

Report on State Financial Aid Fund Balances

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Introduction

The Minnesota Higher Education Services Office (MHESO) administers more than \$100 million in State Grant Program funds each year to enable students to have financial access to post-secondary education and to choose among post-secondary educational options. Moreover, the Office administers \$18 million in additional financial aid so that students can participate in the State Work Study Program, Post-Secondary Child Care Grant Program, Summer Scholarships for Academic Enrichment Program, Public Safety Officers' Survivors Benefit Program, National Service Scholarship Matching Grant, and Youthworks Post Service Benefits Program. The Office also administers the Minnesota College Savings Plan and the Interstate Tuition Reciprocity Programs which support the goal of financial access.

In accordance with action taken by the 2001 Minnesota Legislature, the Higher Education Services Office is to

"...collect data monthly from institutions disbursing state financial aid. The data collected shall include, but not be limited to, expenditures by type to date and unexpended balances.

The higher education services office shall evaluate and report on state financial aid expenditures and unexpended balances to the chairs of the higher education finance committee of the senate and house of representatives and the commissioner of finance by February 1, May 1, September 1, and December 1 each year." (*Laws of Minnesota for 2001, Special Session, Chapter 1, Article 1, Section 2, Subdivision 12*)

Several steps have been taken by MHESO staff to comply with these reporting requirements and improve cash management for state financial aid programs:

- MHESO has created an internal team to collect and analyze monthly spending data and expenditure projections for state financial aid programs. The team meets monthly with the agency director.
- Calendars and tracking sheets have been designed by MHESO State Grant staff to more closely monitor the amount of initial funds allocated to each institution, monthly reporting and year end close out activities of participating schools.
- Only institutions that have proven they are ready and able to communicate with the Minnesota Higher Education Services Office electronically will be sent their initial allocation. Funds will no longer be sent to them automatically at the beginning of each year.
- No State Grant fund advances will be made to schools not meeting reporting requirements.
- MHESO will adjust the institution's initial request for State Grant funds based on its historical use of funds each year.

- Schools have been notified (1) of time lines for submitting State Grant student data to MHESO reflecting payments for each term and (2) that fund advances will not be made if schools are not meeting reporting requirements.
- The disbursement pattern for State Work Study and Post-Secondary Child Care Grant annual institutional allocations has been changed to 25 percent in July, 25 percent in September and 50 percent in December. (In previous years, 25 percent was in July, 50 percent was disbursed in September and 25 percent was disbursed in December.)
- MHESO staff are contacting schools monthly via email to get spending figures for the State Work Study and Post-Secondary Child Care Grant Programs.

The Minnesota Higher Education Services Office sends advances to institutions prior to the beginning of students' attendance so that funds will be available for distribution to students in a timely manner. Several times during the year for campus based programs and each month for the State Grant Program, institutions must report the status of their funds and inform the Services Office if they need additional funds or have funds to return to the Office.

This report contains a description of each financial aid program and a spreadsheet showing the expenditure as of December 31, 2001 for all programs. Additional graphs are added to the State Grant section to reflect the cumulative expenditures as of December 31, 2001 by term.

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

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

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

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

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

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

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

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

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

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

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

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

Disbursements to Schools: These are funds sent to institutions.

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

Summary

State Grant Program

This report shows a snapshot of state financial aid fund balances. Spending for the State Grant is based on data through December 31, 2001. Several variables could affect spending and should be watched closely in the future.

Monitoring and reporting State Grant financial aid balances will assist in assessing financial aid spending for the rest of Fiscal Year 2002 and projected spending for Fiscal Year 2003 as well as planning for the 2004-2005 biennium.

State Grant spending is exceeding available funds based on the experience of a summer term and the fall term when spending expectations are apportioned by term and compared to spending patterns from the previous year.

Several variables could continue to affect future spending patterns significantly. These variables include:

- Post-secondary institutions will continue to make disbursements throughout the 2001-2002 aid year for late applicants;
- the actual tuition and fee increases for Fiscal Year 2002 were higher than those assumed in the appropriation for the year;
- the economy and other factors may affect enrollments.

MHESO is required by law to make full grant awards so the funds should be adequate for Fiscal Year 2002 because the agency can borrow from Fiscal Year 2003 and transfer money among several program accounts. Since MHESO can borrow funds for the State Grant Program from Fiscal Year 2003 for Fiscal Year 2002, Fiscal Year 2003 may be short of funds. The following factors may affect the funds available for State Grants:

- the declining economy could affect family incomes for students applying in Fiscal Year 2003; expected family contributions may be lower, thus increasing demand for the State Grant funds;
- the maximum Federal Pell Grant for Fiscal Year 2002 is \$3750 and will increase to \$4,000 for Fiscal Year 2003.

State Work Study Program

Currently all of the State Work Study funds have been disbursed to the post-secondary institutions as of December 31, 2001 except a small amount that has been delayed for one college because of incomplete paperwork. That amount was disbursed to that college in mid-January.

Post-Secondary Child Care Grant Program

There is an increased demand for the child care funds. Possible reasons for the increased demand might be the award maximum increased to \$2,600 for Fiscal Year 2002, allowing more students with children to enroll, or an increase in enrollment in general. Data collected by MHESO show a 5 percent increase in enrollments for Fiscal Year 2002. For the first time in several years, many institutions have a waiting list for the this program. MHESO also generated a new

maximum award chart for the program with expanded qualifying income guidelines, which also will help post-secondary institutions fully utilize their annual program allocations.

Summer Scholarships for Academic Enrichment Program

Funds for this program will not be spent until the summer of 2002. Applications for this program are received in April. Generally, the first disbursement of funds to colleges takes place in mid-May for summer classes that start in June.

Public Safety Officers' Survivors Benefit Program

Payments appear on course with the appropriation.

National Service Scholarship Matching Grant

It appears that funds will remain in this account.

Youthworks Post Service Benefits Program

It appears that funds will remain in this account. Students who have earned these funds have until June 30, 2002 to use them for educational purposes.

