



**Author**

**Mark Misukanis**

Director of Fiscal Policy and Research  
Tel: 651-259-3960  
mark.misukanis@state.mn.us

# Overview of the Prior Model

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1450 Energy Park Drive, Suite 350  
St. Paul, MN 55108-5227

Tel: 651.642.0567 or 800.657.3866  
TTY Relay: 800.627.3529  
Fax: 651.642.0675

E-mail: [info@ohe.state.mn.us](mailto:info@ohe.state.mn.us)

[www.getreadyforcollege.org](http://www.getreadyforcollege.org)  
[www.ohe.state.mn.us](http://www.ohe.state.mn.us)

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Dr. Gerald Setter died unexpectedly in 2008 after completing most of the in-depth analysis reflected in this report. The Office of Higher Education is grateful for his thoughtful insight, hard work and nearly 30-year commitment to public service.

# Introduction

The Design for Shared Responsibility provides the policy foundation for the Minnesota State Grant program. Its development can be traced back to the Carnegie Council on Policy Studies in Higher Education (1979) recommendation for changes in federal student aid policies.

*(The Carnegie Council proposed) that the basic building block of student financial support for postsecondary education be a substantial self-help component (which has come to be known as Assigned Student Responsibility in Minnesota). ... Family income is no longer a sufficient indication of need(.) ... Additionally, we believe that an explicit self-help component is an important aspect of developing in students a sense of responsibility for their own advancement and of encouraging a more acutely sensed necessity for prudent use of time and money (p. 6).*

Among the reasons the Carnegie Council gave for advocating self-help expectations were the following:

- “It will help meet the problems posed by the growing proportion of students declaring themselves independent of their parents and will facilitate devising equitable policies for providing assistance to needy part-time and adult students,” (p. 27).
- “There is a case for student self-help in view of the economic benefits the student can normally expect from a college education,” (p. 27).
- “An earnings expectation is consistent with the changing status of young people in our society. They have been granted legal majority, and they tend to achieve adult status in terms of social behavior earlier than college-age young people did in the past,” (p. 27).
- “With the extension of student grants to young people from middle-income families, the relative contribution of the taxpayer, compared with that of students and parents, has been increased. An earnings expectation for all students applying for aid would redress the balance,” (p. 27).

The 1983 Legislature adopted the Design for Shared Responsibility as the policy for the Minnesota State Grant program. The design was implemented as part of a package of policy changes, including:<sup>1</sup>

1. Average Cost Funding, the methodology used to adjust the instructional budget base for enrollment changes.
2. Uniform Cost-Related Tuition Policy.
3. Revised tuition reciprocity arrangements.
4. Management authority of governing boards clarified and strengthened.

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<sup>1</sup> See Minnesota Higher Education Coordinating Board (1985a, p. 53).

Considerable discussion of policies and practices led to the decision to adopt the Design for Shared Responsibility. The Minnesota Higher Education Coordinating Board made its final recommendations in December 1982.<sup>2</sup> In their report (1982c, p. 2), the Board argued that the Design for Shared Responsibility would “more effectively target state financial aid money to students from the lowest income families. It would accomplish this by explicitly stating the relative responsibilities of institutions, students, parents and government in paying for postsecondary education.” The Board (1982c, p. 2) asserted that the design would:

- Control the amount the student is expected to contribute, primarily through work and borrowing, and ensure that this expectation is the same for all students attending the same cost institution.
- Recognize the major tuition difference that exists among institutions, while asking more of students who choose higher cost options.
- Ensure that the student will contribute toward his or her education an amount that is significant but manageable.
- Recognize the impact on students of the withdrawal of federal grant dollars.
- Ration limited state grant dollars in a way that does not place the greatest burden on the poorest students.
- Recognize that borrowing has become a significant factor in educational financing.

The Coordinating Board summarized the results of the actions of the Governor and 1983 Legislature in its *Report to the Governor and 1985 Legislature* as follows:

*The 1983 Minnesota Legislature, in approving its comprehensive package of higher education policies, adopted a major redesign of the State Scholarship and Grant Program for implementation in the 1983-1984 school year.<sup>3</sup> ... The new policy, the Design for Shared Responsibility, is intended to promote the primary goal of the state’s student financial aid system—to ensure equal opportunity for all Minnesota residents to pursue a post-secondary education in institutions and programs that can best meet their educational needs, regardless of their economic circumstances (p. 58).*

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<sup>2</sup> See Minnesota Higher Education Coordinating Board (1982a), (1982b), and (1982c).

<sup>3</sup> *Laws of Minnesota for 1983*, Chapter 258, Sections 41 and 42.

*(The Design for Shared Responsibility) targets more financial aid money to students from lower income families than was possible previously. Over time several inequities had developed in the old policy. As a result, students from lower income families found it necessary to finance a larger proportion of their educational costs from savings, work or loans than students from higher income families attending the same institutions. This resulted from several arbitrary award caps and other rationing techniques used in response to insufficient funding (p. 58-59).*

This report explains how the Design for Shared Responsibility compares to the policy that was used in Minnesota before 1983.

