7th through 12th grades. Under this proposal, the program would be broadened to serve low income students in 4th through 6th grades who choose to attend summer academic enrichment programs.

This initiative supports the Governor's Big Plan goal of "High Student Achievement for All Students". Research shows that students who are academically engaged over the summer tend to lose less academically than those who participate in no educational activities. The proposal is consistent with the Services Office goal of helping low income students to aspire to a post-secondary education. This proposal also complements the agency's early intervention programs that focus on supporting early academic success for low-income families. Often such families have little or no higher education experience. Research shows that many students from low income families at an early age limit their future education and career options and don't prepare well academically or financially. Under the Summer Scholarship Program, students have an opportunity to benefit from academic experiences on college

campuses and expand their awareness of post-secondary education opportunities. Prior evaluations of this program indicated that: students had positive academic experiences; the program reinforced or initiated plans for higher education; and scholarship assistance made a significant difference in providing access to summer academic enrichment programs.

**FINANCING:**

The current funding level for the Summer Scholarship Program is \$275,000 per year. The proposal represents an increase of 18% each year of the program. Based on a current average award of \$667, the request would provide approximately 75 additional scholarships per year. This change does not affect agency FTE.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Summer Scholarships to Students	\$325,000	\$325,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base	\$275,000	18.2%
		18.2%

**OUTCOMES:**

As a result of broadening the program, more low income students would enhance their academic success in school; they would develop goals and aspirations for education beyond high school, and work to achieve them. Subsequently, program participants would complete high school and attend some type of post-secondary institution and become self-sufficient citizens contributing to the state's economic well being. The Services Office will track Summer Scholarship recipients over time to assess the impact of summer experiences on future educational success.

**BUDGET CHANGE ITEM (61316)**

**Agency: HIGHER EDUCATION SVCS OFFICES**

**Item Title: FINANCIAL AID-INDEPENDENT STUDENTS**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$7,000	\$7,000-	\$7,000	\$7,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statute(s) affected:

New Activity     Supplemental Funding     Reallocation

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends lowering the assessment rates on independent students' income when calculating Minnesota State Grant award eligibility by 33%. This requires an increase of \$7.0 million in FY 2002 and \$7.0 million in FY 2003. HESO did not request funds for this initiative.

**RATIONALE:**

Many currently employed Minnesotans are underemployed and working at a level below their potential. Nearly 40 percent of the Minnesota workforce is earning less than \$10.00/hour. In many cases, additional coursework at a higher education institution will enhance a worker's skills and allow them to command a higher wage in the marketplace.

This proposal would have two purposes. First, it would ease the financial burden for incumbent workers currently receiving a State Grant. For example, an independent student with an Adjusted Gross Income (AGI) between \$5,000 and \$10,000 taking seven credits/semester, and now receiving a grant of \$162 would receive \$462 (an increase of \$299) with this proposal.

In addition, this proposal will provide an incentive for low-income adults to increase their skills. In FY 2001, only 22% of State Grant dollars went to independent students. Many part-time students do not even apply for a State Grant because they are ineligible or the prospective award is so small. Under

this proposal, a significant financial incentive would be provided to many part time students. For example, a student with an AGI between \$10,000 and \$15,000 taking nine credits/semester who currently doesn't receive a State Grant would receive a State Grant of \$879 under this proposal.

**FINANCING:**

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	\$130,185,000	\$130,185,000

Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$123,185,000	5.7%	5.7%



**BUDGET CHANGE ITEM (45046)**

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

**Item Title:** CHILD CARE

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$2,150	\$2,150	\$2,150	\$2,150
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statute(s) affected:

New Activity     Supplemental Funding     Reallocation

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this initiative. Instead, the Governor recommends the Child Care Consolidation proposal described on the following page.

**RATIONALE:**

The cost of full-time child care for 30 weeks, the approximate length of the academic year, exceeds \$5,000 in most Minnesota counties. Current law authorizes the Services Office to increase the maximum award amount from \$2,000 to \$2,200 for FY 2001 only. Students needing child care services must cover the remaining child care price from their own resources. This serves to deter a parent from pursuing post-secondary education.

Students attending private career schools are eligible for Minnesota State Grants and Minnesota State Work Study. Many students attending such institutions are working adults with children who need child care support in order to attend. In addition, these institutions tend to offer shorter career-focused programs that are popular with working adults. Minnesota citizens who select a for-profit institution as their educational provider deserve equal access to the Post-secondary Child Care Grant Program as students attending other post-secondary institutions.

**FINANCING:**

The current Post-secondary Child Care Grant Program is funded at \$4.7 million per year.

Increasing the award maximum to \$2,500 would require an additional \$1,250,000 per year of the biennium. Covering the inclusion of private, for-profit institutions would require an additional \$900,000 each year of the biennium.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Grants to Students	\$6,893,000	\$6,893,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base	\$4,743,000	45.3%
		45.3%

.5 FTE is included in this activity to administer Child Care Grants. No increase in agency FTE is proposed as a result of this proposal.

**OUTCOMES:**

By increasing the maximum Post-secondary Child Care Grant Award, and expanding program eligibility to the for-profit schools, more parents would be able to enroll in a post-secondary institution and increase their earning capability for the future, thus becoming more self-sufficient and improving their contributions to the state.

**BUDGET CHANGE ITEM (62016)**

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICES  
**Item Title:** CHILD CARE CONSOLIDATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Federal TANF	\$10,343	(\$9,198)	\$1,994	\$7,276
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statute(s) affected: 119B,

New Activity     Supplemental Funding     Reallocation

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends reallocating existing child care resources to create a consolidated child care assistance system in which eligibility aligns more closely with policy priorities. This proposal will result in a decrease in TANF spending of \$6.1 million in FY 2002-03 and an increase in TANF spending of \$16.8 million in FY 2004-05 when consolidation is done in conjunction with proposed changes in MFIP eligibility.

To be eligible for benefits under the consolidated system, families must have incomes at or below 50% of State Median Income (SMI) and be working 20 hours a week or have an authorized Minnesota Family Investment Program (MFIP) employment plan. (Under current Basic Sliding Fee (BSF) child care, entry and exit is at 75% of SMI.) Families will transition off the system when their income reaches 75% of SMI. At that point their co-pay responsibilities will be comparable to the cost of care minimizing the cliff effect.

The consolidated system will include post-secondary students (working 20 hours a week or with an MFIP employment plant). For those who qualify, it will significantly increase potential benefits for that low-income population. For further details, see the Department of Children, Families, and Learning budget.

**RATIONALE:**

Currently, low-income families access state supported child care subsidies in three ways: the Child Care Assistance Program administered by the

Department of Children, Families, and Learning (CFL); the Dependent Care Tax Credit program administered by the Department of Revenue (DOR), and the Post-Secondary Child Care Grant program administered by the Higher Education Services Office (HESO). CFL's Child Care Assistance Program is by far and away the most significant source of support available to Minnesota families both in terms of available resources and number of families served.

Unfortunately, these programs do not consistently:

- allocate resources to the highest priority families,
- provide incentives for families to transition to self sufficiency, or
- treat families in similar circumstances similarly.

Consolidation of current child care programs will address these concerns and consequently improve service delivery and simplify program administration.

**The Child Care Assistance Program** at CFL currently consists of two subprograms: Minnesota Family Investment Program (MFIP)/ Transition Year (TY) and Basic Sliding Fee (BSF). MFIP/TY child care serves families either receiving MFIP cash assistance or in their first year transitioning off of MFIP. The appropriation for MFIP/TY is forecast to meet demand. BSF serves families not attached to MFIP cash assistance. The BSF appropriation is not forecast.

Demand for BSF often exceeds available funds. Working families who are eligible for MFIP based on their income, but who choose not to apply for cash assistance, are sometimes not able to get child care assistance (depending on their county of residence). This creates a perverse incentive for families to apply for MFIP cash assistance in order to receive help paying for their child care.

**The Dependent Care Tax Credit program** requires that families pay their child care expenses during the year and then allows them to claim a tax credit when they file their taxes. Low-income families may not have the cash flow necessary to finance the full cost of child care in anticipation of a tax credit at a later time. As a result the program is underutilized.

**The HESO Post-Secondary Child Care Grant program** is available to eligible students who are not receiving MFIP benefits. Awards are based on income and family size, but are capped at a maximum of \$2,000. Anecdotal evidence suggests that many students turn down the grants because they do not adequately cover child care costs.

**FINANCING:**

This proposal consolidates child care resources from all three programs described above into a single system. Current resources, additional resources, and total costs are detailed in the chart in the next section.

**BUDGET CHANGE ITEM (62016) (Continued)**

**Budget Activity:** STATE GRANTS  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICES  
  
**Item Title:** CHILD CARE CONSOLIDATION

proposals are not enacted, the resources required to fund this proposal will change.

Although the demand for the consolidated program will be forecast, it will include a cost containment measure to limit program expenditures, if necessary. Due to the lack of directly comparable historical data on which to base forecasts, and the need to ensure that risk to the state budget can be mitigated, the program will include a cost containment feature. If projected expenditures at the end of any quarter exceed 110% of the forecast appropriation, program entry will be limited until projected expenditures returned to forecasted levels.

**OUTCOMES:**

Consolidation of child care will emphasize self-sufficiency for families by targeting resources in an equitable manner to the highest priority families. By de-coupling access to the system from MFIP cash assistance, resources will follow families as they transition to self-sufficiency without the disruptions that risk contributing to families falling (back) into welfare. Consolidation will also simplify administration at the county level.

**DETAILED FINANCING:**

**Child Care Consolidation (Nov 2000 Forecast)**

	Dollars in Thousands			
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
General Fund	\$130,961	\$127,980	\$132,937	\$135,999
Special Revenue	2,096	2,009	1,930	1,901
Federal Funds(CCDF)	51,852	53,761	54,254	54,254
Federal Funds (TANF)	20,973	20,637	10,200	10,200
County Share	2,914	2,914	2,914	2,194
HESO (GF)	4,743	4,743	4,743	4,743
DCTC (GF)	-0-	12,000	12,000	12,000
Total Current Resources	213,539	224,044	218,978	222,011
MFIP Changes (TANF)	2,663	18,857	24,148	27,657
Total Anticipated Resources	216,202	242,902	243,126	249,668
Total Consolidation Cost	226,545	233,704	245,120	256,944
Marginal Cost (TANF)	\$ 10,343	\$ (9,198)	\$ 1,994	\$ 7,276

The proposal as presented in this document assumes the enactment of the MFIP eligibility changes recommended in the Department of Human Services (DHS) budget, which have resulting child care assistance costs. If these

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** MN COLLEGE SAVINGS PLAN  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### ACTIVITY PROFILE:

Individuals and families are encouraged to save for post-secondary education with the Minnesota College Savings Plan. Tax advantages are provided by Internal Revenue Code 529 and Minnesota Statutes 136A.241-136A.245. In addition, the state of Minnesota provides a matching grant to low and middle income Minnesota families.

### STRATEGIES AND PERFORMANCE:

The Minnesota College Savings Plan is designed to provide federal tax advantages included in the Tax Reform Act of 1997. Under Section 529 of the Internal Revenue Code, taxpayers can receive tax deferral on investment earnings in a "qualified state tuition program". Parents, grandparents or other individuals can establish an account on behalf of a designated beneficiary who will attend college in the future. Contributions to a qualified state tuition program are not tax deductible. Earnings on investments accumulate tax-free until used to pay for college. At the time funds are withdrawn to pay for college expenses, the tax on earnings is paid by the student, who typically is taxed at a lower rate than the account owner.

Federal law does not permit the account owner or the designated beneficiary of qualified state tuition programs to direct the investment. Minnesota College Savings Plan investment decisions are made by the Minnesota State Board of Investment.

Minnesota College Savings Plan funds can be used to pay for tuition and fees at a public or a private post-secondary education institution located in any state. Withdrawals can also be used to pay for room and board if the student is attending half-time or more as defined by federal law.

Minnesota's program offers a state paid matching grant based on family income and contributions. The matching grant is available to Minnesota resident designated beneficiaries whose parents file a Minnesota individual income tax return with family income at or below \$80,000. If the beneficiary's family income is \$50,000 or less, 15% of the contribution can be matched up to a total of \$300 annually. If the beneficiary's family income is between \$50,000 and \$80,000, 5% of the contribution can be matched up to a total of \$300 annually. A minimum \$200 contribution is required in order to be considered for a matching grant. Matching grants must remain invested for a minimum of three years, cannot be transferred, and cannot be withdrawn for reasons other than a qualified higher education expenditure as defined by federal law. The matching

grant is not an entitlement. Availability is limited by the amount of funds appropriated.

In 1999, legislation was approved permitting Plan investments in mutual funds. In June 2000, the Minnesota Department of Administration approved a temporary classification of account holder data as private. Both of these actions were necessary to make the Plan viable.

The Minnesota Higher Education Services Office and the Minnesota State Board of Investment are contracting with TIAA-CREF, Tuition Financing, Inc. to administer the Minnesota College Savings Plan. TIAA-CREF, Tuition Financing Inc. is administering state programs in New York, Missouri, and California. Contract language has been agreed upon. The Plan's participation agreement and enrollment forms have been produced. Marketing materials and a draft web page are in place. Pending the Minnesota Legislature's approval of an extension of special rule making authority for this program, the Plan is ready for launch.

### FINANCING INFORMATION:

Investment management, record keeping and other administrative expenses are paid by Minnesota College Savings Plan account owners through an annual fee equivalent to .065% of their account balances. The Minnesota Plan will be among the least costly to account owners for a fully contracted plan in the United States. Matching grants are financed from a General Fund direct appropriation.

### BUDGET ISSUES:

The General Fund appropriation of \$1.52 million is used to provide matching grants to Minnesota College Savings Plan account owners. Because the Minnesota College Savings Plan is not yet operational, it is not known whether the base appropriation will be sufficient to meet the demand of matching grants. Administrative expenses for the Higher Education Services Office are less than \$75,000 annually.

Activity: MN COLLEGE SAVINGS PLAN  
 Program: STUDENT FINANCIAL AID SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	0	0	47	51	51	51	53	53	53
OTHER OPERATING EXPENSES	8	15	28	19	19	19	17	17	17
<b>Subtotal State Operations</b>	<b>8</b>	<b>15</b>	<b>75</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>70</b>
PAYMENTS TO INDIVIDUALS	0	0	2,950	1,450	1,450	1,450	1,450	1,450	1,450
<b>Total Expenditures</b>	<b>8</b>	<b>15</b>	<b>3,025</b>	<b>1,520</b>	<b>1,520</b>	<b>1,520</b>	<b>1,520</b>	<b>1,520</b>	<b>1,520</b>
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	8	15	3,025	1,520	1,520	1,520	1,520	1,520	1,520
<b>Total Financing</b>	<b>8</b>	<b>15</b>	<b>3,025</b>	<b>1,520</b>	<b>1,520</b>	<b>1,520</b>	<b>1,520</b>	<b>1,520</b>	<b>1,520</b>
<b>FTE by Employment Type:</b>									
FULL TIME	0.0	0.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8
<b>Total Full-Time Equivalent</b>	<b>0.0</b>	<b>0.0</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** INTERSTATE TUITION RECIPROCITY  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### ACTIVITY PROFILE:

Minnesota's tuition reciprocity agreements enhance student access by eliminating nonresident admission barriers and expand student choice by reducing non-resident tuition prices. Minnesota has ongoing tuition reciprocity agreements with Wisconsin, North Dakota, South Dakota, one institution in Iowa, and the Canadian province of Manitoba. The purpose of tuition reciprocity is the mutual improvement of educational advantages for the residents of Minnesota and other states or provinces with whom agreements are made (*Minnesota Statutes 136A.08*).