Reciprocity

Based on information as of December 31, 2001, it appears that the Services Office will have an appropriation balance of about \$1.7 million for Fiscal Year 2002, which covers program activity in the 2000-2001 academic year. MHESO has outlined savings of \$1.5 million in the program for Fiscal Year 2002 in the budget reconciliation process and savings of about \$1 million for Fiscal Year 2003.

Minnesota College Savings Plan

Because the program began in September 2001, and matching grant applications were due by December 31, 2001, the Services Office anticipates budget savings of about \$1 million in Fiscal Year 2002, but increased demand for matching grants in Fiscal Year 2003 based on a full year of operation.

Session Law Funds Table

Several aid programs are included in the State Grant budget line through the appropriation process. The following table shows these programs for the Fiscal Year 2002-2003 biennium:

	FY 2002	FY 2003
State Grants	\$108,485,000	\$117,265,000
Child Care	\$4,743,000	\$4,743,000
Safety Officer Survivors	\$40,000	\$40,000
Summer Scholarships	\$275,000	\$275,000
National Service	\$125,000	\$125,000
Advanced Placement		\$150,000
Total Appropriation:	\$113,668,000	\$122,598,000

Minnesota State Grant Program

Background

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

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

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

History

In Fiscal Year 2000, \$112.7 million was appropriated to the Minnesota State Grant Program; 62,802 students received a State Grant for an expenditure of \$109.53 million. In Fiscal Year 2001, \$127,093,164 was available for State Grants. This amount includes \$123,185,000 in State Grant appropriations, \$595,370 of Federal Leveraging Educational Assistance Partnership (LEAP) funds, and \$3,312,794 of State Grant funds carried forward from Fiscal Year 2000.

The State Grant Decentralized Delivery System for Fiscal Year 2001 showed accepted payments of \$115,749,764, representing payments to 65,252 students. The state accounting system processed State Grant payments of \$115,507,821. The difference between the state accounting system and the DDS system of \$241,943 is due to Fiscal Year 2000 refunds being processed in Fiscal Year 2001 in addition to refunds or payments being posted in the state accounting system and not reflected in the DDS system. Therefore, according to the state accounting system, MHESO canceled \$11,585,343 of which \$8,030,606 was from the actual 2001 State Grant appropriation and \$3,312,794 was from Fiscal Year 2000 carryforward and \$241,943 was Fiscal Year 2000 net refunds received in Fiscal Year 2001.

Summary of the State Accounting System Entries		
	FY2000	FY 2001
31-Oct-2001		
Appropriation	\$112,725,000	\$123,185,000
LEAP (Federal Funds)	\$493,933	\$595,370
Refunds/Payments prior year	(\$371,558.00)	\$241,943
Carry Forward		\$3,312,794
Total Funds Available	\$112,847,375	\$127,335,107
Award Payments	\$(109,534,581)	\$(115,749,764)
Balance forward-Out	\$3,312,794	
Cancellation		(\$11,585,343.00)

The following table shows the current spending status of the State Grant Program as of December 31, 2001.

State Grant Program - Summary Information FY2002 as of December 31, 2001			
31-Dec-2001			
Appropriation			\$108,485,000
+Balance forward-In			\$0
+Transfers-In			\$0
+Federal LEAP Funds			\$579,811
-Tuition & Fees Programming			\$(450,000)
Total Funds Available for Grants			\$108,614,811
Less: Disbursements to Schools			\$(78,200,485)
-Balance forward-Out			\$0
-Transfers-Out			\$0
Balance on hand- HESO			\$30,414,326
	Disbursements to Schools	\$78,200,485	
	Reported Payments to Students:	\$(65,429,943)	
Balance on hand- Campuses		\$12,770,542	\$12,770,542
Total Unexpended Funds			\$43,184,868

While the table above shows balances are still on hand at campuses, an analysis of spending by term compared to available funds allocated by term indicates that State Grant spending is exceeding funds available for a summer and fall terms.

Spending by Term

Four data series have been created to track Minnesota State Grant spending in Fiscal Year 2002. Three are shown as year to date values in the table on the previous page:

- Funds available for grants (line 6)
- HESO disbursements to schools (line 7)
- Institutions reported payments to students (line 11)

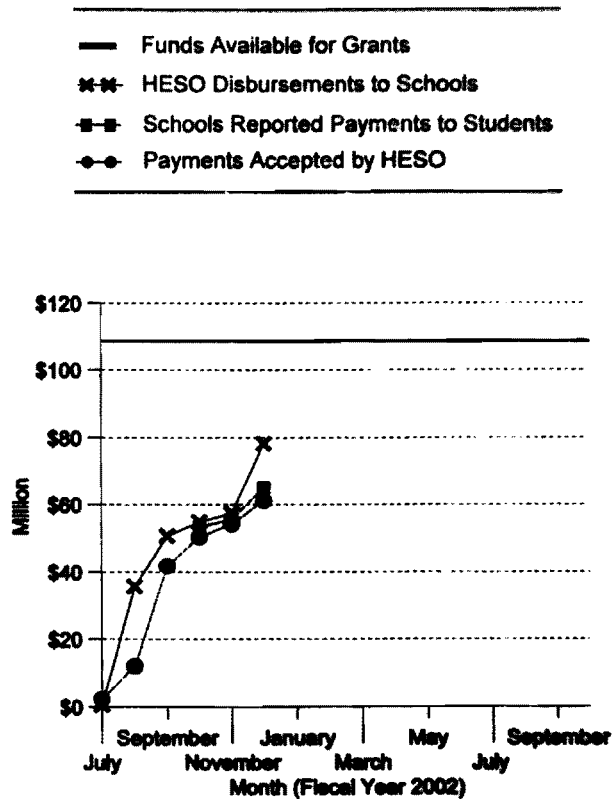
In addition, a fourth data series is being used for tracking purposes:

- Payments accepted by MHESO

“Disbursements to schools” are based on accounting records maintained by MHESO as part of the state’s accounting system. “Reported payments” are provided by campus financial aid offices at the end of each month and reflect the activity on campus to date. This series was added to the tracking process starting in October 2001 to provide an earlier picture of payment activity on campus. “Payments accepted by MHESO” are determined from the data sent by campus financial offices to MHESO. These data have passed a number of quality checks; they are the amounts credited against the disbursements made to each school. By the end of the year, disbursements, reported payments, and accepted payments must be equal. All three are followed in the tracking process to provide multiple measures of spending to date.

