

MINNESOTA
HIGHER EDUCATION
COORDINATING BOARD

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TO: Interested Persons

FROM: Rose Herrera Hamerlinck *Rose Herrera Hamerlinck*

RE: Statement of Need and Reasonableness for Rules Governing General
Financial Assistance Programs

Date: February 10, 1986

The Higher Education Coordinating Board is proposing rule changes to several programs. Attached you will find the Statement of Need and Reasonableness.

For your information, the following programs are included:

- 1) 4810.2100 to 4810.2500 - Loans to Medical and Osteopathy Students
- 2) 4830.0100 - Definitions for Higher Education Programs
- 3) 4830.0400 to 4830.0700 - Scholarships and Grants-in-Aid
- 4) 4830.2200 to 4830.2600 - Work-Study Program
- 5) 4830.5200 to 4830.5400 - State Student Loans
- 6) 4840.0500 - Approval of Names and Degrees

If you have any questions or comments, please contact:

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Authority to Prescribe Rules

The Minnesota Higher Education Coordinating Board is authorized by statute to adopt policies and prescribe rules and regulations for programs it operates. This authorization is contained in Minn. Stat. 1984, 136A.111, Subd. 2, 136A.16, Subd. 2, 136A.234, 136A.70, and 147.30.

The Board is proposing to make minor changes to the following rules:

- 1) 4810.2100 to 4810.2500 - Loans to Medical and Osteopathy Students
- 2) 4830.0100 - Definitions for Higher Education Programs
- 3) 4830.0400 to 4830.0700 - Scholarships and Grants-in-Aid
- 4) 4830.2200 to 4830.2600 - Work-Study Programs
- 5) 4830.5200 to 4830.5400 - State Student Loans
- 6) 4840.0500 - Approval of Names and Degrees

These changes have been determined to be non-controversial. This document provides a general background of each program and a part-by-part explanation for the proposed changes.

Part-by-Part Explanations

1) Loans to Medical and Osteopathy Students

Program Objective

The objective of the program is to provide financial assistance to medical and osteopathy students who agree to practice in rural communities in Minnesota which are designated by the Higher Education Coordinating Board as areas in need of medical doctors or osteopaths. Although no new students have been added to this program since 1980-1981, there are recipients who are due to begin their practice in Minnesota who would be affected by this rule.

4810.2100 DEFINITIONS

Subp. 4. The Board is proposing to change the rule in order to be able to adopt a list of eligible communities at least once a year. Under current rule, the Board may adopt such a list only once a year. This change would allow the Board to add new communities in need to the eligible list throughout the year as conditions change.

In addition, the Board proposes to specify in rule that the list of eligible communities applies to the recipient the year in which the recipient is due to begin his or her practice. This change would require the student to abide by the list of eligible communities that is determined the year in which he or she commences practice, and not lists adopted in previous years. This requirement is specified in contract/correspondence with the recipient throughout the term of the assistance, but some borrowers claim they have been misled by the Board.

4810.2500 TERMS OF LOANS

Subp. 8. An appeal procedure is proposed so that a student may seek inclusion of a community on the eligible list, when the Board has not included that community in a given year. The rule specifies the steps the recipient and Board must follow and the documentation needed to establish the community's addition to the list.

Although appeal procedures are specified in the Administrative Procedures Act, the Board believes it is important to list the steps

for appeal in rule. In addition, the student, and not staff would have to prove the merit of adding a new community.

2) Definitions for Higher Education Programs

Objective

The objective of the Definitions is to identify and define terms that are common to programs of the Higher Education Coordinating Board, Chapters 4800, 4810, 4830. The terms apply to all Board programs unless specifically provided otherwise.

4830.0100 DEFINITIONS FOR HIGHER EDUCATION PROGRAMS

Subp. 5. This change is proposed because the legislature changed eligibility for financial assistance programs from full-time status, to at least half-time status. (Minn. Laws 1985, First Special Session, Ch. 11, Sec. 29, Subd. 7.) The rule would comply with statute.

Subp. 11. This subpart on audit requirements is proposed because participating schools have asked what the Board's specific audit requirements are, and how long they should maintain records and documents. The requirements listed coincide with federal audit requirements.

3) Scholarship and Grants-in-Aid

Program Objectives

The objective of this program is to assist financially needy undergraduate students meet the cost of attendance at eligible Minnesota post-secondary institutions.