Residents of the participating jurisdictions are considered residents for purposes of admission to public post-secondary institutions under tuition reciprocity. A Minnesota resident may enroll in an undergraduate or graduate program at a public institution in Wisconsin, North Dakota, South Dakota, Manitoba, or Iowa Lakes Community College without paying higher non-resident tuition rates, through tuition reciprocity. Similarly, residents of Wisconsin, North Dakota, South Dakota, Manitoba, and the Iowa Lakes Community College attendance area may enroll at Minnesota public institutions without paying higher non-resident tuition rates.

The Minnesota Higher Education Services Office is responsible for negotiating and administering tuition reciprocity agreements. The University of Minnesota Board of Regents and the Minnesota State Colleges and Universities Board of Trustees must ratify the agreements. Modifications to Minnesota's tuition reciprocity agreements are negotiated as needed.

### STRATEGIES AND PERFORMANCE:

Student participation in tuition reciprocity has grown since Minnesota first entered an agreement with Wisconsin for academic year 1968-69. Over 36,000 tuition reciprocity students were enrolled in public institutions in the participating states and province in fall, 1999. Through its mission, the Higher Education Services Office is committed to helping students achieve financial access to post-secondary education and enabling students to choose among post-secondary educational options. Tuition reciprocity agreements support the mission of the Services Office by reducing price and admissions barriers at public institutions outside the student's state or province of residence.

### FINANCING INFORMATION:

The state appropriation for tuition reciprocity meets Minnesota's financial obligation to Wisconsin and North Dakota. Agreements with South Dakota,

Manitoba, and one institution in Iowa do not require interstate payment calculations.

Students and taxpayers share responsibility for financing tuition reciprocity. Minnesota's agreements with Wisconsin and North Dakota require each state to pay the marginal instructional costs of their resident students attending in the other state. Marginal instructional costs are defined in the agreements as 64% of instructional costs. Marginal instructional costs in the Minnesota/Wisconsin and Minnesota/North Dakota agreements exceed \$150 million annually. Student paid tuition is subtracted from marginal instructional costs to determine each state's net financial obligation. The state with the higher net financial obligation makes a payment of the difference to the other state. Interstate tuition reciprocity payments represent less than 5% of the total financial activity involved in the agreements.

### BUDGET ISSUES:

Three variables drive Minnesota's tuition reciprocity financial obligation: 1) marginal instructional costs, 2) reciprocity tuition rates, and 3) student enrollment choices. Minnesota's tuition reciprocity payments have varied as much as \$4 million between any two fiscal years as marginal costs, tuition rates and student enrollment choices vary. Minnesota's interstate tuition reciprocity payments to Wisconsin and North Dakota are estimated at \$4.2 million in FY 2001. Increases in reciprocity enrollment, marginal instructional costs, and changes in tuition rates are projected to result in Minnesota interstate tuition reciprocity payments of \$5.25 million in FY 2002 and \$5.25 million in FY 2003.

Activity: INTERSTATE TUITION RECIPROCITY  
 Program: STUDENT FINANCIAL AID SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
PAYMENTS TO INDIVIDUALS	4,111	4,195	4,805	4,500	5,250	4,500	4,500	5,250	4,500
LOCAL ASSISTANCE	0	0	0	0	0	750	0	0	750
<b>Total Expenditures</b>	<b>4,111</b>	<b>4,195</b>	<b>4,805</b>	<b>4,500</b>	<b>5,250</b>	<b>5,250</b>	<b>4,500</b>	<b>5,250</b>	<b>5,250</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) INTERSTATE TUITION RECIPROCITY	GEN				750	750		750	750
<b>Total Change Items</b>					<b>750</b>	<b>750</b>		<b>750</b>	<b>750</b>
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	4,111	4,195	4,805	4,500	5,250	5,250	4,500	5,250	5,250
<b>Total Financing</b>	<b>4,111</b>	<b>4,195</b>	<b>4,805</b>	<b>4,500</b>	<b>5,250</b>	<b>5,250</b>	<b>4,500</b>	<b>5,250</b>	<b>5,250</b>

**BUDGET CHANGE ITEM (45223)**

**Budget Activity:** INTERSTATE TUITION RECIPROCITY  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE  
**Item Title:** INTERSTATE TUITION RECIPROCITY

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$750	\$750	\$750	\$750
-Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
<u>      </u> New Activity <u> X </u> Supplemental Funding    _____ Reallocation				

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's request.

**RATIONALE:**

Minnesota's agreements with Wisconsin and North Dakota require each state to pay the marginal instructional costs of their resident students attending in the other state net of student paid tuition. Minnesota's appropriation for tuition reciprocity fulfills the terms of the agreements. Failure to meet tuition reciprocity financial obligations would likely result in termination of the agreements, legal action to compel payment, and significant price increases to reciprocity students attending in Wisconsin, North Dakota, and Minnesota.

If reciprocity students attending in Minnesota were to attend in their state of residence and if Minnesota residents attending in reciprocity states were to attend public institutions in Minnesota and be included in the instructional appropriations base at more than marginal instructional costs, the costs to the Minnesota taxpayer would be greater than the payments made to North Dakota and Wisconsin under the tuition reciprocity program.

**FINANCING:**

Minnesota's tuition reciprocity agreements with Wisconsin and North Dakota represent over \$150 million in reciprocity student generated marginal instructional costs. Student tuition payments cover approximately \$96 million of the marginal instructional costs. The remainder is the responsibility of the participating states, with the state having the greater net obligation paying the other state the difference. Minnesota's FY 2001 tuition reciprocity payments to Wisconsin and North Dakota represented about four percent of the underlying financial activity.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Projected interstate Tuition Reciprocity payments to Wisconsin and North Dakota	\$5,250,000	\$5,250,000

	Current Base Funding	FY 2002 Percent Change	FY 2003 Percent Change
State Appropriations	\$4,500,000	16.7%	16.7%

Staffing for this activity is included in Student Financial Aid Services. No increase in agency FTE is proposed.

**OUTCOMES:**

Minnesota's tuition reciprocity agreements are designed for the mutual improvement of educational advantage for the residents of Minnesota and other states or provinces with whom agreements are made. The agreements

- enhance student access to post-secondary education by eliminating nonresident admission barriers at public institutions in the participating jurisdictions;
- expand student choice by reducing non-resident tuition prices; and
- increase student opportunities to enroll in post-secondary institutions that best meet their educational needs.



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## BUDGET ACTIVITY SUMMARY

**Budget Activity:** STATE WORK STUDY  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### ACTIVITY PROFILE:

Under Minnesota's student aid policy, the Design for Shared Responsibility, students are expected to make a substantial investment in their education through their own savings, work, borrowing, or grants from non-government sources.

The State Work Study Program was created in 1975 to assist students in paying for their education by providing opportunities to work on and off-campus. In addition to helping students with educational expenses, work study positions staff campus functions and provide experiences related to students' academic programs and career objectives.

The federal Work Study Program is similar to the state program. Campuses draw upon both sources of funding to expand campus and community service employment for students demonstrating financial need.

### STRATEGIES AND PERFORMANCE:

The program serves undergraduate and graduate students who demonstrate financial need and who are enrolled for at least six credits per term.

Most State Work Study jobs are on-campus, but the program has always allowed and encouraged institutions to arrange jobs with non-profit community organizations, senior citizens, and persons with disabilities. In 1997, the statute was amended to permit the use of State Work Study funds for internship positions with for-profit businesses if the internship is directly related to the student's field of study.

The State Work Study Program is campus-based. In FY 2000, 77 institutions participated in this program. Allocations are made to participating institutions which use the funds to make work study awards to their students. Institutions are responsible for identifying on and off-campus job opportunities that allow students to earn their work-study awards.

### FINANCING INFORMATION:

Direct appropriations cover up to 75% of the wages paid to work study students. The remaining 25% is paid by the employers.

### BUDGET ISSUES:

The State Work Study Program is popular with both students and institutions because it usually provides jobs that are convenient to students and helps integrate students into the campus community.

The State Work Study Program plays a significant role in assisting many Minnesota students. Institutions that attract older students, part-time students, and other students who are likely to already be employed enroll proportionately fewer students interested in work study positions. Each year, funds are reallocated from some institutions unable to utilize their allocations to other institutions with unmet demands for work study jobs.

Institutions and other employers set wage rates for work study positions. Work study wages on many campuses lag behind the local labor market. In the current job market, wage rates will probably increase to attract students or to respond to a change in the minimum wage.

Under Minnesota's financial aid policy, all students are expected to contribute 46 percent of their price of attendance. Work study earnings can help students fulfill their responsibility in paying their share of the price of attendance. The Work Study Program, however, is restricted to students who show "financial need", and students' past earnings can restrict their eligibility.

Activity: STATE WORK STUDY  
 Program: STUDENT FINANCIAL AID SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
PAYMENTS TO INDIVIDUALS	11,398	11,955	12,933	12,444	15,444	12,444	12,444	15,444	12,444
<b>Total Expenditures</b>	<b>11,398</b>	<b>11,955</b>	<b>12,933</b>	<b>12,444</b>	<b>15,444</b>	<b>12,444</b>	<b>12,444</b>	<b>15,444</b>	<b>12,444</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) STATE WORK STUDY	GEN				3,000			3,000	
<b>Total Change Items</b>					<b>3,000</b>			<b>3,000</b>	
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	11,398	11,955	12,933	12,444	15,444	12,444	12,444	15,444	12,444
<b>Total Financing</b>	<b>11,398</b>	<b>11,955</b>	<b>12,933</b>	<b>12,444</b>	<b>15,444</b>	<b>12,444</b>	<b>12,444</b>	<b>15,444</b>	<b>12,444</b>
<b>Revenue Collected:</b>									
<b>Nondedicated</b>									
GENERAL	0	235	0	50	50	50	0	0	0
<b>Total Revenues Collected</b>	<b>0</b>	<b>235</b>	<b>0</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>

**BUDGET CHANGE ITEM (45197)**

**Budget Activity:** STATE WORK STUDY  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE  
**Item Title:** STATE WORK STUDY

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$3,000	\$3,000	\$3,000	\$3,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_\_\_ No  X

If yes, statute(s) affected:

\_\_\_\_\_ New Activity     X  Supplemental Funding    \_\_\_\_\_ Reallocation

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this initiative.

**RATIONALE:**

The current level of funding for the State Work Study Program is \$12.4 million per year. The Services Office is requesting an additional \$3 million each year to allow campuses to make awards to more students and to increase the amounts students are able to earn in their State Work Study jobs. The additional funds would support a change in student eligibility to remove current barriers to assisting students who must work to earn money for higher education.

Under Minnesota's Design for Shared Responsibility, each undergraduate student is expected to use personal resources to pay 46% of the recognized price of attendance of post-secondary education. The student can pay for the Assigned Student Responsibility through work, loan, savings, institutional and private grants, and other sources.

Because all students have a significant self-help expectation, the Services Office is proposing that campus financial aid offices be allowed to award State Work Study positions to any Minnesota resident up to the amount of their Assigned Student Responsibility. Under the current policy, financial aid

administrators award work study based on financial need as determined by the needs analysis system used for federal financial aid programs. The proposed policy change would give campus financial aid administrators more discretion in awarding State Work Study within their campus allocations. A statutory change is not required because M.S. 136A.231 - 136A.233 allows the Services Office to determine how "financial need" is defined for this program.

**FINANCING:**

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Work Study Awards	\$15,444,000	\$15,444,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base	24.1%	24.1%
	\$12,444,000	

Staffing for this activity is included in Student Financial Aid Services. No increase in agency FTE is proposed.

**OUTCOMES:**

This change aligns the State Work Study Program with the State's Design for Shared Responsibility which assumes that all students have an obligation to use their own earnings to pay a significant part of their educational expenses.

Students who could benefit from the increased campus flexibility include

- students who cannot qualify or qualify for reduced State Work Study awards because their earnings from the previous year count against them in the federal need analysis; and
- students who do not receive the amount of family assistance that is assumed in the federal need analysis.

Increased eligibility for State Work Study funds should help alleviate some student borrowing.

The average student participating in the State Work Study Program earns approximately \$1,400 for the academic year. An increase of \$3 million in state appropriations, matched with \$1 million from employers, would allow an additional 2,900 students to be served at the current average earnings level. Alternatively, the added appropriation would allow campuses to raise student wages or assign more hours to the same number of recipients if local conditions warrant. At the current participation level, the 11,500 students who worked in FY 1999 could earn an additional \$350 each.

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** STUDENT & PARENT INFORMATION  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### ACTIVITY PROFILE:

The Higher Education Services Office provides information to students and parents about planning and preparing for future educational opportunities. Without reliable information, families may make ill-informed decisions or rule out post-secondary education altogether.

Studies indicate that many parents and students:

- Lack information about financial and academic preparation;
- Have misperceptions about the cost of different types of colleges;
- Have little knowledge about financial aid; and
- Are not saving at all or nearly enough to pay for college costs.

Among the least informed are low income families, families of color, or families with no previous post-secondary experience. Despite efforts to expand access to post-secondary education for these populations, significant gaps in equal educational opportunity remain. Many students face substantial financial, academic, social, and cultural barriers to post-secondary education. Helping families obtain access to higher education through academic enhancement and information about planning for future education fits well with the goals of the Governor's Big Plan. Closing gaps in educational achievement and opportunity will enhance the self-sufficiency of individuals who will develop skills needed by Minnesota's workforce, and contribute to the state's economy and its communities.

### STRATEGIES AND PERFORMANCE:

The Services Office has developed several information and intervention strategies to communicate with students and parents. Strategies for providing information include distributing information to all eighth grade students about planning for life after college; informing parents with children of all ages about academic and financial planning for their children; distributing and presenting information about financial aid and higher education tax benefits; and developing information for high school counselors.

These efforts use a variety of media, including publications, videos, and the internet. They involve outreach to community organizations and agencies, minority papers, and other pre-college programs. The Services Office provides an annual Get Ready workshop on academic and financial planning for parents

and free presentations on paying for post-secondary education. A major redesign of the agency's web page with a focus on students and parents and how to pay for college has been completed. The web page enables families to find the prices of colleges in Minnesota and neighboring states, learn about higher education tax credits and savings programs, learn about state and federal financial aid programs, estimate financial aid eligibility, and apply on-line for interstate tuition reciprocity benefits.

Through the Get Ready! Program, counseling and information have been provided to students and parents since 1995-96. Minnesota was one of nine states selected to participate in the federal National Early Intervention Scholarship and Partnership Program. The 1997 Legislature appropriated funds for early awareness to supplement these federal grants. In summer 1999, Minnesota was one of 21 states selected to receive a five-year federal grant under the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) program. Through this state and federal partnership, the Get Ready! Program provides the following services:

- Counseling information, and academic support for children in grades 4-6 and parents of color, low incomes, or no previous post-secondary education who reside in the Twin Cities, Duluth, Cloquet, St. Cloud, Bemidji and Willmar.
- Curricula that cover goal setting, career awareness, paying for college, and higher education options.
- College planning presentations and theatre performances on preparing for college given to elementary and middle school classes.
- Monthly meetings of staff with students on a one-on-one basis or in small groups to present the curriculum. Students also participate in events and activities, such as a career expo, higher education night, career field trips, and college visits.