The four series are shown on the chart on this page and in the next table. The tracking of total spending does not provide a complete picture of the status of this account. A more revealing picture is provided by looking at each term, as shown on the following pages.

Funds Available, Advances, Reported Spending, and Accepted Payments, Fiscal Year 2002



Source: Minnesota Higher Education Services Office

Funds Available, Advances, Reported Spending, and Accepted Payments, Fiscal Year 2002				
Month	Projection	Advances to Campuses	Reported Spending by Campuses	Payments Accepted by HESO
July	\$108,614,811	\$514,031		\$2,274,127
August	\$108,614,811	\$35,644,560		\$11,957,484
September	\$108,614,811	\$50,747,074		\$41,765,433
October	\$108,614,811	\$54,992,216	\$53,381,799	\$50,387,276
November	\$108,614,811	\$57,374,436	\$55,603,059	\$54,255,334
December	\$108,614,811	\$78,200,485	\$65,107,037	\$61,099,569
January	\$108,614,811			
February	\$108,614,811			

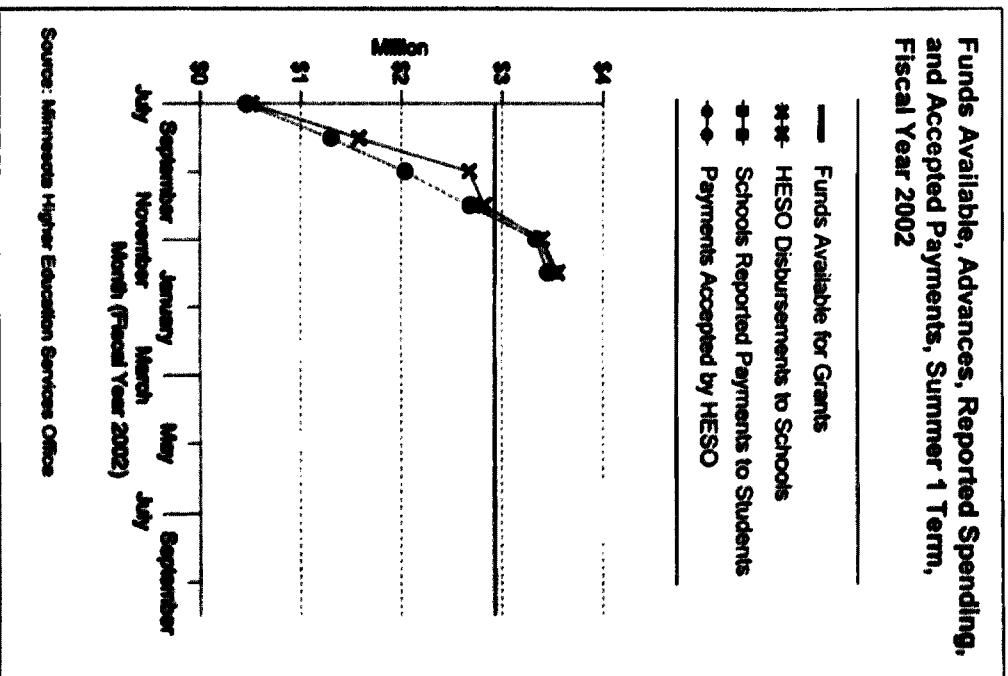
The total funds available of \$108.6 million were allocated across the five terms (Summer 1, Fall, Winter, Spring, and Summer 2) used in administering Minnesota State Grants. Funds available was determined by using the observed distribution of applicant choices in Fiscal Year 2001.

- Summer 1: \$2.9 million
- Fall: \$50.6 million
- Winter: \$3.7 million
- Spring: \$47.0 million
- Summer 2: \$4.4 million

Campus financial aid offices have the option of considering the summer session the first term of the year, noted Summer 1 above, or the final term of the year, Summer 2. The difference between the two summer terms is an administrative creation. This does have significance for monitoring Minnesota State Grant spending so the two terms are kept separate in this report.

Summer Term

The flow of the four measures described above for the Summer 1 Term is shown on the chart above and in the table on page 11. While payments can still be made, and payments can be accepted by students attending during the Summer 1 Term, current disbursements to institutions, reported payments, and accepted payments all exceed the amount allocated for the summer term.