4830.0400 APPLICATION DATES. STUDENT ELIGIBILITY

Subp. 2. The Board is proposing to add to the definition of Minnesota residency, due to a statutory change (Minn. Laws 1985, First Special Session, Ch. 11, Sec. 29, Subd. 8). Although the change is included in statute, the Board believes it is important to include all the criteria in one place, and not have the reader refer to both statutes and rules. In addition, the definition of eligibility was changed by statute from full-time status to at least half time status. Therefore, line 12 reflects this change. (This is discussed in more detail in 4830.0100, subpart 5.)

*addition
to rule*

Subp. 3. This section was rewritten so that parts of the eligibility criteria for initial scholarships need not be repeated when they are stated in other sections of the rules. It also eliminates the requirement that a student be an entering freshman in order to receive an initial scholarship (Minn. Laws 1985, First Special Session, Ch. 11, Section 37). This change allows a qualified student to receive an initial scholarship in the sophomore, junior or senior year of school. These changes are believed to be reasonable because more students would be eligible for scholarship funds.

*change freshman
requirement*

Subp. 4. This section was rewritten so that parts of the eligibility criteria which are stated elsewhere in the rules need not be repeated here. "C" was eliminated because of a change in the statutes. (Minn. Laws 1985, First Special Session, Ch. 11, Section 38, Subd. 10) "E" was eliminated because nursing grants were eliminated from the statutes two years ago. (Minn. Laws 1984, Ch. 654, Art. 4, Sec. 30)

*clean up line
to old statutes
repealed*

Subp. 5. Line 14 was changed to match the reordering of the eligibility requirements. Lines 16 and 17 were eliminated because of a

change in the statutes. (Minn. Laws 1985, First Special Session, Ch. 11, Sec. 38, Subd. 10)

4830.0600 AWARDS

Subp. 1, 2c. Current rules require that applicants who are under 22 years of age be considered dependent on their families unless specific conditions exist. Applicants who are 22 years of age or older are considered independent if the parents do not claim the student as a tax exemption, the student did not and will not live with the parents for six weeks or more, and if the parents do not provide direct or indirect support worth \$750 or more.

The current rule states that the above conditions must be established by affidavit from the parents and by additional documentation. The intent of the Board was not to have all applicants who meet the conditions for exemption submit further documentation. However, the Board would like to reserve the right to request further documentation if it has reason to believe that the student's application is not correct.

The Board believes that by adding the proposed language, it would not be subject to requiring that all applicants (i.e. those exempted by conditions such as involuntary separation, mental or physical abuse, etc., or those applicants over 22 years of age who are independent) submit further documentation unless the application provided by the student is believe to be incorrect or inaccurate.

Subp. 1b, A. The Board is proposing to change the word "affidavit" to "statement" because it is not necessary to have the student notarize his request that the Fact Finding Committee review his family situation. There is a very low probability that someone other than the student would make the request.

Subp. 1b, C. The word "affidavit" was changed to "notarized statement" on the assumption that the meaning of the term affidavit may not be as clear to the public as the proposed term. In addition, two types of professionals (educational advisors and professional counselors) would be added to the list of professional eligible to document the fact that the applicant has severed relations with his or

*from over 22
exempt documentation
of dependency*

change of word

her family. The Board believes that school counselors and advisors could know the applicant well enough to make such a determination.

Subp. lb. E. This part was added because it is a logical request to determine if the applicant has severed relations with his or her family. The parent's address would be compared to the student's address.

Subp. ld. The Board is proposing to alter the composition of the Fact-Finding Committee by allowing the executive director to designate a person to be a member, and chairperson, of this committee. This change would allow for more flexibility in staffing the Fact-Finding Committee.

*Composition of
fact-finding
committee*

4830.0700 METHOD OF PAYMENT

Subp. 3. The change would no longer require that school provide separate checks for the scholarship program and the grant program.

The added text clarifies the school's responsibilities regarding the refunding of awards to MHECB.

The statement about audit requirements was eliminated because it is a duplication of rule 4830.0100 subp. ll.

4) Work-Study Program

Program Objective

This program assists students in meeting their financial needs, and provides them with valuable work experiences; and it provides non-profit service agencies, handicapped persons, and persons over 65 with low-cost student assistance.

