

850781

STATEMENT OF NEED AND REASONABLENESS

Erratum

p. 32, 2nd paragraph, 2nd sentence, should read:

"If support is not forthcoming from the parents, it is not the Board but rather the parents who are not supporting the child."

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HIGHER EDUCATION  
COORDINATING BOARD

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MEMORANDUM

TO: INTERESTED PERSONS  
FROM: ROSE HERRERA HAMERLINCK  
SUBJECT: STATEMENT OF NEED AND REASONABLENESS  
DATE: MAY 28, 1984

Attached please find the Statement of Need and Reasonableness for the MHECB's proposed rules on the Scholarship and Grant-in-Aid Program.

This document reflects no statutory changes from the previous rules. The Changes proposed reflect the Board's policy adopted on September 22, 1983, concerning the definition of student dependency.

Please contact me at 296-7963 if you have any questions.

RHH:md  
Attachment

**NOTE**

- p. 5 - 5 MCAR 2.2101-2.2106 has been recodified as MN Rule Part 4830.0200-4830.0700.
- p. 27, 28 - 5 MCAR 2.0100 has been recodified as MN Rule Part 4830.0100.

850781

STATEMENT OF NEED AND REASONABLENESS

for

MINNESOTA HIGHER EDUCATION COORDINATING BOARD  
Proposed Rules (4830.0200 - 4830.0700)  
State Scholarship and Grant-in-Aid Program

May 1984

Board authority to prescribe appropriate rules and regulations  
of its programs is found in 136A.111, subd. 2. (1982)

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## CHAPTER I. INTRODUCTION

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The Minnesota Higher Education Coordinating Board is proposing to change the rules governing student dependency for the State Scholarship and Grant Program. This document describes the dependency issue in the context of the state's overall student financial aid policy, outlines the need for the proposed changes and presents the proposal and rationale for it.

### BACKGROUND: STUDENT FINANCIAL AID IN MINNESOTA

Over the past two decades both the federal and state governments have established a system of student financial assistance that has made it possible for students, regardless of their economic background, to pursue a post-secondary education.

The Minnesota Legislature in 1967 authorized the State Scholarship Program and in 1969 authorized the State Grant-in-Aid Program.<sup>1</sup> These programs, administered by the Minnesota Higher Education Coordinating Board, were designed to promote access to and choice of post-secondary education opportunities for state residents.<sup>2</sup>

Changes in program characteristics, together with increased funding, have made the programs increasingly comprehensive. In 1970, for example, less than

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1 For this document the programs will be referred to as the Minnesota State Scholarship and Grant-in-Aid Program. These two programs operate under uniform standards and administration. Students may apply to both programs with the same application form. Awards from one program preclude awards from the other program for that academic year. The distinction between scholarships and grants is maintained for program administration, however, in order to provide priority funding to students with demonstrated scholastic abilities as well as financial need. Awards are made in the following order: (1) renewal scholarships; (2) renewal grants; (3) new scholarships; and (4) new grants. The Nursing Grant Program, which operated under the same standards and administration, was repealed in 1984. (Minn. Laws 1984, Ch. 654, Art. 4, § 30.)

2 See Minnesota Statutes § 136A.09-136A.131 (Supp. 1983).

\$1 million was available for the programs, and fewer than 1,000 students were served. In Fiscal Year 1984, 50,253 students were offered awards totaling \$49,600,430.<sup>3</sup>

The Coordinating Board, concerned about the role of student financial aid in maintaining and enhancing opportunities for students in the 1980s, in 1982 conducted an extensive review of the existing system. Based on the findings of this review, the Coordinating Board recommended, and the 1983 Minnesota Legislature adopted, a redesign of the State Scholarship and Grant Program that is intended to more effectively target available money to students from lower income families. This occurs from an explicit assignment of responsibility in paying the cost of post-secondary education to students, parents, and government. The policy was supported by Governor Rudy Perpich in 1983 as part of his integrated package of higher education funding policies designed to promote efficient use of resources, quality educational programs, and equality of opportunity for students. Included in the package approved by the 1983 Legislature are new policies on funding, tuition, financial aid, governance and tuition reciprocity with neighboring states.

In its comprehensive review of state financial aid policy, the Coordinating Board concluded that for several reasons there was a fundamental need to readdress the relative roles of the student, the family, the institution, and government to determine how much responsibility each should bear in paying for the education.

