



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

Telephone: (651) 642-0533
(800) 657-3866
Financial Aid: (651) 642-0567

Fax: (651) 642-0675
Email: info@heso.state.mn.us
Internet: www.mnheso.state.mn.us

For the Hearing Impaired
TTY Relay: (800) 627-3529

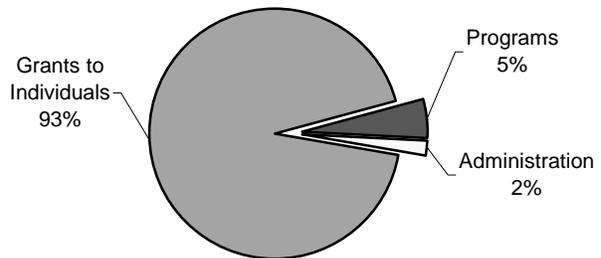
January 25, 2005

To the 2005 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Higher Education Services Office's budget recommendation for the FY 2006-07 biennium. This budget consists of \$347.6 million from the state's General Fund and \$300.7 million from other funds. About 93% of the General Fund appropriation for the agency is for grants to individuals.

The office is a cabinet-level state agency helping Minnesota students gain access to higher education. The agency assesses Minnesota's higher education needs and provides policy advice to the executive branch concerning the state's higher education sector. A core function of the agency is to provide financial aid to students and information to families to help them gain access to post-secondary education. The financial assistance is provided in aid through the state grant program, work study, and the child care program, and through state loans to students. Ongoing tuition increases at post secondary institutions in the state and the changing demographics of the student population continue to put pressure on these aid and loan programs. Recent changes at the federal level in the Pell financial aid program will reduce obligations in the state grant program by approximately \$7.0 million annually. The Governor proposes reinvesting this in the program by changing the living and miscellaneous allowance and the treatment of actual tuition and fees.

Higher Education Services Office
\$347.6 Million FY 2006-07 General Fund



Another important piece of the Governor's recommendation is a new performance accountability system for higher education. This system will help policymakers focus on public rather than institutional purposes, and assess the contribution of colleges and universities to the state.

The agency also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, finance and trends. In addition it oversees tuition reciprocity programs, Minnesota's 529 college savings program, licensing, an early awareness outreach initiative for youth education technology infrastructure and shared library resources.

We look forward to working with the legislature in the coming months.

Sincerely,

Susan Heegaard
Director

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium |
|---|-----------------|-----------------|------------------|-----------------|----------------|
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 175,002 | 175,002 | 175,002 | 175,002 | 350,004 |
| Recommended | 175,002 | 175,002 | 175,462 | 172,152 | 347,614 |
| Change | | 0 | 460 | (2,850) | (2,390) |
| % Biennial Change from 2004-05 | | | | | -0.7% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 144,756 | 207,490 | 175,462 | 172,152 | 347,614 |
| Statutory Appropriations | | | | | |
| Special Revenue | 280 | 312 | 343 | 347 | 690 |
| Federal | 4,385 | 4,806 | 4,898 | 4,519 | 9,417 |
| Miscellaneous Agency | 3,945 | 4,693 | 390 | 390 | 780 |
| Higher Education Svcs Office | 128,939 | 139,869 | 143,650 | 146,150 | 289,800 |
| Total | 282,305 | 357,170 | 324,743 | 323,558 | 648,301 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 4,137 | 4,500 | 4,639 | 4,638 | 9,277 |
| Other Operating Expenses | 14,015 | 17,630 | 17,191 | 18,066 | 35,257 |
| Payments To Individuals | 132,922 | 194,569 | 161,322 | 161,322 | 322,644 |
| Local Assistance | 15,401 | 16,361 | 13,693 | 10,134 | 23,827 |
| Other Financial Transactions | 115,830 | 124,110 | 127,898 | 129,398 | 257,296 |
| Total | 282,305 | 357,170 | 324,743 | 323,558 | 648,301 |
| <u>Expenditures by Program</u> | | | | | |
| Student Financial Aid Services | 135,489 | 197,365 | 163,954 | 163,954 | 327,908 |
| State Student Loans | 127,884 | 137,957 | 142,445 | 144,945 | 287,390 |
| Research & Program Services | 1,458 | 1,640 | 4,963 | 1,388 | 6,351 |
| Libraries And Technology | 14,406 | 15,972 | 9,110 | 9,110 | 18,220 |
| Agency/Loan Administration | 3,068 | 4,236 | 4,271 | 4,161 | 8,432 |
| Total | 282,305 | 357,170 | 324,743 | 323,558 | 648,301 |
| Full-Time Equivalentents (FTE) | 68.6 | 71.7 | 74.5 | 74.5 | |

HIGHER EDUCATION SVCS OFFICES

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|---|---------|--------------------|---------|----------|
| | FY2005 | Governor's Recomm. | | Biennium |
| | | FY2006 | FY2007 | 2006-07 |
| Fund: GENERAL | | | | |
| FY 2005 Appropriations | 175,002 | 175,002 | 175,002 | 350,004 |
| Technical Adjustments | | | | |
| Current Law Base Change | | (50) | (50) | (100) |
| Subtotal - Forecast Base | 175,002 | 174,952 | 174,952 | 349,904 |
| Change Items | | | | |
| Accountability Measurement System | 0 | 100 | 300 | 400 |
| Interstate Tuition Reciprocity | 0 | (2,600) | (2,600) | (5,200) |
| Learning Network of Minnesota | 0 | (500) | (500) | (1,000) |
| State Grant Software Re-write | 0 | 310 | 0 | 310 |
| University in Rochester | 0 | 3,200 | 0 | 3,200 |
| Total Governor's Recommendations | 175,002 | 175,462 | 172,152 | 347,614 |
| Fund: SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 312 | 332 | 332 | 664 |
| Change Items | | | | |
| Private Career Schools (Fee Increase) | 0 | 11 | 15 | 26 |
| Total Governor's Recommendations | 312 | 343 | 347 | 690 |
| Fund: FEDERAL | | | | |
| Planned Statutory Spending | 4,806 | 4,898 | 4,519 | 9,417 |
| Total Governor's Recommendations | 4,806 | 4,898 | 4,519 | 9,417 |
| Fund: MISCELLANEOUS AGENCY | | | | |
| Planned Statutory Spending | 4,693 | 0 | 0 | 0 |
| Change Items | | | | |
| Consolidation- Facility Bonding Services | 0 | 390 | 390 | 780 |
| Total Governor's Recommendations | 4,693 | 390 | 390 | 780 |
| Fund: HIGHER EDUCATION SVCS OFFICE | | | | |
| Planned Statutory Spending | 139,869 | 143,650 | 146,150 | 289,800 |
| Total Governor's Recommendations | 139,869 | 143,650 | 146,150 | 289,800 |
| <u>Revenue Change Items</u> | | | | |
| Fund: SPECIAL REVENUE | | | | |
| Change Items | | | | |
| Private Career Schools (Fee Increase) | 0 | 11 | 15 | 26 |
| Fund: MISCELLANEOUS AGENCY | | | | |
| Change Items | | | | |
| Consolidation- Facility Bonding Services | 0 | 390 | 390 | 780 |

HIGHER EDUCATION SVCS OFFICES

Change Item: Accountability Measurement System

| Fiscal Impact (\$000s) | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$100 | \$300 | \$300 | \$300 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$100 | \$300 | \$300 | \$300 |

Recommendation

The Governor recommends an appropriation of \$400,000 for the FY 2006–07 biennium from the General Fund to the Higher Education Services Office (HESO) to develop and implement a higher education accountability measurement system. This system would provide a statewide perspective on all public and private institutions that offer postsecondary education in Minnesota.

Background

Measurable accountability for public resources has been a hallmark goal for programs across federal, state and local governments for the last 15 years. Performance reporting and funding was introduced in many funding areas throughout the 1990's. In 1994 the Legislature enacted language requiring the University of Minnesota and the MnSCU system to reward campuses that achieve performance levels and assist campuses that do not through the allocation of resources. In 1995 the Legislature set aside \$5 million for each public system as a performance incentive that was released in \$1 million increments each time one of five performance measures was met. This was non-recurring funding and the incentive process was not repeated in subsequent budget sessions. In 1996 performance language was enacted stating, "the legislature expects each system and campus to measure and report on its performance using meaningful indicators that are critical to achieving the objectives..." In 2001 rider language in the higher education funding bill directed both systems to report biennially on a number of measures, although not all of these were performance based standards. This same direction was included in the 2003 funding bill.

According to its web site, the University of Minnesota has provided performance documents since at least 1995. These reports are extensive covering a broad range of institutional goals. MnSCU has also been working on an accountability system but has not yet produced a public report. A brief review of several web sites indicates that private postsecondary institutions have adopted strategic plans that speak to accountability measures, but none have published accountability reports as suggested in this recommendation.

The published documents and informal information received from the two public systems indicate a serious effort is being made to provide accountability measures. However, these efforts have been developed from the perspective of the institution, not from the state. While institutional measures are important, they do not pose the same questions that a statewide system would ask. These questions would address the current and future allocation of state resources. In addition, the efforts are particular to each institution or system and do not provide results that can be aggregated to a higher level. Further, to best serve all citizens in Minnesota, the state has an interest in all postsecondary institutions providing services, not just those that receive a direct state appropriation. This requires the inclusion of private institutions, which receive many public benefits including access to the state grant and loan programs, tax exempt status for certain property and facility financing, and other tax advantages. Minnesota is one of the few states that do not have an overall performance system for postsecondary institutions.

The Governor recommends that HESO develop and implement a statewide accountability measurement system. HESO would establish a planning group comprised of stakeholders from the various postsecondary institutions. FY 2006 would be a planning year during which this group would be convened for input and advice. In order to avoid problems encountered elsewhere, HESO would also draw on the assessment experience and expertise of a number of nationally recognized individuals and groups who have developed these systems in other states. The funding in FY 2007 and thereafter would pay for ongoing operation of the system. Costs would include: purchasing information from licensing and graduate admissions testing organizations; contracting with testing and survey organizations; purchasing other national data; administrative costs at the institution level; and other

student-related costs. Once these data are collected and analyzed, HESO will report the results and outcomes to the Legislature, the Governor and the public.

Relationship to Base Budget

Base funding for higher education for the FY 2006-07 biennium is nearly \$2.8 billion.

Key Measures

The measures would be developed in FY 2006.

HIGHER EDUCATION SVCS OFFICES

Change Item: Interstate Tuition Reciprocity

| Fiscal Impact (\$000s) | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | (\$2,600) | (\$2,600) | (\$2,600) | (\$2,600) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | (\$2,600) | (\$2,600) | (\$2,600) | (\$2,600) |

Recommendation

The Governor recommends a general fund appropriation of \$1 million each year of the FY 2006-07 biennium to the Higher Education Services Office (HESO) for the interstate tuition reciprocity program. This recommendation reduces the base appropriation for this program by \$2.6 million each year. HESO does not project any interstate payment obligation to Wisconsin in either the FY 2006-07 biennium or in the FY 2007-08 biennium. HESO also does not project interstate payment obligations to North Dakota to exceed \$1 million annually over the same period. This recommendation does not impact the ability of Minnesota students to participate in tuition reciprocity.

Background

Over 22,500 Minnesota residents participated in tuition reciprocity in fall 2003 over 19,000 residents of North Dakota, South Dakota, and Wisconsin participated in tuition reciprocity in fall 2003.

Minnesota has interstate tuition reciprocity payment calculations with Wisconsin and North Dakota. With no changes to the Minnesota/Wisconsin tuition reciprocity agreement, HESO does not project that the state will make a payment to Wisconsin for either the FY 2006-07 or FY 2008-09 biennia. HESO does not project interstate payment obligations to North Dakota to exceed \$1 million annually in either the FY 2006-07 or FY 2008-09 biennia. As such, the program's base appropriation can be reduced by \$2.6 million without impacting the ability of students to participate in tuition reciprocity.

Interstate tuition reciprocity is a cost based program. Reciprocity students and the participating states share responsibility for interstate tuition reciprocity payments. Specifically, Minnesota is responsible for the marginal instructional costs minus student paid tuition for Minnesota students enrolled in Wisconsin. Minnesota undergraduate students attending in Wisconsin pay tuition at a rate charged by a comparable Minnesota institution. This practice avoids providing financial incentives for students to remain at home or to leave their home state for education. Similarly, Wisconsin is responsible for the marginal instructional costs minus student paid tuition for Wisconsin students enrolled in Minnesota. Wisconsin undergraduate students attending in Minnesota pay tuition at a rate similar to that charged by a comparable Wisconsin institution.

In academic year 2003-2004:

- ⇒ Minnesota students enrolled in Wisconsin generated \$68.5 million in marginal instructional costs and paid \$57.7 million in tuition. Minnesota students enrolled in Wisconsin paid 84% of marginal instructional costs through tuition, leaving 16% for Minnesota's General Fund. Minnesota's tuition reciprocity obligation to Wisconsin was \$10.8 million.
- ⇒ For the same year, Wisconsin students enrolled in Minnesota generated \$65.2 million in marginal instructional costs and paid \$48.3 million in tuition. Wisconsin students enrolled in Minnesota paid 74% of marginal instructional costs through tuition, leaving 26% for Wisconsin's General Fund. Wisconsin's tuition reciprocity obligation to Minnesota was \$16.9 million.
- ⇒ Wisconsin's obligation to Minnesota was \$6.1 million higher than Minnesota's obligation to Wisconsin. As a result, Wisconsin made a \$6.1 million payment to the Minnesota General Fund.

Relationship to Base Budget

In relation to the \$133 million tuition reciprocity marginal instructional costs in the Minnesota/Wisconsin tuition reciprocity agreement, the \$2.6 million annual base reduction is small. The remaining annual base budget of \$1 million is projected to meet Minnesota's tuition reciprocity financial obligation.

Key Measures

Over 41,500 students participated in Minnesota's tuition reciprocity agreements in fall 2003. The \$2.6 million reduction in the tuition reciprocity base appropriation is not expected to reduce student participation in tuition reciprocity. M.S., 136A.08, subd. 2, defines the purpose of tuition reciprocity as the mutual improvement of educational advantage for the residents of Minnesota and other states or provinces with whom agreements are made. The tuition reciprocity base reduction does not alter the mutual improvement of education advantage for the residents of Minnesota and other states or provinces as provided through tuition reciprocity agreements.

Statutory Change: Not Applicable

HIGHER EDUCATION SVCS OFFICES

Change Item: Learning Network of Minnesota

| Fiscal Impact (\$000s) | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | (\$500) | (\$500) | (\$500) | (\$500) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | (\$500) | (\$500) | (\$500) | (\$500) |

Recommendation

The Governor recommends a general fund appropriation of \$4.654 million each year of the FY 2006-07 biennium to the Higher Education Services Office (HESO) for the Learning Network. This appropriation reflects an annual reduction of \$500,000 in funding for this program.

Background

This reduction would decrease the grants made to the six higher education telecommunications regions while allowing core functions to be maintained. Because public higher education institutions' academic programs and administrative services utilize the Learning Network to varying degrees, HESO anticipates that the systems and/or campuses may choose to mitigate any budget reduction. A possible alternative for the systems would be to provide services over a reduced bandwidth and/or to reduce some of the services that support various campus functions.