To help sustain a continuum of service to low income students through high school, the 1999 Legislature appropriated funding to the Services Office, which has enabled the agency to create the Intervention for College Attendance Program. For the biennium, the Office has awarded 10 grants to post-secondary institutions and community agencies aimed at enhancing or expanding programs that provide services such as mentoring, tutoring, information about college options, parental involvement, and summer academic experiences to low income students. In 2000, the Services Office received an AmeriCorps-Youth Works grant to supplement Get Ready! early awareness activities.

To help inform and encourage families to prepare and save for higher education, the Office is working in partnership with the Insurance Federation of Minnesota to

## BUDGET ACTIVITY SUMMARY (Continued)

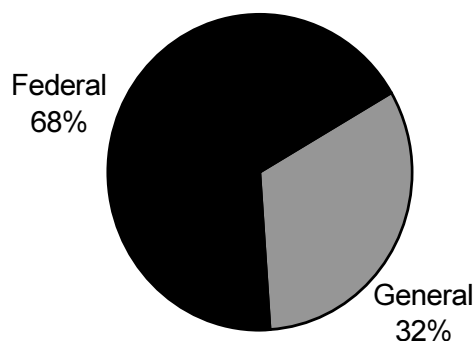
**Budget Activity:** STUDENT & PARENT INFORMATION  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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launch a college awareness campaign. This effort involves several private and public sector organizations.

The Get Ready! program includes an evaluation component. An internal agency team has developed an Outcome Measurement Framework for future evaluations. In addition, end-of-year evaluations of participants and teachers indicate that the program is successfully motivating and informing students about preparing for their future educations.

### Student & Parent Information 2000-01 Estimated Financing by Fund



#### FINANCING INFORMATION:

The Get Ready! program represents a partnership among the federal and state governments, and private sources. Under GEAR UP, Minnesota has received a five-year grant totaling \$8.5 million, contingent on annual appropriations. Federal funds total \$1.5 million in FY 2000 and \$1.6 million in FY 2001. The federal government requires that recipients provide not less than 50% of the

cost of the program in cash or in kind through state, local, private or institutional funds. Funding for the Intervention for College Attendance Grants for the 2000-2001 biennium totals \$1 million. The AmeriCorps grant for 2000-2001 totals \$348,000 in federal funds and \$97,000 in state Youth Works funds.

#### BUDGET ISSUES:

Although the state has established a foundation for informing students and parents about academic and financial planning for post-secondary education, research findings, as well as demographic and economic trends, suggest the need for further efforts.

Projected demographic trends show increases in populations historically underrepresented in post-secondary education. As *Minnesota Milestones 1998* points out, racial and ethnic minorities, who comprise nearly 15% of all school children, are far behind white children in academic achievement.

High school graduates of color are projected to increase by 80% in the next decade. However, fewer than 50% of African American, American Indian, and Hispanic students graduate from high school on time, and about 40% of all minority students drop out. The college participation rate of minority students peaked at 42% in 1992, then dropped to 33.5% by 1998.

Given these trends, policymakers may consider what programs, services, and approaches can help parents become involved in planning for their children's future education; what services can assist an increasingly diverse Minnesota population learn about and prepare for higher education, including people who speak a growing variety of non-English languages; the possible expansion of the Get Ready! program throughout Minnesota to help more low income families in more communities aspire and plan for higher education; and what services can be developed or expanded to help low income families navigate the complexities of the financial aid application process.

Activity: STUDENT & PARENT INFORMATION  
 Program: STUDENT FINANCIAL AID SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	381	799	1,402	1,621	1,702	1,621	1,728	1,816	1,728
OTHER OPERATING EXPENSES	263	481	948	713	787	713	711	808	711
<b>Subtotal State Operations</b>	<b>644</b>	<b>1,280</b>	<b>2,350</b>	<b>2,334</b>	<b>2,489</b>	<b>2,334</b>	<b>2,439</b>	<b>2,624</b>	<b>2,439</b>
LOCAL ASSISTANCE	2	469	495	495	995	2,495	495	995	2,495
<b>Total Expenditures</b>	<b>646</b>	<b>1,749</b>	<b>2,845</b>	<b>2,829</b>	<b>3,484</b>	<b>4,829</b>	<b>2,934</b>	<b>3,619</b>	<b>4,934</b>

<b>Change Items:</b>	<b>Fund</b>								
(B) GET READY - GREATER MINNESOTA	GEN				100			125	
(B) INTERVENTION INVESTMENT GRANTS	GEN				500	2,000		500	2,000
(B) STUDENT PARENT INFORMATION	GEN				55			60	
<b>Total Change Items</b>					<b>655</b>	<b>2,000</b>		<b>685</b>	<b>2,000</b>

<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	433	798	1,052	936	1,591	2,936	941	1,626	2,941
<b>Statutory Appropriations:</b>									
SPECIAL REVENUE	12	3	0	0	0	0	0	0	0
FEDERAL	201	948	1,793	1,893	1,893	1,893	1,993	1,993	1,993
<b>Total Financing</b>	<b>646</b>	<b>1,749</b>	<b>2,845</b>	<b>2,829</b>	<b>3,484</b>	<b>4,829</b>	<b>2,934</b>	<b>3,619</b>	<b>4,934</b>

<b>Revenue Collected:</b>									
<b>Dedicated</b>									
SPECIAL REVENUE	20	20	0	0	0	0	0	0	0
FEDERAL	204	947	1,793	1,893	1,893	1,893	1,993	1,993	1,993
<b>Total Revenues Collected</b>	<b>224</b>	<b>967</b>	<b>1,793</b>	<b>1,893</b>	<b>1,893</b>	<b>1,893</b>	<b>1,993</b>	<b>1,993</b>	<b>1,993</b>

<b>FTE by Employment Type:</b>									
FULL TIME	10.5	30.3	32.7	33.7	35.7	33.7	34.7	36.7	34.7
<b>Total Full-Time Equivalent</b>	<b>10.5</b>	<b>30.3</b>	<b>32.7</b>	<b>33.7</b>	<b>35.7</b>	<b>33.7</b>	<b>34.7</b>	<b>36.7</b>	<b>34.7</b>

**BUDGET CHANGE ITEM (45235)**

**Budget Activity:** STUDENT & PARENT INFORMATION  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE  
**Item Title:** GET READY! - GREATER MINNESOTA

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$100	\$125	\$125	\$125
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>  X  </u>				
If yes, statute(s) affected:				
<u>      </u> New Activity <u>  X  </u> Supplemental Funding    _____ Reallocation				

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this request.

**RATIONALE:**

The proposed expansion of the Get Ready! early intervention/early awareness program to two new Greater Minnesota sites recognizes demographic, academic, and educational achievement trends occurring statewide. Many communities outside the Twin Cities have significant populations of families of color, low income, or no previous higher education and could benefit from Get Ready! The program provides low income students and parents with the motivation, information, skills, and academic support to finish high school and pursue higher education. Students of color, low income, or no previous higher education participate in higher education at much lower rates than their counterparts from more affluent families with college experience. Helping families obtain access to higher education through academic support and information about planning for higher education fits with the goals of the Big Plan. Closing gaps in educational achievement and opportunity will enhance the self-sufficiency of individuals who will develop skills needed by Minnesota's workforce and contribute to the state's economy and its communities.

**FINANCING:**

Get Ready! program funding represents a partnership with most of the support (\$1.6 million in FY 2001) provided by the federal government, \$283,000 per

year in state appropriations, and additional in kind support from program partners.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Early Intervention/ Early Awareness	\$383,000	\$408,000

Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$283,000	35.3%	44.2%

**OUTCOMES:**

Early awareness and intervention services would be provided to 50 students and parents at each site. The program serves 4th to 6th grade students and their families and connects them with middle school and high school programs. As a result of the Get Ready! services, students who historically have not attended post-secondary education are more likely to succeed academically, finish high school, and pursue post-secondary education. In the short term, more students and parents gain increased knowledge of higher education options and careers, view higher education as a possibility, and demonstrate increased academic success.

End of Year Student Get Ready! Evaluation			
Item	Agree	Somewhat Agree	Disagree
Get Ready! has:	%	%	%
Helped me understand importance of going to college	96%	3%	1%
Taught importance of accomplishing goal	95%	4%	1%
Helped me learn about careers	94%	4%	2%
Motivated me to do well in school	86%	11%	3%
Encouraged me to attend school every day	82%	15%	3%
Helped me understand what college campuses look like	88%	10%	2%
Helped me understand different ways to pay for post-secondary education	95%	4%	1%
Prepare for my future	94%	5%	1%



**BUDGET CHANGE ITEM (45233)**

**Budget Activity:** STUDENT & PARENT INFORMATION  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE  
**Item Title:** INTERVENTION INVESTMENT GRANTS

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$500	\$500	\$500	\$500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
_____ New Activity <input checked="" type="checkbox"/> Supplemental Funding    _____ Reallocation				

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends an increase of \$2.0 million in FY 2002 and \$2.0 million in FY 2003. The Governor also recommends that these grants be increasingly targeted to children of families that do not have a history of participation in higher education.

**RATIONALE:**

Students from low income families that have not attended college participate in higher education at much lower rates than those from more affluent, educated families. A number of early intervention programs---supported by state, federal, and private sources---have been established to provide information and academic support to these students. The funding supports tutoring, mentoring, summer academic experiences, and parental involvement. The current level of activity in these programs falls far short of the need resulting from demographic, academic, and economic trends. This funding would enable the state to build on programs like Get Ready! which works with elementary age students to establish a continuum of service through college. An appropriation of \$1 million in 1999 enabled the Services Office to award 10 grants to community agencies and colleges to expand or enhance existing early intervention programs. However, the Services Office was able to fund only half the proposals received with the funding available.

Although these initial grant initiatives have not been operational long enough to evaluate them thoroughly, many are patterned after existing early intervention programs, such as Federal TRIO programs that for many years have helped low income students enter college. Over the past 30 years, TRIO programs have been successful in helping students overcome barriers to higher education. For example, students in Upward Bound (one of the TRIO programs), are four times more likely to earn an undergraduate degree than students from similar backgrounds who did not participate in the program.

Helping families obtain access to higher education through academic support and information about planning for future education fits well with the goals of the Big Plan. Closing gaps in educational achievement and opportunity will enhance the self-sufficiency of individuals who will develop skills needed by Minnesota's workforce.

**FINANCING:**

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Intervention Grants	\$1,000,000	\$1,000,000
Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$500,000	100%	100%

Staffing is adequate for this activity. No additional FTE are needed

**OUTCOMES:**

This proposal would provide funding for seven to ten additional early intervention programs.

As a result of this proposal, more students and families will be motivated to plan for and pursue higher education. The gap in achievement and college participation will narrow; and as a result of the knowledge and skills acquired through their educational experience, more students will become self-sufficient.

**BUDGET CHANGE ITEM (45207)**

**Budget Activity:** STUDENT & PARENT INFORMATION  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

**Item Title:** STUDENT PARENT INFORMATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$55	\$60	\$60	\$60
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_\_\_ No X

If yes, statute(s) affected:

\_\_\_\_\_ New Activity    X Supplemental Funding    \_\_\_\_\_ Reallocation

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this initiative.

**RATIONALE:**

In view of changing demographics and growing diversity of its population, Minnesota has an expanded number of people who do not speak English. The number of languages spoken in Minnesota has increased significantly. For example, more than 84 languages are spoken in Minneapolis, over 79 languages in St. Paul, and over 50 languages in Rochester. Language barriers deny many families the information they need to help their children succeed academically. In a recent survey by the Blandin Foundation of key issues affecting rural Minnesota, more than four in ten respondents indicated their communities had become more diverse. An increased investment in translating and interpreting information can help non-English speaking populations access information about planning for higher education. The Services Office has translated some publications into Spanish, Hmong, and Somalian, but has identified a need to do more in these and to other languages.

**FINANCING:**

Current base level funding for student and parent information is \$153,000 per year. This proposal would add \$55,000 in FY 2002 and \$60,000 in FY 2003.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Student/Parent Information	\$208,000	\$213,000

Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$153,000	35.9%	39.2%

**OUTCOMES:**

By translating additional information into foreign languages, the Services Office will give parents and students the tools to access information in order to prepare for higher education opportunities.

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## BUDGET ACTIVITY SUMMARY

**Budget Activity:** STUDENT FINANCIAL AID SERVICES  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### ACTIVITY PROFILE:

The division of Student Financial Aid Services administers student financial aid programs for which the Services Office is the fiscal agent. This activity includes eight state student financial assistance programs, five tuition reciprocity programs, a Midwestern Student Exchange Program, and two federal student assistance programs.

The division's responsibilities include the dissemination of financial aid program information, application processing, applicant notification, preparation of payment requests to recipients, program reports and evaluation of program effectiveness. The staff also provide administrative assistance to post-secondary institutional student financial aid offices, which includes troubleshooting and answering program questions.

The programs help to ensure post-secondary access and choice for Minnesota residents by providing financial assistance to students from low and moderate income families.

### STRATEGIES AND PERFORMANCE:

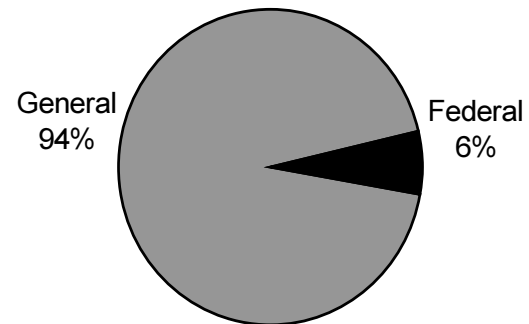
During FY 2000, the Student Financial Aid Services Division processed approximately 125,000 student aid applications, delivering \$125 million of financial assistance to approximately 76,205 students attending both public and private post-secondary educational institutions. Also, included are 20,623 students attending institutions in Wisconsin, North Dakota, South Dakota, Iowa, and Manitoba under tuition reciprocity agreements.

All of the 132 institutions participating in the State Grant Program have decentralized delivery of grant funds to students. Funds to be used each term are disseminated to institutions which calculate individual student awards according to statutory specifications, and then report student data and results to the Services Office. The Services Office is working to enhance service delivery via the web to continually improve citizen access to agency services and information.

### FINANCING INFORMATION:

Direct state appropriations support this activity. Federal funding does not support program administrative activities.

### **Student Financial Aid Services 2000-01 Estimated Financing by Fund**



### BUDGET ISSUES:

Current level funding is adequate to cover projected expenses for financial aid program administration.