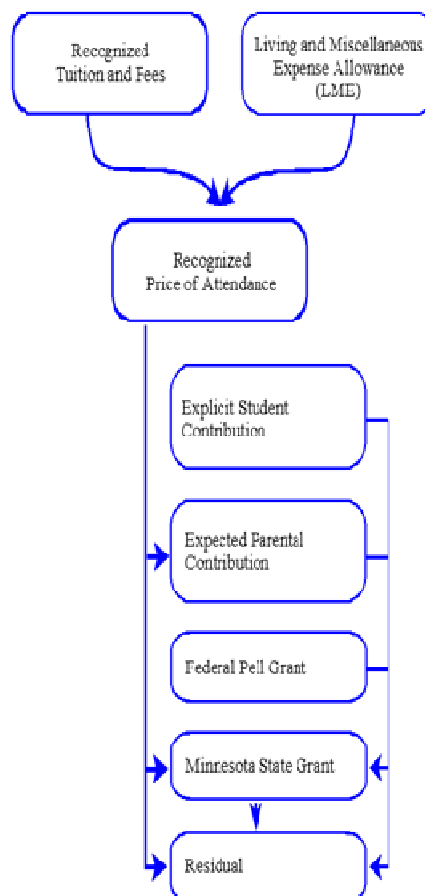
## The Model Used Prior to the Design for Shared Responsibility

The policy model used prior to the Design for Shared Responsibility will be referred to as the Prior Model in this report. A recognized price of attendance was the starting point in determining Minnesota State Grants in the Prior Model. The recognized price of attendance was alternatively referred to as “The Budget”, “The Cost of Education” or “The Cost of Attendance”. Each campus was responsible for determining the tuition and fees in the model. A standard Living and Miscellaneous Expense Allowance, determined by the state, was included in the recognized price of attendance.

The Prior Model is shown on the flow chart on this page. Charts on page C-8 apply the Prior Model to the price for typical undergraduate dependent students attending the University of Minnesota in Fiscal Year 2007.<sup>4</sup>

Some, but not necessarily all, of the recognized price of attendance was assigned to students, families and taxpayers in the Prior Model. All students were first assigned an explicit student contribution dollar amount as determined by the state. The explicit student contribution in Fiscal Year 1983 was \$700.<sup>5</sup> For purposes of illustration, the explicit student contribution was doubled from its 1983 amount and applied to the price for typical undergraduates attending the University of Minnesota in Fiscal Year 2007, as shown in Panel 1 on page C-8.<sup>6</sup>

After students were assigned an explicit contribution, the Prior Model assigned payment responsibility to families (parents in the case of dependent students), as shown on the flow chart in Panel 2. This assignment was based on Uniform Methodology, a forerunner to today’s Federal Need Analysis.



<sup>4</sup> Fiscal Year 2007 values are used in this section so the results of the Prior Model can be compared to current policy.

<sup>5</sup> See Minnesota Higher Education Coordinating Board (1983a, p. 84).

<sup>6</sup> To have a contemporary picture of how the Prior Model worked, it was assumed that the explicit student contribution was doubled to \$1,400 and typical students assets were not large enough to be assessed.

After students and families were assigned responsibility for the recognized price of attendance in the Prior Model, Federal Pell Grants, as shown on the flow chart and incorporated in Panels 3 and 4 on the next page, were considered.

The Minnesota State Grant award was 50 percent of the difference between the recognized price and the combination of the explicit student contribution and the expected parental contribution. If the student was projected to receive a Federal Pell Grant, the sum of the two could not exceed 75 percent of difference.<sup>7</sup> This resulted in combined awards as shown in Panel 3 on the next page.

Minnesota State Grants were constrained further by a maximum award of \$1,050 in Fiscal Year 1983.<sup>8</sup> In Panel 4 on the next page, the maximum award was doubled to show a more contemporary picture of the Prior Model.

Minnesota State Grants were further rationed by reducing the recognized price to 78 percent of the calculated values in Fiscal Year 1983.<sup>9</sup> In the chart shown on the next page, this rationing feature was not included.

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<sup>7</sup> See Minnesota Higher Education Coordinating Board (1983a, p. 83).

<sup>8</sup> See Minnesota Higher Education Coordinating Board (1982c, p. 10).

<sup>9</sup> See Minnesota Higher Education Coordinating Board (1982c, p. 14).

# The Prior Model Assignments of Payment Responsibilities for Price of Attendance = \$15,513

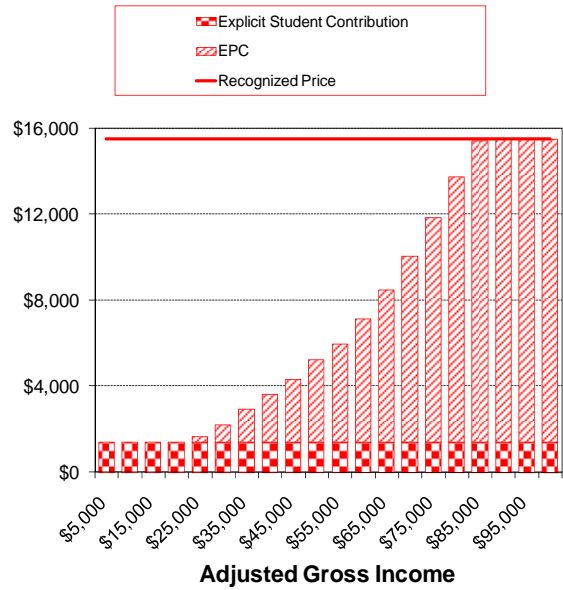
## 1. Explicit Student Contribution

Typical Dependent Student Attending the University of Minnesota, Fiscal Year 2007