Relationship to Base Budget

This change reduces the base budget for the Learning Network program by approximately 10%.

Alternatives Considered

The Governor has a separate recommendation to increase funding for MnSCU's Minnesota Online program.

Statutory Change: Not Applicable

HIGHER EDUCATION SVCS OFFICES

Change Item: Reinvest Pell Savings in State Grant Program

| Fiscal Impact (\$000s) | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends recognizing the savings in the State Grant Program that are expected to result from the U.S. Department of Education's recent adjustment in the determination of the federal needs analysis, and retaining these General Fund savings in the program. To retain the savings, the Governor recommends making two changes to the State Grant Program's cost parameters. First, the State Grant Program's allowance for Living and Miscellaneous Expenses (LME) would be increased from \$5,205 to \$5,280. Second, the basis for the recognized cost of attendance would be changed from average tuition and fees to actual tuition and fees. Under the assumption of a constant base budget for each year of the biennium, the net effect of these two changes is \$0 in FY 2006 and \$0 in FY 2007.

Background

In December 2004 the U.S. Department of Education announced it was adjusting the tax tables used in the federal needs analysis for financial aid programs, effective for the 2005-06 school year. In the federal needs analysis state and other taxes are deducted from gross income to determine the amount available to families to pay postsecondary education costs. Since state and other taxes differ from state to state, Minnesota has a separate amount that is recognized. During the late 1990's through 2001 taxes in Minnesota were substantially reduced. This results in a lower deduction and a larger amount of net income recognized under the federal needs analysis formula.

This federal change will result in lower Pell grants from the federal government to students attending school in Minnesota. The Higher Education Services Office (HESO) estimates this loss to exceed \$6 million annually, but considers this estimate to be a floor since there are a number of students in the state that do not appear in the agency's database (they do not qualify for a state grant). Since the state grant formula is based on the same federal needs analysis, many students will receive lower state grants, although in some cases the amounts will actually increase. The federal change will result in about 36,000 students receiving smaller state grants and about 19,000 receiving larger grants.

The Governor recommends recognizing this cost savings and retaining it in the State Grant Program through the changes outlined below:

- ⇒ The living and miscellaneous allowance (LME) generally recognizes the cost of living for a student that includes room, board, transportation and other non-academic costs. This parameter affects every student receiving a grant under the program. The current LME level is \$5,205. The Governor recommends increasing the LME amount from the current level to \$5,280. This change affects every student who receives a grant.
- ⇒ The State Grant Program contains a number of other eligibility requirements and cost parameters that determine a student's final grant award. One of the cost parameters is the "recognized cost of attendance," which is defined as a combination of an allowance for living and miscellaneous expenses with an allowance for average tuition and fees. (The allowance is currently \$8,983 for students in four-year programs and \$6,913 for students in two-year programs.) Prior to 2001 the grant formula used the average tuition and fees for the institution attended by the student. In 2001, the allowance was changed from average to actual tuition and fees paid by the student. Budget constraints in 2003 led to a reversion back to average tuition and fees. (A December 2004 HESO analysis confirmed intuitive analysis that moving from actual to average tuition and fees reduces a grant for students with above-average costs and provides a bonus for students with below-

average costs.) The Governor's recommended change will more accurately align the State Grant program with the actual costs incurred by students. This change to actual tuition and fees will increase grants for about 31,000 students and decrease grants for about 3,300 students in FY 2006 compared to current law.

Relationship to Base Budget

The General Fund portion of the base budget for the state grant program is \$140.5 million each year. These recommendations will not change the base budget for the program.

Alternatives Considered

There are many parameters in the state grant program that can be changed.

Statutory Change: Minnesota Statutes, sections 136A.101 and 136A.121

HIGHER EDUCATION SVCS OFFICES

Change Item: State Grant Software Re-write

| Fiscal Impact (\$000s) | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 310 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$310 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends a one-time General Fund appropriation of \$310,000 in FY 2006 to allow the Higher Education Services Office (HESO) to migrate the State Grant software application from its current legacy COBOL implementation to a relational database platform. This would reduce maintenance, allow modifications to the State Grant Program parameters to be implemented more quickly, improve reporting and ad hoc query capabilities, and improve disaster recovery response time.

Background

The State Grant Program currently uses software leased from Sigma System, 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 by HESO staff in order to be used by the State Grant Program. These HESO-specific changes need to be reinserted each year when Sigma releases its annual upgrades. It currently takes HESO 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 by Sigma Systems each year.

The current COBOL implementation of the State Grant application is inflexible. Ad hoc querying and reporting capabilities are very limited. Modifications to the application due to changes in statute or to improve customer service are time consuming and expensive. Electronic government services are difficult to implement.

The proposed solution is to migrate the application to a relational database such as Oracle or DB2 on an Intel-based server running Windows. The application itself would be written in a modern development tool such as Visual Basic or Visual C#.

Rewriting the State Grant Program software 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 request of our customers. The redesigned interface will also be significantly more user-friendly, as the current character-based application requires navigating multiple unused screens and data fields.

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 their institution's students, will be much easier to implement.

The new relational database will shorten the time needed by the agency to respond to any potential disaster that occurs to the system. This will ensure near-continuous operation for students and institutions.

Relationship to Base Budget

HESO's annual general fund base budget is approximately \$175 million. Of this total HESO distributes over \$115 million in state financial aid to almost 70,000 Minnesota post-secondary students annually.

Key Measures

HESO-specific changes to the base software must be reinserted each year when HESO's software vendor releases its annual upgrades. It currently takes HESO staff two months each year to modify and test the upgraded code. It should take less than half that time to prepare the rewritten State Grant application for a new academic year.

Alternatives Considered

Rewriting the State Grant program using only in-house database and programming staff was considered and rejected due to lack of available time and resources to successfully complete the task. However, in-house database and programming staff will contribute to this project throughout its duration.

Technology Funding Detail (Dollars in Thousands)

| Funding Distribution | 2006-2007 Biennium | | 2008-2009 Biennium | | 2010-2011 Biennium | |
|----------------------|--------------------|------------|--------------------|------------|--------------------|------------|
| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
| Personnel | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Supplies | 0 | 0 | 0 | 0 | 0 | 0 |
| Hardware | 10 | 0 | 0 | 0 | 0 | 0 |
| Software | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Services | 300 | 0 | 0 | 0 | 0 | 0 |
| Training | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | \$310 | \$0 | \$0 | \$0 | \$0 | \$0 |

Office of Technology Analysis

The Office of Technology recommends this work proceed in collaboration with the Drive to Excellence's work related to Grants Management. Care and consideration must be given to accommodate the functional and technical elements that may be common within the design of the overall grant management strategic transformation--this work and investment needs to be explicitly coordinated to collaborate with the enterprise approach to Grants management.

HIGHER EDUCATION SVCS OFFICES

Change Item: University in Rochester

| Fiscal Impact (\$000s) | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|-----------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures–Implementation | \$200 | 0 | 0 | 0 |
| Expenditures–Development | 3,000 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$3,200 | 0 | 0 | 0 |

Recommendation

The Governor recommends a \$3.2 million appropriation in FY 2006 to establish an independent, publicly incorporated postsecondary education institution in Rochester. The central mission of the institution is to provide high quality programs focused on the specific technical educational needs of the community. Of the amount recommended, \$200,000 is for initial implementation and program development. The remaining \$3 million would be used for further development of the institution.

Background

The existing University Center at Rochester is a partnership between the University of Minnesota and two MnSCU campuses, Rochester Community and Technical College (RCTC) and Winona State University. In 1994, the partner institutions created the University Center Rochester campus, which comprises 900,000 square feet of educational space on a 480-campus. In 1997, a Provost's position was created to facilitate collaboration among these partner institutions and promote seamless services for students. The three institutions offer more than 150 programs of study, enroll approximately 20,000 students in credit and noncredit education, and manage campus land and facilities.

As impressive as this collaborative effort is, there remain shortcomings with the arrangement. Students have an array of choices, but three separate operating entities still exist. Local community leaders have expressed concern that even under the collaborative arrangement, the needs of Rochester are not being met. A new independent institution would possess the governance structure required to more completely meet these needs. Moreover, an institution with a clear focus on disciplines such as engineering, physics, mathematics and health sciences would address workforce needs in Rochester as well as statewide needs for more students trained in these areas.

In the initial implementation stage for this new institution, HESO will establish a planning group comprised of Rochester business, community and academic leaders. This group would develop program and operating details for the new institution, to be opened in FY 2008. Proposed language would direct the group to consider a number of other issues including limits on student enrollment, limits on the disciplines in which degrees are granted, which programs will be offered directly, and which programs may be purchased from other providers, limits on non-instructional programming, accreditation issues, permanent facility and land needs, and implementation funding needs, as well as a transition plan for the current partners.

The governing board of the new institution will be an independent, publicly incorporated entity whose members are appointed by the Governor. The enabling statute will establish the governing board and define its structure, powers and duties to operate this new higher education institution. The board will have the option to join an existing postsecondary education institution or system, operate as an independent entity, or create a hybrid entity. Finally, there will be a requirement that the board annually report financial and student outcome data to HESO in order to provide accountability-related information.

Relationship to Base Budget

This is a new institution for which base funding does not exist.

Statutory Change: Yes, language in a new chapter of Minnesota Statutes, and cross-references as needed in chapters 135A and 136A.

HIGHER EDUCATION SVCS OFFICES

Change Item: Private Career Schools (Fee Increase)

| Fiscal Impact (\$000s) | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 11 | 15 | 15 | 15 |
| Revenues | 11 | 15 | 15 | 15 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends that the fees associated with the Minnesota Private Career School Act be increased to ensure that revenues from the licensing activities are sufficient to recover but not exceed the costs of administering the Private Career School program.

Background

Licensing fees for private career schools were last increased in 2000. The recommended changes address the increased costs of administering the licensing program. The changes also address some existing inequities in the current fee structure by making it more of a "pay-for-service" structure, where schools that use more services from HESO will pay higher fees than those that use fewer services. HESO staff reviewed fees in neighboring states to ensure that the proposed changes are consistent.

For example, schools that frequently change classes, programs or degrees will pay the basic licensing fee as well as fees for changes. Schools with more than one location will pay a fee for additional locations.

In some instances schools will be able to control their licensing expenses by making fewer changes in existing classes and programs, by limiting the number of solicitors they employ, and/or by limiting the number of multiple locations they wish to have. To the extent that schools make these kinds of adjustments, the amount of the projected revenue increase will be reduced.

Relationship to Base Budget

Some of the proposed changes will represent about a 15% increase over existing fees (new and renewal base licensing fees). The solicitor fee will increase about 40%. The multiple location fee is new. Overall HESO expects that the fee changes will have minimal fiscal impact.

Key Measures

The project revenue increases will enable HESO to continue to provide the services required to insure that the Private Career School Act is adequately administered and enforced, including: basic licensing activities; review of programs and curriculum of licensed schools; and consumer services and protection.

Alternatives Considered

The only alternative considered was to not change fees at this time. Not increasing and revising the fee structure would have resulted in the revenue supporting the administration of the Private Career School Act quickly becoming inadequate to support the program.

Statutory Change: Yes, new section in Minnesota Statutes, chapter 141

HIGHER EDUCATION SVCS OFFICES

Change Item: Consolidation- Facility Bonding Services

| Fiscal Impact (\$000s) | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | (390) | (390) | (390) | (390) |
| Revenues | 390 | 390 | 390 | 390 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends that the Higher Education Facilities Authority (HEFA) be merged into the Higher Education Service Office (HESO). Bringing HEFA within HESO will streamline services to postsecondary institutions by allowing them to come to one agency for financing requirements. HESO already has established working relationships with these institutions through the State Grant program and the financial aid loan programs it administers. Sharing space and other administrative requirements will likely reduce administrative costs and result in a cost savings to participating institutions. HESO will also explore ways to reduce issuance costs through sharing bond counsel expenses, financial analysis evaluation, and credit enhancement devices that would lower costs to institutions.

Background

The HEFA was created in 1971 to enhance the capacity of nonprofit higher education institutions in the state to finance the construction of educational facilities. While most public institutions finance their facility needs through state general obligation bonds, this program assists private nonprofit institutions in the state. (In limited program areas community colleges and technical colleges are eligible to obtain capital project financing through HEFA, and on two occasions community colleges have received special legislation to finance resident living space.) The definition of capital projects that qualify for treatment is very broad and includes most buildings that would be needed on a postsecondary campus.

When a nonprofit institution has an approved capital project, HEFA issues revenue bonds to finance the project. The bonds are serviced through specified revenue related to the project and do not constitute general obligation debt of the state. Currently HEFA can issue bonds up to a maximum total of \$800 million outstanding bond principal at any one time. (Since its inception it has had 140 bond issues totaling \$1,025 million.) At the end of 2004 HEFA had \$578 million total bond principal outstanding.

Since 1996 HEFA has also acted as the dissemination agent for annual SEC filing requirements for institutions that borrow through this mechanism.

Under current practice, the fees charged to participating higher education institutions and 40% of the associated expenditures are managed outside of the state's accounting and budget systems. The other 60% of the expenditures, for compensation, flows through the accounting system and have been reflected in the related fiscal pages.

Under the Governor's proposed transfer of HEFA duties to HESO, both the fees and expenditures will be managed within the state's accounting and budget systems. As a result the full amount of this activity will be reflected in HESO's budget and managed within the state's accounting system.

Relationship to Base Budget

Operating funds of approximately \$390,000 annually would transfer to HESO from HEFA under this recommendation, because HESO will be the entity to charge and receive these fees. These are funds currently outside of the General Fund.

Key Measures

The reduced administrative issuance costs will result in lower costs to participating postsecondary institutions.

Statutory Change: Minnesota Statutes, sections 136A.25 to 136A.42

Agency Purpose

The purpose of the Minnesota Higher Education Services Office (HESO) is stated in the agency mission to:

- ◆ help students achieve financial access to post-secondary education;
- ◆ enable students to choose among post-secondary education options;
- ◆ protect and inform educational consumers;
- ◆ produce independent, statewide information on post-secondary education; and
- ◆ facilitate interaction among and collaboration with organizations that share responsibility for education in Minnesota.

During the 2003 legislative session, HESO became a cabinet level agency with a director appointed by the Governor. The director is responsible for serving as higher education advisor to the Governor.

Core Functions

Minnesota Statutes, Chapter 136A, gives HESO specific core responsibilities to:

- ◆ administer state financial aid programs for students;
- ◆ negotiate and administer statewide interstate tuition reciprocity programs;
- ◆ publish and distribute to students and parents information about academic and financial preparation, including financial aid;
- ◆ approve, register, and license private colleges and career schools;
- ◆ oversee statewide library service programs that improve access to information and support cost-effective library operations;
- ◆ administer the Minnesota Education Telecommunications Council;
- ◆ collect and maintain student enrollment and financial aid data;
- ◆ administer federal programs that affect students and institutions on a statewide basis; and
- ◆ prescribe policies, procedures, and rules necessary to administer the programs under HESO’s supervision.