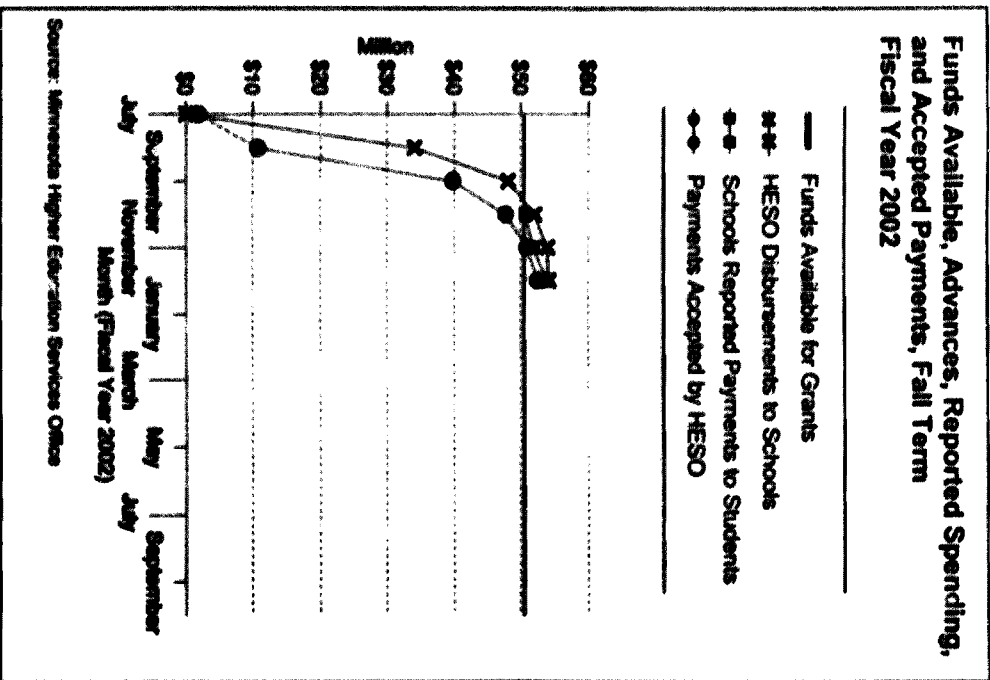
Funds Available, Advances, Reported Spending, and Accepted Payments, Summer 1 Term, Fiscal Year 2002				
Month	Projection	Advances to Campuses	Reported Spending by Campuses	Payments Accepted by HESO
July	\$2,927,080	\$509,330		\$456,215
August	\$2,927,080	\$1,572,607		\$1,292,362
September	\$2,927,080	\$2,667,722		\$2,035,480
October	\$2,927,080	\$2,817,524	\$2,674,772	\$2,674,772
November	\$2,927,080	\$3,398,612	\$3,364,475	\$3,334,338
December	\$2,927,080	\$3,552,250	\$3,519,358	\$3,452,183
January	\$2,927,080			
February	\$2,927,080			

Fall Term

The flow of the four measures described above for the Fall Term is shown on the chart to the right and in the table on page 13. Disbursements to institutions, reported payments, and accepted payments all exceeded the amount allocated for the term as of December 31, 2001.

Additional spending is expected to be reported for Fall Term. Minnesota enables students to apply after the term has started, and many of those applicants will be picked up in subsequent reports. Also, some applicants do not provide all of the necessary information in the initial application, and they have not been processed yet. These, too, are expected to appear in future reports. To be complete, if students withdraw, partial repayments are made to the State Grant Program if they receive any tuition and fee refund.

Overall, these usually account for about \$1 million over the entire year so these partial payments will have a marginal impact on these spending numbers.



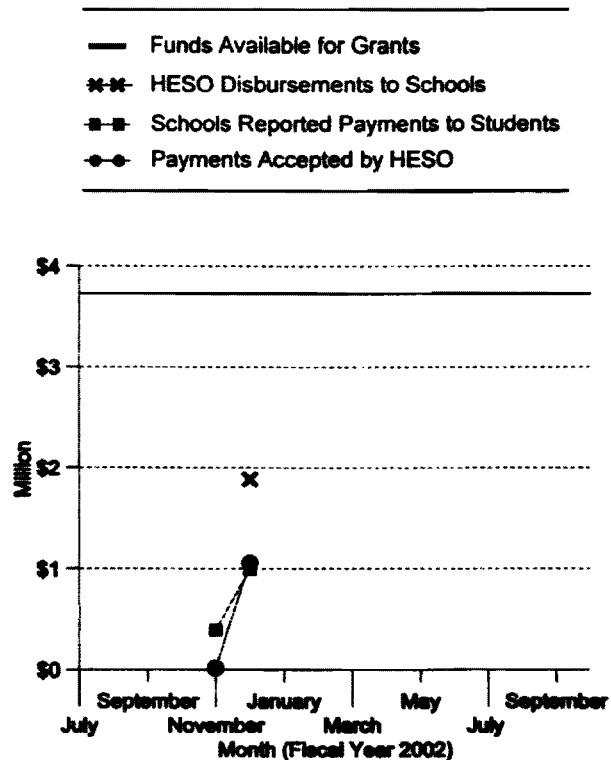
Funds Available, Advances, Reported Spending, and Accepted Payments, Fall Term, Fiscal Year 2002				
Month	Projection	Advances to Campuses	Reported Spending by Campuses	Payments Accepted by HESO
July	\$50,546,177	\$4,701		\$1,817,912
August	\$50,546,177	\$34,071,953		\$10,665,122
September	\$50,546,177	\$48,079,352		\$39,729,953
October	\$50,546,177	\$52,074,692	\$50,707,027	\$47,712,504
November	\$50,546,177	\$53,975,824	\$51,850,176	\$50,895,186
December	\$50,546,177	\$53,910,052	\$53,526,932	\$52,475,453
January	\$50,546,177			
February	\$50,546,177			

Winter Term

The flow of the four measures described above for the Winter Term, as of December 31, 2001, is shown on the chart to the right and in the table on page 15.

Additional spending is expected to be reported for Winter Term. Minnesota enables students to apply after the term has started, and many of these applicants will be picked up in subsequent reports. Also, some applicants do not provide all of the necessary information in the initial application, and they have not been processed yet. These, too, are expected to appear in future reports. To be complete, if students withdraw, partial repayments are made to the State Grant Program if they receive any tuition and fee refund. Overall, these usually account for about \$1 million over the entire year so these partial payments will have a marginal impact on these spending numbers.