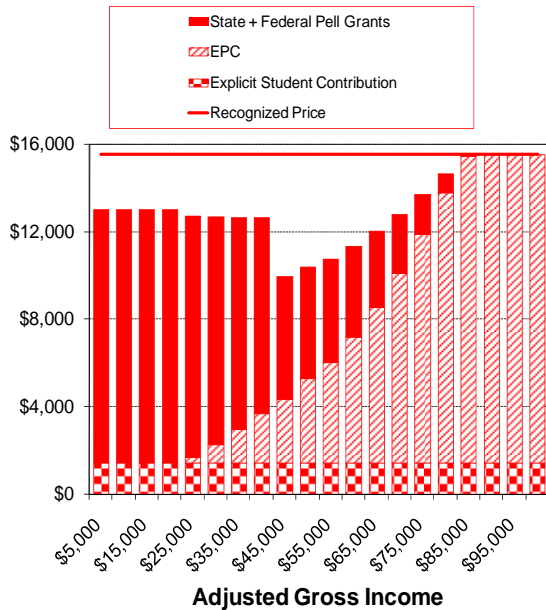
## 2. Addition of Expected Parental Contribution

Typical Dependent Student Attending the University of Minnesota, Fiscal Year 2007



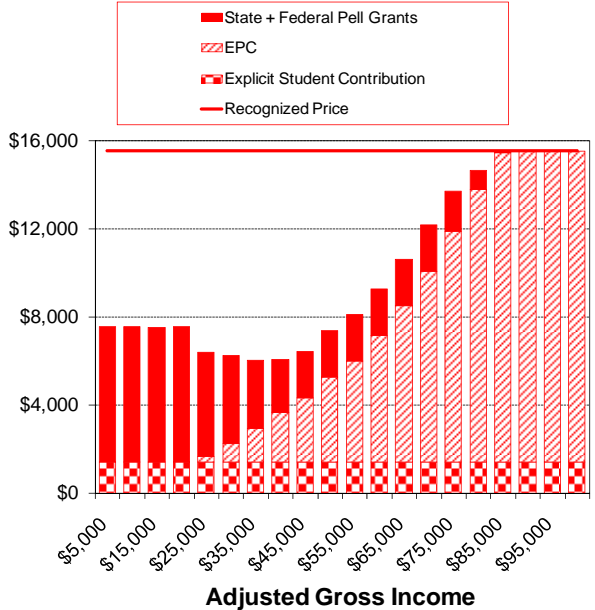
## 3. Addition of Federal Pell and State (without Award Maximum) Grants

Typical Dependent Student Attending the University of Minnesota, Fiscal Year 2007



## 4. Addition of Federal Pell and State (with Award Maximum) Grants

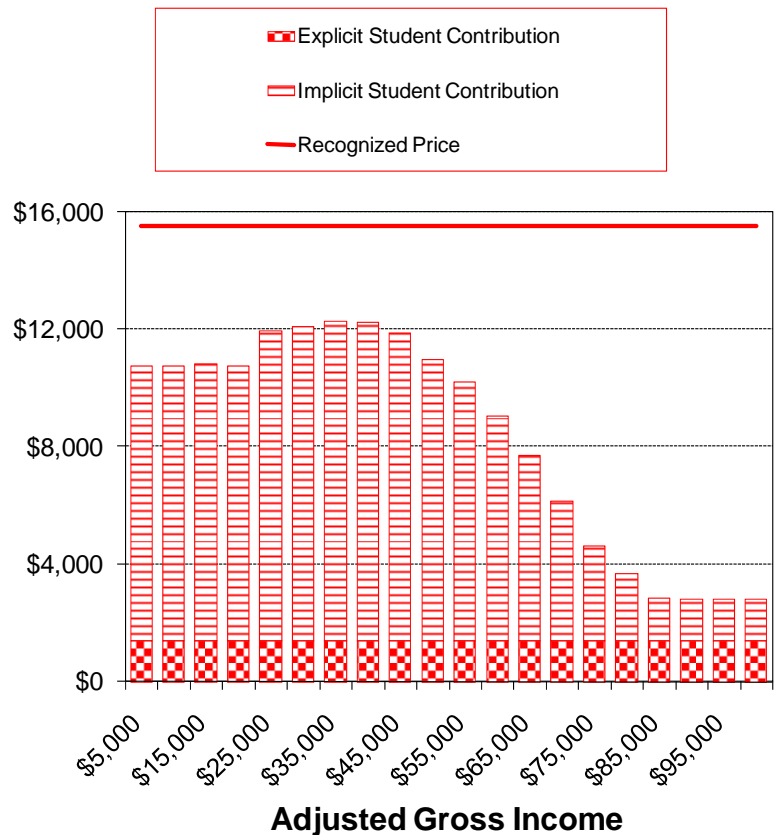
Typical Dependent Student Attending the University of Minnesota, Fiscal Year 2007





In the Prior Model, students from the low end of the income spectrum were assigned the explicit student contribution and, implicitly, any residual amount. The residual amount was the difference between the recognized price and the sum of the explicit student contribution, their parent’s expected contribution and their federal Pell and Minnesota State grants. The explicit student contributions and the residuals identified on Panel 4 on the previous page are shown on the chart to the right.

**Implicit and Explicit Student Assignments**  
 Typical Dependent Student Attending the University of Minnesota, Fiscal Year 2007



Effectively, the Prior Model started with a recognized price of attendance but determined payment responsibilities with little regard to price. Students were assigned an explicit amount by the state. Parents were assigned a dollar amount based on a measure of ability-to-pay and taxpayers were assigned a dollar amount through Federal Pell and Minnesota State Grants that were constrained by politically determined maximum award amounts. The sum of these assignments fell short of the recognized price of attendance for students from families on the left side of the income spectrum.<sup>10</sup>

Other Fiscal Year 2007 prices are shown in the following table. These are the mean reported tuition and fees for students attending institutions in each of the groups shown plus the LME used in Fiscal Year 2007.