Operations

Through delivery of its core programs, HESO affects several primary constituencies including:

- ◆ current college students;
- ◆ students and families who are preparing for post-secondary education;
- ◆ colleges and universities that participate in providing distance learning opportunities and library services for students;
- ◆ researchers; and
- ◆ policymakers who use statewide post-secondary education data.

HESO provides programs and services through different means, including:

⇒ Student Financial Aid Programs. The Minnesota State Grant Program provides more than \$140 million in need-based aid to Minnesota students annually. HESO also administers other student financial aid programs such as the Post-Secondary Child Care Grant Program, State Work Study Program, and the Public Safety Officers’ Survivors Benefit Program. Other core financial aid programs are the Student Educational Loan Fund (SELF), the Minnesota College Savings Plan, and the Interstate Tuition Reciprocity Program. These

At A Glance

Two-year State Budget:

\$362 million General Fund
 \$274 million Student Loan Fund
 \$ 11 million Federal & Agency Funds

Over 90% of the general fund appropriation is for student and school grants.

Annual Business Processes:

\$125 million in grants to 71,000 students
 \$107 million in student loans to 29,000 students
 \$ 12 million in work study to 12,000 students

Over 40,000 students participate in the Interstate Reciprocity Program.

150 private institutions registered or licensed.
 415,763 requests per year for MINITEX library information resources.

33,875 accountholders in Minnesota College Savings Program

programs enable thousands of Minnesota students to have financial access to, and choice of, post-secondary educational opportunities.

- ⇒ Publications, Outreach, and Data. HESO’s publications, videos, CD–Rom, web page content, and direct contact with students and families enable the agency to provide outreach to communities of color, low-income families, and families with no previous higher education experience. The Get Ready! Program, working in tandem with the federally-sponsored GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) and Intervention for College Attendance Program Grants, provides a continuum of contact and service to low income students from 4th grade through high school as they prepare for college admission and attendance.

HESO’s web site includes information for students and parents; enrollment data which can be customized by the user; information concerning private post-secondary institutions licensed or registered by HESO; on-line tuition reciprocity applications; and a financial aid estimator.

- ⇒ Library Resources. The MINITEX Library Information Network provides students, scholars, and residents of Minnesota and contiguous states with cost effective access to a wide range of library resources and information, including delivery of interlibrary loan materials, cooperative licensing, and access to electronic resources. The Minnesota Library Information Network (MnLINK) is a statewide virtual library that electronically links major Minnesota libraries. The MnLINK Gateway connects the online catalogs of 20 Minnesota library systems and selected commercial databases so that they appear to a user as a single source of information. The MnLINK Integrated Library System is being implemented as a shared library automation system for the University of Minnesota, Minnesota State Colleges and Universities, Minnesota state agencies and interested private college, public, school, and special libraries.

The Learning Network of Minnesota provides access to educational programs and library resources through web-based learning interactive videos, and other telecommunications technology. The Learning Network enables students to have access to learning opportunities that otherwise would be unavailable at their college or in their geographic area.

Through state laws that under gird the registration and licensure of private colleges, universities, and career schools, HESO protects students as consumers by assuring that private post-secondary institutions meet state standards and operate legally in Minnesota.

Budget

HESO’s budget for the 2004–05 biennium totals approximately \$647 million. Of this amount, \$362 million (56%) is state general fund monies, \$274 million (42%) is the Student Loan Capital Fund, and the remaining \$11 million (2%) is comprised of special revenue, federal and agency funds.

Higher Education Services Office staff include 72 full-time equivalent (FTE) employees, of which 22 are state funded.

| <u>Contact</u> | |
|---|---|
| Higher Education Services Office 1450 Energy Park Drive, Suite 350 Saint Paul, Minnesota 55108-5227 | Telephone: (651) 642-0533 800-657-3866 Fax: (651) 642-0675 E-mail: info@heso.state.mn.us |
| For further information, see HESO’s website at www.mheso.state.mn.us | |

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2006-07 |
|---|-----------------|-----------------|------------------|-----------------|---------------------|
| | FY2004 | FY2005 | FY2006 | FY2007 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 175,002 | 175,002 | 175,002 | 175,002 | 350,004 |
| Recommended | 175,002 | 175,002 | 175,462 | 172,152 | 347,614 |
| Change | | 0 | 460 | (2,850) | (2,390) |
| % Biennial Change from 2004-05 | | | | | -0.7% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 144,756 | 207,490 | 175,462 | 172,152 | 347,614 |
| Statutory Appropriations | | | | | |
| Special Revenue | 280 | 312 | 343 | 347 | 690 |
| Federal | 4,385 | 4,806 | 4,898 | 4,519 | 9,417 |
| Miscellaneous Agency | 3,945 | 4,693 | 390 | 390 | 780 |
| Higher Education Svcs Office | 128,939 | 139,869 | 143,650 | 146,150 | 289,800 |
| Total | 282,305 | 357,170 | 324,743 | 323,558 | 648,301 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 4,137 | 4,500 | 4,639 | 4,638 | 9,277 |
| Other Operating Expenses | 14,015 | 17,630 | 17,191 | 18,066 | 35,257 |
| Payments To Individuals | 132,922 | 194,569 | 161,322 | 161,322 | 322,644 |
| Local Assistance | 15,401 | 16,361 | 13,693 | 10,134 | 23,827 |
| Other Financial Transactions | 115,830 | 124,110 | 127,898 | 129,398 | 257,296 |
| Total | 282,305 | 357,170 | 324,743 | 323,558 | 648,301 |
| <u>Expenditures by Program</u> | | | | | |
| Student Financial Aid Services | 135,489 | 197,365 | 163,954 | 163,954 | 327,908 |
| State Student Loans | 127,884 | 137,957 | 142,445 | 144,945 | 287,390 |
| Research & Program Services | 1,458 | 1,640 | 4,963 | 1,388 | 6,351 |
| Libraries And Technology | 14,406 | 15,972 | 9,110 | 9,110 | 18,220 |
| Agency/Loan Administration | 3,068 | 4,236 | 4,271 | 4,161 | 8,432 |
| Total | 282,305 | 357,170 | 324,743 | 323,558 | 648,301 |
| Full-Time Equivalent (FTE) | 68.6 | 71.7 | 74.5 | 74.5 | |

Program Description

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 to help overcome barriers to post-secondary education. The activities supported by the Higher Education Services Office's Student Financial Aid Services program are part of the state's strategy to keep education affordable and accessible for all Minnesota residents.

Program at a Glance

- ◆ State student financial aid programs serve approximately 74,000 students and distribute \$132 million dollars of aid.
- ◆ Many students receive assistance from more than one state financial aid program.

Minnesota's financial aid policy, the Design for Shared Responsibility, enables Minnesota residents to attend the post-secondary institution that can best meet their educational needs, regardless of their financial circumstances. The Design for Shared Responsibility helps to make post-secondary education affordable for students from a wide range of economic circumstances. Under the Design for Shared Responsibility, students, families, and taxpayers are each assigned responsibility for paying a portion of the cost of post-secondary education. The Design gives students a significant payment responsibility, because they are the primary and direct beneficiaries of the financial aid. The Design assigns the remaining price to families and taxpayers. A family's share is based on its ability to pay.

The share of post-secondary education costs that is assigned to taxpayers under the Design is paid for, up to a specified maximum cap, by the Minnesota State Grant program, working in combination with the federal Pell Grant program. The Minnesota Work Study program provides students with part-time jobs so that students can earn 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 to defer part of their payment responsibilities until after the student completes his or her academic career.

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.
- ⇒ Help fund work study opportunities so that students can earn income to help pay for their post-secondary education.
- ⇒ Encourage post-secondary participation by providing information about college and how to pay for college, especially to low-income families and families of color.

The important 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.

Population Served

The Minnesota State Grant Program, the Post Secondary Child Care Program, the Safety Officers Survivors Program, and State Work Study serve Minnesota residents attending Minnesota post secondary institutions. Interstate Tuition Reciprocity serves Minnesota residents attending public institutions in Wisconsin, North Dakota, South Dakota, a college in Iowa, and Manitoba. It also serves students from those states that attend Minnesota public institutions. Student and Parent Information Program is targeted to Minnesota residents but is informative to other populations. The College Savings Plan can serve all families not just Minnesota families.

Services Provided

The Minnesota State Grant Program and Safety Officers Survivors Program reduce the cost of postsecondary education by awarding funds that do not have to be repaid. The Post Secondary Child Care Program helps students pay for childcare while they attend college. The State Work Study pays part of the wages for low-income students while the work at an eligible job. Interstate Tuition Reciprocity reduces cost barriers for students who want to attend a public college in a partner reciprocity state. The College Savings Plan reduces tax barriers to saving for college. The Student & Parent information activity helps students plan for college. Student Financial Aid Services administers all of the above programs and activities.

Key Measures

The Minnesota State Grant Program and Safety Officers Survivors Program encourages attendance by reducing the cost of postsecondary education by awarding funds that do not have to be repaid. The Post Secondary Child Care Program enables more students with children to attend college. The State Work Study pays part of the wages for low-income students thus making it easier for them to find a job while in college. Interstate Tuition Reciprocity reduces cost barriers for students who want to attend a public college in a partner reciprocity state. The College Savings Plan encourages saving by reducing tax barriers to saving for college. The Student & Parent information activity helps students plan for college and thus help support college enrollment. Student Financial Aid Services administers all of the above programs and activities efficiently.

Program Funding

The Minnesota State Grant Program (which includes funding for the Post Secondary Child Care Program and Safety Officers Survivors), Interstate Tuition Reciprocity, State Work Study, the Student & Parent information activity, and the student financial aid services administration are funded through the state's General Fund. The College Savings Plan is funded through fees on the accounts and an allocation from the General Fund.

Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|-------------------------|----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 163,046 | 163,046 | 163,046 | 163,046 | 326,092 |
| Subtotal - Forecast Base | 163,046 | 163,046 | 163,046 | 163,046 | 326,092 |
| Governor's Recommendations | | | | | |
| Interstate Tuition Reciprocity | | 0 | (2,600) | (2,600) | (5,200) |
| Total | 163,046 | 163,046 | 160,446 | 160,446 | 320,892 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 132,222 | 193,782 | 160,446 | 160,446 | 320,892 |
| Statutory Appropriations | | | | | |
| Special Revenue | 20 | 30 | 0 | 0 | 0 |
| Federal | 3,247 | 3,553 | 3,508 | 3,508 | 7,016 |
| Total | 135,489 | 197,365 | 163,954 | 163,954 | 327,908 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,188 | 1,252 | 1,252 | 1,252 | 2,504 |
| Other Operating Expenses | 999 | 1,203 | 1,040 | 1,040 | 2,080 |
| Payments To Individuals | 132,926 | 194,569 | 161,322 | 161,322 | 322,644 |
| Local Assistance | 318 | 271 | 270 | 270 | 540 |
| Other Financial Transactions | 58 | 70 | 70 | 70 | 140 |
| Total | 135,489 | 197,365 | 163,954 | 163,954 | 327,908 |
| <u>Expenditures by Activity</u> | | | | | |
| State Grants | 120,179 | 173,108 | 146,856 | 146,856 | 293,712 |
| Mn College Savings Program | 382 | 1,858 | 1,120 | 1,120 | 2,240 |
| Interstate Tuition Reciprocity | 0 | 7,200 | 1,000 | 1,000 | 2,000 |
| State Work Study | 12,387 | 12,501 | 12,444 | 12,444 | 24,888 |
| Student & Parent Information | 2,471 | 2,628 | 2,464 | 2,464 | 4,928 |
| Student Financial Aid Services | 70 | 70 | 70 | 70 | 140 |
| Total | 135,489 | 197,365 | 163,954 | 163,954 | 327,908 |
| Full-Time Equivalents (FTE) | 25.1 | 29.2 | 29.2 | 29.2 | |

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: STATE GRANTS

Narrative

Activity Description

The State Grant Activity provides financial aid to Minnesota residents attending Minnesota post-secondary institutions. Programs under this activity are funded from General Fund appropriations.

Minnesota State Grant Program M.S. 136A.121

The State Grant Program is the foundation of post-secondary financial aid assistance grants for undergraduate students.

In the 2004-05 academic year, Minnesota resident students will pay average tuition and fees of \$3,686 at Minnesota State Colleges and Universities (MnSCU) technical colleges, \$3,753 at MnSCU community colleges, \$5,242 at MnSCU state universities, \$8,263 at the University of Minnesota (as an undergraduate in the College of Liberal Arts, Twin Cities campus), and \$21,467 at private liberal arts colleges. The State Grant Program is designed to take into account actual charges for tuition and estimated living costs, up to statutorily specific maximums.

The program accommodates a wide array of undergraduate students and student choices. There are no age or educational 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.

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

Under the Design for Shared Responsibility, students are assigned a significant part of the price of attendance, which can be covered by savings, earnings, loans, or assistance from institutional or private sources. The Design reflects the state's policy that amount assigned to students should be rigorous, yet reasonable for students to assume with work or borrowing if necessary. The current Assigned Student Responsibility is 46% 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. The Design assigns taxpayers the responsibility for covering the amount not assigned to students and families. Taxpayers' assignments are covered by a combination of Federal Pell Grants that eligible students receive from the federal government and Minnesota State Grants.

For the FY2004-05 biennium, the State Grant Program received a \$40 million increase over base level funding, for a total of \$281 million. Because the increased funding by the legislature did not cover projected spending, several changes were made to the program in order to keep spending within the available appropriation. An application deadline was also implemented that requires students to submit an application no later than 14 days of the start of the academic term.

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 costs these nontraditional students face 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 Minnesota post-secondary school. A maximum grant award (\$2,200 per year, per child for a full-time student) is established in statute. Grant awards are based on family income and family size. Students may receive child care assistance for up to

Activity at a Glance

From 2003-04:

- ◆ Minnesota State Grants
Number of Awards: 69,571
Total Award Amount: \$115,274,000
- ◆ Minnesota Post-Secondary Child Care Grants
Number of Awards: 2,537
Total Award Amount: \$4,285,970
- ◆ Safety Officers Survivor Grants
Number of Awards: 13
Total Award Amount: \$57,546

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: STATE GRANTS

Narrative

40 hours/week per eligible child. Each campus selects recipients and makes the child care grant awards from the institution's allocation.

Learn and Earn

HESO holds funds that were earned by one cohort of high school students under the Learn and Earn Program administered by the Department of Education. Students have until ten years after their graduation to use the funds for post-secondary expenses.

Public Safety Officers' Survivor Grant M.S. 299A.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. 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 certified 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 tuition and fee maximum used for the Minnesota State Grant Program.

Population Served

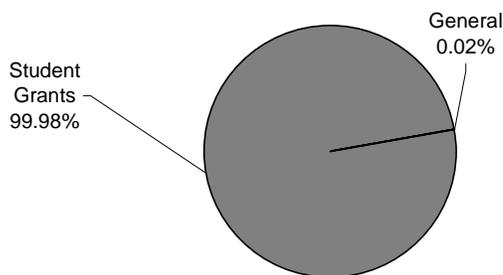
Described above.