4830.2200 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS

Subp. 4. The Board is proposing to eliminate the language that school's off-campus/on-campus employment be proportionate to other schools, because it is difficult for individual schools to know what other schools are doing, and what the proportion of on-campus to off-campus employment is by school. The Board collects these data, but only once a year. Although the Board is proposing to eliminate this language, the Board is still requiring schools to make a reasonable effort to place students off-campus, as indicated below in 4830.2500, subp. 5.

*eliminate the
required proportion
of employment off-
campus*

Subp. 5. The Board is proposing to impose a deadline for the return of unused work-study funds. This addition would give the Board enough time to redistribute unused funds to schools that can use additional money.

*return of funds
deadline*

Subp. 6. This subpart specifies that unused funds will be distributed in the same manner as new funds. The allocation and reallocation formulas would be the same.

4830.2300 ELIGIBLE STUDENTS

The Board is proposing to require that students who receive work-study funds during a school term in which they are not enrolled, declare their intention to enroll the subsequent term. This requirement would assure that funds go to students only.

*documentation of
subsequent
enrollment*

4830.2500 CONTRACTS WITH EMPLOYERS

Subp. 5. This subpart was added due to statutory changes (Minn. Stat. 1984 136A.233, Subp. 3, F). It is expected that a school make a

*off campus
employment
documentation*

reasonable effort in placing students off-campus, as well as on-campus. In addition, the subpart lists what documentation the school must produce in order to show its effort to place students off-campus.

4830.2600 REPORT BY SCHOOL

The Board proposes to add a deadline for the annual report on work-study use by schools. This deadline is considered necessary so that the Board may complete end of year fiscal reports and status reports by a reasonable date.

5) State Student Loan

Program Objective

The objective of this program is to provide loans to Minnesota post-secondary students who are unable to borrow from private lenders.

4830.5200 ELIGIBLE STUDENTS

Subp. 1. Section B. "Demonstrates financial need" would be removed from the rule in order to comply with both the rules of the Guaranteed Student Loan program and to agree with the current financial aid practice. The demonstration of financial need implies a thorough investigation of the applicant's income and assets; this has not been required since October 1981 unless the applicant's family adjusted income exceeds \$30,000 a year.

to comply with the federal GSL

4830.5300 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS

Subp. 3. This subpart is being updated to reflect a new application process introduced by the guarantor within the last year and a half. The loan promissory note now is provided with the application and completed by the borrower before submission of the forms to the Board. A replacement promissory note is mailed after receipt of the guarantee only if the promissory note completed by the student contains errors, omissions, or does not accurately reflect the loan amount subsequently guaranteed. In line #25 and #26, the proposed language allows the Board to write its warrants differently should expected changes in the federal legislation require something other than a check written payable to the student. (The current federal regulations stipulate a check written payable to the student and delivered to the school for disbursement.) Proposed changes in the federal Guaranteed Student Loan Program provide for a check made payable to both the student and the school. Should this proposed change become federal regulation, the added language in the agency rules would allow the Board to comply with the federal model.

change in procedure of paper-work

4830.5400 AMOUNT, TERMS, AND PAYMENT

Subp. 6. This section is being changed to the proposed language

Refund formula to comply with Fed GSL

because it was discovered that the refund policy currently stipulated in the rules is impossible for the schools to implement. In order for the schools to follow the Board's refund policy for Guaranteed Student Loans, a school has to follow the same procedure for all its student loan lenders, thus requiring the school to do something which is beyond the Board's jurisdiction. In Minnesota alone, there are roughly 900 commercial lenders participating in the Guaranteed Student Loan Program. While each lender, technically, has the right to stipulate its own refund policy, it is unrealistic to expect the schools to comply with more than one refund policy. Therefore, the Board is proposing to follow the refund policy mandated in the federal regulations. Standardizing the refund process for the schools makes the administration of the State Student Loan Program easier for the school, and therefore increases the chances of receiving a refund for a borrower from the school.

6) Approval of Names and Degrees

Program Objective

The objective of this program is to protect persons choosing private institutions and programs by establishing policies and procedures to assure the authority and legitimacy of private post-secondary institutions and programs.

4840.0500 APPROVAL OF NAMES AND DEGREES

Subp. 1. The Board is proposing to change the requirement of annually adopting a list of approved schools. Instead, staff would maintain an ongoing list of approved schools, and a school would be added or deleted from the list after receiving notice of intended action, and after the Board takes formal action. The Board believes this is a reasonable change because it eliminates a procedure which does not affect the protection of students.

*Approval of
names - minor
change
in procedure not
affecting protection
of students*