Students Attending	Posted Tuition and Fees	Living and Miscellaneous Expense Allowance	Price
Minnesota Private 4-year Institutions	\$19,476	\$6,065	\$25,541
Minnesota Private 2-year Institutions	\$11,625	\$6,065	\$17,690
University of Minnesota	\$9,448	\$6,065	\$15,513
Minnesota State 4-year Universities	\$6,083	\$6,065	\$12,168
Minnesota State 2-year Colleges	\$4,252	\$6,065	\$10,317

<sup>10</sup> The industry recognizes the pervasiveness of residuals and have labeled them, unmet need or self-help expectations.

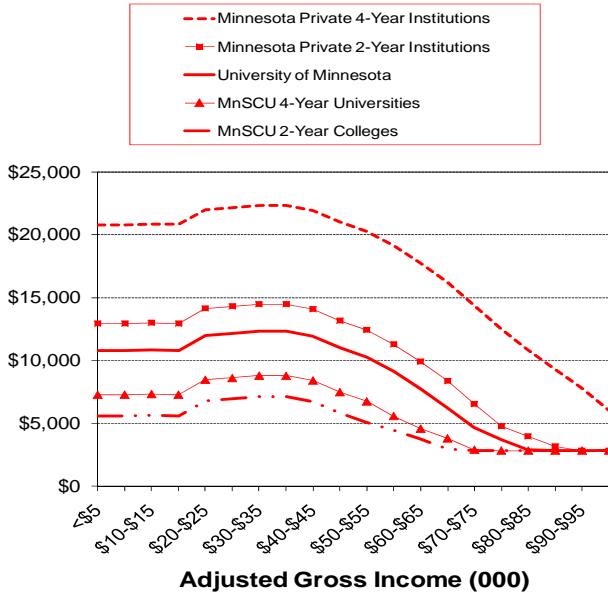
The distribution of the Fiscal Year 2007 prices to students, parents and taxpayers with the Prior Model are shown on the next page. With the Prior Model, all students from families on the left-hand side of the income spectrum, at each price level, were assigned more than students from families on the right-hand side of the income spectrum, in dollar terms (as shown on Panel 1) and as percentages of the recognize price (as shown on Panel 2). Further, as price increased, the assignments increased, in dollar and percentage terms, for students from the left-hand side of the income spectrum.

Expected Parental Contributions were equal across all prices for students from families on the left-hand side of the income spectrum, as shown on Panel 3. On the right-hand side, Expected Parental Contributions increased with recognized prices.

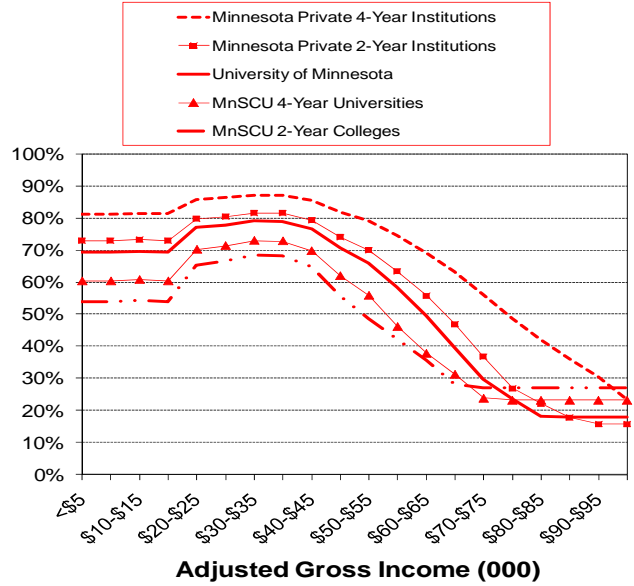
In contrast, taxpayer responsibility, under the Prior Model, did not increase as recognized prices increased for students from families on the left-hand side of the income spectrum, as shown on Panel 4. This was the result of constraining taxpayer responsibilities through maximum awards. For students from families on the right-hand side, combined Federal Pell and Minnesota State Grants increased as recognized prices increased.

# The Prior Model Assignments of Payment Responsibilities across Prices of Attendance

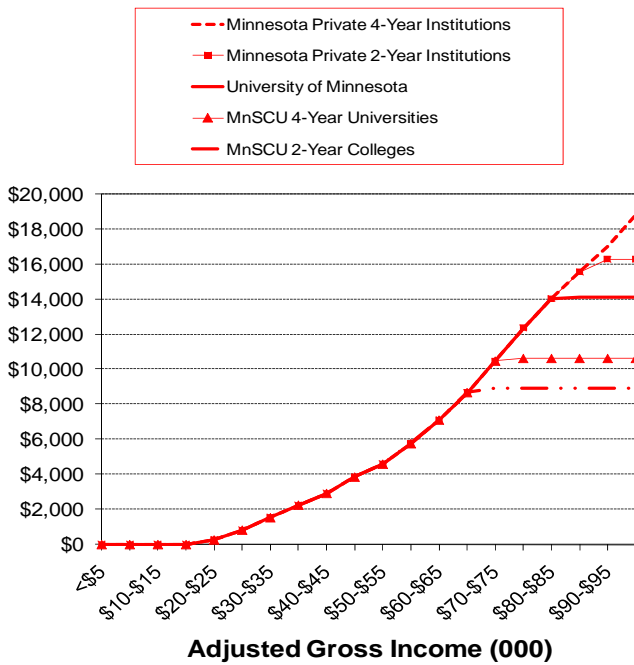
**Explicit Plus Implicit Student Contributions**