Key Measures

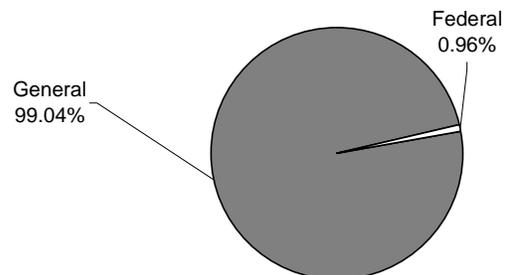
The Minnesota State Grant Program provides access to higher education for over 69,000 diverse Minnesota residents. Each year approximately 50% of the State Grant aid dollars go to students whose family income is less than \$30,000, and 85% of the aid dollars go to the students whose family income is less than \$50,000.

Activity Funding

**Source of Funding
Expenditures by Category**
FY2004-05 (Total \$267 Million)



**Source of Funding
Expenditures by Fund**
FY2004-05 (Total \$267 Million)



Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|--------------------|----------------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2006-07 |
| | FY2004 | FY2005 | FY2006 | FY2007 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 145,318 | 145,318 | 145,318 | 145,318 | 290,636 |
| Subtotal - Forecast Base | 145,318 | 145,318 | 145,318 | 145,318 | 290,636 |
| Total | 145,318 | 145,318 | 145,318 | 145,318 | 290,636 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 118,892 | 171,525 | 145,318 | 145,318 | 290,636 |
| Statutory Appropriations | | | | | |
| Federal | 1,287 | 1,583 | 1,538 | 1,538 | 3,076 |
| Total | 120,179 | 173,108 | 146,856 | 146,856 | 293,712 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 24 | 32 | 32 | 32 | 64 |
| Other Operating Expenses | 5 | 1 | 1 | 1 | 2 |
| Payments To Individuals | 120,150 | 173,075 | 146,823 | 146,823 | 293,646 |
| Total | 120,179 | 173,108 | 146,856 | 146,856 | 293,712 |
| Full-Time Equivalent (FTE) | 0.5 | 0.5 | 0.5 | 0.5 | |

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: MN COLLEGE SAVINGS PROGRAM

Narrative

Activity Description

The Minnesota College Savings Plan encourages individuals and families to save for post-secondary education. In this way it supports HESO's mission of helping students achieve financial access to and choice among post-secondary educational options.

A parent, grandparent, or other individual can establish an account for beneficiary who will attend college in the future. An account may be opened with a \$25 check or money

order, electronic funds transfer, or automatic contribution plan. Account owners can also contribute \$15 per investment option per pay period using payroll deductions through participating employers. Three investment options are available to account owners: 1) an all equity option, 2) a managed, age-based, option with the investment becoming more conservative as the account beneficiary nears college attendance, and 3) a guaranteed option set at 3.00% through March 31, 2005. Account owners may transfer all or any portions of their funds invested in a particular investment option to another investment option once per calendar year or upon a change of the account beneficiary. There is a \$235,000 investment maximum. Earnings in the Minnesota College Savings Plan are tax deferred while invested and tax free when distributed for qualified higher education expenses. Qualified expenses are defined in federal law and include tuition and fees plus room and board if the student attends at least half-time and books, supplies, and equipment required for enrollment.

Investment management, record keeping and other administrative expenses are paid by Minnesota College Savings Plan account owners through an annual fee equivalent to .65% of their account balances. There are no other fees or charges. The Minnesota Higher Education Services Office and the Minnesota State Board of Investment have contracted with TIAA-CREF, Tuition Financing, Inc. to manage the Minnesota College Savings Plan.

The state of Minnesota provides a matching grant to account beneficiaries from low- and middle-income Minnesota families. The matching grant is available to Minnesota resident account beneficiaries whose parent files a Minnesota individual income tax return with federal adjusted gross income of \$80,000 or less. 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. The state of Minnesota retains ownership of matching grants until all requirements for the grant are met. Availability is limited by the amount of funds appropriated.

Population Served

The Minnesota College Savings Plan is available to any person as permitted under Section 529 of the United States' Internal Revenue Code. Minnesota College Savings Plan data from the end of the first quarter 2004 showed 88% of accounts were owned by Minnesota residents, and Minnesota residents held 80% of Plan assets. Non-Minnesota account owners are likely to be grandparents or relatives of a Minnesota resident account beneficiary.

Services Provided

Account owners are provided with a low-cost, tax-advantaged post-secondary education savings instrument. Accounts may be opened online. Account owners have online access to account data, investment performance, and account service forms at www.mnsaves.org. Account information and services are also available from a toll free telephone number, 1-877-338-4646. Account owners receive quarterly statements. Minnesota College Saving Plan marketing emphasizes the importance of financially planning for post-secondary education.

Activity at a Glance

- ◆ There were 33,875 Minnesota College Savings Plan accounts with a total market value of \$237.4 million on July 13, 2004.
- ◆ As of June 30, 2004, 2,666 account beneficiaries received matching grants based on 2003 contributions.

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: MN COLLEGE SAVINGS PROGRAM

Narrative

Historical Perspective

The Minnesota College Savings Plan opened on September 20, 2001.

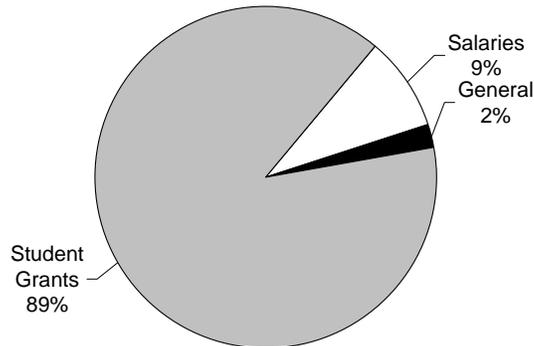
Key Measures

Minnesota's 529 College Savings Plan was one of five state plans awarded "high achiever" status in a *USA Today* analysis of 43 savings programs nationally. Minnesota's plan was praised for featuring low expenses and matching grants for low-income residents. The *USA Today* report, published July 8, 2002, indicated that all the top plans share one characteristic: below-average fees and expenses. The Minnesota Plan is among the least costly to account owners for a fully contracted college savings plan in the United States.

The Minnesota College Savings Plan received a "5 cap rating," with the state Plan receiving a top rating from a leading expert on College Savings Plans (www.savingforcollege.com).

Activity Funding

Expenditure by Category
FY2004-05 (Total: \$1.5 Million)
Source of Funding: General Fund



Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,120 | 1,120 | 1,120 | 1,120 | 2,240 |
| Subtotal - Forecast Base | 1,120 | 1,120 | 1,120 | 1,120 | 2,240 |
| Total | 1,120 | 1,120 | 1,120 | 1,120 | 2,240 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 382 | 1,858 | 1,120 | 1,120 | 2,240 |
| Total | 382 | 1,858 | 1,120 | 1,120 | 2,240 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 61 | 79 | 79 | 79 | 158 |
| Other Operating Expenses | 9 | 21 | 21 | 21 | 42 |
| Payments To Individuals | 312 | 1,758 | 1,020 | 1,020 | 2,040 |
| Total | 382 | 1,858 | 1,120 | 1,120 | 2,240 |
| Full-Time Equivalents (FTE) | 0.8 | 1.0 | 1.0 | 1.0 | |

Activity Description

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 (*M.S. 136A.08*).

Residents of the participating jurisdictions are considered residents for purposes of admission to public post-secondary institutions under tuition reciprocity. Through tuition reciprocity, Minnesota residents 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. 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.

Population Served

Student participation in tuition reciprocity has grown since Minnesota first entered an agreement with Wisconsin for academic year 1968-69. Over 40,000 tuition reciprocity students were enrolled in public institutions in the participating states and province in fall 2003.

Key Measures

Tuition reciprocity agreements result in Minnesota students saving money by paying less tuition than they otherwise would if they had to pay non-resident tuition. Looking at Wisconsin (where the non-resident tuition rate is 2.5 times the tuition rate under reciprocity), North Dakota (where the non-resident tuition rate is 2 times the reciprocity rate), and South Dakota (where the non-resident tuition rate is 1.5 times the reciprocity rate), Minnesota students currently save a total of over \$90 million dollars each year in tuition payments.

Activity Funding

The state appropriation for tuition reciprocity meets Minnesota's net financial obligation, if there is any, 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.

Activity at a Glance

Fall 2003 headcount

- ◆ 22,873 Minnesota students participated in fall 2003
- ◆ 5,931 North Dakota residents participated.
- ◆ 1,950 South Dakota residents participated.
- ◆ More than 100 Iowa residents participated.
- ◆ Fewer than 100 Manitoba residents participated.
- ◆ 10,487 Wisconsin residents participated.
- ◆ Minnesota did not make any tuition reciprocity payments based on academic year 2003-04.

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: INTERSTATE TUITION RECIPROCITY

Narrative

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. Student enrollment choices are the most significant factor in the size of interstate tuition reciprocity payments.

Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 3,600 | 3,600 | 3,600 | 3,600 | 7,200 |
| Subtotal - Forecast Base | 3,600 | 3,600 | 3,600 | 3,600 | 7,200 |
| Governor's Recommendations | | | | | |
| Interstate Tuition Reciprocity | | 0 | (2,600) | (2,600) | (5,200) |
| Total | 3,600 | 3,600 | 1,000 | 1,000 | 2,000 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 7,200 | 1,000 | 1,000 | 2,000 |
| Total | 0 | 7,200 | 1,000 | 1,000 | 2,000 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 0 | 7,200 | 1,000 | 1,000 | 2,000 |
| Total | 0 | 7,200 | 1,000 | 1,000 | 2,000 |

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: STATE WORK STUDY

Narrative

Activity Description

The State Work Study Program is campus based. Allocations are made to participating institutions that 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. Direct appropriations cover up to 75% of the wages paid to work study students. The employers pay the remaining 25%. Institutions and other employers set wage rates for work-study positions.

Activity at a Glance

- ◆ In FY 2004, 10,442 students received \$11,634,088 in State Work Study funds as the 75% match to their state work-study wages.
- ◆ All State Work Study funds for FY 2003 were moved to the State Grant Program in order to make full State Grant awards.

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.

As required by Minnesota Laws 2002, Chapter 374, The Minnesota Higher Education Services Office (HESO) moved all the funds in the FY 2003 State Work Study Program into the State Grant Program in order to make full awards in the State Grant Program. For FY 2004, the full \$12.4 million State Work Study appropriation was made available for work study awards.

Population Served

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

Historical Perspective

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. Most state work study jobs are on-campus, but the program has always allowed and encouraged institutions to arrange jobs with nonprofit 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.

Under Minnesota's financial aid policy, all students are expected to contribute 46% of their price of attendance. Work study earnings can help students fulfill their responsibility in paying their share of the price of attendance. Most State Work Study awards are restricted to students who show "financial need," and students' past earnings from non work study jobs can restrict their eligibility. For FY 2002 and FY 2004, on a pilot basis, institutions were allowed to award State Work Study up to the Student Share used in the Design for Shared Responsibility calculation for the Minnesota State Grant. Only ten institutions used this new feature during FY 2002 and 327 students received awards under this new method. After the FY 2004 year is completed, HESO will evaluate use of the new feature.

Key Measures

- ⇒ State Work Study assists over 10,000 students to help pay their educational expenses.
- ⇒ Students in work study positions earn minimum wage or above.
- ⇒ Higher Education institutions continue to request additional work study funds for their students.

Activity Funding

The State Work Study activity has a FY2004-05 General Fund budget of \$24.9 million.

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: STATE WORK STUDY

Narrative

Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2006-07 |
| | FY2004 | FY2005 | FY2006 | FY2007 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 12,444 | 12,444 | 12,444 | 12,444 | 24,888 |
| Subtotal - Forecast Base | 12,444 | 12,444 | 12,444 | 12,444 | 24,888 |
| Total | 12,444 | 12,444 | 12,444 | 12,444 | 24,888 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 12,387 | 12,501 | 12,444 | 12,444 | 24,888 |
| Total | 12,387 | 12,501 | 12,444 | 12,444 | 24,888 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 12,387 | 12,501 | 12,444 | 12,444 | 24,888 |
| Total | 12,387 | 12,501 | 12,444 | 12,444 | 24,888 |

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: STUDENT & PARENT INFORMATION

Narrative

Activity Description

The Higher Education Services Office (HESO) provides information to help students and parents learn about and prepare for educational opportunities beyond high school. Research studies indicate that many families lack information about financial and academic preparation; they misperceive the price of attending college and know little about financial aid. Of particular concern is the need to provide information to students who are from low-income families, of color, and/or little or no higher education experience. These students complete high school and participate in higher education at much lower rates than their counterparts from more affluent, more educated backgrounds. They face substantial financial, academic, social, and cultural obstacles to higher education.

Population Served

The Services Office provides information on post-secondary education planning to students and parents, school counselors, educators, and interested citizens throughout Minnesota. Information is provided to adults beginning or returning to higher education. Some information is directed broadly to families while other efforts focus on more targeted audiences – students at key education transition points, such as middle school to high school, or families of specific backgrounds, low-income, of color, or no previous college experience. Recognizing the growing diversity of languages spoken in the state, the Office provides many materials in Spanish, Hmong, and Somali.

Services Provided

Several strategies are used to communicate information to students and parents. For example, the *Get Ready* magazine informs parents with children of all ages about academic and financial preparation; *Future Choices* materials encourage planning by eighth grade students; and *Focus on Financial Aid* informs families about financial aid. The agency web page, www.mheso.state.mn.us, provides comprehensive information to help students and parents prepare for higher education. *FuturePlan: Life After High School* is a new interactive CD-ROM that helps high school students plan for possible careers and future education options.

The Get Ready! early awareness program provides low-income students at an early age (4th-8th grades), and their parents with college and career planning information and academic skills that will help encourage and prepare them to complete high school and pursue higher education. During 2003-2004, a pilot project entitled "Outreach MN" involved thirteen classrooms in 3 schools (400 students). Under this project, the Get Ready! curriculum was delivered by students' classroom teachers.

In addition, the Services Office manages the Intervention for College Attendance Program. This program provides grants to post-secondary institutions and community agencies to help enhance and/or expand programs that provide services such as tutoring, mentoring, information about college options, parental involvement, and summer academic experiences to low-income students.

Historical Perspective

The Services Office began providing information about financial access to families in the 1970s, paralleling the growth of state and federal financial aid programs. The Get Ready! program was started in 1995-96, with a small federal grant, in response to a study by the Wilder Research Foundation. The Minnesota Legislature provided funds to expand Get Ready! in 1997 and to start the Intervention for College Attendance Program in 1999. In 1999, the Services Office received a significant amount of federal funds to support Get Ready! under the new Gaining Early Awareness for Undergraduates Program (GEAR UP).

Activity at a Glance

- ◆ 2,340 low income students and parents received direct Get Ready! service in 2003-2004
- ◆ Over 5,000 students received College Planning Presentations
- ◆ Approximately 20,000 students saw early awareness theatre presentations
- ◆ 130,000 copies of *Focus on Financial Aid* distributed
- ◆ 61,000 copies of *Future Choices* distributed
- ◆ 80,000 *Get Ready* magazines distributed
- ◆ 725,000 web page hits

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: STUDENT & PARENT INFORMATION

Narrative

Current research shows that Minnesota is losing students of color as they transition through school. From kindergarten through college, Minnesota's persistent failure to educate students of color at the same rate as their white counterparts is the most critical issue facing the state's schools, communities, and policymakers and puts the state's economic future at risk. (*The State of Students of Color 2004*, Minnesota Minority Education Partnership, Inc.) As Minnesota's population becomes increasingly diverse, the need to provide accurate and understandable information is essential.