Funds Available, Advances, Reported Spending, and Accepted Payments, Winter Term Fiscal Year 2002



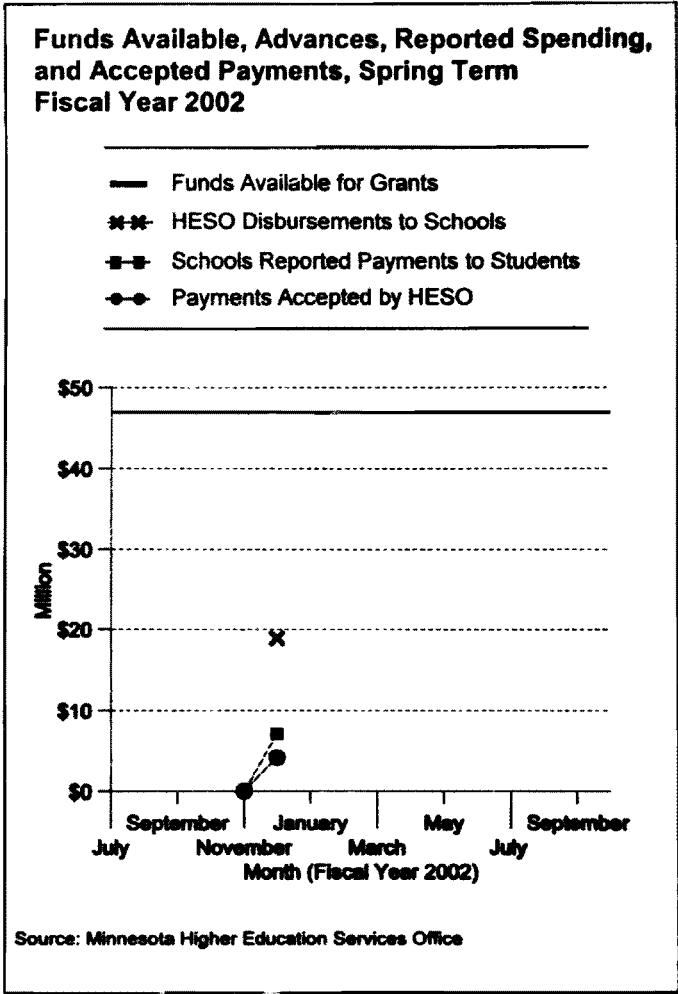
Source: Minnesota Higher Education Services Office

Funds Available, Advances, Reported Spending, and Accepted Payments, Winter Term, Fiscal Year 2002				
Month	Projection	Advances to Campuses	Reported Spending by Campuses	Payments Accepted by HESO
July	\$3,734,668			
August	\$3,734,668			
September	\$3,734,668			
October	\$3,734,668			
November	\$3,734,668		\$386,783	\$13,500
December	\$3,734,668	\$1,881,235	\$993,504	\$1,057,437
January	\$3,734,668			
February	\$3,734,668			

Spring Term

The flow of the four measures described above for the Spring Term, as of December 31, 2001, is shown on the chart to the right and in the table on page 17.

Additional spending is expected to be reported for Spring Term. Minnesota enables students to apply after the term has started, and many of these applicants will be picked up in subsequent reports. Also, some applicants do not provide all of the necessary information in the initial application, and they have not been processed yet. These, too, are expected to appear in future reports. To be complete, if students withdraw, partial repayments are made to the State Grant Program if they receive any tuition and fee refund. Overall, these usually account for about \$1 million over the entire year so these partial payments will have a marginal impact on these spending numbers.



Funds Available, Advances, Reported Spending, and Accepted Payments, Spring Term, Fiscal Year 2002				
Month	Projection	Advances to Campuses	Reported Spending by Campuses	Payments Accepted by HESO
July	\$46,984,328			
August	\$46,984,328			
September	\$46,984,328			
October	\$46,984,328			
November	\$46,984,328		\$1,625	\$12,310
December	\$46,984,328	\$18,856,948	\$7,067,243	\$4,114,496
January	\$46,984,328			
February	\$46,984,328			

Minnesota State Work Study Program

Background

The State Work Study Program assists students by subsidizing jobs to provide students with valuable work experiences, and to provide nonprofit service agencies, handicapped persons, and persons more than 65 years old with low cost student assistance. Students must be paid at least minimum wage, currently \$5.15. At least 25 percent of the wage must be paid by the employer, and the remainder is paid by the program funds. The campus financial aid office determines the award which can not exceed the cost of attendance minus the Expected Family Contribution and other forms of financial aid. Beginning with the Spring term 2002, the MHESO will allow institutions to award State Work Study up to the Assigned Student Responsibility used for the State Grant Program which is currently 46 percent of the State Grant Budget. Campuses may select either method for determining the State Work Study award. This new procedure will be evaluated before continuing it for Fiscal Year 2003.

The program's appropriation is \$12.4 million per year. MHESO allocates program funds to institutions based on each institution's share of Minnesota residents enrolled at all participating colleges. MHESO distributes 25 percent of each institution's annual allocation in July, 25 percent in September, and the remaining 50 percent in December. Five times during the year, schools are asked to return unused funds, which are then reallocated to other institutions requesting additional funds. Each institution reports monthly spending figures to MHESO and submits a year end report with data on each recipient.

History

In Fiscal Year 2000, \$12,444,000 was appropriated; 11,481 students received a total of \$11,954,818 to cover the State Work Study portion of their wages. In Fiscal Year 2001, \$489,182 was carried forward from Fiscal Year 2000, \$100,000 was transferred from the Post-Secondary Child Care Program and \$12,444,000 was appropriated; 12,079 students received a total of \$13,033,182 to cover the State Work Study portion of their wages. The amount returned to the general fund at the end of the biennium was \$145,565.

Current Spending

Slightly over half of the State Work Study funds disbursed to institutions had been disbursed to students as of December 31, 2001. Although institutions receive 25 percent of their annual allocation in July, several institutions do not begin making awards until fall term. MHESO has altered its disbursement pattern to institutions to avoid excessive cash balances on campus.