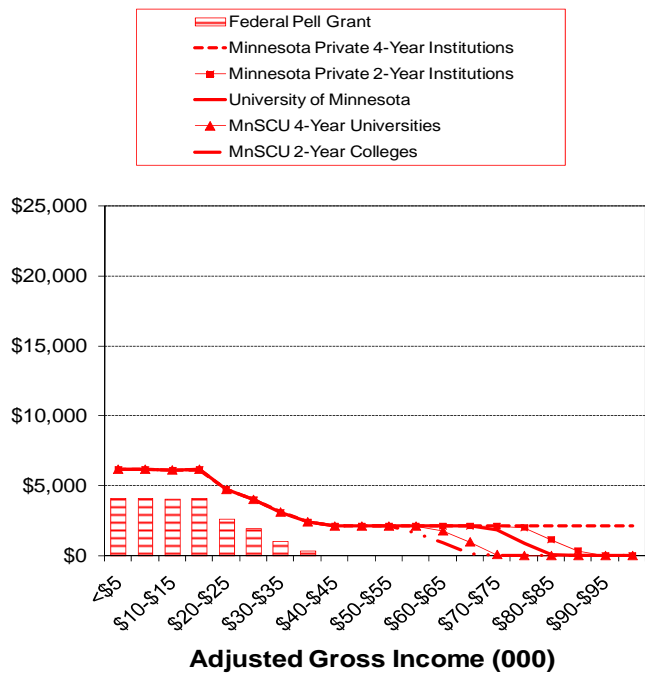
**Explicit Plus Implicit Student Contributions as a Percentage of Recognized Price**



**Expected Parental Contributions**



**Federal Pell and State Grants**



# The Design for Shared Responsibility

Discussions leading up to the adoption of the Design for Shared Responsibility centered on the shortcomings in the Prior Model. In particular, the greater expectation of students from families on the left-hand side of the income spectrum was seen as a shortcoming.

Like the Prior Model, the Design for Shared Responsibility starts with recognized price of attendance, as described in the Overview chapter of this document. Unlike the Prior Model, the Design for Shared Responsibility limits the amount of recognized tuition and fees as an alternative to maximum awards to constrain spending. As with the Prior Model, The Design for Shared Responsibility includes a standard Living and Miscellaneous Expense allowance.

The Design for Shared Responsibility, as applied to Minnesota State Grants, distributes the recognized price of postsecondary education based on family circumstances and attendance choices among students, families, and, if necessary, taxpayers, as described in the Overview.

The state expects all *students* to make a significant personal investment in their own postsecondary educations up front, called Assigned Student Responsibilities. This assignment was intended to be a rigorous but reasonable amount that students could cover with a combination of past, current and future incomes.

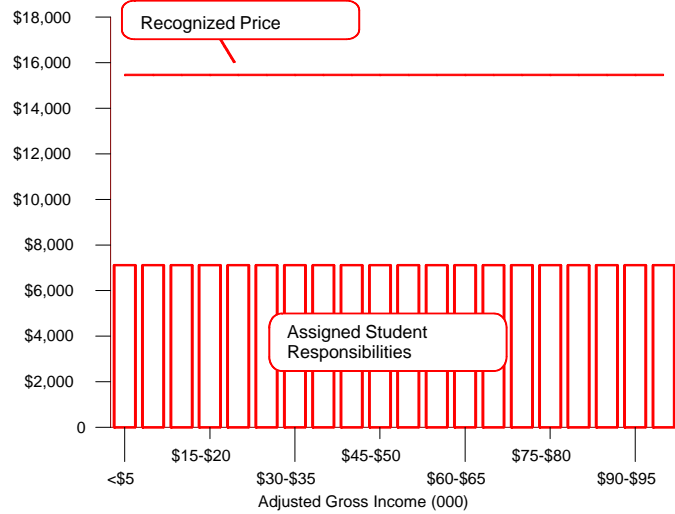
Assigned student responsibilities for typical undergraduate students attending the University of Minnesota in Fiscal Year 2007 are shown on Panel 1 on the next page. Assigned Student Responsibilities is an implementation of the Carnegie Council's recommendation that students be assigned a substantial self-help component.

The remainder of the recognized price is split between families and taxpayers. The state expects *families* to invest in their students' postsecondary educations based on their ability to pay, called assigned family responsibilities. This assignment is shown on Panel 2 on the next page. Similar to the Prior Model, Assigned Family Responsibilities are based on the results of the Federal Need Analysis.

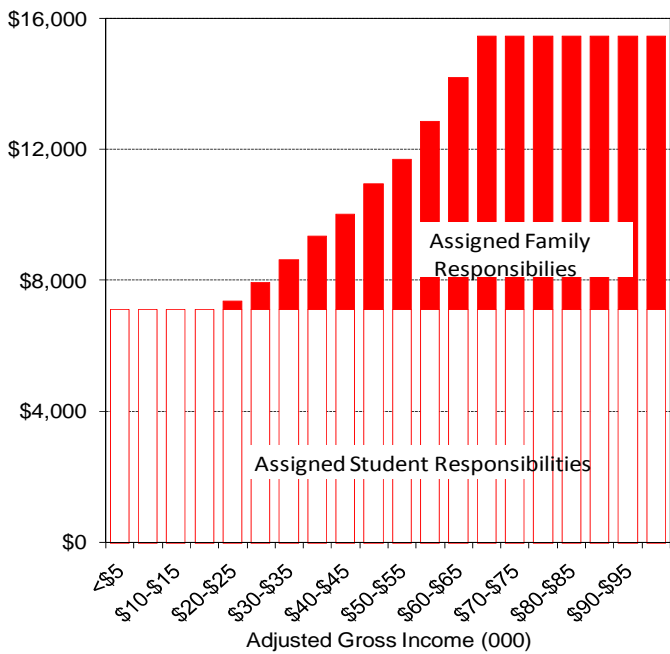
If assigned student responsibilities and assigned family responsibilities do not sum to the full Recognized Price of Attendance, the program assigns the remainder to taxpayers, called assigned taxpayer responsibilities, as shown on Panel 3 on the next page. To cover this assignment, federal Pell grants are counted first, leveraging federal taxpayer dollars before state taxpayer dollars are committed. Minnesota State Grants fill in any remaining portion of the Recognized Price of Attendance. The Design for Shared Responsibility, unlike the Prior Model, assigns the entire Recognized Price of Attendance and avoids residuals that fall to students from families on the lower end of the income spectrum.