Key Measures

The Services Office surveys customers to assess their satisfaction with the agency's products and services and the usefulness of various types of information.

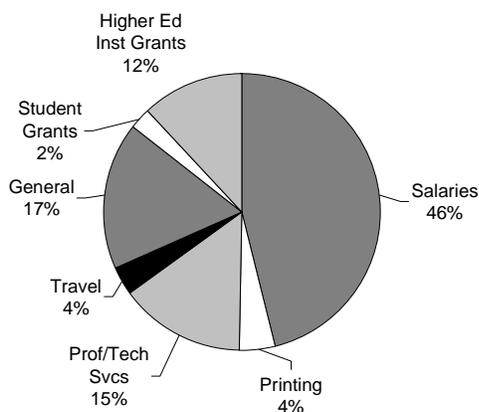
Focus on Financial Aid: In a fall 2003 survey, almost all high school counselors indicated some level of satisfaction for *Focus on Financial Aid* with 69 percent being "very satisfied." Almost all counselors indicated some level of satisfaction concerning the quality of information provided, with 70 percent being "very satisfied."

Web Page Information: Customers are increasingly coming to the agency web page for information. The number of web page "hits" provides a general indicator of use. HESO web page hits increased from 535,000 in FY 2003 to 725,000 in FY 2004.

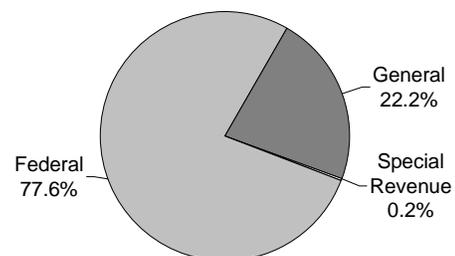
Get Ready! Program: In an end-of-year evaluation, 83% of students "agreed" that the program helped them know the ways to pay for college; 73% "agreed" that the program helped them learn how much it costs to attend different types of post-secondary institutions; and 83% of participants "agreed" that the program has helped them learn more about different careers and the educational requirements for those careers.

Activity Funding

Expenditures by Category
FY2004-05 (Total: \$4.9 Million)



Source of Funding
FY2004-05 (Total: \$4.9 Million)



Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 564 | 564 | 564 | 564 | 1,128 |
| Subtotal - Forecast Base | 564 | 564 | 564 | 564 | 1,128 |
| Total | 564 | 564 | 564 | 564 | 1,128 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 561 | 698 | 564 | 564 | 1,128 |
| Statutory Appropriations | | | | | |
| Special Revenue | 8 | 30 | 0 | 0 | 0 |
| Federal | 1,902 | 1,900 | 1,900 | 1,900 | 3,800 |
| Total | 2,471 | 2,628 | 2,464 | 2,464 | 4,928 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,103 | 1,141 | 1,141 | 1,141 | 2,282 |
| Other Operating Expenses | 973 | 1,181 | 1,018 | 1,018 | 2,036 |
| Payments To Individuals | 77 | 35 | 35 | 35 | 70 |
| Local Assistance | 318 | 271 | 270 | 270 | 540 |
| Total | 2,471 | 2,628 | 2,464 | 2,464 | 4,928 |
| Full-Time Equivalents (FTE) | 23.8 | 27.7 | 27.7 | 27.7 | |

HIGHER EDUCATION SVCS OFFICES

Program: STUDENT FINANCIAL AID SERVICES

Activity: STUDENT FINANCIAL AID SERVICES

Narrative

Activity Description

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

Programs:

◆ Financial Aid Administration

The division's responsibilities include 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 training, technical support and policy guidance.

◆ Paul Douglas Scholarship

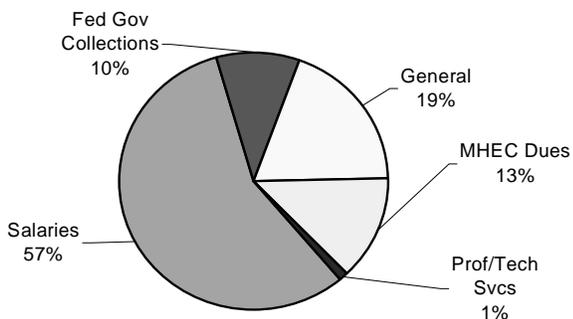
This was a federal program, named for Illinois Senator Paul Douglas, offering loans to students who promised to be teachers in rural areas of Minnesota. The program no longer makes loans and is currently in the repayment phase. The Office receives no administrative funds from the federal government.

Population Served

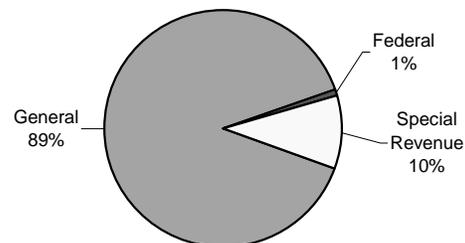
During FY 2004, the Student Financial Aid Services Division processed approximately 140,000 student aid applications, delivering \$131 million of financial assistance to approximately 82,500 students attending both public and private post-secondary educational institutions. Included in the total are 40,000 reciprocity students attending institutions in Minnesota, Wisconsin, North Dakota, South Dakota, Iowa, and Manitoba under tuition reciprocity agreements.

Activity Funding

Expenditures by Category
FY 2004-05 (Total: \$1.30 Million)



Source of Funding
FY 2004-05 (Total: \$1.30 Million)



Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Special Revenue | 12 | 0 | 0 | 0 | 0 |
| Federal | 58 | 70 | 70 | 70 | 140 |
| Total | 70 | 70 | 70 | 70 | 140 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 12 | 0 | 0 | 0 | 0 |
| Other Financial Transactions | 58 | 70 | 70 | 70 | 140 |
| Total | 70 | 70 | 70 | 70 | 140 |

Program Description

HESO's State Student Loan Services provide administrative support for the Student Educational Loan Fund Program (SELF), the Federal Stafford Loan Program and the Graduated Repayment Income Protection (GRIP) Program. These loan programs assist undergraduate and graduate students in financing their education expenses.

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. State Student Loan Services staff use technology to provide enhanced services to the public.

Budget Activities Included:

- ⇒ Student Educational Loan Fund (SELF)
- ⇒ Other loans: Federal Stafford Loan Program, Graduated Repayment Income Protection Program (GRIP).

HIGHER EDUCATION SVCS OFFICES

Program: STATE STUDENT LOANS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|-------------------------|----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Higher Education Svcs Office | 127,884 | 137,957 | 142,445 | 144,945 | 287,390 |
| Total | 127,884 | 137,957 | 142,445 | 144,945 | 287,390 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 426 | 527 | 527 | 527 | 1,054 |
| Other Operating Expenses | 11,686 | 13,390 | 14,090 | 15,090 | 29,180 |
| Other Financial Transactions | 115,772 | 124,040 | 127,828 | 129,328 | 257,156 |
| Total | 127,884 | 137,957 | 142,445 | 144,945 | 287,390 |
| <u>Expenditures by Activity</u> | | | | | |
| Stafford Loan | 8 | 10 | 10 | 10 | 20 |
| State Supplemental Loans | 127,822 | 137,907 | 142,395 | 144,895 | 287,290 |
| Other Loan Programs | 54 | 40 | 40 | 40 | 80 |
| Total | 127,884 | 137,957 | 142,445 | 144,945 | 287,390 |
| Full-Time Equivalentents (FTE) | 7.9 | 8.8 | 8.8 | 8.8 | |

HIGHER EDUCATION SVCS OFFICES

Program: STATE STUDENT LOANS

Activity: STAFFORD LOAN

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------|-----------|--------------------|-----------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2006-07 |
| | FY2004 | FY2005 | FY2006 | FY2007 | |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Higher Education Svcs Office | 8 | 10 | 10 | 10 | 20 |
| Total | 8 | 10 | 10 | 10 | 20 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 8 | 10 | 10 | 10 | 20 |
| Total | 8 | 10 | 10 | 10 | 20 |

HIGHER EDUCATION SVCS OFFICES

Program: STATE STUDENT LOANS

Activity: STATE SUPPLEMENTAL LOANS

Narrative

Activity Description

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

Population Served

Graduate or undergraduate students may borrow from the SELF Program. Minnesota residents attending in Minnesota or at one of more than 180 out-of-state institutions that have contracts with the program are eligible to borrow. Also, non-resident students attending eligible Minnesota institutions are eligible to borrow from this program.

Services Provided

The State of Minnesota has established programs like SELF to help ensure access to an education of their choice for Minnesota residents, and to non-residents attending Minnesota schools. As the price of higher education continues to increase, more students need to partially or fully fund their education with student loans.

The private sector has created additional private loan programs in recent years. The SELF Program provides 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.

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.

Key Measures

- ⇒ The average processing time for a SELF loan is 3-5 days.
- ⇒ The cumulative SELF default is less than 2%.

Activity Funding

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

The SELF Program is funded through repayments of existing SELF loans and through \$194 million of tax exempt bonds and \$261 million of taxable bonds outstanding. These revenues finance additional SELF loans, pay interest on the bonds, pay loan servicing costs, and cover program operating costs. Additional bonds of \$155 million were issued for FY 2004-05. The Services Office is limited to a maximum of \$850 million in outstanding bonds. Tax-exempt bonds can be issued for student loans under Section 144(b)(1)(B) of the Internal Revenue Code of 1986, as amended.

Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: 651-642-0533
Fax: 651-642-0675
www.mheso.state.mn.us

Activity at a Glance

- ◆ Since 1985, the Services Office has made more than 275,000 SELF loans totaling over \$920 million to students from all sectors of higher education. The Services Office collected over \$4.0 million from SELF defaulters in FY 2004.
- ◆ In Fiscal Year 2004, the SELF Program lent approximately \$116 million to 30,000 students

HIGHER EDUCATION SVCS OFFICES

Program: STATE STUDENT LOANS

Activity: STATE SUPPLEMENTAL LOANS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Higher Education Svcs Office | 127,822 | 137,907 | 142,395 | 144,895 | 287,290 |
| Total | 127,822 | 137,907 | 142,395 | 144,895 | 287,290 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 426 | 527 | 527 | 527 | 1,054 |
| Other Operating Expenses | 11,678 | 13,380 | 14,080 | 15,080 | 29,160 |
| Other Financial Transactions | 115,718 | 124,000 | 127,788 | 129,288 | 257,076 |
| Total | 127,822 | 137,907 | 142,395 | 144,895 | 287,290 |
| Full-Time Equivalents (FTE) | 7.9 | 8.8 | 8.8 | 8.8 | |

HIGHER EDUCATION SVCS OFFICES

Program: STATE STUDENT LOANS

Activity: OTHER LOAN PROGRAMS

Narrative

Activity Description

This activity includes one targeted state student loan program and the federal Stafford Loan Program. The Graduated Repayment Income Protection (GRIP) Program is 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 program enabled program participants to repay their student loans with repayment loans based on their projected annual incomes. The GRIP Loan was discontinued in 1995 for new participants.

Repayments to the GRIP and Stafford Programs are deposited in the Loan Capital Fund.

Population Served

The Stafford loan served graduate and undergraduate students.

GRIP participants were graduates of Minnesota schools in dentistry, medicine, pharmacy, veterinary medicine, public health, and chiropractic medicine, and Minnesota residents graduating from osteopathy programs.

Key Measures

⇒ HESO will continue to monitor and oversee the repayment process for these loan programs in a cost effective manner.

Activity Funding

The FY 2004-05 funding for this activity is \$50,000.

Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

Activity at a Glance

- ◆ The Services Office has a portfolio of less than \$500,000 under the Stafford Loan Program, which will be serviced until the loans have been repaid.
- ◆ The GRIP program enabled program participants to repay their student loans with repayment loans based on their projected annual incomes. There are 55 individuals in repayment. The principal of the loans ranges from \$3,400 to \$119,000. The last borrower should complete repayment of the last GRIP loan in June 2015.

HIGHER EDUCATION SVCS OFFICES

Program: STATE STUDENT LOANS

Activity: OTHER LOAN PROGRAMS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|-----------|-----------|--------------------|-----------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2006-07 |
| | FY2004 | FY2005 | FY2006 | FY2007 | |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Higher Education Svcs Office | 54 | 40 | 40 | 40 | 80 |
| Total | 54 | 40 | 40 | 40 | 80 |
| <u>Expenditures by Category</u> | | | | | |
| Other Financial Transactions | 54 | 40 | 40 | 40 | 80 |
| Total | 54 | 40 | 40 | 40 | 80 |

Program Description

HESO's Research and Program Services support student and state interests in quality, well-managed, and financially accessible higher education opportunities.

Research-related activities under this program are:

- ◆ data collection and reporting on higher education students
- ◆ analysis of state student financial aid programs and other student financing issues

Activities that support quality higher education programs are:

- ◆ consumer protection services that require private and out-of-state institutions to meet state standards
- ◆ specialized grants that assist institutions in addressing state and federal initiatives

Budget Activities Included:

- ⇒ Research and Program Services
- ⇒ Miscellaneous Grant Programs

HIGHER EDUCATION SVCS OFFICES

Program: RESEARCH & PROGRAM SERVICES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------|--------------|------------------|--------------|---------------------|
| | Current | | Governor Recomm. | | Biennium 2006-07 |
| | FY2004 | FY2005 | FY2006 | FY2007 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 100 | 100 | 100 | 100 | 200 |
| Subtotal - Forecast Base | 100 | 100 | 100 | 100 | 200 |
| Governor's Recommendations | | | | | |
| University in Rochester | | 0 | 3,200 | 0 | 3,200 |
| Total | 100 | 100 | 3,300 | 100 | 3,400 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 80 | 125 | 3,300 | 100 | 3,400 |
| Statutory Appropriations | | | | | |
| Special Revenue | 181 | 196 | 207 | 211 | 418 |
| Federal | 1,138 | 1,253 | 1,390 | 1,011 | 2,401 |
| Higher Education Svcs Office | 59 | 66 | 66 | 66 | 132 |
| Total | 1,458 | 1,640 | 4,963 | 1,388 | 6,351 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 269 | 266 | 274 | 268 | 542 |
| Other Operating Expenses | 26 | 60 | 70 | 60 | 130 |
| Payments To Individuals | (4) | 0 | 0 | 0 | 0 |
| Local Assistance | 1,167 | 1,314 | 4,619 | 1,060 | 5,679 |
| Total | 1,458 | 1,640 | 4,963 | 1,388 | 6,351 |
| <u>Expenditures by Activity</u> | | | | | |
| Research & Program Services | 240 | 262 | 3,473 | 277 | 3,750 |
| Miscellaneous Grant Programs | 1,218 | 1,378 | 1,490 | 1,111 | 2,601 |
| Total | 1,458 | 1,640 | 4,963 | 1,388 | 6,351 |
| Full-Time Equivalent (FTE) | 3.8 | 3.7 | 3.7 | 3.7 | |

HIGHER EDUCATION SVCS OFFICES

Program: RESEARCH & PROGRAM SERVICES

Activity: RESEARCH & PROGRAM SERVICES

Narrative

Activity Description

In support of higher education opportunities for Minnesota residents, the Research and Program Services activity produces data and reporting on student enrollments and financing and manages regulation of private and out-of-state institutions.