Activity: STUDENT FINANCIAL AID SERVICES  
 Program: STUDENT FINANCIAL AID SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	348	365	383	394	394	394	406	406	406
OTHER OPERATING EXPENSES	223	221	332	279	287	279	279	287	279
OTHER FINANCIAL TRANSACTIONS	64	49	56	56	56	56	56	56	56
<b>Subtotal State Operations</b>	<b>635</b>	<b>635</b>	<b>771</b>	<b>729</b>	<b>737</b>	<b>729</b>	<b>741</b>	<b>749</b>	<b>741</b>
PAYMENTS TO INDIVIDUALS	(1)	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>634</b>	<b>635</b>	<b>771</b>	<b>729</b>	<b>737</b>	<b>729</b>	<b>741</b>	<b>749</b>	<b>741</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) MIDWESTERN HIGHER EDUCATION COMM	GEN				8			8	
<b>Total Change Items</b>					<b>8</b>			<b>8</b>	
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	570	586	715	673	681	673	685	693	685
<b>Statutory Appropriations:</b>									
FEDERAL	64	49	56	56	56	56	56	56	56
<b>Total Financing</b>	<b>634</b>	<b>635</b>	<b>771</b>	<b>729</b>	<b>737</b>	<b>729</b>	<b>741</b>	<b>749</b>	<b>741</b>
<b>Revenue Collected:</b>									
<b>Dedicated</b>									
SPECIAL REVENUE	7	8	5	0	0	0	0	0	0
FEDERAL	64	49	56	56	56	56	56	56	56
<b>Nondedicated</b>									
GENERAL	88	44	40	40	40	40	40	40	40
<b>Total Revenues Collected</b>	<b>159</b>	<b>101</b>	<b>101</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>
<b>FTE by Employment Type:</b>									
FULL TIME	7.2	7.0	6.7	6.7	6.7	6.7	6.7	6.7	6.7
<b>Total Full-Time Equivalent</b>	<b>7.2</b>	<b>7.0</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>

**BUDGET CHANGE ITEM (44522)**

**Budget Activity:** STUDENT FINANCIAL AID SERVICES  
**Program:** STUDENT FINANCIAL AID SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE  
**Item Title:** MIDWESTERN HIGHER EDUCATION COMM

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$8	\$8	\$8	\$8
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statute(s) affected:				
_____ New Activity <u>X</u> Supplemental Funding    _____ Reallocation				

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this initiative.

**RATIONALE:**

The Midwestern Higher Education Commission (MHEC) was established in 1991 by the Midwestern Regional Education Compact, an interstate agreement among Midwestern states including: Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin. The mission of MHEC is to improve higher education opportunities and services in the Midwest region through interstate cooperation and resource sharing. The Services Office serves as the fiscal agent for Minnesota's participation in the MHEC.

Minnesota's continued membership in the MHEC is essential to ensure ongoing participation in Commission activities such as the Midwest Student Exchange Program and the Interactive Video Program.

**FINANCING:**

The proposed annual membership dues increase each year of the biennium is needed to meet rising costs associated with the administration of a larger number of Commission initiatives that benefit Minnesota and other states in the Compact.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Midwest Higher Education Commission Membership	\$83,000	\$83,000

	FY 2002 Percent Change	FY 2003 Percent Change
Current Base	\$75,000	10.7%
		10.7%

**OUTCOMES:**

The proposed supplemental funding will enable Minnesota to continue its membership in the Commission and benefit from its programs and services. Continued collaboration and shared programming will enhance the efficiency and effectiveness of higher education for all member states.

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## PROGRAM SUMMARY

**Program:** STATE STUDENT LOAN SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

### PROGRAM PROFILE:

This program includes the Student Educational Loan Fund Program (SELF), the Federal Stafford Loan Program, the Graduated Repayment Income Protection Program (GRIP), and the Minnesota Medical and Osteopathy Loan Program (MMOLP). These loan programs assist undergraduate and graduate students in financing their education expenses.

### STRATEGIES AND PERFORMANCE:

The SELF program is designed to provide an additional source of low-interest funding for Minnesota residents and non-residents attending post-secondary education institutions in Minnesota, and to Minnesota residents attending post-secondary education institutions in other states.

The Services Office is no longer an active lender in the Federal Stafford Student Loan Program. Also, the GRIP and MMOLP programs are being phased out with no new participants allowed in either program.

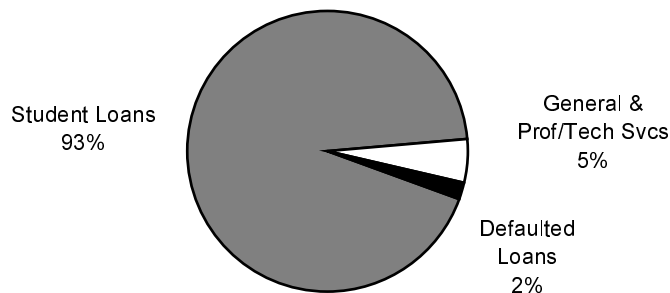
### FINANCING INFORMATION:

There are no General Fund appropriations for this program. Operating expenses are financed from bonds, loan repayments, and investment income.

### BUDGET ISSUES:

The SELF Program is funded through repayments of existing SELF loans and through \$68.5 million of tax exempt bonds and \$61.2 million of taxable bonds outstanding. Based on current loan volume projections, the Services Office anticipates that adequate funds exist for the FY 2000-01 biennium. It is anticipated that additional bonds will need to be issued for FY 2001-02. The Services Office is working with the Department of Finance to secure tax exempt financing for future bond issues. The Services Office is limited to a maximum of \$550 million in outstanding bonds. Based on current loan growth, the amount of outstanding bonds could approach that maximum in fewer than 10 years. The Services Office may need to seek an increase in the maximum in the future.

### State Student Loans 2000-01 Expenditures by Category Total \$201.8 Million





Program: STATE STUDENT LOAN SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Activity:</b>									
STATE SUPPLEMENTAL LOANS	72,316	92,019	108,394	113,423	113,423	113,423	118,423	118,423	118,423
OTHER LOAN PROGRAMS	804	617	600	600	600	600	600	600	600
STAFFORD LOAN	67	53	75	30	30	30	30	30	30
<b>Total Expenditures</b>	<b>73,187</b>	<b>92,689</b>	<b>109,069</b>	<b>114,053</b>	<b>114,053</b>	<b>114,053</b>	<b>119,053</b>	<b>119,053</b>	<b>119,053</b>
<b>Financing by Fund:</b>									
<b>Statutory Appropriations:</b>									
HIGHER EDUCATION SVCS OFFICE	73,187	92,689	109,069	114,053	114,053	114,053	119,053	119,053	119,053
<b>Total Financing</b>	<b>73,187</b>	<b>92,689</b>	<b>109,069</b>	<b>114,053</b>	<b>114,053</b>	<b>114,053</b>	<b>119,053</b>	<b>119,053</b>	<b>119,053</b>
<b>FTE by Employment Type:</b>									
FULL TIME	9.1	9.3	9.6	9.6	9.6	9.6	9.6	9.6	9.6
<b>Total Full-Time Equivalent</b>	<b>9.1</b>	<b>9.3</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** STATE SUPPLEMENTAL LOANS  
**Program:** STATE STUDENT LOAN SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### ACTIVITY PROFILE:

The Student Educational Loan Fund (SELF) Program provides an additional source of long-term, low interest funding to Minnesota residents and non-residents attending post-secondary education institutions both in and outside Minnesota and the providence of Manitoba. M.S. 136A.1701 permits the creation of such supplemental loan programs.

The state of Minnesota has long understood the economic and social benefits derived from having an educated, knowledgeable, and skilled population able to participate in the global economy. As a result, the state has been proactive in establishing programs like SELF to help ensure access to education for all Minnesota citizens.

The private sector has created additional private loan programs in recent years. However, the SELF loan has continued to provide funding to students at a lower interest rate and without charging origination and guarantee fees. The SELF Program is a low cost financing option for students. It provides a service to Minnesota residents, and to non-residents attending Minnesota schools, in ensuring access to an education of their choice. As the price of higher education continues to increase, more students need to partially or fully fund their education with student loans. Without the SELF program, many students might be unable to complete their education at the college of their choice.

The program requires a credit-worthy co-signer and payment of interest while the borrower is in school. The Services Office also uses various collection tools to collect on defaulted SELF loans.

### STRATEGIES AND PERFORMANCE:

The program's strategies to meet the needs of students in funding their post-secondary education:

- Provide an alternative source of funding for parents and students.
- Inform students, parents and financial aid administrators about the benefits of the SELF Program through various printed publications, post-secondary financial aid offices, and information on the agency website.
- Conduct ongoing research regarding improvements to the SELF Program.
- Monitor annual lending activity.

- Continue to structure the program to reduce defaulted loans.

The goal of the program is to strive continually for program improvement to better meet the needs of students, parents and schools. The program uses technological advances to improve services. More use has been made of the Internet to provide services to customers.

Since 1985, the Services Office has made more than 145,000 SELF loans totaling over \$490 million to students from all sectors of higher education. The Services Office collected over \$2.3 million from SELF defaulters in FY 2000. The cumulative SELF default rate after collections is less than 1%.

### FINANCING INFORMATION:

The SELF Program is funded through a combination of tax-exempt and taxable financing, repayment of principal and interest on SELF and federal Stafford loans, and investment earnings. These revenues finance additional SELF loans, pay interest on the bonds, pay loan servicing costs, and cover program operating costs.

### BUDGET ISSUES:

The Services Office is seeking a tax-exempt bonding allocation to continue to keep the overall cost of the State Supplemental Loan Programs as low as possible to help ensure continuation of the Programs. Tax-exempt bonds can be issued for student loans under Section 144(b)(1)(B) of the Internal Revenue Code of 1986, as amended.

Activity: STATE SUPPLEMENTAL LOANS  
 Program: STATE STUDENT LOAN SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	399	386	500	529	529	529	529	529	529
OTHER OPERATING EXPENSES	5,826	6,225	7,894	7,894	7,894	7,894	7,894	7,894	7,894
OTHER FINANCIAL TRANSACTIONS	66,091	85,409	100,000	105,000	105,000	105,000	110,000	110,000	110,000
<b>Subtotal State Operations</b>	<b>72,316</b>	<b>92,020</b>	<b>108,394</b>	<b>113,423</b>	<b>113,423</b>	<b>113,423</b>	<b>118,423</b>	<b>118,423</b>	<b>118,423</b>
PAYMENTS TO INDIVIDUALS	0	(1)	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>72,316</b>	<b>92,019</b>	<b>108,394</b>	<b>113,423</b>	<b>113,423</b>	<b>113,423</b>	<b>118,423</b>	<b>118,423</b>	<b>118,423</b>
<b>Financing by Fund:</b>									
<b>Statutory Appropriations:</b>									
HIGHER EDUCATION SVCS OFFICE	72,316	92,019	108,394	113,423	113,423	113,423	118,423	118,423	118,423
<b>Total Financing</b>	<b>72,316</b>	<b>92,019</b>	<b>108,394</b>	<b>113,423</b>	<b>113,423</b>	<b>113,423</b>	<b>118,423</b>	<b>118,423</b>	<b>118,423</b>
<b>Revenue Collected:</b>									
<b>Dedicated</b>									
HIGHER EDUCATION SVCS OFFICE	72,967	92,134	119,199	125,029	125,029	125,029	130,054	130,054	130,054
<b>Total Revenues Collected</b>	<b>72,967</b>	<b>92,134</b>	<b>119,199</b>	<b>125,029</b>	<b>125,029</b>	<b>125,029</b>	<b>130,054</b>	<b>130,054</b>	<b>130,054</b>
<b>FTE by Employment Type:</b>									
FULL TIME	9.1	9.3	9.6	9.6	9.6	9.6	9.6	9.6	9.6
<b>Total Full-Time Equivalent</b>	<b>9.1</b>	<b>9.3</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** OTHER LOAN PROGRAMS  
**Program:** STATE STUDENT LOAN SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### **ACTIVITY PROFILE:**

This activity includes three targeted state student loan programs and the federal Stafford Loan Program. The Graduated Repayment Income Protection (GRIP) Program, the Minnesota Medical and Osteopathy Loan Program (MMOLP), and the Optometry and Osteopathy (O&O) Program are being phased out. The Services Office has not made any Stafford Loans since 1988.

GRIP participants are graduates of Minnesota schools in dentistry, medicine, pharmacy, veterinary medicine, public health, and chiropractic medicine and Minnesota residents graduating from osteopathy programs. The GRIP Loan was discontinued in 1995 for new participants. Loans are still being made to participants who entered the program prior to 1995.

The MMOLP program assisted students in medical and osteopathy schools by providing loans which would be forgiven if they served in rural Minnesota upon completion of their medical training. The Optometry and Osteopathy (O&O) Program targeted loans to medical students in those fields to encourage them to practice in Minnesota upon completion of their medical training.

### **STRATEGIES AND PERFORMANCE:**

The GRIP program enabled program participants to repay their student loans with a repayment loan based on their projected annual income. There are 132 individuals in repayment. Five individuals are in repayment under the O&O Program and one individual is in repayment in the MMOLP. The Services Office has a portfolio of less than \$2 million under the Stafford Loan Program, which will be serviced until the loans have been repaid.

### **FINANCING INFORMATION:**

Repayments to the MMOLP and O&O Programs are deposited in the General Fund as non-dedicated receipts. Repayment to the GRIP and Stafford Programs are deposited in the Loan Capital Fund.

### **BUDGET ISSUES:**

The Services Office will continue to monitor and oversee the repayment process for these loan programs in a cost effective manner.

Activity: OTHER LOAN PROGRAMS  
 Program: STATE STUDENT LOAN SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
OTHER FINANCIAL TRANSACTIONS	804	617	600	600	600	600	600	600	600
<b>Total Expenditures</b>	<b>804</b>	<b>617</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>
<b>Financing by Fund:</b>									
<b>Statutory Appropriations:</b>									
HIGHER EDUCATION SVCS OFFICE	804	617	600	600	600	600	600	600	600
<b>Total Financing</b>	<b>804</b>	<b>617</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>
<b>Revenue Collected:</b>									
<b>Dedicated</b>									
HIGHER EDUCATION SVCS OFFICE	213	101	600	600	600	600	600	600	600
<b>Total Revenues Collected</b>	<b>213</b>	<b>101</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>

## PROGRAM SUMMARY

Program: RESEARCH & PROGRAM SERVICES  
Agency: HIGHER EDUCATION SVCS OFFICE

### PROGRAM PROFILE:

Minnesota students are able to enroll in higher education institutions which meet state quality standards and priorities through consumer protection services and targeted grants to institutions. Minnesota has access to statewide data on higher education through research services.

### STRATEGIES AND PERFORMANCE:

This program includes the following activities;

- **Consumer protection and consumer information through registration and licensing of private non-profit colleges and for-profit career schools.** State statues require oversight of these institutions, which are not accountable to Minnesota public governing boards, to prevent "degree mills" and fraudulent or inadequate institutions from operating in this state and to provide other safeguards to Minnesota students.
- **A state collection point for information and data on Minnesota post-secondary students, institutions and financial aid.** The Services Office manages statewide databases and performs analyses that provide a picture of students attending all types of institutions. This information is used by policymakers, institutions, the media and the general public.
- **State and federal grants to institutions to accomplish specific educational objectives.** Competitive grant programs target specific areas of need to encourage institutions to align educational curricula with state priorities.

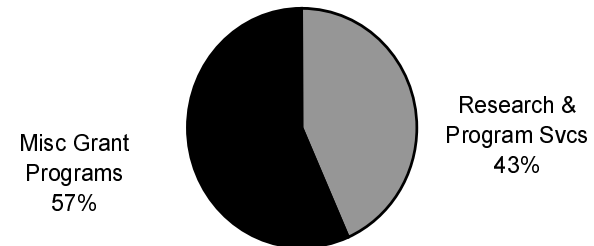
### FINANCING INFORMATION:

Consumer protection is financed through state appropriations and through dedicated fee revenue collected from institutions that must be licensed or registered.

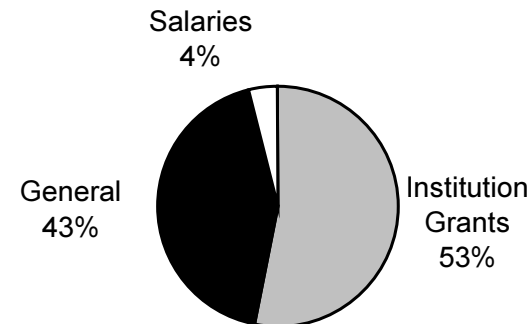
Research services are funded through state General Fund appropriations.