The Board found that the current system of financial aid, developed under different fiscal and enrollment conditions of the late 1960s and 1970s, had acquired several inequities. In short, a poorer student in some cases had to contribute more money to his or her education from savings, work, or borrowing

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<sup>3</sup> Figures as of April 11, 1984.

than a more affluent classmate attending the same institution. Further, the Board found that federal and state funding for financial aid was being reduced, a condition that could threaten equality of opportunity for students from the lowest income families as educational costs rise.

#### Redesign of State Scholarship and Grant Program

The redesign of the State Scholarship and Grant Program, known as the Design for Shared Responsibility, was implemented at the start of the 1983-84 school year. The redesign assigns specific responsibilities for paying for a post-secondary education to students, parents and government.

Under the policy, all applicants, as the primary beneficiaries of the education, are expected to contribute at least 50 percent of their cost of attendance from savings, earnings, loans, or additional assistance from institutional or private sources. The remaining cost is borne by a contribution from parents determined by a national need analysis and by the combination of federal Pell grant and State Scholarship and Grant awards.<sup>3</sup>

The intent of the policy is spelled out clearly in the 1983 omnibus higher education appropriations law.

- (1) It is the intention of the legislature that the responsibility for the costs of attendance at the institutions of the students' choosing be shared by students, parents, and government and that the responsibilities be set forth.
- (2) Aid is to be made available to eligible students only after taking into account contributions from the students, parents, and federal Pell grants for which the applicants are eligible.
- (3) All students, as the main beneficiaries of the education, will be expected to make substantial contributions of the same proportion equal to at least half the cost of attendance from savings, earnings, loans, and other resources.

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<sup>4</sup> The Pell Grant Program is the major federal student aid program to help undergraduates pay for their education after high school. Like state scholarship and grant awards, Pell grants do not have to be paid back.

- (4) Further, the students' parents, if financially able, are expected to make a contribution to the cost of attendance.<sup>5</sup>

The key variable in the implementation of the Design for Shared Responsibility is the parents' share. If, for example, the parents are unable to contribute financially, the child is eligible for a larger award from the government--up to 50 percent of the cost of attendance from the combination of state and federal aid. On the other hand, if the parents have the resources to contribute the full 50 percent not assigned to the student, the child will receive no award.

Most applicants to the State Scholarship and Grant Program submit parental financial information, and a need analysis determines how much the students' parents are expected to contribute. This group, known as dependent students, represented about 75 percent of the students offered awards in Fiscal Year 1984.

Some students, however, do not have a family unit from which to draw assistance in paying their educational costs while other students choose to establish a pattern of self-supporting behavior.

Some students personally finance their total cost of attendance--the student share, the parent share, and the government share. They seldom are considered in financial aid policy because they never apply for aid; they have chosen to "make it on their own."

Some students who want to be self-supporting, however, do apply for a scholarship or grant. Their parents financial status is ignored in calculating the award. These students are referred to as independent students. In effect, however, they are independent from their family and have shifted that dependence to the State Scholarship and Grant Program.

Traditionally, parents have been expected to contribute what they reasonably can, except for those students who have established a pattern of self-

<sup>5</sup> Minn. Laws 1983, Ch. 258, § 41.

supporting behavior. The clear intent has been to reserve independent student status for those students who make a clear break with their parents before enrolling in a post-secondary institution.

Problems with the Current Definition of Dependency

The Minnesota State Scholarship and Grant-in-Aid Program has used the federal definition of student dependency since the state program began.<sup>6</sup> This definition presumes the student is dependent on parents unless certain conditions are met. An unmarried applicant is considered independent of his or her parents if the following conditions exist for the year prior to applying and will exist during the time the student receives grant aid:

- o Parents did (will) not claim the student as an income tax exemption.
- o Student did (will) not live with parents more than 42 days.
- o Parents did (will) provide \$750 or less of support.

While unmarried students must wait one year, married students are not required to wait. They only need to meet the three conditions while receiving a scholarship or grant. In addition, orphans and wards of the court are automatically exempt from the definition.

The current definition, which worked for many years, no longer is distinguishing effectively between those students who have established a pattern of self-supporting behavior, and thus met the intent of the independent student definition, from students who simply have arranged their financial affairs to meet the letter of the definition.