Services under this activity result in:

- ◆ consumer protection through administration of statutes that require private and out-of-state institutions to meet state standards,
- ◆ the ability for state and institutional policymakers to track student characteristics and trends, and
- ◆ research on state financial aid programs and how students pay for post-secondary education.

Population Served

Students, former students, and prospective students of private and out-of-state institutions are served by two consumer protection statutes administered under this activity. Enrollment data and analyses 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. The Services Office produces analyses of student financing for state policy makers and staff, for agency planning, and for other financial aid statistics and users.

Services Provided

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 consumer protection for private, nonprofit and out-of-state post-secondary institutions offering educational programs within the state. For profit institutions offering only programs at the baccalaureate or graduate level are also regulated under this statute.
- ⇒ Licensing of private for-profit schools (M.S. Chapter 141) provides quality control and consumer protection for private, for-profit career training providers offering programs below the baccalaureate level.

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.

Research Services. Agency research services 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 for a more complete statewide picture.

Enrollment-related databases are maintained for fall term enrollments and degrees and other awards conferred by Minnesota institutions. The Services Office publishes both standard enrollment reports and special analyses. Upon request, staff produces tailored summary reports for researchers from a variety of organizations. Staff also uses federal and other sources of information to provide answers to data questions about Minnesota higher education. Most information of general interest is posted on the agency web site which is becoming the primary way many users first look for data.

Research on student financing includes a biennial survey of undergraduate financial aid from all sources at Minnesota institutions, and reporting on state financial aid programs for budgetary and policy purposes.

Activity at a Glance

- ◆ About 50 private, nonprofit and out-of-state post-secondary institutions are approved to offer degree programs in Minnesota; 23 other post-secondary providers are registered to offer non-degree programs.
- ◆ About 80 private, for-profit career training providers are licensed to operate in Minnesota.
- ◆ Enrollment records of 311,000 students attending 98 institutions were reported in fall 2002.
- ◆ Research services made available on the agency web site total over 150 pages of information and links to agency reports.

HIGHER EDUCATION SVCS OFFICES

Program: RESEARCH & PROGRAM SERVICES

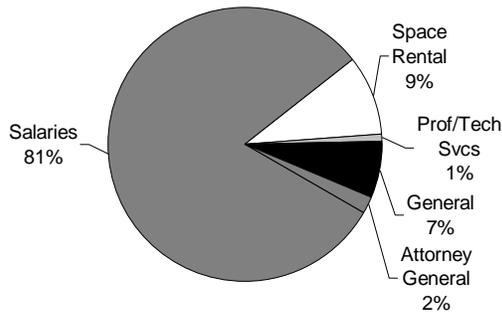
Activity: RESEARCH & PROGRAM SERVICES

Narrative

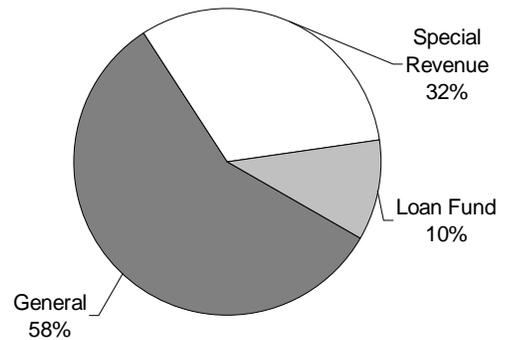
Activity Funding

This activity generates dedicated revenue from fees for Private Institution Registration and Private Career School Licensure. Enrollment reporting and analysis are fully supported from state General Fund appropriations. Student financing analysis is financed by the Loan Capital Fund and General Fund appropriations.

Expenditures by Category
FY 2004-05 (Total: \$1.2 Million)



Source of Funding
FY 2004-05 (Total: \$1.2 Million)



Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------|------------|--------------------|------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| University in Rochester | | 0 | 3,200 | 0 | 3,200 |
| Total | 0 | 0 | 3,200 | 0 | 3,200 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 3,200 | 0 | 3,200 |
| Statutory Appropriations | | | | | |
| Special Revenue | 181 | 196 | 207 | 211 | 418 |
| Higher Education Svcs Office | 59 | 66 | 66 | 66 | 132 |
| Total | 240 | 262 | 3,473 | 277 | 3,750 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 208 | 206 | 214 | 217 | 431 |
| Other Operating Expenses | 32 | 56 | 59 | 60 | 119 |
| Local Assistance | 0 | 0 | 3,200 | 0 | 3,200 |
| Total | 240 | 262 | 3,473 | 277 | 3,750 |
| Full-Time Equivalent (FTE) | 3.0 | 3.1 | 3.1 | 3.1 | |

HIGHER EDUCATION SVCS OFFICES

Program: RESEARCH & PROGRAM SERVICES

Activity: MISCELLANEOUS GRANT PROGRAMS

Narrative

Activity Description

This activity manages three specialized grant programs that encourage post-secondary and nonprofit institutions to address certain state and federal objectives.

- ⇒ 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.
- ⇒ Federal **Learn and Serve America Grants** support a multi-state effort to impact the regional growth of community service and service-learning activities.
- ⇒ Federal **Improving Teacher Quality Grants** support the academic achievement of K-12 students by helping schools and districts improve classroom instruction and ensure that all teachers are highly qualified.

Activity at a Glance

- ◆ For the 2004-05 biennium, 10 service-learning projects at colleges and community based organizations have been awarded state grants ranging from \$13,000 to \$20,000.
- ◆ As fiscal agent for a \$380,000 federal 2004 Learn and Serve America award, HESO supported 34 grant projects promoting active citizenship.
- ◆ For FY2004, the federal Improving Teacher Quality Program supports 28 grants, ranging from \$29,703 to \$46,460, to nine Minnesota higher education institutions and two nonprofit organizations for projects serving high-need school districts.

Population Served

The state Post-Secondary Service Learning program serves post-secondary students, community organizations, and individual citizens. The federal Learn and Serve America grants serve a similar population on a regional (MN, IA, WI) level. K-12 teachers and paraprofessionals in Minnesota schools are served by the Improving Teacher Quality Program.

Services Provided

All program funds are awarded on a competitive basis. The Minnesota Higher Education Services Office provides guidance for program development and administration, financial oversight and project evaluation. For the Learn and Serve and the Post-Secondary Service Learning Grants, Services Office contracts with the Minnesota Campus Compact for applicant selection and program technical assistance.

The state **Post-Secondary Service Learning** Program supports collaborative projects of at least one campus and one community-based organization. In some cases, the community organization manages the program.

Currently, two funding areas (program start-up and quality improvement) allow different project strategies to meet identified post-secondary and community needs. A 2003 assessment of state post-secondary projects funded since 1989 showed significant positive outcomes for students and community members, including increased project sustainability and institutional investment in civic engagement efforts.

The federal **Learn and Serve America** Program supports efforts to make service and service-learning a part of the fundamental mission of colleges and universities. The three initiatives of this program emphasize partnerships that build social and economic vitality, student leadership and improved departmental curricula.

Federal **Improving Teacher Quality Grants** are awarded to partnerships to conduct professional development in mathematics, science, and social studies to ensure that teachers and paraprofessionals are highly qualified in the subject matter knowledge and teaching skills. Eligible partnerships must include a teacher preparation division and school of arts and sciences of a higher education institution and a high need school district.

Historical Perspective

Since 1985, the Services Office has administered more than \$12 million in federal formula funds that have supported 389 projects by higher education institutions and nonprofit organizations for teacher and paraprofessional professional development. Primary emphasis is placed on content areas from mathematics, science and social studies.

HIGHER EDUCATION SVCS OFFICES

Program: RESEARCH & PROGRAM SERVICES

Activity: MISCELLANEOUS GRANT PROGRAMS

Narrative

The Minnesota Legislature's investment in the Post-Secondary Service-Learning Grant Program has supported engagement of over 25,000 students in 1,200 courses that integrate service-learning each year and a high sustainability rate for projects, with 78 percent of projects continuing in their original form and an additional 15 percent evolving into or significantly influencing other projects. State funding has leveraged significant federal dollars that match and expand state efforts. Minnesota has received over \$1.3 million in federal Learn and Serve America grants through the Corporation for National Service for service-learning during the last 10 years.

Key Measures

Post-secondary students engaged in service-learning activities. Each grant-funded project engages students in service activities in local communities. "Service-learning" enhances students' academic experience, promotes career exploration, and builds a commitment to life-long civic engagement and service.

| <u>FY 1998-99</u> | <u>FY 2000-01</u> | <u>FY 2002-03</u> | <u>FY 2004-05 Estimate</u> |
|-------------------|-------------------|-------------------|----------------------------|
| 1,709 students | 1,947 students | 1,912 students | 2,992 students |

Community organizations and Minnesotans benefiting from the service-learning grant program. Each grant-funded project is designed to address significant, long-term community needs. Community organizations work in partnership with colleges and universities to provide enhanced support for the residents they serve.

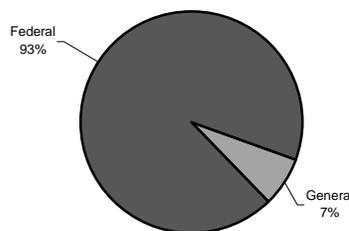
| <u>FY 1998-99</u> | <u>FY 2000-01</u> | <u>FY 2002-03</u> | <u>FY 2004-05 Estimate</u> |
|--|---|---|---|
| 148 organizations 5,789 Minnesotans | 331 organizations 12,519 Minnesotans | 104 organizations 18,870 Minnesotans | 112 organizations 10,750 Minnesotans |

Faculty members prepared to integrate service-learning experiences into their courses. Faculty involved in grant projects revise existing curricula to include service-learning experiences for their students. Faculty are given guidance in curriculum revision by program staff at workshops and through individual consultation.

| <u>FY 1998-99</u> | <u>FY 2000-01</u> | <u>FY 2002-03</u> | <u>FY 2004-05 Estimate</u> |
|-------------------|-------------------|-------------------|----------------------------|
| 115 faculty | 168 faculty | 166 faculty | 151 faculty |

Activity Funding

Source of Funding
FY 2004-05 (Total: \$2.5 Million)



Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 100 | 100 | 100 | 100 | 200 |
| Subtotal - Forecast Base | 100 | 100 | 100 | 100 | 200 |
| Total | 100 | 100 | 100 | 100 | 200 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 80 | 125 | 100 | 100 | 200 |
| Statutory Appropriations | | | | | |
| Federal | 1,138 | 1,253 | 1,390 | 1,011 | 2,401 |
| Total | 1,218 | 1,378 | 1,490 | 1,111 | 2,601 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 61 | 60 | 60 | 51 | 111 |
| Other Operating Expenses | (6) | 4 | 11 | 0 | 11 |
| Payments To Individuals | (4) | 0 | 0 | 0 | 0 |
| Local Assistance | 1,167 | 1,314 | 1,419 | 1,060 | 2,479 |
| Total | 1,218 | 1,378 | 1,490 | 1,111 | 2,601 |
| Full-Time Equivalentents (FTE) | 0.8 | 0.6 | 0.6 | 0.6 | |

Program Description

HESO's Library and Technology Program provides statewide support functions that assist libraries and post-secondary institutions in providing Minnesotans with efficient access to library materials, distance education, and other learning resources.

Budget Activities Included:

- ⇒ MINITEX
- ⇒ MnLINK Implementation/Gateway
- ⇒ Learning Network of Minnesota

HIGHER EDUCATION SVCS OFFICES
 Program: LIBRARIES AND TECHNOLOGY

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 9,660 | 9,660 | 9,660 | 9,660 | 19,320 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (50) | (50) | (100) |
| Subtotal - Forecast Base | 9,660 | 9,660 | 9,610 | 9,610 | 19,220 |
| Governor's Recommendations | | | | | |
| Learning Network of Minnesota | | 0 | (500) | (500) | (1,000) |
| Total | 9,660 | 9,660 | 9,110 | 9,110 | 18,220 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 10,444 | 11,279 | 9,110 | 9,110 | 18,220 |
| Statutory Appropriations | | | | | |
| Special Revenue | 17 | 0 | 0 | 0 | 0 |
| Miscellaneous Agency | 3,945 | 4,693 | 0 | 0 | 0 |
| Total | 14,406 | 15,972 | 9,110 | 9,110 | 18,220 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 57 | 59 | 59 | 59 | 118 |
| Other Operating Expenses | 483 | 1,185 | 295 | 295 | 590 |
| Local Assistance | 13,866 | 14,728 | 8,756 | 8,756 | 17,512 |
| Total | 14,406 | 15,972 | 9,110 | 9,110 | 18,220 |
| <u>Expenditures by Activity</u> | | | | | |
| Minitex Library System | 8,326 | 9,074 | 4,381 | 4,381 | 8,762 |
| Mn Link Implementation | 1,288 | 2,015 | 400 | 400 | 800 |
| Learning Network Of Minn | 4,792 | 4,883 | 4,329 | 4,329 | 8,658 |
| Total | 14,406 | 15,972 | 9,110 | 9,110 | 18,220 |
| Full-Time Equivalents (FTE) | 1.0 | 0.8 | 0.8 | 0.8 | |

HIGHER EDUCATION SVCS OFFICES

Program: LIBRARIES AND TECHNOLOGY

Activity: MINITEX LIBRARY SYSTEM

Narrative

Activity Description

MINITEX's mission is to enhance the effectiveness and efficiency of libraries by expanding their access to information resources for their users. Major activities are:

- ◆ retrieval and delivery of loans and photocopies from the University of Minnesota Libraries and Minneapolis Public Library plus libraries in the four states;
- ◆ coordination of a delivery system for libraries throughout the region;
- ◆ discounted licensing of electronic databases and other resources for academic, public, K-12, and state government libraries and cooperative group purchasing of electronic resources;
- ◆ a common database of magazine and newspaper holdings owned by Minnesota, North Dakota, and South Dakota; and
- ◆ support and training for use of MINITEX services, electronic resources, and products.

Activity at a Glance

- ◆ More than 400,000 books, articles, and non-print materials made available to Minnesota residents.
- ◆ Statewide access to over 10,000 full-text publications, plus 13,000 electronic books.
- ◆ Participation of more than 1,600 Minnesota libraries of all types.
- ◆ More than 164,000 journals and magazines owned by libraries in the MINITEX region listed in a common source for each location.

Population Served

Now in its 35th year of operation, the MINITEX Library Information Network (MINITEX) is a publicly supported network of libraries in Minnesota, North Dakota, and South Dakota. In Minnesota, MINITEX currently serves over 1,600 academic, state government, K-12, and public libraries, which in turn serve all the residents of the state.

Services Provided

MINITEX fulfills its objective through four primary activities: 1) document delivery; 2) group licenses for online access to full-text and bibliographic resources; 3) a common data base of participants' books and non-print holdings through on-line shared cataloging; and, 4) a database of serial titles (journals, magazines) held by libraries in the MINITEX region.