Grants to institutions consist of separate programs funded at the state or federal levels.

Research & Program Services  
2000-Expenditures by Budget Activity  
Total \$3,436,000



Research & Program Services  
2000-2001 Expenditures by Category  
Total \$3.4 Million



Program: RESEARCH & PROGRAM SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Activity:</b>									
RESEARCH & PROGRAM SERVICES	634	709	784	768	768	768	784	784	784
MISCELLANEOUS GRANT PROGRAMS	890	969	974	881	1,141	881	881	1,141	881
<b>Total Expenditures</b>	<b>1,524</b>	<b>1,678</b>	<b>1,758</b>	<b>1,649</b>	<b>1,909</b>	<b>1,649</b>	<b>1,665</b>	<b>1,925</b>	<b>1,665</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) POST SECONDARY SERVICE LEARNING	GEN				260			260	
<b>Total Change Items</b>					<b>260</b>			<b>260</b>	
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	628	616	792	715	975	715	730	990	730
<b>Statutory Appropriations:</b>									
SPECIAL REVENUE	86	102	111	112	112	112	112	112	112
FEDERAL	763	911	798	763	763	763	763	763	763
HIGHER EDUCATION SVCS OFFICE	47	49	57	59	59	59	60	60	60
<b>Total Financing</b>	<b>1,524</b>	<b>1,678</b>	<b>1,758</b>	<b>1,649</b>	<b>1,909</b>	<b>1,649</b>	<b>1,665</b>	<b>1,925</b>	<b>1,665</b>
<b>FTE by Employment Type:</b>									
FULL TIME	10.8	10.8	9.5	9.5	9.5	9.5	9.5	9.5	9.5
<b>Total Full-Time Equivalent</b>	<b>10.8</b>	<b>10.8</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>

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## BUDGET ACTIVITY SUMMARY

**Budget Activity:** RESEARCH & PROGRAM SERVICES  
**Program:** RESEARCH & PROGRAM SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

### ACTIVITY PROFILE:

This activity includes the following;

**Consumer Protection.** Statutes allow the state to set minimum standards for private and out-of-state institutions that offer programs in Minnesota. The Minnesota Private Institution Registration Act (M.S. 136A.61-136A.71) provides quality control and fosters consumer protection for approximately 80 private, non-profit and out-of-state post-secondary institutions offering educational programs within the state. Licensing of private for-profit schools (M.S. Chapter 141) provides quality control and consumer protection for approximately 60 private, for-profit career training providers.

Standards address the quality of faculty, facilities and other program resources; financial stability; advertising and promotion; and protection for students if an institution does not maintain the program as promised or ceases operations. State oversight protects prospective students from schools that collect tuition money fraudulently, "diploma mills" that sell degrees without offering legitimate programs, and schools that lack sufficient expertise or financial resources to develop and maintain adequate post-secondary programs.

New types of providers of post-secondary education, including non-Minnesota institutions serving residents through distance education, affect consumer protection needs and the state's ability to respond.

**Research Services.** Agency staff provide several services to enable the state to identify trends and conditions in post-secondary education. While individual institutions maintain information on their own activities, data collection and analyses at the Services Office cover both public and private institutions so that a statewide picture is feasible. These services are used by policy makers, institution staff, the media, and the general public who need a single source of data on post-secondary education in Minnesota.

Agency-maintained data bases include fall term enrollments and degrees and other awards conferred by Minnesota institutions. Student enrollment information has been collected since 1983, allowing analyses of transfer and persistence over time. The Services Office also coordinates data collection from Minnesota institutions for the federal Integrated Post-Secondary Education Data System (IPEDS) which maintains enrollment, financing, staffing and other data at the U.S. Department of Education.

Research on student financing, including surveys of all financial aid received by undergraduates at Minnesota institutions, and assessment of state financial aid programs for budgetary and policy purposes, is also part of this activity.

### STRATEGIES AND PERFORMANCE:

**Consumer Protection.** Regulatory standards for private institution registration and licensure of private career schools are contained in the authorizing statutes and in agency rules. Institutions applying for licensure or registration can access application material via the agency web site. Managers evaluate programs and assist institutions in understanding state requirements. Outside evaluators are used when specialized expertise is needed. Staff answer student inquiries and work with institutions to ensure student complaints are addressed satisfactorily. When complaints or other information indicate that state standards are not being met, legal action can be taken to protect students.

<b>Private Institution Registration</b>	<u>FY 1999</u>	<u>FY 2000</u>
Registrations renewed	72	73
New institutions registered	1	3
New degrees approved	2	7

<b>Private Career School Licensure</b>	<u>FY 1999</u>	<u>FY 2000</u>
Schools licensed at end of fiscal year	59	60
New schools licensed during year	8	2

**Research Services.** The agency's student enrollment and degree data bases are cooperative ventures with public and private institutions, which agree on data elements and definitions and provide data annually. The Services Office publishes both standard reports and special analyses. Upon request, staff produce tailored summary reports and analyses for researchers from a variety of organizations. Staff also use federal and other sources of information to provide answers to data questions about Minnesota higher education.

	<u>FY 1999</u>	<u>FY 2000</u>
Published reports	6	6
Special requests for analyses (approximate)	50	50

Most information of general interest is posted on the agency website which is becoming the primary way many customers first seek access to data. Since November 1999, the basic enrollment data report has been accessed 451 times, and users have accessed a feature allowing them to generate customized reports on enrollments 307 times.

**BUDGET ACTIVITY SUMMARY (Continued)**

**Budget Activity:** RESEARCH & PROGRAM SERVICES  
**Program:** RESEARCH & PROGRAM SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

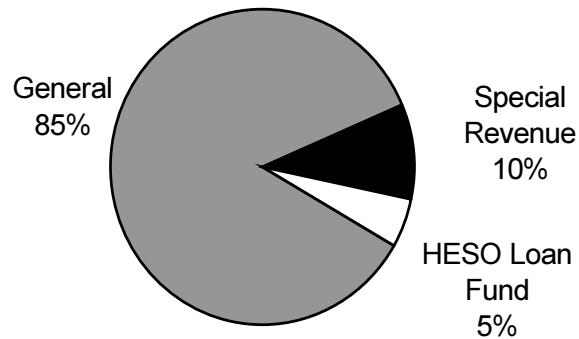
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The Services Office produces analyses of student financing for state policy makers and staff, for agency planning, and for others. A research data base on the State Grant Program is maintained to project expenditures for budget planning and simulations.

**FINANCING INFORMATION:**

This activity generates dedicated revenue from fees for Private Institution Registration and Private Career School Licensure. No fee increases are anticipated. Enrollment reporting and analysis are fully supported from state General Fund appropriations. Student financing analysis is financed by the Loan Capitol Fund and General Fund appropriations.

**Research & Program Services  
2000-01 Estimated Financing by Fund**



**BUDGET ISSUES:**

A continuation of the base for consumer protection and research services is proposed. No fee increases are requested.

Activity: RESEARCH & PROGRAM SERVICES  
 Program: RESEARCH & PROGRAM SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	536	566	574	591	591	591	607	607	607
OTHER OPERATING EXPENSES	98	143	210	177	177	177	177	177	177
<b>Total Expenditures</b>	<b>634</b>	<b>709</b>	<b>784</b>	<b>768</b>	<b>768</b>	<b>768</b>	<b>784</b>	<b>784</b>	<b>784</b>
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	501	558	616	597	597	597	612	612	612
<b>Statutory Appropriations:</b>									
SPECIAL REVENUE	86	102	111	112	112	112	112	112	112
HIGHER EDUCATION SVCS OFFICE	47	49	57	59	59	59	60	60	60
<b>Total Financing</b>	<b>634</b>	<b>709</b>	<b>784</b>	<b>768</b>	<b>768</b>	<b>768</b>	<b>784</b>	<b>784</b>	<b>784</b>
<b>Revenue Collected:</b>									
<b>Dedicated</b>									
SPECIAL REVENUE	105	106	111	112	112	112	112	112	112
<b>Total Revenues Collected</b>	<b>105</b>	<b>106</b>	<b>111</b>	<b>112</b>	<b>112</b>	<b>112</b>	<b>112</b>	<b>112</b>	<b>112</b>
<b>FTE by Employment Type:</b>									
FULL TIME	10.1	10.1	8.8	8.6	8.6	8.6	8.6	8.6	8.6
<b>Total Full-Time Equivalent</b>	<b>10.1</b>	<b>10.1</b>	<b>8.8</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** MISCELLANEOUS GRANT PROGRAMS  
**Program:** RESEARCH & PROGRAM SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### PROGRAM PROFILE:

This activity manages the following state and federal grants to encourage post-secondary institutions and nonprofit organizations to address specific areas of need. Funds for these programs are awarded on a competitive basis.

- The state **Post Secondary Service Learning Grants** support the development of campus/community collaborations that address significant long-term community needs and enhance the academic and civic development of post-secondary students.
- The federal **Dwight D. Eisenhower Professional Development Program** provides assistance to state and local educational agencies and to institutions of higher education to improve learning by providing K-12 teachers and other staff with professional development aligned to challenging state and local content and student performance standards.

### STRATEGIES AND PERFORMANCE:

**Post-Secondary Service Learning Grants:** Since 1994, the state has funded grants for community service projects to encourage service-learning, a process through which college students are involved in community work that contributes to positive social change and students' academic, civic, personal, and career growth and their understanding of larger social issues.

- For the 1998-99 biennium, 9 of 63 proposals from higher education institutions and nonprofit organizations were funded. Four projects focused on improving the quality of existing campus-community collaboration initiatives. Two grants were given to improve the quality, impact and sustainability of curriculum based initiatives. Three projects supported new service learning and campus-community collaboration initiatives.
- For the 2000-01 biennium, 12 grants were awarded for 7 higher education projects and 5 community based projects to increase the quality, impact and sustainability of service-learning and campus-community collaboration initiatives. Five projects address quality improvement through enhancement of existing programs or implementation of new program initiatives. Four projects focus on initiatives to integrate service with academic study, and three projects begin service-learning or campus-community collaboration initiatives.

**Dwight D. Eisenhower Professional Development Program:** These grants provide K-12 teachers and other staff with sustained and intensive high quality professional development that emphasizes in-depth understanding of subject matter and appropriate pedagogy and follow-up to assure classroom implementation.

- Initially, the program focused on providing professional development for teachers of mathematics and science. In 1994, Congress expanded the program to allow a portion of the funds to be spent on professional development in other core subject areas.
- For the 1998-99 academic year, 21 of 32 proposals were funded at 10 Minnesota colleges and one non-profit organization. Seventeen projects addressed inservice development for teachers, and four projects addressed upgrading preservice coursework in mathematics and science.
- For the 1999-2000 academic year, 27 of 43 proposals were funded at 13 Minnesota colleges and one non-profit organization. The program continued its focus on providing sustained and intensive professional development through support of 19 projects addressing teacher inservice in mathematics and science; five projects addressing teacher inservice in reading, history and geography; and three projects providing inservice in mathematics for classroom paraprofessionals.

### FINANCING INFORMATION:

Program funds are awarded to higher education institutions and non-profit organizations on a competitive basis for activities specified in the Requests for Proposals. The Services Office retains 5% of federal and a portion of state funds to support program administration.

### BUDGET ISSUES:

The growth in interest and activity in service learning by students, community leaders, campus staff, administrators and faculty indicates an increased need for support of campus-based program activities and systematic evaluation of program outcomes. Increased program activity would require increased staff time for program administration, technical assistance to institutions and coordination with the state coalition of college presidents, an organization formed to promote higher education service learning.

Activity: MISCELLANEOUS GRANT PROGRAMS  
 Program: RESEARCH & PROGRAM SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	46	50	55	46	69	46	46	69	46
OTHER OPERATING EXPENSES	(1)	1	0	0	28	0	0	28	0
<b>Subtotal State Operations</b>	<b>45</b>	<b>51</b>	<b>55</b>	<b>46</b>	<b>97</b>	<b>46</b>	<b>46</b>	<b>97</b>	<b>46</b>
LOCAL ASSISTANCE	845	918	919	835	1,044	835	835	1,044	835
<b>Total Expenditures</b>	<b>890</b>	<b>969</b>	<b>974</b>	<b>881</b>	<b>1,141</b>	<b>881</b>	<b>881</b>	<b>1,141</b>	<b>881</b>

<b>Change Items:</b>	<b>Fund</b>								
(B) POST SECONDARY SERVICE LEARNING	GEN				260			260	
<b>Total Change Items</b>					<b>260</b>			<b>260</b>	

<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	127	58	176	118	378	118	118	378	118
<b>Statutory Appropriations:</b>									
FEDERAL	763	911	798	763	763	763	763	763	763
<b>Total Financing</b>	<b>890</b>	<b>969</b>	<b>974</b>	<b>881</b>	<b>1,141</b>	<b>881</b>	<b>881</b>	<b>1,141</b>	<b>881</b>

<b>Revenue Collected:</b>									
<b>Dedicated</b>									
FEDERAL	763	909	798	763	763	763	763	763	763
<b>Total Revenues Collected</b>	<b>763</b>	<b>909</b>	<b>798</b>	<b>763</b>	<b>763</b>	<b>763</b>	<b>763</b>	<b>763</b>	<b>763</b>

<b>FTE by Employment Type:</b>									
FULL TIME	0.7	0.7	0.7	0.9	0.9	0.9	0.9	0.9	0.9
<b>Total Full-Time Equivalent</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>

**BUDGET CHANGE ITEM (45205)**

**Budget Activity:** MISCELLANEOUS GRANT PROGRAMS  
**Program:** RESEARCH & PROGRAM SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

**Item Title:** POST SECONDARY SERVICE LEARNING

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$51	\$51	\$51	\$51
-Grants	\$209	\$209	\$209	\$209
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statute(s) affected:				
<u>      </u> New Activity <u>  X  </u> Supplemental Funding    _____ Reallocation				

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this initiative.

**RATIONALE:**

The Services Office is proposing an increase of \$260,000 each year of the 2002-03 biennium. While advancing the Services Office's provision of educational services to Minnesota citizens, added funding for collaborative community and higher education programs supports the Governor's Big Plan vision of people working together to establish healthy vital communities throughout the state.

The request for additional support would allow expansion of services beyond the nine to 12 sites that have been funded in recent years and would support implementation of a performance-based accountability system to provide an assessment of program outcomes. This is the only Minnesota program of state support for higher education community service programs.

Minnesota post-secondary service-learning projects have also been funded through the federal Corporation for National Service. The federal office has been supportive in past years with funds awarded in a competitive grant program. Minnesota's most recent application for federal support, however,

was not funded because of an escalating request for program support from other states and their community-based organizations. The continued existence of the federal program of support for state and local initiatives is not assured.

**FINANCING:**

To respond to the increased need and interest in advancing collaborative service-learning programs, \$260,000 is requested for each year of the FY 2002-03 biennium.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Program administration and evaluation	\$51,000	\$51,000
Grants to institutions for service learning projects and to the Minnesota Campus Compact for technical assistance	\$209,000	\$209,000
<b>Total:</b>	<b>\$260,000</b>	<b>\$260,000</b>

Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$118,000	220%	220%

.1 FTE is currently included in this activity to administer Post-Secondary Service Learning Grants. Staff reallocation to .4 FTE is anticipated if the program is expanded. No increase in agency FTE is proposed as result of this proposal.