State Work Study Funds Available the 2000-2001 Biennium		
	FY2000	FY 2001
31-Oct-2001		
Appropriation	\$12,444,000	\$12,444,000
Balance forward-In		\$489,182
Transfers-In		\$100,000
Total Funds Available	\$12,444,000	\$13,033,182
Award Payments	\$(11,954,818)	\$(12,887,617)
Balance forward-Out	\$(489,182)	
Cancellation	\$0	\$(145,565)

Source: Minnesota State Accounting System

State Work Study Program			
Summary Information FY2002 as of December 31, 2001			
31-Dec-2001			
Appropriation			\$12,444,000
Balance forward-In			\$0
Transfers-In			\$0
Total Funds Available for Grants			\$12,444,000
Less: Disbursements to Schools			\$(12,259,001)
Balance forward-Out			\$0
Transfers--Out			\$0
Balance on hand- HESO			\$184,999
	Disbursements to Schools	\$12,259,001	
	Less: payments to Students	\$(6,216,231)	
Balance on hand- Campuses		\$6,042,770	\$6,042,770
Total Unexpended Funds			\$6,227,769

Post-Secondary Child Care Grant Program

Background

This program provides students who have children 12 and under assistance to help pay for child care. Recipients may not receive benefits under the Minnesota Family Investment Program (MFIP) and must demonstrate financial need. The award is based upon the income of the applicant and spouse, the number in the applicant's family, the number of eligible children within the family who need child care, and the applicant's registration load. The maximum award amount for Fiscal Year 2002 is \$2,600 per eligible child per academic year. The maximum award may be increased an additional 10 percent to compensate for higher infant care costs at the discretion of the campus. Institutions are allowed to take up to 5 percent of the funds that they spend on student Post-Secondary Child Care awards as an administrative expense.

The program's appropriation is \$4.7 million per year. MHESO allocates program funds to institutions based on the number of students enrolled who reported having children on the financial aid application. MHESO distributes 25 percent of each institution's annual allocation in July, 25 percent in September, and the remaining 50 percent in December. Five times during the year, schools return unused funds, which are then reallocated to other institutions requesting additional funds. Each institution reports monthly spending figures to MHESO and submits a year-end report with data on each recipient.

The 2001 Legislature increased the annual maximum award to \$2,600 effective July 1, 2001. MHESO changed the qualifying income guidelines on the maximum award chart in rules following the administrative rules process which concluded December 3, 2001. It is anticipated that both of these changes will increase the utilization rate for the program appropriation.

History

In Fiscal Year 2000, the appropriation was \$4,742,000. The maximum award was \$2,000 per child, and 2,659 students received awards. A total of \$4,154,535 was spent with \$3,991,466 used for student child care awards and \$163,069 used for institutional administration expenses. The MHESO used \$29,624 for administrative expenses. In Fiscal Year 2001, \$557,841 was carried forward, and the appropriation was \$4,742,000. The maximum award was \$2,200 per child, and 2,736 students received an award. A total of \$4,697,162 was spent with 4,426,509 used for student child care awards and \$270,653 used for institutional administrative expenses. The MHESO retained \$27,071 for administrative expenses. An amount of \$100,000 was moved from the Post-Secondary Child Care Program to the State Work Study Program leaving \$475,608 returned to the general fund at the end of the biennium.

Current Spending

All of the program appropriation used for student awards had been disbursed to schools by December 31, 2001. When second semester started in January, most of the remainder of the funds showing as "Balance on hand - Campuses" was disbursed to students. For the first time in several years, many institutions have a waiting list for this program.

Post-Secondary Child Care Grant Program Funds for the 2000-2001 Biennium		
31-Oct-2001	FY2000	FY2001
Appropriation	\$4,742,000	\$4,742,000
Balance forward-In		\$557,841
Transfers-In		
Total Funds Available	\$4,742,000	\$5,299,841
Child Care Grant Payments	\$(4,154,535)	\$(4,697,162)
HESO Admn Expenditures	\$(29,624)	\$(27,071)
Balance forward-Out to Work Study	\$(557,841)	\$(100,000)
Cancellation		\$(475,608)

Source: Minnesota State Accounting System

Post-secondary Child Care Program Summary Information FY2002 as of December 31, 2001			
31-Dec-2001			
Appropriation			\$4,743,000
Balance forward-In			\$0
Transfers-In			\$0
Total Funds Available for Grants			\$4,710,000
Funds available for HESO Admn			\$33,000
Less: Disbursements to Schools			\$(4,710,000)
Less: HESO Expenditures			\$(12,757)
Balance forward-Out			\$0
Transfers-Out			\$0
Balance on hand- HESO			\$20,243
	Disbursements to Schools	\$4,710,000	
	Less payments to Students	\$(2,276,771)	
Balance on hand- Campuses		\$2,435,829	\$2,435,829
Total Unexpended Funds			\$2,456,072

Summer Scholarships for Academic Enrichment Program

Background

This program provides grants to low-income students in grades 7 - 12 who want to enrich their learning beyond those academic experiences provided by secondary schools. Awards are based on direct and related costs of attending the program at one of the 46 sponsoring post secondary institutions. In Fiscal Year 2000, the smallest award was \$390. The maximum total award is \$1,000, but students may receive more than one award at several summer programs in order to reach their maximum total of \$1,000.

Qualifying income guidelines for the scholarship are now based on adjusted gross income and family size; the guidelines correspond to those used for the reduced price hot lunch program, which is based on 185 percent of the Federal poverty guidelines. Previously, a family of any size had to earn under \$24,000 to qualify, which prevented full use of program funds.

The annual appropriation for the program is \$275,000. Students submit applications to participating colleges which screen applications and forward them to MHESO. MHESO then disburses scholarships to the colleges for the students enrolled in their programs. A final report is generated for each college at the end of the year which the college uses to reconcile with MHESO's expenditures.

In order to improve utilization of program funds, MHESO revised the qualifying income guidelines for this program which affected spending for the summer of 2001. Changes were based on input from the program advisory committee. It is anticipated that the 2002 appropriation of \$275,000, which will be spent in the summer of 2002, will be fully utilized.

History

For the summer of 2000, \$275,000 was appropriated. MHESO awarded 284 students under the old income guidelines, spending a total of \$193,523. For the summer of 2001, \$81,477 was carried forward from Fiscal Year 2000 and \$275,000 was appropriated. MHESO awarded 438 students for a total of \$268,986 awards. The general fund received \$87,491 at the end of the biennium.