Historical Perspective

MINITEX was originally funded jointly in 1969 by the Louis W. and Maud Hill Family Foundation and state and federal funds. The pilot project demonstrated the educational and economic viability of this type of resource sharing concept, and in 1971 the project became a program of the Minnesota Higher Education Coordinating Board funded by the legislature. Since then, the number of participating libraries and services has expanded to create a network of information resource sharing for the Minnesota/North Dakota/South Dakota region plus Wisconsin.

The Legislature has generally increased MINITEX appropriations each year to improve document delivery and to purchase additional statewide licenses to academic and general interest electronic resources. However, funding for the program has been reduced in recent years.

Key Measures

Items delivered for Minnesota library users. The number of items made available by MINITEX either in hardcopy, or electronic format to Minnesota library users:

| <u>FY 2001</u> | <u>FY2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005 Estimate</u> |
|----------------|---------------|----------------|----------------|-------------------------|
| 328,448 | 383,235 | 411,085 | 415,763 | 495,316 |

HIGHER EDUCATION SVCS OFFICES

Program: LIBRARIES AND TECHNOLOGY

Activity: MINITEX LIBRARY SYSTEM

Narrative

Participating Minnesota Libraries. The number of Minnesota libraries participating in one or more of the primary MINITEX services supported by state appropriation:

| <u>FY 2001</u> | <u>FY2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005 Estimate</u> |
|----------------|---------------|----------------|----------------|-------------------------|
| 1,098 | 1,404 | 1,540 | 1,654 | 1,665 |

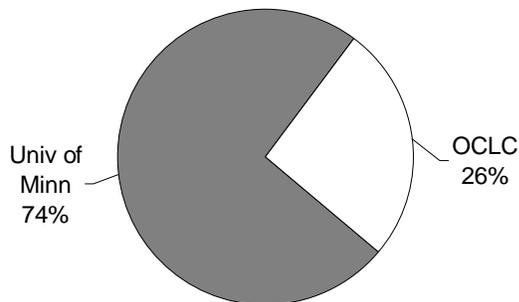
Uses of licensed electronic resources. Usage of statewide licensed electronic resources in the *Electronic Library for Minnesota (ELM)* and other electronic resources in nursing, science, engineering and other disciplines available through academic libraries:

| <u>FY 2001</u> | <u>FY2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005 Estimate</u> |
|----------------|---------------|----------------|----------------|-------------------------|
| 5,960,885 | 7,894,218 | 9,078,351 | 9,832,288 | 10,618,871 |

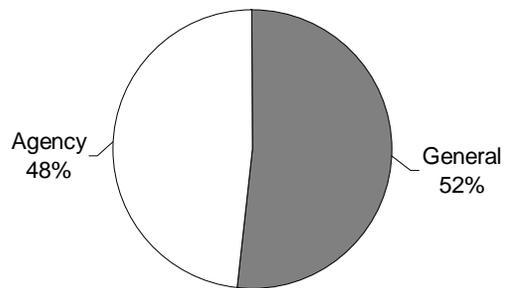
The cost for licensing ELM resources in FY2004 was \$0.37 per Minnesota resident.

Activity Funding

Expenditures by Category
FY2004-05 (Total: \$17 Million)



Source of Funding
FY 2004-05 (Total: \$17 Million)



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 for collaboration with the Minnesota Department of Education, 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. The revenue received from libraries using OCLC services goes through the MINITEX office and is passed directly to OCLC.

Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

HIGHER EDUCATION SVCS OFFICES
 Program: LIBRARIES AND TECHNOLOGY
 Activity: MINITEX LIBRARY SYSTEM

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------|--------------|--------------------|--------------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2006-07 |
| | FY2004 | FY2005 | FY2006 | FY2007 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 4,381 | 4,381 | 4,381 | 4,381 | 8,762 |
| Subtotal - Forecast Base | 4,381 | 4,381 | 4,381 | 4,381 | 8,762 |
| Total | 4,381 | 4,381 | 4,381 | 4,381 | 8,762 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 4,381 | 4,381 | 4,381 | 4,381 | 8,762 |
| Statutory Appropriations | | | | | |
| Miscellaneous Agency | 3,945 | 4,693 | 0 | 0 | 0 |
| Total | 8,326 | 9,074 | 4,381 | 4,381 | 8,762 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 8,326 | 9,074 | 4,381 | 4,381 | 8,762 |
| Total | 8,326 | 9,074 | 4,381 | 4,381 | 8,762 |

Activity Description

MnLINK is a statewide virtual library that provides web-based access to Minnesota library catalogs and state-licensed electronic resources. MnLINK widens access to library resources for all Minnesota residents by drawing upon the combined collections of Minnesota libraries.

Population Served

Through the *MnLINK Gateway*, all Minnesotans can gain access to library catalogs around the state. Validated users can access lending privileges and statewide online information resources purchased through the MINITEX Electronic Library for Minnesota (ELM).

The *MnLINK Integrated Library System* serves the students, faculty, and staff of the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU) system, and the users of state government libraries and participating private college, public and school libraries.

Services Provided

Through the MnLINK Gateway (www.mnlink.org), Minnesota residents can search catalogs of academic, government, public and school libraries and request materials for distribution through the MINITEX delivery system. Launched in 1999, the Gateway also allows searches and retrievals from state-licensed electronic books, and full-text magazine and newspaper articles (Electronic Library for Minnesota).

The MnLINK Integrated Library System can increase the efficiency of library operations and support resource sharing by providing a common library automation system in all public academic and state agency libraries. All University of Minnesota campuses began using the new software by July, 2003. Implementation within other participating libraries started in August, 2003 and is ongoing.

Historical Perspective

The Higher Education Services Office developed MnLINK in cooperation with the Library Planning Task Force, which was created by the 1994 legislature to make recommendations about library and information services. The Higher Education Services Office contracts with MnSCU for management of MnLINK and operation of the Gateway.

Key Measures

Authenticated Uses of the Gateway. While anyone from around the world can search library catalogs on the MnLINK Gateway, only those who are "authenticated" as a holder of a valid card from a participating Minnesota library can use the full set of Gateway features. The numbers below indicate how many times authenticated Minnesota library card holders searched the Gateway.

| <u>FY01</u> | <u>FY02</u> | <u>FY03</u> | <u>FY04</u> | <u>FY05 Estimate</u> |
|-------------|-------------|-------------|-------------|----------------------|
| 380,194 | 407,654 | 437,097 | 311,798* | 450,000 |

Searches Conducted on the MnLINK Gateway. The numbers below indicate the number of separate searches conducted on the Gateway.

| <u>FY01</u> | <u>FY02</u> | <u>FY03</u> | <u>FY04</u> | <u>FY05 Estimate</u> |
|-------------|-------------|-------------|-------------|----------------------|
| 671,296 | 731,490 | 1,000,000 | 471,672* | 870,000 |

* Gateway numbers declined during a transition to new software and tracking methodology.

Activity at a Glance

- ◆ *The MnLINK Gateway* allows library patrons to search multiple library catalogs and on-line electronic resources, including full-text articles, from a single website. In all, library patrons can access resources from 485 libraries and branches.
- ◆ *The MnLINK Gateway* provides a virtual catalog to 33.7 million volumes owned by participating libraries.
- ◆ *The MnLINK Integrated Library System* is an automated library information system operating on common software for the libraries of the University of Minnesota, Minnesota State Colleges and Universities, state agencies and participating private college, public and school libraries.

HIGHER EDUCATION SVCS OFFICES

Program: LIBRARIES AND TECHNOLOGY

Activity: MN LINK IMPLEMENTATION

Narrative

Catalog records loaded into MnLINK Integrated Library System. The MnLINK Integrated Library System functions as a public online catalog of the holdings of participating libraries. The value of the system increases as the number of records on it increases. The number of records loaded also indicates progress in moving to the new automation system.

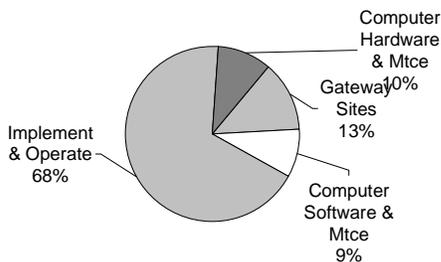
| <u>FY 2001</u> | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY2004</u> | <u>FY05 Estimate</u> |
|----------------|----------------|----------------|---------------|----------------------|
| 0 | 3,690,000 | 6,255,000 | 7,036,281 | 8,136,281 |

Activity Funding

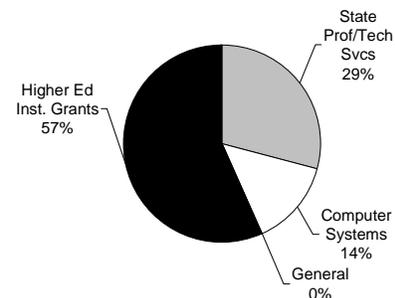
Implementation of the MnLINK Gateway and the Integrated Library System is funded through a 1997 appropriation of \$12 million, which was to be carried over until expended. In 2002, the Legislature removed \$822,000 from the continuing appropriation. As a result, libraries bear some costs that otherwise would have been supported by the state appropriation. In the 2003 session, the Legislature stipulated that any unexpended funds from the 1997 appropriation will cancel on June 30, 2005. The deadline is accelerating installation of the Integrated Library System in the remaining libraries.

Once operational, the Integrated Library System is funded by participating libraries just as they have paid for their own automation systems in the past. State funds are provided in an annual appropriation for the ongoing coordination and operation of the Gateway. The 2003 legislature reduced the base appropriation for MnLINK operations from \$450,000 per year to \$400,000 per year beginning in fiscal year 2006.

Allocation of Expenditures
FY2004-05 (Total: \$1.7 Million)
Source of Funding: General



Expenditures by Category
FY2004-05 (Total: \$1.7 Million)
Source of Funding: General



Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

HIGHER EDUCATION SVCS OFFICES
 Program: LIBRARIES AND TECHNOLOGY
 Activity: MN LINK IMPLEMENTATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------|--------------|--------------------|------------|------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 450 | 450 | 450 | 450 | 900 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (50) | (50) | (100) |
| Subtotal - Forecast Base | 450 | 450 | 400 | 400 | 800 |
| Total | 450 | 450 | 400 | 400 | 800 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,288 | 2,015 | 400 | 400 | 800 |
| Total | 1,288 | 2,015 | 400 | 400 | 800 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 455 | 1,140 | 250 | 250 | 500 |
| Local Assistance | 833 | 875 | 150 | 150 | 300 |
| Total | 1,288 | 2,015 | 400 | 400 | 800 |

HIGHER EDUCATION SVCS OFFICES

Program: LIBRARIES AND TECHNOLOGY

Activity: LEARNING NETWORK OF MINN

Narrative

Activity Description

The Learning Network of Minnesota provides access to educational programs and library resources through the internet and other telecommunications technologies. The Learning Network supports applications such as web-based learning, interactive video and multimedia communications. Its telecommunications network infrastructure also enables administrative efficiency.

Population Served

All citizens of Minnesota have access to the Learning Network and its programs through their public libraries, selected K-12 school districts and member institutions of higher education.

The Learning Network connects selected public school districts, regional public library systems and all public higher education institutions. Private higher education institutions will be joining the Learning Network over FY2005 with funding provided by individual campuses.

HESO serves as fiscal agent for the higher education portion of the Network. (The state Department of Education is fiscal agent for the library portion and coordinates E-rate applications for public school districts and libraries.)

Services Provided

The higher education portion of the Learning Network is comprised of six regional networks, each of which serves its member institutions with a range of educational technologies to enhance the delivery of programs and services between members and with other post-secondary institutions in the state. These services include:

- ⇒ Credit courses. Over 1,000 college courses are offered over the Learning Network each year via interactive video.
- ⇒ Access to Internet2 (the next generation, faster Internet). As a full Internet2 member, the University of Minnesota sponsors access by all other higher education institutions and interested K-12 schools. The Learning Network provides the necessary infrastructure.
- ⇒ Network applications such as e-mail accounts for students, web-based course support, desktop video, administrative support and voice services.
- ⇒ Connections to private higher education institutions, school districts, libraries, business and industry sites, correctional institutions, courthouses and medical facilities.
- ⇒ Network cost savings for the state and higher education institutions. The Learning Network aggregates purchases to take advantage of economies of scale.
- ⇒ Support for joint degree programs between University of Minnesota and MnSCU campuses.
- ⇒ Instructional cost savings. Community and Technical College campuses, for example, can use interactive video to share faculty and pool students in common sections.
- ⇒ Technology to help institutions meet staffing needs. Colleges are hiring adjunct faculty who teach from their home communities via interactive video.

Historical Perspective

The 1993 Minnesota Legislature funded the development of a statewide telecommunications network to connect public post-secondary education institutions around the state. In 1995, the resulting Learning Network was expanded to include K-12 education and public libraries. Since 1993, the Legislature has made a total investment of \$52.7 million in the higher education portion of the Learning Network.

Activity at a Glance

- ◆ The higher education portion of the Learning Network is comprised of six telecommunications regions serving all public higher education institutions.
- ◆ The Learning Network enhances on-campus learning and provides distance education opportunities, thereby expanding access to higher education throughout the state.
- ◆ Public higher education institutions rely on the Learning Network for academic programs and administrative services, and both the University of Minnesota and the Minnesota State Colleges and Universities (MnSCU) include the Network as a key component in their strategic plans.

HIGHER EDUCATION SVCS OFFICES

Program: LIBRARIES AND TECHNOLOGY

Activity: LEARNING NETWORK OF MINN

Narrative

During FY2004, HESO, the six higher education telecommunications regions, the University of Minnesota and MnSCU developed a "Learning Network Blueprint for Higher Education" that now includes participation by private institutions. The document ensures collaboration on infrastructure investments, governance, planning, and technical standards.

The Learning Network has a tradition of supporting research within higher education, from matching University funding for the Northern Lights GigaPOP (connection point for high performance networking) to providing infrastructure necessary for campuses to access Internet2 applications. In FY2004, the University of Minnesota and the Services Office, on behalf of the Learning Network, became founding members of the Northern Tier Network Consortium, an initiative to develop a premier research network for the educational institutions in the upper-midwest and northwest.

Key Measures

- ◆ Number of Courses offered via interactive video:

| | |
|-------------------------|-------|
| Academic Year 1999-2000 | 880 |
| Academic Year 2000-2001 | 944 |
| Academic Year 2001-2002 | 1,084 |
| Academic Year 2002-2003 | 1,240 |
- ◆ Number of Credits offered via interactive video:

| | |
|-------------------------|-------|
| Academic Year 1999-2000 | 2,884 |
| Academic Year 2000-2001 | 3,108 |
| Academic Year 2001-2002 | 3,163 |
| Academic Year 2002-2003 | 3,664 |

The number of students enrolled in online courses offered via the Learning Network is growing rapidly. MnSCU, for example, had an enrollment of 27,843 in online courses in 2003; that number increased to 45,080 in 2004.