**OUTCOMES:**

New funding would advance statewide priorities for healthy vital communities though support for

- Two or three campus-based centers for community partnerships. Regional centers would strengthen efforts to utilize connections with multiple agencies within an institution's service area;
- Two or three additional small grants to campuses for start up service learning activities, integration with academic course work or specific community collaboration projects;
- A formal evaluation to determine if project outcomes reflect program performance measures, and to identify lessons that can be applied to other campus/community collaborative initiatives; and
- Increased support for technical assistance and program oversight.

## PROGRAM SUMMARY

**Program:** LIBRARY & TECHNOLOGY SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

### PROGRAM PROFILE:

Minnesota residents can utilize resources from libraries across the state and take courses through distance learning because of state programs to support library cooperation, resource sharing, and educational telecommunications.

These programs make it possible for Minnesota's schools, colleges, and universities to join together to take advantage of emerging technologies. They support the Governor's Big Plan goals of Lifelong Learning for Work and Life and Building an Information Highway.

- **The Learning Network of Minnesota**, funded by grants awarded through the Minnesota Education Telecommunications Council, allows courses and academic degrees to be delivered through telecommunications and other technologies.
- **The MINITEX Library Information Network** coordinates resource sharing and other cooperative programs among the state's academic and public libraries.
- **The Minnesota Library Information Network (MnLINK)** is a statewide library information system being developed under guidance of the Minnesota Library Planning Task Force.

### STRATEGIES AND PERFORMANCE:

Through use of information technologies for education and library services, these activities promote efficiency and effectiveness and reduce geographic barriers through the following strategies.

- The Learning Network is a technological infrastructure to improve access to higher education programs, courses, and degrees.
- MINITEX identifies and transfers interlibrary loan documents among academic and public libraries, maintains a unified catalog of serial holdings, supports cooperative cataloging, and expands the availability of electronic information resources.
- MnLINK will be an automated library information system and a gateway system that will allow collections in most Minnesota libraries to appear as a single resource to the user.

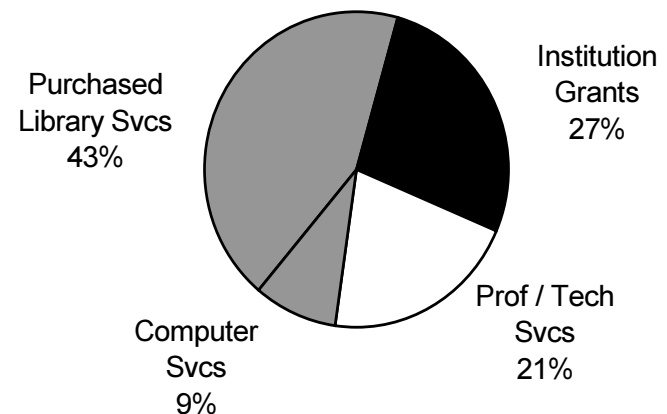
### FINANCING INFORMATION:

**Learning Network of Minnesota.** Through the Services Office, the state appropriated \$10.4 million for FY 2000 and FY 2001 to support the higher education portion of the network and administration of the Minnesota Education Telecommunications Council. A 10% match is required from the higher education telecommunication regions.

**MINITEX:** In the FY 2000-01 biennium, MINITEX was financed through \$9.0 million in state appropriations and an additional \$2.4 million from contracts with the Minnesota Department of Children, Families and Learning, and the North and South Dakota State Libraries. In addition, an estimated \$4.7 million will be generated by Online Computer Library Center (OCLC) online cataloging services to participating MINITEX libraries –these funds are passed directly to OCLC.

**MnLINK:** The 1997 Legislature provided a one-time appropriation of \$12 million to implement MnLINK. Future operating costs of the automated library information system will be shared by participating libraries. A \$450,000 annual appropriation funds operation of the Gateway.

### Libraries & Technology 2000-2001 Expenditures by Category Total \$38.6 Million



PROGRAM SUMMARY (Continued)

Program: LIBRARY & TECHNOLOGY SERVICES  
Agency: HIGHER EDUCATION SVCS OFFICE

**BUDGET ISSUES:**

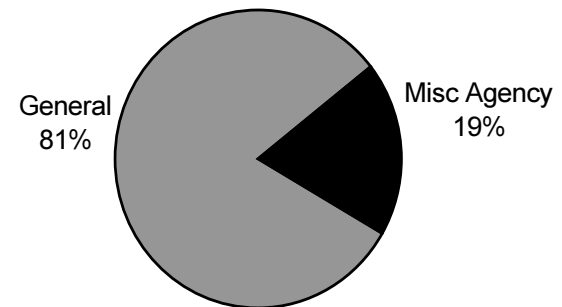
The activities under this program are shaped by rapid changes in the potential benefits and costs of information technologies.

- **Learning Network of Minnesota:** The Learning Network maintains links among post-secondary institutions as well as between those institutions and public school districts and libraries. The Minnesota Education Telecommunications Council has been working with the state's education leaders and the Department of Administration to develop the next stage of the Learning Network. The higher education portion of the network is continuing to upgrade equipment and capacity and to support user demand for newer technologies.
- **MINITEX:** MINITEX provides Minnesotans with cost-effective access to a full range of library resources and information. Investments in sharing among libraries pay off in efficient use of library collections. New technologies can be used to transmit some printed materials electronically. As the number of library users and the amount of available information expands, inter-library loan demand continues to grow.

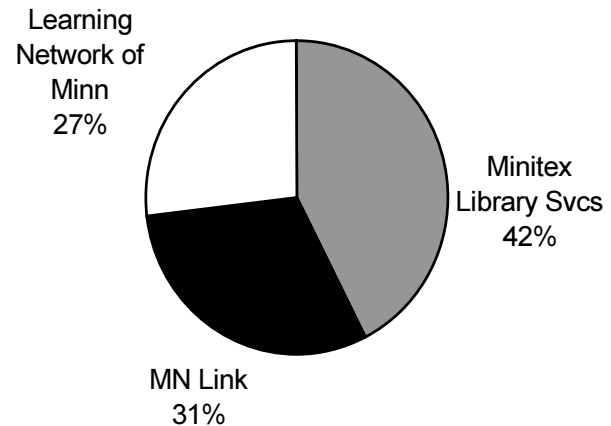
More and more materials are becoming available in electronic formats. Through MINITEX, Minnesota has been investing in electronic information at the state level in order to take advantage of volume-based pricing and to expand access to libraries and users. The 1998-99 biennial appropriation included funds to subsidize online access to full-text articles in science and technology journals that support higher education academic programs. A second initiative is supported by tandem 2000-01 appropriations to the Higher Education Services Office and the Department of Children, Families and Learning. These appropriations, which are administered by MINITEX, provide access to information resources that benefit users across the educational spectrum on a statewide basis (including K-12, higher education, state government, and public libraries).

- **MnLINK:** MnLink is still in the developmental stages. Implementation funds are currently being used for project management and related expenses, implementation hardware, and software licenses. Transition costs for libraries will be subsidized to the extent possible. The long term financing of MnLink will require negotiated cost-sharing among participating libraries using the automated library information system and an on-going appropriation to support the gateway.

**Library & Technology Services  
2000-2001 Financing by Fund  
Total \$38.4 Million**



**Library & Technology Services  
2000-2001 Expenditures by Budget  
Activity  
Total \$**





Program: LIBRARY & TECHNOLOGY SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Activity:</b>									
MINITEX LIBRARY SERVICES	5,665	8,150	8,187	8,187	9,987	9,987	8,187	9,912	9,912
MN LINK	754	2,112	9,757	450	450	450	450	450	450
LEARNING NETWORK OF MINN	6,070	5,150	5,208	5,179	6,679	5,179	5,179	6,679	5,179
<b>Total Expenditures</b>	<b>12,489</b>	<b>15,412</b>	<b>23,152</b>	<b>13,816</b>	<b>17,116</b>	<b>15,616</b>	<b>13,816</b>	<b>17,041</b>	<b>15,541</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) MINITEX	GEN				1,800	1,800		1,725	1,725
(B) LEARNING NETWORK OF MINNESOTA	GEN				1,500			1,500	
<b>Total Change Items</b>					<b>3,300</b>	<b>1,800</b>		<b>3,225</b>	<b>1,725</b>
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	9,431	11,701	19,483	10,147	13,447	11,947	10,147	13,372	11,872
<b>Statutory Appropriations:</b>									
SPECIAL REVENUE	1	59	0	0	0	0	0	0	0
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669
<b>Total Financing</b>	<b>12,489</b>	<b>15,412</b>	<b>23,152</b>	<b>13,816</b>	<b>17,116</b>	<b>15,616</b>	<b>13,816</b>	<b>17,041</b>	<b>15,541</b>
<b>FTE by Employment Type:</b>									
FULL TIME	3.0	3.0	3.1	1.1	1.1	1.1	1.1	1.1	1.1
<b>Total Full-Time Equivalent</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** MINITEX LIBRARY SERVICES  
**Program:** LIBRARY & TECHNOLOGY SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

**ACTIVITY PROFILE:**

Now in its 31<sup>st</sup> year of operation, the MINITEX Library Information Network (MINITEX) is a publicly-supported network of more than 225 academic, public state government, and other special libraries in Minnesota, North Dakota, and South Dakota working cooperatively to improve library services by sharing library resources and services for the benefit of residents in Minnesota and neighboring states. MINITEX 's mission is to enhance the effectiveness and efficiency of libraries by expanding their access to local, state, regional, national and international information resources.

**STRATEGIES AND PERFORMANCE:**

MINITEX fulfills its objective through four primary activities: 1) document delivery; 2) a union list of serial holdings (journals and magazines) of participating libraries; 3) a common data base of participants' books and non-print holdings through on-line shared cataloging; and 4) group licenses for on-line access to bibliographic and full-text data bases. In addition, MINITEX provides three secondary services on a reimbursement basis: cooperative purchasing, periodical exchange and a reference service.

	FY 1999	FY 2000
Document Delivery Requests	304,380	312,425
Online Shared Cataloging: Participating libraries	196	196
Union List of Serials (MULS): Number of titles	155,511	157,550
On-line data bases: Number of hits	2,371,363	4,930,563

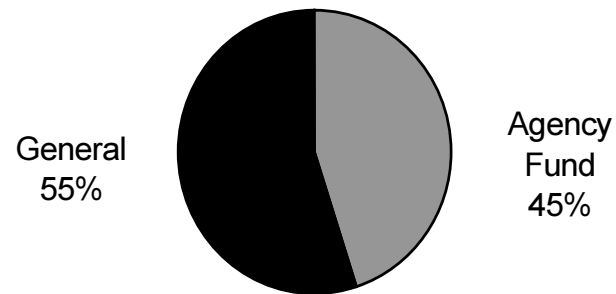
**FINANCING INFORMATION:**

The entire MINITEX appropriation is for contracted services provided by MINITEX at the University of Minnesota. The University of Minnesota provides space and related physical plant and administrative support services without charge to MINITEX.

Additional revenue is generated from contracts with the Minnesota Department of Children, Families and Learning, the North Dakota State Library, and the South Dakota State Library. All these funds are passed directly to MINITEX at the University of Minnesota. Revenue is also generated by the Online Computer Library Center (OCLC) online cataloging service in which the revenue is received from libraries using OCLC services through the MINITEX office and passed directly to OCLC.

The FY 2000-01 biennial appropriation included an additional \$3.0 million for access to electronic resources. With this appropriation, MINITEX licensed access to the full text of general magazines, references resources, and newspapers (with additional funds from the Department of Children Families and Learning) as well as to scholarly journals and other online resources. In addition, MINITEX licensed the content of over 4,500 electronic books for access throughout Minnesota. These electronic collections have become the Electronic Library for Minnesota.

**MINITEX Library System  
2000-01 Estimated Financing by  
Fund**



**BUDGET ISSUES:**

For the FY 2002-03 biennium, there are several issues regarding the appropriation for MINITEX services to academic and state government libraries.

- The number of document delivery requests is expected to increase with the expansion of distance education and implementation of the MnLINK system, which will enable library patrons to search and request items from distant sites.
- Investments in new scanning technologies could increase the efficiency of transmitting requested articles to libraries as well as directly to patrons.
- As the availability of online journals and data bases continues to increase, there are far greater potential cost savings in joint licensing and purchasing agreements than existed when libraries purchased materials individually.

Activity: MINITEX LIBRARY SERVICES  
 Program: LIBRARY & TECHNOLOGY SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
OTHER OPERATING EXPENSES	5,665	8,150	8,187	8,187	9,987	9,987	8,187	9,912	9,912
<b>Total Expenditures</b>	<b>5,665</b>	<b>8,150</b>	<b>8,187</b>	<b>8,187</b>	<b>9,987</b>	<b>9,987</b>	<b>8,187</b>	<b>9,912</b>	<b>9,912</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) MINITEX	GEN				1,800	1,800		1,725	1,725
<b>Total Change Items</b>					<b>1,800</b>	<b>1,800</b>		<b>1,725</b>	<b>1,725</b>
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	2,608	4,498	4,518	4,518	6,318	6,318	4,518	6,243	6,243
<b>Statutory Appropriations:</b>									
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669
<b>Total Financing</b>	<b>5,665</b>	<b>8,150</b>	<b>8,187</b>	<b>8,187</b>	<b>9,987</b>	<b>9,987</b>	<b>8,187</b>	<b>9,912</b>	<b>9,912</b>
<b>Revenue Collected:</b>									
<b>Dedicated</b>									
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669
<b>Total Revenues Collected</b>	<b>3,057</b>	<b>3,652</b>	<b>3,669</b>	<b>3,669</b>	<b>3,669</b>	<b>3,669</b>	<b>3,669</b>	<b>3,669</b>	<b>3,669</b>

**INFORMATION TECHNOLOGY CHANGE ITEM (45241)**

**Activity:** MINITEX LIBRARY SERVICES  
**Program:** LIBRARY & TECHNOLOGY SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICES  
**IT Change Item:** MINITEX

**ITEM DESCRIPTION AND PURPOSE:**

The Services Office is seeking an increase in funding for MINITEX to respond to the increased demand for items exchanged or shared by academic and state agency libraries. New funds would be used to purchase equipment and software to expand the electronic delivery of materials to more libraries, to expand a pilot project in which MINITEX will send electronic copies directly to the library patron, and to increase access to online resources. Online resources could include: (1) licenses to online journals and periodicals as well as the purchase of electronic books, especially those in science and technical fields, and (2) a subscription to The OCLC Collection. The OCLC Collection includes a global catalog of library holdings along with several databases that include journal table of contents and magazine article citations. Included in The OCLC Collection annual subscription would be Net First, a database describing and linking to high quality Internet-accessible resources. This database enables users to identify the source and subjects of websites and to link directly to the sites.

**FUNDING: (Dollars in Thousands)**

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	200	125	25	25	25	25
Software	0	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	1,600	1,600	1,600	1,600	1,600	1,600
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
<b>Total</b>	<b>1,800</b>	<b>1,725</b>	<b>1,625</b>	<b>1,625</b>	<b>1,625</b>	<b>1,625</b>

**RATIONALE:**

Document Delivery: The number of items exchanged or shared by academic and state agency libraries through the MINITEX delivery system increased 2.6% from FY 1999 to FY 2000, and the increase in demand is expected to continue as MnLINK is used to find and request materials in other libraries. The Services

Office is seeking an increase of \$250,000 in FY 2002 and \$175,000 in FY 2003 to respond. Funds would be used to purchase equipment and software to expand electronic delivery to more libraries and to enable MINITEX to begin sending electronic copies directly to the library patron's own computer. MINITEX will be able to deliver more materials and do it more quickly.