Current Spending

Fiscal Year 2002 funds will not be disbursed until the summer of 2002. Applications will be received in April, and funds will be disbursed to institutions in mid-May for awards to students at the beginning of summer school in June.

Summer Scholarships for Academic Enrichment Program Funds for the 2000-2001 Biennium		
	FY2000	FY 2001
31-Oct-2001		
Appropriation	\$275,000	\$275,000
Balance forward-in		\$81,477
Transfers-In		
Total Funds Available	\$275,000	\$356,477
Award Payments	\$(193,523)	\$(268,986)
Balance forward-Out	\$(81,477)	
Cancellation		\$(87,491)

Source: Minnesota State Accounting System

Summer Scholarship Program Summary Information FY2002 as of December 31, 2001			
31-Dec-2001			
Appropriation			\$275,000
Balance forward-in			\$0
Transfers-In			\$0
Total Funds Available for Grants			\$275,000
Less: Disbursements to Students			\$0
Balance forward-Out			\$0
Transfers-Out			\$0
Total Unexpended Funds			\$275,000

Public Safety Officers' Survivors Benefit Program

Background

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

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

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

History

In Fiscal Year 2000 and 2001, \$40,000 was allocated to this program. In Fiscal Year 2000, \$35,053 was awarded to 13 students in this program. In Fiscal Year 2001, \$4,947 was forwarded from Fiscal Year 2000 and \$39,231 was awarded to 12 students in this program and \$5,716 was returned to the general fund.

Current Spending

Approximately half the appropriation had been disbursed to students as of December 31, 2001. Additional funds will be disbursed at the beginning of the second semester in January.

Public Safety Officers' Survivors Benefits Program Funds		
Available for 2000-2001 Biennium		
	FY2000	FY 2001
31-Oct-2001		
Appropriation	\$40,000	\$40,000
Balance forward-In		\$4,947
Transfers-In		
Total Funds Available	\$40,000	\$44,947
Award Payments	\$(35,053)	\$(39,231)
Balance forward-Out	\$(4,947)	
Cancellation		\$(5,716)

Source: Minnesota State Accounting System

Public Safety Officers' Survivors Benefit Program			
Summary Information FY2002 as of December 31, 2001			
31-Dec-2001			
Appropriation			\$40,000
Balance forward-In			\$0
Transfers-In			\$0
Total Funds Available for Grants			\$40,000
Less: Disbursements to Students			\$(18,906)
Balance forward-Out			\$0
Transfers-Out			\$0
Total Unexpended Funds			\$21,404

National Service Scholarship Matching Grant

Background

The program provides a \$500 matching grant to one student from each Minnesota high school who is nominated by the high school principal for the Federal President's Student Service Scholarship. Nominations are submitted to the Federal President's Student Service Scholarship Program, and a list of Minnesota residents is forwarded to the Minnesota Higher Education Services Office. Funds are disbursed for the state matching grant to students from this list who attend a Minnesota post-secondary institution.

In Fiscal Year 2000, 138 Minnesota high school students received \$69,000 in matching grants. Utilization rates have been low for this program because many high school principals are not nominating students for the Federal President's Student Service Scholarship. Each year, MHESO sends letters to all the high school principals in Minnesota and encourages them to nominate students for the scholarship. MHESO also sends letters to all high school guidance counselors encouraging them to offer nominations to principals and publicizes the program on its annual financial aid video conference for high school counselors.

History

In Fiscal Year 2000, \$39,000 was awarded and paid to 78 students. Seventy-nine students were awarded \$39,500 which will be disbursed over the next five years. In Fiscal Year 2001, \$54,000 was awarded to 108 students.

Unspent funds are allowed to be carried forward each year. These students have five years from the date of high school graduation to claim their awards; therefore, no funds were returned to the general fund at the end of the biennium.

Current Spending

Although only 23 percent of available funds have been disbursed as of the end of December, students have 5 years from the date of high school graduation to claim their awards.

National Service Scholarship Matching Grant Funds		
Available for 2000-2001 Biennium		
	FY2000	FY 2001
Dec. 31, 2001		
Appropriation	\$125,000	\$125,000
Balance forward-in	\$310,000	\$306,000
Transfers-in		
Total Funds Available	\$435,000	\$521,000
Award Payments	\$-39,000	\$-53,500
Balance forward-Out	\$-396,000	\$-74,500
Cancellation	\$0	\$-303,000
Balance		\$0

Source: Minnesota State Accounting System

National Service Scholarship Matching Grant Program			
Summary Information FY2002 as of December 31, 2001			
31-Dec-2001			
Appropriation			\$125,000
Balance forward-in			\$74,500
Transfers-in			\$0
Total Funds Available for Grants			\$199,500
Less: Disbursements to Students			\$(45,900)
Balance forward-Out			\$0
Transfers-Out			\$0
Total Unexpended Funds			\$154,000
Current Obligations			\$84,000
Total Unobligated Grant Funds			\$70,000

Youthworks Post Service Benefits

Background

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

History

Eighty-two high school students throughout Minnesota earned a benefit in 1995. The total benefits earned were \$317,408. During Fiscal Year 2000, \$6,415 was paid in benefits. During Fiscal Year 2001, \$8,245 was paid in benefits. The program is holding \$157,318 in earned benefits for these students. Benefits that are not used by these students for repayment of educational loans, college tuition, or apprenticeships will be used by the Office for early intervention activities.

Current Spending

Award recipients have until June 30, 2002 to claim funds they have earned. Funds must be spent for educational purposes. It appears there will be funds remaining in this program after June 30, 2002.