## Design for Shared Responsibility for Typical Dependent Students facing a Recognized Price of Attendance = \$15,462

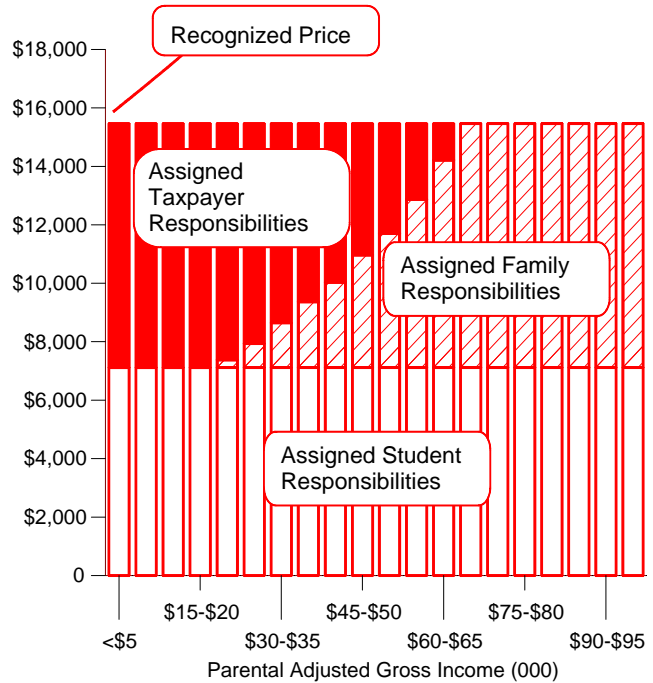
Assigned Student Responsibility



Addition of Assigned Family Responsibilities



Addition of Assigned Taxpayer Responsibilities



Recognized prices of attendance used to calculate Minnesota State Grants is restricted by Tuition and Fee Maximums set by the state. The mean reported tuition and fees for students attending institutions in each of the groups as well as the mean recognized tuition and fees for the same students are shown in the following table.

**Comparison of Posted and Recognized Tuition and Fees, Fiscal Year 2007**

<b>Students Attending</b>	<b>Posted Tuition and Fees</b>	<b>Recognized Tuition and Fees</b>	<b>Difference</b>
Minnesota Private 4-year Institutions	\$19,476	\$8,547	\$10,929
Minnesota Private 2-year Institutions	\$11,625	\$6,349	\$5,276
University of Minnesota	\$9,448	\$9,397	\$51
Minnesota State 4-year Universities	\$5,955	\$5,955	\$0
Minnesota State 2-year Colleges	\$4,252	\$4,252	\$0

Mean recognized prices for Fiscal Year 2007 and the component parts, recognized tuition and fees and the standard Living and Miscellaneous Expense Allowance, are shown in the table below.

<b>Students Attending</b>	<b>Recognized Tuition and Fees</b>	<b>Living and Miscellaneous Expense Allowance</b>	<b>Recognized Price</b>
Minnesota Private 4-year Institutions	\$8,547	\$6,065	\$14,612
Minnesota Private 2-year Institutions	\$6,349	\$6,065	\$12,414
University of Minnesota	\$9,397	\$6,065	\$15,462
Minnesota State 4-year Universities	\$5,955	\$6,065	\$12,020
Minnesota State 2-year Colleges	\$4,252	\$6,065	\$10,317

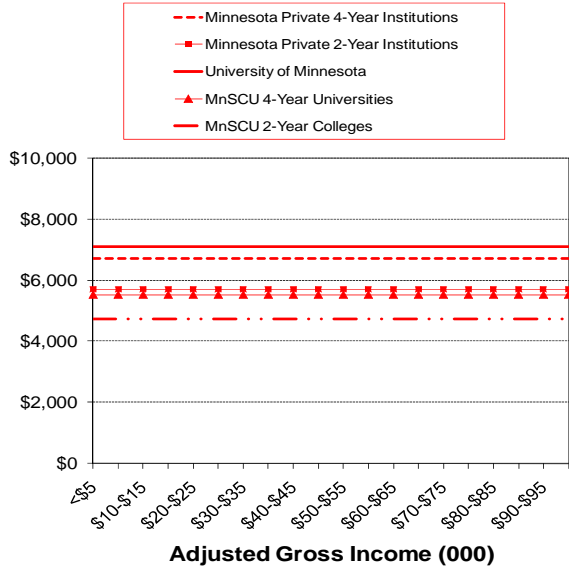
Assigned Student Responsibilities vary with the recognized price of the option chosen by the student but not by income, as shown in Panel 1 on the next page. While the dollar amount varies with recognized price, the percentage assigned to students does not, as shown on Panel 2.