The current definition essentially holds parents accountable only if they wish to be. And given the options, particularly in a state that provides significant financial aid in addition to what is available through the federal programs, there is strong incentive for families to move away from accepting

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<sup>6</sup> 5 MCAR 2.2101 - 2.2106

responsibility. In Minnesota, for example, the decision to encourage a student to emancipate himself or herself can amount to about \$3,500 per year in grant assistance alone.

Moreover, the definition is not designed for an era of financial limits. Students from families that abdicate their responsibility benefit at the direct expense of students who legitimately have no resources to draw upon because scarce resources must be spread more broadly. And states with limited resources cannot afford to help students who have access to adequate financial support.

#### Review by the Coordinating Board

Concerned about the adequacy of the current definition of student dependency, the Coordinating Board conducted an extensive review of the issue, consulting with the financial aid community, students, and other interested parties. Various options for revising the definition were explored.

Based on evidence from scholarship and grant program data as well as extensive anecdotal evidence, the Coordinating Board concluded that the advantages of altering the current definition outweighed the disadvantages of using a different definition than that used for the federal programs. Data on participation trends in the Scholarship and Grant Program, for example, show a significant increase in the number of awards to students whose parents might be expected to contribute to their child's education, if they are financially able. Further, although the 1983 Minnesota Legislature expanded funding for the Scholarship and Grant Program, public resources are limited, and it is necessary to target assistance carefully to those students with the greatest financial need.

Thus, in September 1983 the Coordinating Board recommended a change in the rules on student dependency for the Scholarship and Grant Program.

In essence, the Board's recommendation would expand the current definition by adding age 22 as a condition for exemption from parental dependency and specify situations when the student under age 22 is considered involuntarily separated from parental support.

The Board's recommendation presumes parental responsibility through the traditional undergraduate years. In effect, students 22 or under would be presumed dependent on their parents. The recommendation, however, recognizes some exceptional cases by protecting those students who legitimately cannot expect to receive parental support.

This recommendation establishes the expected role of the family, the student, and the state. The state fills in for family resources when the family does not have those resources, but it does not substitute for family resources where the family simply prefers not to contribute.

In order to implement its recommendations on student dependency, the Coordinating Board has proposed changes in the rules governing the Scholarship and Grant Program.

#### CONTENTS OF THIS DOCUMENT

This document is intended to establish the need for and reasonableness of the proposed rules on the definition of student dependency as well as other changes to the rules governing the Scholarship and Grant Program.

Chapter II explains why the Board has proposed a change in rules. It describes the current policy on dependency and problems with the policy. Evidence indicating the existence of a problem is provided.

Chapter III explains what the Board has proposed and the rationale for the proposal.

Chapter IV provides a part by part explanation for each change in rules that is proposed.

Chapter V contains responses to specific comments received in the Notice to Solicit Outside Opinion.

The agency will present the information in this statement at the public hearing on the proposed rules scheduled for July 12, 1984.

Testifying in support of the proposed rules will be:

- o Gretchen Taylor, of Mankato, a Coordinating Board member representing the Second Congressional District. A Board member since 1981, she chairs the Board's Financial Aid Committee. Mrs. Taylor will describe the Board's comprehensive review of state financial aid policy, concerns about the current definition of student dependency, and the rationale for the proposed changes.
- o David A. Longanecker, executive director of the Coordinating Board, will elaborate on the evidence supporting the need for the proposed change, will explain the proposal and comment on its likely effects.

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CHAPTER II. REASONS FOR THE PROPOSED CHANGES IN RULES GOVERNING STUDENT  
DEPENDENCY

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The current definition of dependency no longer works as a reasonable proxy to distinguish between students who can rely on their parents for financial support and those who are emancipated and have established a pattern of self-supporting behavior.

The current definition allows students and their parents to arrange their financial affairs so that the student is eligible to apply as an "independent student." This contradicts the purpose of the definition, since students who have not established a prior pattern of self-supporting behavior are able to meet the three conditions of the current definition. This is not to suggest that students and parents are lying, cheating or committing fraud. It does suggest, however, that the current definition is not working as well as it was intended and is not consistent with the intent of the independent student concept.

CURRENT POLICY

Under the current policy, students are considered dependent upon their families unless the following three conditions exist for the year prior to applying for a scholarship or grant and will exist during the time the student receives grant aid.