Youthworks Post Service Benefits Funds Available for 2000-2001 Biennium		
	FY2000	FY 2001
31-Oct-2001		
Appropriation		
Balance forward-in	\$310,570	\$304,155
Transfers-in		
Total Funds Available	\$310,570	\$304,155
Award Payments	\$(6,415)	\$(8,245)
Balance forward-Out	\$(304,155)	\$(295,910)
Cancellation		

Source; Minnesota State Accounting System

Youthworks Post Service Benefits Program			
Summary Information FY2002 as of December 31, 2001			
31-Dec-2001			
Appropriation		\$0	
Balance forward-in		\$295,910	
Transfers-in		\$0	
Total Funds Available		\$295,910	
Amount available for Grants		\$157,318	
Less: Disbursements to Students		\$(4,714)	
Balance available for Grants		\$152,604	\$152,604
Amount available for Early Intervention		\$138,592	
Less: Disbursements for Early Intervention		\$(800)	
Balance available for Early Intervention		\$137,792	\$137,792
Balance forward-Out			\$0
Transfers-Out			\$0
Total Unexpended Funds			\$290,396

Tuition Reciprocity Programs

Background

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

History

Minnesota has had tuition reciprocity agreements with Wisconsin since 1968-69, North Dakota since 1975-76, South Dakota since 1978-79, Manitoba since 1989-90, and a partial agreement including Iowa Lakes Community College and Minnesota West Community and Technical College since 1978-79. Only the agreements with Wisconsin and North Dakota require an interstate payment. The interstate payment obligation is based on the marginal instructional costs of each state's reciprocity students minus student paid tuition. For Fiscal year 2000, which covered program activity for the 1998-99 academic year, an appropriation of \$4.5 million was available; Minnesota made payment of \$4,194,867 to Wisconsin and North Dakota, leaving \$305,133 to carry over to Fiscal Year 2001. For Fiscal year 2001, \$4,805,133 was available, and Minnesota made payments totaling \$3,655,504.

Current Spending

The Minnesota/Wisconsin agreement requires an annual payment in December, based on student enrollment choices, marginal instructional costs, and student paid tuition from the previous fiscal year. The Minnesota/North Dakota agreement requires payments made in three installments. The payments are based on student enrollment choices, marginal instructional costs, and student paid tuition. The first installment, made in December, is based on an estimate of current fiscal year activity. The second installment is made in June and is also based on an estimate of current fiscal year activity. The third installment is made in December following the fiscal year in which the reciprocity activity occurred.

The appropriation for tuition reciprocity for fiscal year 2002 is \$5,250,000. As of December 31, 2001, MHESO had disbursed \$3,050,151 in funds for the reciprocity program. Disbursements included a December 2001 payment to Wisconsin for \$2,430,518 to cover the obligation for the 2000-2001 academic year and a December 2001 payment to North Dakota to cover the final payment installment for the 2000-2001 academic year obligation (\$346,763) and the first installment for the estimated 2001-2002 academic year obligation (\$272,869). MHESO has also encumbered an additional \$477,131 in funds to cover the second installment due to North Dakota in June 2002 for the 2001-2002 academic year estimated obligation. Out of the

remaining appropriation balance of \$1,722,718, MHESO anticipates being able to turn back \$1.5 million to the general fund.

Reciprocity Payments for 2000-2001 Biennium		
	FY2000	FY 2001
31-Dec-2001		
Appropriation	\$4,500,000	\$4,500,000
Balance forward-In		\$305,133
Transfers-In		\$0
Total Funds Available	\$4,500,000	\$4,805,133
Award Payments	(\$4,194,867)	(\$3,885,904)
Balance forward-Out	(\$305,133)	
Cancellation	\$0	(\$1,139,629)
Balance		\$0

Source; Minnesota State Accounting System

Reciprocity Payments		
Summary Information FY2002 as of December 31, 2001		
31-Dec-2001		
Appropriation		\$5,250,000
Balance forward-In		\$0
Transfers-In		\$0
Total Funds Available		\$5,250,000
Payments		-\$3,050,151
Balance forward-Out		
Cancellation		
Less Encumbered Amount		-\$477,131
Balance		\$1,722,718

Minnesota College Savings Plan

Background

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

History

The Minnesota College Savings Plan opened on September 20, 2001. By December 31, 2001 there were over 4,000 Plan accounts and nearly \$14 million in Plan assets. Nearly 1,000 account owners applied for a matching grant. The Minnesota Higher Education Services Office and the Minnesota Department of Revenue will be matching account contribution data with income data during February 2002. Matching grant awards based on 2001 contributions are to be made by March 1, 2002.

Current Spending

TIAA-CREF Tuition Financing Inc. charges account owners an annual management fee of 65 basis points. The Minnesota College Savings Plan state appropriation is for agency oversight, legal counsel, and matching grants. As of December 31, 2001, \$33,917 was spent for agency administration and legal services.

Minnesota College Savings Plan Payments for 2000-2001 Biennium		
	FY2000	FY 2001
31-Dec-2001		
Appropriation	\$1,520,000	\$1,520,000
Balance forward-In		\$1,505,492
Transfers-In		\$0
Total Funds Available	\$1,520,000	\$3,025,492
Admin. Expenditures	(\$14,508)	(\$41,555)
Balance forward-Out	(\$1,505,492)	
Cancellation	\$0	(\$2,983,937)
Balance		\$0

Source; Minnesota State Accounting System

Minnesota College Savings Plan Payments Summary Information FY2002 as of December 31, 2001			
Dec. 31, 2001	HESO Admn Funds	Matching Grants	Total
Appropriation	\$70,000	\$1,450,000	\$1,520,000
Balance forward-In		\$0	\$0
Transfers-In		\$0	\$0
Total Funds Available	\$70,000	\$1,450,000	\$1,520,000
Less Expenditures	\$(33,917)	\$0	\$(33,917)
Balance	\$36,083	\$1,450,000	\$1,486,083
Balance forward-Out			\$0
Transfers--Out			\$0
Balance on hand- HESO	\$36,083	\$1,450,000	\$1,486,083
Less Encumbered Amount	\$(34,732)	\$(450,000)	\$(484,732)
Total Unobligated Balance	\$1,351	\$1,000,000	\$1,001,351