Assigned Family Responsibilities depend on financial circumstances, as shown on Panel 3 on the next page.

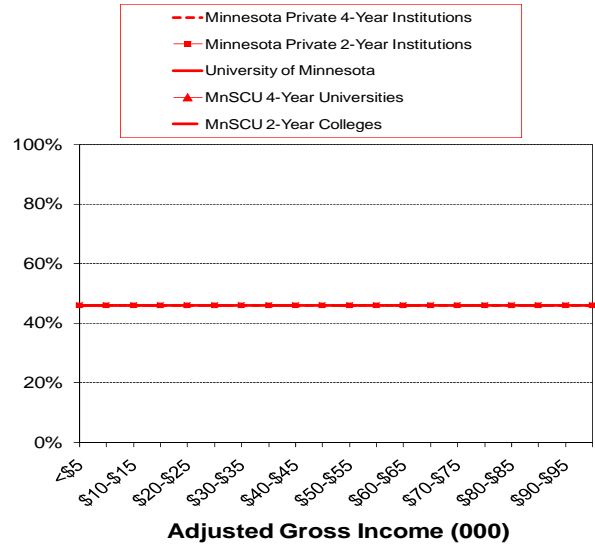
Assigned Taxpayer Responsibilities vary with price, as shown in Panel 4. These variations are the residuals of differences in assigned student and family responsibilities across incomes and prices.

# Design for Shared Responsibility Assignment of Payment Responsibilities Across Prices of Attendance

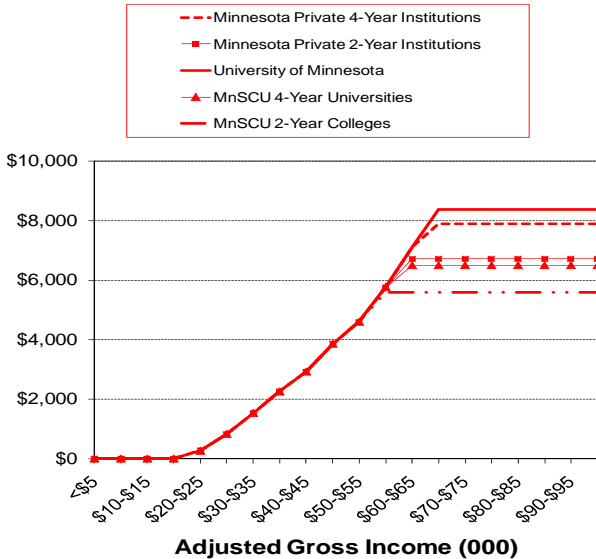
**1. Assigned Student Responsibilities**  
Typical Student, Fiscal Year 2007



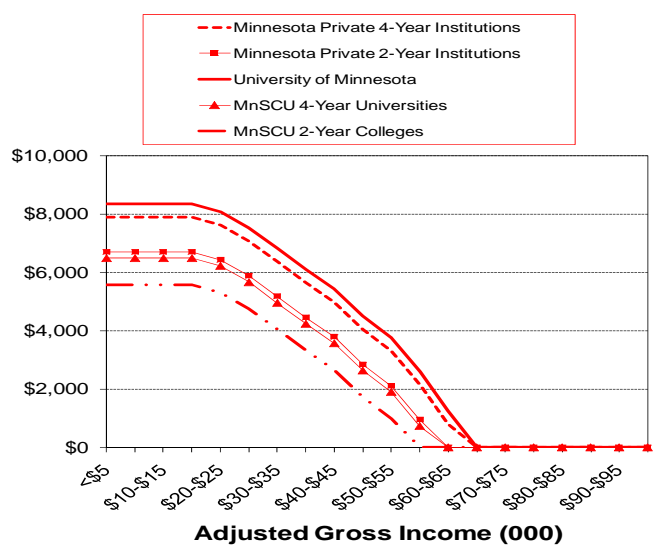
**2. Assigned Student Responsibilities as a Percent of Recognize Price**  
Typical Student, Fiscal Year 2007



**3. Assigned Family Responsibilities**  
Typical Dependent Student, Fiscal Year 2007



**4. Assigned Taxpayer Responsibilities**  
Typical Dependent Student, Fiscal Year 2007



## Comparison of the Two Models

The main difference between the Design for Shared Responsibility and the Prior Model is the expectation of students. Students from families on the left-hand side of the income spectrum were assigned greater payment responsibilities than students from families on the right-hand side of the income spectrum with the Prior Model, as shown on Panel 1 on the next page. Under the Prior Model, students were assigned explicit and implicit payment responsibilities. The implicit payment responsibility was concentrated on the left-hand side of the income spectrum as a result of the maximum award features of Federal Pell Grants and the Prior Model for Minnesota State Grants. The Design for Shared Responsibility corrected this problem by assigning the same payment responsibility to all students facing the same price.

The assignments to parents were similar between the Prior Model and the Design for Shared Responsibility. Both relied on an external measure of ability-to-pay, Uniform Methodology and the Federal Need Analysis. The only difference in practice was the point at which parents were assumed to reach the maximum payment assignment, as shown on Panel 2 on the next page.