- o Parents did (will) not claim the student as an income tax exemption.
- o Student did (will) not live with the parents more than 42 days.
- o Parents did (will) provide \$750 or less of support.

While unmarried students must wait one year, married students are not required to wait. They only need to meet the three conditions while receiving a

scholarship or grant. In addition, orphans and wards of a court are automatically exempt from the definition of dependency.

Anyone not meeting any of these criteria has not severed financial relations with his or her parents. Although this definition does not measure a student's independence, failure to meet the criteria does define dependent behavior for the Scholarship and Grant Program.

#### PROBLEMS WITH CURRENT POLICY

While the three criteria in the current policy may appear reasonable philosophically, in practice they present several problems.

The income tax exemption is the only measure that is objective and verifiable. Although it is a fairly reasonable measure of dependence, it is not a good measure of independence. Even if the parents don't claim the student as an exemption, they may still provide support for the child. Parents may find it easy to give up a \$750 deduction--amounting to a maximum tax loss of approximately \$400--in order for their child to garner a large windfall in student financial aid by applying as an independent student. The applicant must meet the criteria for the year prior to applying for a scholarship or grant and must promise that the conditions will hold for the year the award is made. A parent claiming his or her child as an exemption, however, could revise and refile the tax form in order for the student to be considered independent.

The two other criteria--living with parents and \$750 worth of support--are not verifiable. Requiring verification of these measures is burdensome and creates an onerous information gathering task for the applicant and his or her family. Further, while the income tax exemption measure is well understood, the \$750 worth of support and living at home measures are subject to many interpretations. It is unclear, for example, what is to be included in the \$750 and from whom it may come.

## EVIDENCE OF PROBLEMS WITH CURRENT POLICY

Evidence of a problem with the current policy has come from several sources. Concerns were provided to the Coordinating Board initially by anecdotal evidence; they have been corroborated by trend data from the Scholarship and Grant Program and by experiences in other states' programs and with the federal Pell Grant Program.

### Anecdotal Evidence

The student dependency issue has been raised by many individuals and groups. They include members of the legislature, past and current members of the Coordinating Board, the financial aid community, high school counselors, and citizens who have had some experience with the Scholarship and Grant Program.

Some citizens complained that other families were abrogating their responsibility to help pay for their child's education by arranging their affairs to become exempt from the current definition of dependency and thus qualify for a larger financial aid award than they are entitled to receive. Financial aid officers and high school counselors provided Coordinating Board staff with examples of perceived abuses.

In response to this anecdotal evidence, the Coordinating Board in 1981-82 expanded its efforts to verify independent student status.

Since Minnesota uses the same definition as the federal government, the validation procedures used by the federal government apply to the State Scholarship and Grant Program. The federal government requires campus financial aid officers to validate the applications of students identified during processing as having a high probability of being in error. The federal government also selects a sample of applications at random for validation.

In addition, the State Scholarship and Grant Program since 1981-82 has required everyone applying as an independent student who is under 30 years of age to submit a notarized statement signed by his or her parents verifying the accuracy of the information used to determine exemption from parental dependency.

In 1981-82 about one-third--6,000 students--of those applying for exemption from parental dependence chose not to provide a notarized statement.

### Participation Trends

The growing number of students receiving awards as independent students is a strong indication that the current definition is not accomplishing its intent.

Between 1979-80 and 1982-83, as shown in Table 1, the number of independent student award recipients grew by 5,924, or 300.6 percent--from 1,971 to 7,895. In 1979-80, independent students received 7 percent of the 28,022 total awards while in 1982-83 they received 19.2 percent of the 41,027 awards. Preliminary figures for 1983-84 indicate that as of April 11, 1984, 12,217 awards have gone to independent students. This represents 24.3 percent of 50,253 total awards. In comparison, the number of dependent students receiving awards grew by 27.2 percent, between 1979-80, and 1982-83, and the total number of recipients grew by 46.4 percent.

The data also indicate that an increasing number of those applicants receiving awards as independent students are under age 22, suggesting that their parents may be abrogating their responsibility to contribute to their child's educational costs.

As shown in Table 2, the number of independent student recipients under age 22 increased by 1,020, or 148 percent, between 1979-80 and 1982-83. Preliminary data for 1983-84 show that 2,056 independent student recipients were under age 22, an increase of 20.2 percent from 1982-83.