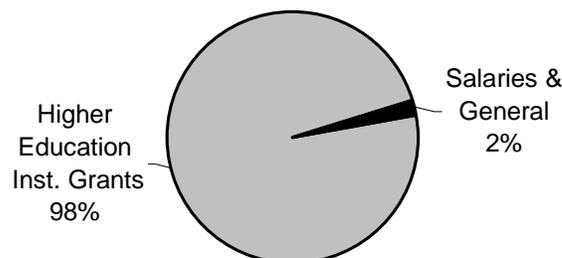
Activity Funding

The 2003 Legislature provided \$9.6 million for the higher education portion of the Learning Network for FY2004-2005. These funds support grants to the six higher education telecommunications regions. Member institutions

Expenditures by Category

FY 2004-05 (Total: \$9.6 Million)

Source of Funding: General



within each region match the grant by at least 10%.

Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

HIGHER EDUCATION SVCS OFFICES
 Program: LIBRARIES AND TECHNOLOGY
 Activity: LEARNING NETWORK OF MINN

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 4,829 | 4,829 | 4,829 | 4,829 | 9,658 |
| Subtotal - Forecast Base | 4,829 | 4,829 | 4,829 | 4,829 | 9,658 |
| Governor's Recommendations | | | | | |
| Learning Network of Minnesota | | 0 | (500) | (500) | (1,000) |
| Total | 4,829 | 4,829 | 4,329 | 4,329 | 8,658 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 4,775 | 4,883 | 4,329 | 4,329 | 8,658 |
| Statutory Appropriations | | | | | |
| Special Revenue | 17 | 0 | 0 | 0 | 0 |
| Total | 4,792 | 4,883 | 4,329 | 4,329 | 8,658 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 57 | 59 | 59 | 59 | 118 |
| Other Operating Expenses | 28 | 45 | 45 | 45 | 90 |
| Local Assistance | 4,707 | 4,779 | 4,225 | 4,225 | 8,450 |
| Total | 4,792 | 4,883 | 4,329 | 4,329 | 8,658 |
| Full-Time Equivalent (FTE) | 1.0 | 0.8 | 0.8 | 0.8 | |

HIGHER EDUCATION SVCS OFFICES

Program: AGENCY/LOAN ADMINISTRATION

Narrative

Program Description

HESO's Agency/Loan Administration Program provides overall administrative support for the Higher Education Services Office and its Higher Education Services Council through fiscal services, human resources, office administrative services, data processing and information management services, overall agency oversight and management, communications, and legislative services.

Budget Activities Included:

- ⇒ Agency Management
- ⇒ Administrative Services

HIGHER EDUCATION SVCS OFFICES

Program: AGENCY/LOAN ADMINISTRATION

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 2,196 | 2,196 | 2,196 | 2,196 | 4,392 |
| Subtotal - Forecast Base | 2,196 | 2,196 | 2,196 | 2,196 | 4,392 |
| Governor's Recommendations | | | | | |
| Accountability Measurement System | | 0 | 100 | 300 | 400 |
| State Grant Software Re-write | | 0 | 310 | 0 | 310 |
| Total | 2,196 | 2,196 | 2,606 | 2,496 | 5,102 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 2,010 | 2,304 | 2,606 | 2,496 | 5,102 |
| Statutory Appropriations | | | | | |
| Special Revenue | 62 | 86 | 136 | 136 | 272 |
| Miscellaneous Agency | 0 | 0 | 390 | 390 | 780 |
| Higher Education Svcs Office | 996 | 1,846 | 1,139 | 1,139 | 2,278 |
| Total | 3,068 | 4,236 | 4,271 | 4,161 | 8,432 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 2,197 | 2,396 | 2,527 | 2,532 | 5,059 |
| Other Operating Expenses | 821 | 1,792 | 1,696 | 1,581 | 3,277 |
| Local Assistance | 50 | 48 | 48 | 48 | 96 |
| Total | 3,068 | 4,236 | 4,271 | 4,161 | 8,432 |
| <u>Expenditures by Activity</u> | | | | | |
| Agency Management | 179 | 226 | 226 | 226 | 452 |
| Agency Services | 2,889 | 4,010 | 4,045 | 3,935 | 7,980 |
| Total | 3,068 | 4,236 | 4,271 | 4,161 | 8,432 |
| Full-Time Equivalent (FTE) | 30.8 | 29.2 | 32.0 | 32.0 | |

HIGHER EDUCATION SVCS OFFICES

Program: AGENCY/LOAN ADMINISTRATION

Activity: AGENCY MANAGEMENT

Narrative

Activity Description

The Agency Management Activity includes the Director's Office and Communications and Legislative Services.

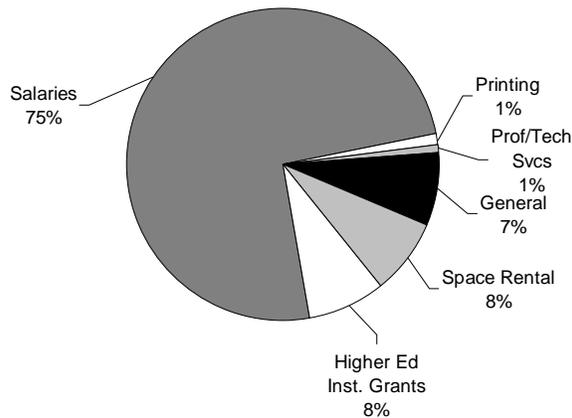
Services Provided

Responsibilities include:

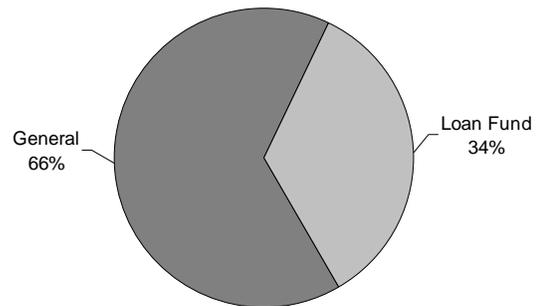
- ◆ Providing overall leadership, direction, and supervision to approximately 70 full time equivalent staff
- ◆ Guiding and facilitating the work of the Higher Education Services Office
- ◆ Providing the nine-member Higher Education Services Council with the services necessary to achieve its mission, annual objectives, and statutory responsibilities
- ◆ Communicating HESO and Council actions, positions, and services to the agency's various constituencies

Activity Funding

Expenditures by Category
FY2004-05 (Total: \$1.2 Million)



Source of Funding
FY2004-05 (Total: \$1.2 Million)



Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------|------------|--------------------|------------|------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2004 | FY2005 | FY2006 | FY2007 | 2006-07 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Higher Education Svcs Office | 179 | 226 | 226 | 226 | 452 |
| Total | 179 | 226 | 226 | 226 | 452 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 151 | 173 | 173 | 173 | 346 |
| Other Operating Expenses | 28 | 53 | 53 | 53 | 106 |
| Total | 179 | 226 | 226 | 226 | 452 |
| Full-Time Equivalents (FTE) | 1.7 | 2.0 | 2.0 | 2.0 | |

HIGHER EDUCATION SVCS OFFICES

Program: AGENCY/LOAN ADMINISTRATION

Activity: AGENCY SUPPORT SERVICES

Narrative

Activity Description

This activity provides administrative support 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 and activities.

Population Served

All agency staff, post-secondary institutions (both in-state and out-of-state), post-secondary students, and contracted vendors are served by this budget activity.

Activity at a Glance

- ◆ Funds disbursed for the issuance of student loans: FY 2003 -- \$107 million; FY 2004 -- \$115.5 million
- ◆ Funds disbursed for State Financial Aid payments: FY 2003 -- \$135.7 million; FY 2004 -- \$133.2 million
- ◆ Number of Post-Secondary Institutional Audits performed: FY 2004 – 65

Services Provided

Three distinct work units provide key services pertaining to agency administration:

- ⇒ 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.
- ⇒ Human Resources and Agency Services unit provides services including: all aspects of human resource management such as hiring, retention, termination, compensation, training, affirmative action, Americans with Disabilities Act (ADA) compliance, insurance and workers compensation processing; provision of agency receptionist responsibilities; fiscal note preparation, management of agency biennial budget narrative; creation/oversight of contracting process to ensure compliance with all state contract regulations and requirements; and application of continuous quality improvement to all agency services.
- ⇒ Information and Technology Services unit provides services including: analysis, design, programming, and maintenance of computer applications for student financial aid programs and administrative support; database administration; agency web site and intranet; minicomputer system management; agency network infrastructure; technical support and maintenance for personal computers and servers.

Key Measures

- ⇒ Number of payment transactions lines processed: FY 2003 = 6,154; FY 2004 = 5,638 with 99% of payments processed within 30 days.
- ⇒ In FY 2004, 65 post-secondary institutional audits related to Minnesota financial aid programs were performed, resulting in \$361,000 in billable fundings for state funded programs; audit review of financial statements for over 140 post-secondary institutions licensed or registered by Minnesota Higher Education Services Office.
- ⇒ Number of Interstate Tuition Reciprocity applications entered on-line via the agency web site: FY 2001 = 3,691; FY 2002 = 4,886; FY 2003 = 5,899.
- ⇒ Number of Student Educational Loan Fund (SELF) student loan applicants that have successfully completed the interactive student loan counseling program on the agency web site: FY 2001 = 2,319; FY 2002 = 3,812; FY 2003 = 4,309.

Activity Funding

Revenue Sources: The Minnesota Higher Education Services Office 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 Services Office received payments on several miscellaneous loan programs. All non-dedicated revenue is deposited to the state General Fund.

HIGHER EDUCATION SVCS OFFICES

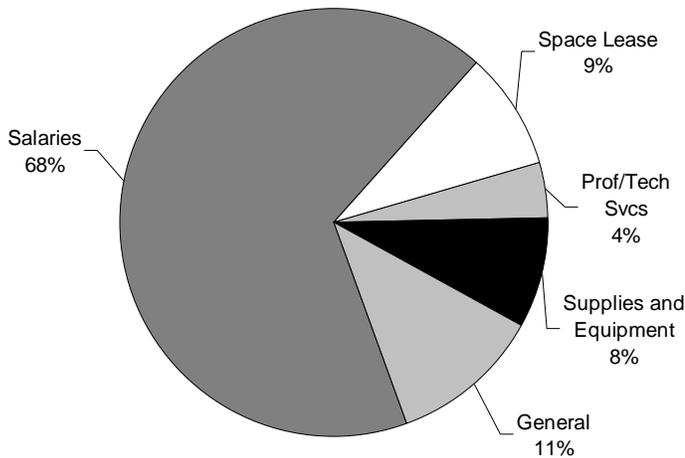
Program: AGENCY/LOAN ADMINISTRATION

Activity: AGENCY SUPPORT SERVICES

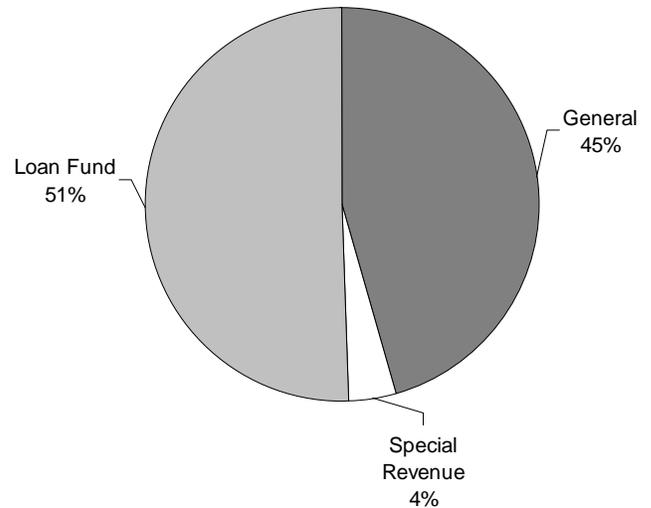
Narrative

Fee Structure: The Services 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 2004, the revenues for these programs totaled \$195,000.

Expenditures by Category
FY2004-05 (Total: \$3.4 Million)



Source of Funding
FY2004-05 (Total - \$3.4 Million)



Contact

Minnesota Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227
Phone: (651) 642-0533
Fax: (651) 642-0675
www.mheso.state.mn.us

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

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------|--------------|--------------------|--------------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2006-07 |
| | FY2004 | FY2005 | FY2006 | FY2007 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 2,196 | 2,196 | 2,196 | 2,196 | 4,392 |
| Subtotal - Forecast Base | 2,196 | 2,196 | 2,196 | 2,196 | 4,392 |
| Governor's Recommendations | | | | | |
| Accountability Measurement System | | 0 | 100 | 300 | 400 |
| State Grant Software Re-write | | 0 | 310 | 0 | 310 |
| Total | 2,196 | 2,196 | 2,606 | 2,496 | 5,102 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 2,010 | 2,304 | 2,606 | 2,496 | 5,102 |
| Statutory Appropriations | | | | | |
| Special Revenue | 62 | 86 | 136 | 136 | 272 |
| Miscellaneous Agency | 0 | 0 | 390 | 390 | 780 |
| Higher Education Svcs Office | 817 | 1,620 | 913 | 913 | 1,826 |
| Total | 2,889 | 4,010 | 4,045 | 3,935 | 7,980 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 2,046 | 2,223 | 2,354 | 2,359 | 4,713 |
| Other Operating Expenses | 793 | 1,739 | 1,643 | 1,528 | 3,171 |
| Local Assistance | 50 | 48 | 48 | 48 | 96 |
| Total | 2,889 | 4,010 | 4,045 | 3,935 | 7,980 |
| Full-Time Equivalents (FTE) | 29.1 | 27.2 | 30.0 | 30.0 | |

HIGHER EDUCATION SVCS OFFICES

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2004 | Budgeted FY2005 | Governor's Recomm. | | Biennium 2006-07 |
|--------------------------------------|------------------|--------------------|--------------------|----------------|---------------------|
| | | | FY2006 | FY2007 | |
| <u>Non Dedicated Revenue:</u> | | | | | |
| Other Revenues: | | | | | |
| General | 4,092 | 6,000 | 5,000 | 5,000 | 10,000 |
| Other Sources: | | | | | |
| General | 1 | 0 | 0 | 0 | 0 |
| Total Non-Dedicated Receipts | 4,093 | 6,000 | 5,000 | 5,000 | 10,000 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings: | | | | | |
| Special Revenue | 193 | 194 | 205 | 209 | 414 |
| Grants: | | | | | |
| Federal | 4,327 | 4,736 | 4,828 | 4,449 | 9,277 |
| Other Revenues: | | | | | |
| Special Revenue | 112 | 143 | 113 | 113 | 226 |
| Federal | 17 | 30 | 30 | 30 | 60 |
| Miscellaneous Agency | 4,079 | 4,559 | 0 | 0 | 0 |
| Higher Education Svcs Office | 71,720 | 102,480 | 133,085 | 135,585 | 268,670 |
| Other Sources: | | | | | |
| Special Revenue | 1 | 1 | 1 | 1 | 2 |
| Federal | 41 | 40 | 40 | 40 | 80 |
| Miscellaneous Agency | 0 | 0 | 390 | 390 | 780 |
| Higher Education Svcs Office | 10,142 | 10,525 | 10,525 | 10,525 | 21,050 |
| Total Dedicated Receipts | 90,632 | 122,708 | 149,217 | 151,342 | 300,559 |
| Agency Total Revenue | 94,725 | 128,708 | 154,217 | 156,342 | 310,559 |