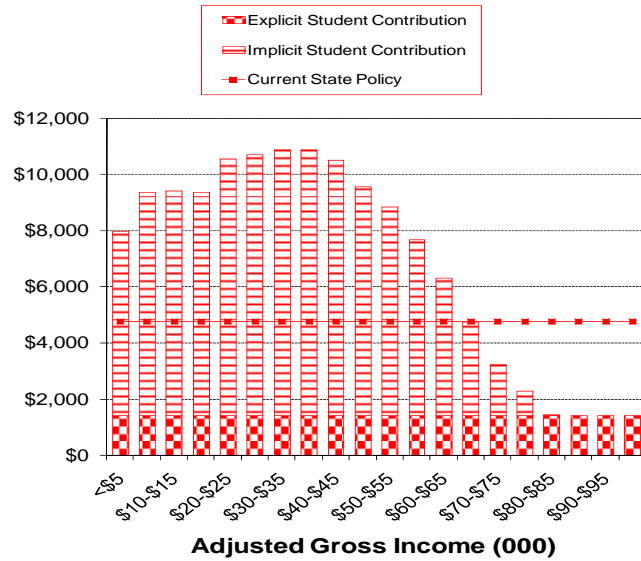
Finally, removing the maximum award feature of the Prior Model, the Design for Shared Responsibility targeted taxpayer assistance more toward the left-hand side of the income spectrum, as shown on Panel 3 on the next page.



# Comparison of the Prior Model and the Design for Shared Responsibility Assignment of Payment Responsibilities

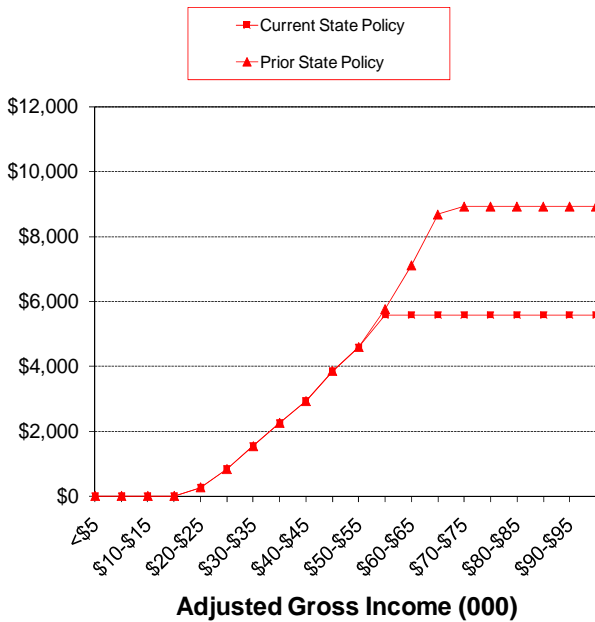
## 1. Assignment to Students

Typical Dependent Students Attending the University of  
Minnesota, Fiscal Year 2007



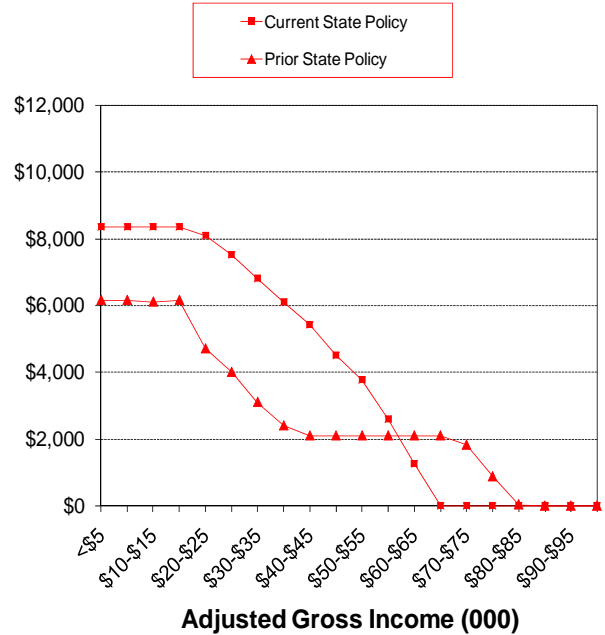
## 2. Assignment to Families

Typical Dependent Students Attending the University of  
Minnesota, Fiscal Year 2007



## 3. Assignment to Taxpayers

Typical Dependent Students Attending the University of  
Minnesota, Fiscal Year 2007



# Design for Shared Responsibility Informed an Evaluation of All Agency Financial Aid Programs

As part of its implementation of the Design for Shared Responsibility, the Minnesota Higher Education Coordinating Board reviewed the policies of the financial aid programs it administered to determine what should be done to bring them in conformity with the Design for Shared Responsibility.

- In 1984, the Coordinating Board concluded that the principles of Design for Shared Responsibility applied to all undergraduates and recommended that part-time students be eligible for Minnesota State Grants.<sup>11</sup>
- In 1985, the Coordinating Board set up the Minnesota Student Educational Loan Fund (SELF) program to provide an alternative source of loan capital so students would have access to their future incomes to finance their investments in postsecondary education.<sup>12</sup>
- In 1985, the Coordinating Board examined the Minnesota Work-Study program and its role within the policy of Design for Shared Responsibility.<sup>13</sup>
- In 1985, the Coordinating Board examined the role of the LME within the context of how the state was implementing the Design for Shared Responsibility and recommended that any changes “be consistent with the National Association of Student Financial Aid Administrators concept of recognizing a frugal student’s standard of living.” This report introduced the concept of comparing the Living and Miscellaneous Expense Allowance to a percentile ranking of reported student spending.<sup>14</sup>

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<sup>11</sup> See Minnesota Higher Education Coordinating Board (1984).

<sup>12</sup> See Minnesota Higher Education Coordinating Board 1983b.

<sup>13</sup> See Minnesota Higher Education Coordinating Board 1985b.

<sup>14</sup> See Minnesota Higher Education Coordinating Board 1985c.

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