Electronic Information Resources: The Services Office is proposing an increase of \$1,550,000 for access to online resources for each year of the 2002-03 biennium. This request includes the following three items:

1) An additional \$750,000 for licenses to the increasing number of online journals and periodicals, especially in science and technology. Typically, online journals and periodical licenses are available for a collection of journals rather than for one journal at a time, and price discounts may be negotiated for groups of libraries. The FY 2000 and 2001 base appropriations, in collaboration with funding from CFL, have afforded statewide licensing to more online journals and periodicals for academic, public, and K-12 school libraries at discounted prices. Science and technology journals are typically the most expensive types of journals online. As publishers move to online periodicals, sharing those resources beyond a specific campus is permitted only if a multi-campus or statewide contract is negotiated. Funding is needed to maximize access to this growing resource while minimizing the cost to Minnesota and its libraries.

2) An additional \$500,000 to purchase electronic books in science, medical, and technical fields is being requested for each year of the biennium. This investment would quadruple MINITEX's current small collection of electronic books available to residents statewide. It would provide permanent access to books in electronic format and would minimize staffing or delivery network costs to MINITEX while increasing availability of shared materials.

3) \$300,000 is being requested annually to subscribe to The OCLC Collection. This resource will assist patrons in being self-sufficient in selecting and accessing Internet and other global materials.

All funding for access to electronic information will especially benefit patrons who are not located near major library resources. It will support distance learning and help overcome disadvantages communities in dispersed regions face in maintaining a continuously educated workforce.

**INFORMATION TECHNOLOGY CHANGE ITEM (45241) (Continued)**

**Activity: MINITEX LIBRARY SERVICES**  
**Program: LIBRARY & TECHNOLOGY SERVICES**  
**Agency: HIGHER EDUCATION SVCS OFFICES**  
**IT Change Item: MINITEX**

**LIFE CYCLE ANALYSIS:**

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development						
Operations	X	X	X	X	X	X
Modification						
Retirement						

**OFFICE OF TECHNOLOGY ANALYSIS:**

Deliverables/Objectives: This initiative is a pass through of funds and would provide grants to fund the purchase of more equipment and software to expand the electronic delivery of materials to more libraries. It also expands a pilot project, in which MINITEX will be sending electronic copies directly to library patrons and increase access to online resources. This initiative expands existing services already offered by MINITEX. It addresses EGS, collaboration, infrastructure and Big Plan (SSP --Assuring Lifelong Learning for Work and Life, SNS--Electronic Government Services Initiative) components. The initiative is listed as a priority in the agency SIRMP. Conclusion: This initiative meets information technology criteria for funding. This is an example that other agencies can use for aggregation of services. Biennial report documenting savings is requested.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's request.

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** MnLINK  
**Program:** LIBRARY & TECHNOLOGY SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### ACTIVITY PROFILE:

Minnesota residents will be able to search the catalogs of academic, government, public and school libraries from single web interface through the Minnesota Library Information Network (MnLINK). MnLINK will be a statewide virtual library to widen access to library resources by drawing upon the combined collections of Minnesota libraries. MnLINK will also increase the efficiency of library operations by using a common library automation system in all public academic libraries and by employing technology to streamline communications for resource sharing.

The Higher Education Services Office is developing MnLINK in cooperation with the Library Planning Task Force which was created by the 1994 legislature to make recommendations about library and information services.

### STRATEGIES AND PERFORMANCE:

The MnLINK project includes the following:

- The *Integrated Library System*, an automated library information system for the University of Minnesota libraries; MnSCU (libraries of technical colleges, state universities, and community colleges); state government libraries; and interested private college, public and school libraries.
- A *Gateway* that provides links to the statewide system for other libraries using a different system for local operations.
- Technical support for planning and training at participating libraries.

Implementation of MnLINK is being coordinated with the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), the Minnesota Education Telecommunications Council, the MINITEX Advisory Committee, the advisory council of the Office of Library Development and Services in the Department of Children, Families and Learning, the Office of Technology, and the Department of Administration. Members from these bodies are represented on the Library Planning Task Force.

The Services Office contracts with MnSCU for management of MnLINK and operation of the Gateway. The Gateway began services in April, 1999. It is accessed at [www.mnlink.org](http://www.mnlink.org). A vendor for the Integrated Library System software has been selected and contract negotiations with them began in fall, 2000.

### FINANCING INFORMATION:

The implementation of MnLINK is funded through a 1997 state appropriation of \$12 million, which is carried over until expended. Once operational, the Integrated Library System will be funded by the participating libraries just as they have paid for their own automated library systems in the past. The Gateway serves a broader public function as a statewide resource allowing Minnesota residents to access library and information at libraries throughout the state. State funds are provided in an annual appropriation for the ongoing coordination and operations of the Gateway.

### BUDGET ISSUES:

The initial \$12 million appropriation is expected to cover MnLINK costs through the installation of the two systems and the training of staff in participating libraries. While Gateway operations are relatively new, the ongoing appropriation appears sufficient for the next biennium.

Activity: MN LINK  
 Program: LIBRARY & TECHNOLOGY SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	87	71	50	0	0	0	0	0	0
OTHER OPERATING EXPENSES	667	2,041	9,707	450	450	450	450	450	450
<b>Total Expenditures</b>	<b>754</b>	<b>2,112</b>	<b>9,757</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	753	2,053	9,757	450	450	450	450	450	450
<b>Statutory Appropriations:</b>									
SPECIAL REVENUE	1	59	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>754</b>	<b>2,112</b>	<b>9,757</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>
<b>Revenue Collected:</b>									
<b>Dedicated</b>									
SPECIAL REVENUE	60	0	0	0	0	0	0	0	0
<b>Total Revenues Collected</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FTE by Employment Type:</b>									
FULL TIME	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Full-Time Equivalent</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** LEARNING NETWORK OF MINN  
**Program:** LIBRARY & TECHNOLOGY SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICE

### ACTIVITY PROFILE:

The Learning Network of Minnesota (LNM) is a technological highway to provide access to educational programs and library resources through telecommunications technology such as interactive television (ITV), Internet, and satellite. The purpose of the network is to expand access to learning opportunities throughout the state and to improve the quality and efficiency of programming using new technologies and configurations that meet the educational needs of Minnesotans.

The LNM is managed by the Minnesota Education Telecommunications Council (METC). Representatives of K-12 and post-secondary education, public libraries, state agencies, and legislators serve on the METC. The METC oversees the distribution of grants to regional entities to ensure interoperability (different technologies and equipment on the same network) and efficiency of the network. The Services Office provides staff support for the METC and serves as fiscal agent for the higher education portion of the network.

### STRATEGIES AND PERFORMANCE:

The METC awards grants to the six higher education telecommunications regions, which maintain links among post-secondary institutions as well as between those institutions and public school districts and libraries. The council encourages collaboration with other community, regional, and state initiatives, such as those introduced by the Department of Administration. In addition, the council promotes interoperability and efficiency through its recommendations concerning infrastructure investments, governance, and technical standards.

The METC is investigating ways to document use of the network. For the higher education portion, regional coordinators report annually to the council on network use according to Services Office performance measures. Each region also prepares an annual report that is presented to the council and regional constituents.

### FINANCING INFORMATION:

The higher education portion of the LNM is financed through state appropriations. A 10% match is required from the regions for ongoing operational costs and for planning and coordination of funds.

The K-12/Library portion of the LNM is also financed through state appropriations. For FY 2001 and FY 2002, the K-12 funds are allocated directly to school districts in the form of categorical aid, which is administered by the Department of Children, Families, and Learning.

For the higher education portion of the LNM, additional funds allocated for FY 2000-2001 have helped to modernize the network. Regions have added or upgraded hardware, expanded desktop video capability, converted to a digital platform, and deployed ATM service.

Fiscal Years	Budget Category	Amount
1994	Initial Start-Up Fund	1.75 Million
1995/1996/ 1997	Operational Base & Administrative Costs	\$3.050 Million per year
1998/1999	Operational Base & Administrative Costs	\$3.426 Million per year
	Special Projects	1998/ \$2.076 Million 1999/ \$1.866 Million - \$1.0 Million for New Technology - \$ .5 Million for Quality/Capacity improvements (Non-Recurring) - \$3.66 Million Inter/State Regional Connections (Non-Recurring)
2000/2001	Operational Base & Administrative Costs	2000: \$3,716,225 2001: \$4,788,269
	Special Projects	2000: \$1,461,775 2001: \$ 390,731 - Modernization of network

### BUDGET ISSUES:

Over the past biennium, the higher education regions have worked to achieve greater cost efficiencies and reduce duplication, so recurring network costs are increasing at a lower rate. Still, infrastructure maintenance/replacement and upgrades to newer technologies are necessary to support current levels of service and expand learning opportunities for students. With fluctuating levels of funding support for the K-12/Library portion of the LNM, the higher education sites are sharing staff, hardware, and lines and are providing technical assistance to K-12/Library sites.

The allocation for regional administrative costs has not changed for a number of years. As a result, member institutions of each region have contributed considerably more than the required 10% match. During FY 2000, the average match was 16% with a range of 13-22% across the six regions.



Activity: LEARNING NETWORK OF MINN  
 Program: LIBRARY & TECHNOLOGY SERVICES  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	39	50	63	63	63	63	63	63	63
OTHER OPERATING EXPENSES	17	22	41	41	41	41	41	41	41
<b>Subtotal State Operations</b>	<b>56</b>	<b>72</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>104</b>
LOCAL ASSISTANCE	6,014	5,078	5,104	5,075	6,575	5,075	5,075	6,575	5,075
<b>Total Expenditures</b>	<b>6,070</b>	<b>5,150</b>	<b>5,208</b>	<b>5,179</b>	<b>6,679</b>	<b>5,179</b>	<b>5,179</b>	<b>6,679</b>	<b>5,179</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) LEARNING NETWORK OF MINNESOTA	GEN				1,500			1,500	
<b>Total Change Items</b>					<b>1,500</b>			<b>1,500</b>	
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	6,070	5,150	5,208	5,179	6,679	5,179	5,179	6,679	5,179
<b>Total Financing</b>	<b>6,070</b>	<b>5,150</b>	<b>5,208</b>	<b>5,179</b>	<b>6,679</b>	<b>5,179</b>	<b>5,179</b>	<b>6,679</b>	<b>5,179</b>
<b>FTE by Employment Type:</b>									
FULL TIME	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
<b>Total Full-Time Equivalent</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>

**INFORMATION TECHNOLOGY CHANGE ITEM (45200)**

**Activity:** LEARNING NETWORK OF MINN  
**Program:** LIBRARY & TECHNOLOGY SERVICES  
**Agency:** HIGHER EDUCATION SVCS OFFICES  
**IT Change Item:** LEARNING NETWORK OF MINNESOTA

**ITEM DESCRIPTION AND PURPOSE:**

The Services Office, on behalf of the six higher education regional telecommunications coordinators, recommends an increase of \$1.5 million each year of the biennium. These additional funds would pay for infrastructure maintenance and replacement, upgrades to newer technologies, administrative/coordination costs (the administrative portion of the grants has been fixed for several years), and rate increases. The Network is the technological highway that provides education programs and access to library resources. The higher education telecommunications regions collaborate with K-12 schools and public libraries, sharing staff, equipment and technical expertise.

**FUNDING: (Dollars in Thousands)**

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Software	0	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	0	0	0	0	0	0
Training	0	0	0	0	0	0
Grants	1,500	1,500	1,500	1,500	1,500	1,500
<b>Total</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>

The change item of \$1,500,000 per year of the biennium includes the following budget item:

- \$150,000 in increased bandwidth costs (an inflationary increase).
- \$900,000 in maintenance costs.
- \$450,000 in modernization (new technology) funds.

This increase represents a 29.5% increase over the base and has no impact on agency FTE.

**RATIONALE:**

The Minnesota Education Telecommunications Council awards grants to six higher education telecommunications regions, which maintain links among post-secondary institutions as well as between those institutions and public school districts and libraries. The council encourages collaboration with other

community, regional, and state initiatives, such as those introduced by the Department of Administration. In addition, the council promotes interoperability and efficiency through its recommendations concerning infrastructure investments, governance and technical standards.

This request was developed by analyzing the following budget issues facing the higher education portion of the Learning Network:

- 1) The state's telecommunications rates have increased, requiring additional funding to maintain current levels of network operation.
- 2) As leases expire, they are replaced by agreements offering more current technologies with a corresponding increase in costs. For example, the higher education regions are continuing to replace analog services and equipment with digital technologies.
- 3) Some sections of the network receive very heavy use during peak hours, and additional capacity is required to satisfy user needs. In addition, digital technology increases network capabilities to include voice and data as well as video. Regions are now offering services such as IP telephony and desktop video, and they require additional capacity to support user demands for these technologies.
- 4) The network requires continual upgrading and modernization to take advantage of new educational applications and to support user expectations.

**LIFE CYCLE ANALYSIS:**

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development						
Operations	X	X	X	X	X	X
Modification						
Retirement						

**OFFICE OF TECHNOLOGY ANALYSIS:**

This initiative is a pass through of funds and a collaborative effort on behalf of the six regional telecommunications coordinators. The Learning Network is the technological highway that provides education programs and access to library resources. Deliverables/Objectives: This initiative provides infrastructure maintenance and replacement, increases network bandwidth, administrative costs, and will cover rate increases. These funds will be distributed as grants to

INFORMATION TECHNOLOGY CHANGE ITEM (45200) (Continued)

**Activity:** LEARNING NETWORK OF MINN

**Program:** LIBRARY & TECHNOLOGY SERVICES

**Agency:** HIGHER EDUCATION SVCS OFFICES

**IT Change Item:** LEARNING NETWORK OF MINNESOTA

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the six regions. This initiative is listed as a priority in the agency SIRMP. It supports collaboration, infrastructure, and Big Plan (HVC -- Information Highway Leaving No Community Excluded) components. Recommendation: Yes, approve funding to continue the regional telecommunication efforts in partnership with the METC, and in relationship to the Dept. of Admin. as it relates to HVC.

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this initiative.

**PROGRAM SUMMARY**

**Program:** AGENCY/LOAN ADMINISTRATION  
**Agency:** HIGHER EDUCATION SVCS OFFICE

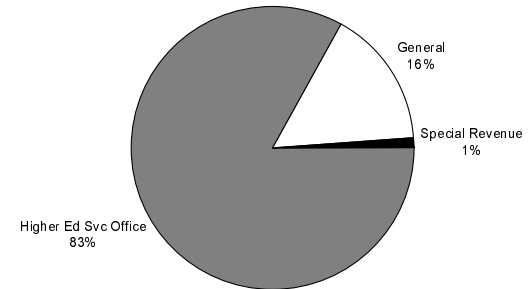
**PROGRAM PROFILE:** Agency Administration provides leadership, direction, and supervision of the Higher Education Services Office, works and provides recommendations and administrative support to the Higher Education Services Council; and supports the agency's divisions and programs with fiscal services, human resources, office services, administrative services, data processing, and information management services.

In addition, the scope of its management services also involves service to outside customers including: the Governor and Legislature, other governmental agencies and appropriate congressional offices, the post-secondary education community, K-12 entities, students, communities of color, the general public, and the media. Moreover, agency administration dedicates staff and fiscal resources toward addressing primary agency issues and strategies relating to student access to post-secondary education, focusing on the importance of financial assistance as well as information relating to educational programs and opportunities. The agency's use of technology to provide access to program information, services and instructional opportunities is key to the efforts of agency administration.

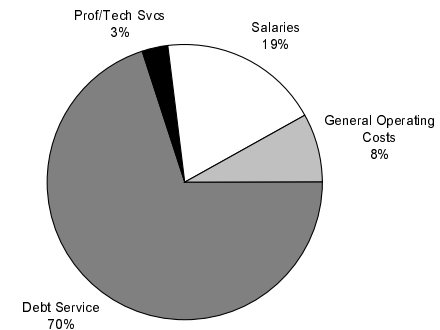
This program is an essential element in ensuring the agency's effectiveness in achieving its mission.

**STRATEGIES AND PERFORMANCE:** This program activity provides overall administrative support for the Services Office and fulfillment of its agency responsibilities. The activities provided under this program ensure fiscal integrity, efficient and effective use of resources through the use of continued process improvement methodologies including measurements and analysis, and enhanced service to the public through the use of technology.

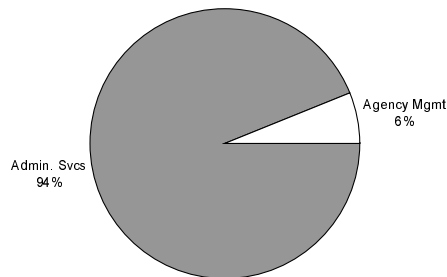
**Agency/Loan Administration  
 2000-2001 Expenditures by Fund**  
 Total: \$14.9 Million



**Agency/Loan Administration  
 2000-2001 Expenditures by Category**  
 Total: \$14.9 Million



**Agency/Loan Administration  
 2000-2001 Expenditures by Activity**  
 Total: \$14.9 Million



Program: AGENCY/LOAN ADMINISTRATION  
 Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Activity:</b>									
AGENCY MANAGEMENT	557	537	646	619	619	619	632	632	632
ADMINISTRATIVE SERVICES	1,628	1,443	12,269	12,277	12,441	12,277	12,324	12,441	12,324
<b>Total Expenditures</b>	<b>2,185</b>	<b>1,980</b>	<b>12,915</b>	<b>12,896</b>	<b>13,060</b>	<b>12,896</b>	<b>12,956</b>	<b>13,073</b>	<b>12,956</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) STATE GRANT PROGRAM REWRITE	GEN				164			117	
<b>Total Change Items</b>					<b>164</b>			<b>117</b>	
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	1,259	1,084	1,335	1,299	1,463	1,299	1,335	1,452	1,335
<b>Statutory Appropriations:</b>									
SPECIAL REVENUE	31	64	50	50	50	50	50	50	50
HIGHER EDUCATION SVCS OFFICE	895	832	11,530	11,547	11,547	11,547	11,571	11,571	11,571
<b>Total Financing</b>	<b>2,185</b>	<b>1,980</b>	<b>12,915</b>	<b>12,896</b>	<b>13,060</b>	<b>12,896</b>	<b>12,956</b>	<b>13,073</b>	<b>12,956</b>
<b>FTE by Employment Type:</b>									
FULL TIME	22.5	22.5	23.8	23.8	24.8	23.8	23.8	24.8	23.8
<b>Total Full-Time Equivalent</b>	<b>22.5</b>	<b>22.5</b>	<b>23.8</b>	<b>23.8</b>	<b>24.8</b>	<b>23.8</b>	<b>23.8</b>	<b>24.8</b>	<b>23.8</b>

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** AGENCY MANAGEMENT  
**Program:** AGENCY/LOAN ADMINISTRATION  
**Agency:** HIGHER EDUCATION SVCS OFFICE

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### BUDGET ISSUES:

The Services Office anticipates that base level funding is adequate for this budget activity through the 2002-03 biennium.

### ACTIVITY PROFILE:

The agency Management Activity includes the agency Director's Office (1.20 FTE) which provides overall leadership, direction, and supervision to 86.7 full time equivalent staff; guides activities of the agency; manages an overall budget of \$300 million; and serves the nine member Higher Education Services Council. The Council appoints the Director of the Services Office, provides advice and review regarding the performance of the Services Office, and communicates with and makes recommendations to the governor and legislature.

This activity also includes the Communication, Legislation & Outreach Services Division which is responsible for development and fulfillment of the agency communication plan, public relations and community outreach initiatives.

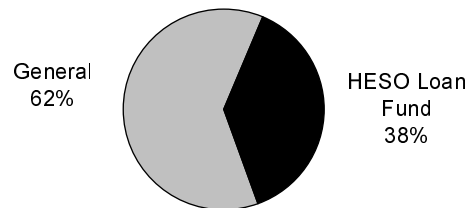
### STRATEGIES AND PERFORMANCE:

Responsibilities include;

- Developing and accomplishing the agency's work plan;
- Identifying agency priorities; and
- Communicating the results of agency and Council actions and policies to the governor, legislature, and public.

### FINANCING INFORMATION:

#### **Agency Management 2001 Estimated Financing by Fund**



Activity: AGENCY MANAGEMENT  
 Program: AGENCY/LOAN ADMINISTRATION  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	333	337	346	360	360	360	373	373	373
OTHER OPERATING EXPENSES	176	152	252	211	211	211	211	211	211
<b>Subtotal State Operations</b>	<b>509</b>	<b>489</b>	<b>598</b>	<b>571</b>	<b>571</b>	<b>571</b>	<b>584</b>	<b>584</b>	<b>584</b>
LOCAL ASSISTANCE	48	48	48	48	48	48	48	48	48
<b>Total Expenditures</b>	<b>557</b>	<b>537</b>	<b>646</b>	<b>619</b>	<b>619</b>	<b>619</b>	<b>632</b>	<b>632</b>	<b>632</b>
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	386	352	443	413	413	413	424	424	424
<b>Statutory Appropriations:</b>									
SPECIAL REVENUE	0	28	0	0	0	0	0	0	0
HIGHER EDUCATION SVCS OFFICE	171	157	203	206	206	206	208	208	208
<b>Total Financing</b>	<b>557</b>	<b>537</b>	<b>646</b>	<b>619</b>	<b>619</b>	<b>619</b>	<b>632</b>	<b>632</b>	<b>632</b>
<b>FTE by Employment Type:</b>									
FULL TIME	5.0	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
<b>Total Full-Time Equivalent</b>	<b>5.0</b>	<b>5.0</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>

## BUDGET ACTIVITY SUMMARY

**Budget Activity:** ADMINISTRATIVE SERVICES  
**Program:** AGENCY/LOAN ADMINISTRATION  
**Agency:** HIGHER EDUCATION SVCS OFFICE

### ACTIVITY PROFILE:

This activity provides administrative support services in the areas of information and technology, financial management, internal office services and human resources to assist all agency managers in the effective implementation and efficient administration of their programs.

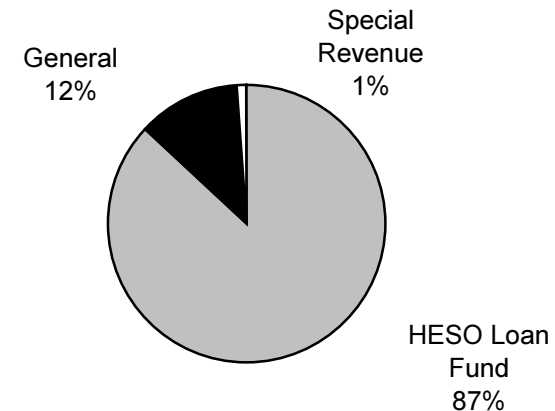
### STRATEGIES AND PERFORMANCE:

The Administrative Services activity includes three work units within the Higher Education Services Office.

- The Financial Services unit provides services including: accounting, auditing, budgeting, fiscal oversight for agency contracts, financial analysis and reporting, agency administrative policies and procedures, purchasing, travel management, disbursement and receipt of funds and repayment processes for several programs.
- The Human Resources and Agency Services unit provides services including: all aspects of human resource functions such as hiring, retention, termination, training, employee orientation, policies and procedures relating to human resource issues; ensuring compliance with affirmative action regulations and efforts relating to the Americans with Disabilities (ADA) Act; provision of agency receptionist duties; fiscal note preparation; agency rule making process; management of agency biennial budget narrative; creation/oversight of contracting process to ensure compliance with state contract regulations and requirements; and application of quality improvement methodology to all services provided by the Services Office.
- The Information and Technology Services unit provides services including: analysis, design, programming, maintenance, operation, database administration, and staff training for application systems; analysis, programming, and database administration for statistical analysis projects; interfacing with hardware, software, and service vendors; maintenance training and technical support for minicomputer, personal computers, networking, and office automation systems.

### FINANCING INFORMATION:

#### Administrative Services 2000-01 Estimated Financing by Fund



### BUDGET ISSUES:

This budget activity primarily supports internal operational functions of the Services Office, without which the agency would be unable to perform its statutory responsibilities. An increase of \$164,000 in FY 2002 and \$117,000 in FY 2003 is being requested for the Information and Technology Services unit in order to address costs that will be incurred in order to modernize and upgrade the State Grant Program language and applications. This will result in more efficient and effective service to students and post-secondary institutions participating in the State Grant Program.



Activity: ADMINISTRATIVE SERVICES  
 Program: AGENCY/LOAN ADMINISTRATION  
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<b>Expenditures by Category:</b>									
<b>State Operations</b>									
COMPENSATION	882	995	1,137	1,167	1,249	1,167	1,205	1,292	1,205
OTHER OPERATING EXPENSES	739	446	932	910	992	910	919	949	919
OTHER FINANCIAL TRANSACTIONS	0	0	10,200	10,200	10,200	10,200	10,200	10,200	10,200
<b>Subtotal State Operations</b>	<b>1,621</b>	<b>1,441</b>	<b>12,269</b>	<b>12,277</b>	<b>12,441</b>	<b>12,277</b>	<b>12,324</b>	<b>12,441</b>	<b>12,324</b>
PAYMENTS TO INDIVIDUALS	2	2	0	0	0	0	0	0	0
LOCAL ASSISTANCE	5	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>1,628</b>	<b>1,443</b>	<b>12,269</b>	<b>12,277</b>	<b>12,441</b>	<b>12,277</b>	<b>12,324</b>	<b>12,441</b>	<b>12,324</b>
<b>Change Items:</b>									
	<b>Fund</b>								
(B) STATE GRANT PROGRAM REWRITE	GEN				164			117	
<b>Total Change Items</b>					<b>164</b>			<b>117</b>	
<b>Financing by Fund:</b>									
<b>Direct Appropriations:</b>									
GENERAL	873	732	892	886	1,050	886	911	1,028	911
<b>Statutory Appropriations:</b>									
SPECIAL REVENUE	31	36	50	50	50	50	50	50	50
HIGHER EDUCATION SVCS OFFICE	724	675	11,327	11,341	11,341	11,341	11,363	11,363	11,363
<b>Total Financing</b>	<b>1,628</b>	<b>1,443</b>	<b>12,269</b>	<b>12,277</b>	<b>12,441</b>	<b>12,277</b>	<b>12,324</b>	<b>12,441</b>	<b>12,324</b>
<b>Revenue Collected:</b>									
<b>Dedicated</b>									
SPECIAL REVENUE	30	50	50	50	50	50	50	50	50
<b>Total Revenues Collected</b>	<b>30</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>FTE by Employment Type:</b>									
FULL TIME	17.5	17.5	19.3	19.3	20.3	19.3	19.3	20.3	19.3
<b>Total Full-Time Equivalent</b>	<b>17.5</b>	<b>17.5</b>	<b>19.3</b>	<b>19.3</b>	<b>20.3</b>	<b>19.3</b>	<b>19.3</b>	<b>20.3</b>	<b>19.3</b>

**INFORMATION TECHNOLOGY CHANGE ITEM (53768)**

**Activity:** ADMINISTRATIVE SERVICES  
**Program:** AGENCY/LOAN ADMINISTRATION  
**Agency:** HIGHER EDUCATION SVCS OFFICES  
**IT Change Item:** STATE GRANT PROGRAM REWRITE

**ITEM DESCRIPTION AND PURPOSE:**

Funding is requested to allow the Higher Education Services Office to migrate the State Grant application from its legacy COBOL implementation to a relational database platform. This would reduce maintenance, allow modifications to the State Grant Program to be implemented more quickly, and dramatically improve reporting and ad hoc query capabilities.

The software HESO currently uses to run the State Grant Program is leased from Sigma Systems, Incorporated. The software was intended for use by post-secondary institutions to manage student financial aid at a single institution. The COBOL code had to be extensively modified in order to be used for the State Grant Program.

Sigma upgrades their software for each academic year and HESO staff has to reinsert the State Grant specific code into every upgraded program. HESO staff spends approximately two months each year modifying and testing the upgrades. This amount of time will only increase if the application is not rewritten, since new State Grant specific modifications are made each year.

**FUNDING: (Dollars in Thousands)**

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	82	87	87	87	87	87
Supplies	1	1	1	1	1	1
Hardware	28	5	5	5	5	5
Software	35	6	6	6	6	6
Facilities	8	8	8	8	8	8
Services	0	0	0	0	0	0
Training	10	10	10	10	10	10
Grants	0	0	0	0	0	0
<b>Total</b>	<b>164</b>	<b>117</b>	<b>117</b>	<b>117</b>	<b>117</b>	<b>117</b>

The Administrative Services budget activity has a general fund annual base budget of \$1,798,000. The change proposed represents a 15% increase over the biennium. 1.0 FTE is a 5% increase over the current FTE base for this activity. The 1.0 FTE funding would pay for a programmer/analyst position. This change request would also cover the costs of an Intel-based database server, database software and development tools.

**RATIONALE:**

The State Grant Program currently uses software leased from Sigma Systems, Incorporated at a cost of \$25,000 annually. This fee would be eliminated upon completion of the State Grant rewrite. The leased COBOL programs have been extensively modified by Services Office staff. These Office-specific changes need to be reinserted each year when Sigma releases its annual upgrades. It currently takes Office staff approximately two months each year to modify and test the upgraded code. The amount of time spent on maintenance will increase since new modifications are made each year.

The State Grant Program rewrite will reduce the amount of staff time needed to maintain the application, and will reduce the amount of time and effort required to make modifications due to changes in statute or at the requests of agency customers. Ad hoc reporting and querying capabilities will be improved for administrative and research needs as well as to respond to the information requests of our customers. Electronic government services to financial aid administrators, such as providing information about an institution's students, will be much easier to implement.

The State Grant Program provides grants to approximately 61,000 students annually. It has a base budget of \$123,000,000 per year.

**LIFE CYCLE ANALYSIS:**

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development	X	X				
Operations		X	X	X	X	X
Modification		X	X	X	X	X
Retirement						

**OFFICE OF TECHNOLOGY ANALYSIS:**

Deliverables/Objectives: This initiative allows the migration of the State Grant application from its legacy COBOL implementation to a relational database platform. This would reduce maintenance, allow modifications to the State Grant Program to be implemented more quickly, and dramatically improve reporting and ad hoc query capabilities. This initiative supports infrastructure, collaboration, EGS and Big Plan (SNS--Electronic Government Services initiative) components. It is listed as priority in the agency SIRMP. Recommendation: Yes, approve funding to upgrade database. This application needs to conform to Minnesota Laws 2000, Chapter 332, regarding the posting of grants to web sites.

**GOVERNOR'S RECOMMENDATION:**

The Governor does not recommend funds for this initiative.