TABLE 1: A COMPARISON OF THE NUMBER OF INDEPENDENT STUDENTS AND DEPENDENT STUDENTS RECEIVING AWARDS, 1979-80 THROUGH 1983-84

	1979-80		1980-81		1981-82		1982-83		1983-84*		Growth 1979-80 to 1982-83	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Independent Students	1,971	7.0	5,449	14.2	7,015	16.4	7,895	19.2	12,217	24.3	5,924	300.6
Dependent Students	26,051	93.0	32,851	85.5	35,851	83.6	33,132	80.8	38,036	75.7	7,081	27.2
Total	28,022	100.0	38,300	100.0	42,866	100.0	41,027	100.0	50,253	100.0	13,005	46.4

Source: Minnesota Higher Education Coordinating Board

\* Preliminary Data, as of 4/11/84 for the 1983-84 academic year.

TABLE 2: INDEPENDENT SCHOLARSHIP AND GRANT AWARD RECIPIENTS UNDER AGE 22, 1979-80 THROUGH 1983-84\*

Year	No.*	# Increase	% Increase
1979-80	690	-	-
1980-81	1,475	785	113.7%
1981-82	1,633	158	10.7%
1982-83	1,710	77	4.7%
1983-84**	2,056	346	20.2%

\* Includes single recipients under 22

\*\* Data as of 4/11/84 for 1983-84 academic year.

Source: Minnesota Higher Education Coordinating Board

Another indication that the current definition is not working is that many students switch from dependent to independent status while full-time students. Of those students who applied to the Scholarship and Grant Program in both 1980-81 and 1981-82, for example, one-third of those who applied as independent students in 1981-82 had applied as dependent students in 1980-81.

The number of independent award recipients under the federal Pell Grant Program and in other states also has increased, leading to proposals for changing the current definition. The percentage of Pell grant recipients who qualified as independent increased from almost 37 percent in the 1976-77 academic year to 48.3 percent in 1982-83.<sup>7</sup> In response to this increase, the federal Department of Education in May 1983 proposed to adopt a more stringent definition.

Meanwhile, in response to the trend of increasing numbers of independent students, at least seven states have added to the federal definition or established other definitions to limit the number of applicants who can apply as independent students.<sup>8</sup>

While the seven states are a minority of all states, they do represent a majority of the states that have made a major commitment to funding state grant programs. Based on the reported total scholarship and grant payments in

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7 Higher Education Daily (October 28, 1983).

8 The seven other states are Indiana, New York, Washington, California, New Jersey, Pennsylvania, and Ohio. For further detail see Minnesota Higher Education Coordinating Board Student Dependency for the State Scholarship and Grant Program With Coordinating Board Recommendations, Staff Technical Paper, (September 1983).

1981-82, six of the top 10 states have tightened the definition of student dependency and two others have called for a change to tighten the definition.<sup>9</sup>

### CONCLUSION

The problems with the current policy have significant implications for state financial aid policy. The growing number of awards to students whose parents could and should be expected to contribute shifts resources away from students whose parents cannot be expected to contribute to the cost of attendance, thus potentially denying aid to students with the greatest financial need. Further, the growth in awards to independent students shifts more of the responsibility for financing a student's education from parents to taxpayers as grants are awarded to students who otherwise would not have received assistance because their parents have adequate resources.

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<sup>9</sup> The federal debate is more than a concern about defining who has established a pattern of self-supporting behavior; it is also a concern about affecting the flow of federal dollars. States that have not invested heavily in a state grant program logically will argue for a lax definition at all levels as a means of attracting additional federal dollars to the state. Also, the eligibility restrictions in the Guaranteed Student Loan Program do not apply to students who are defined as "independent students" for federal student assistance. For students whose parents earn more than \$30,000 per year, this is a powerful incentive. Given the desire to maximize the flow of federal dollars and maintain the Guaranteed Student Loan Program as an ensured source of loan capital, only those states making a significant contribution to student grants can be expected to support a more rigorous definition at the federal level.



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CHAPTER III. WHAT THE COORDINATING BOARD PROPOSED AND WHY

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The proposed rule changes regarding student dependency for the State Scholarship and Grant Program are based on recommendations adopted by the Coordinating Board in September 1983.

Based on the presumption that the family has a responsibility to provide financial support to the student through his or her traditional undergraduate years, the Coordinating Board recommended expanding the current definition by adding age 22 as a condition for independent status and to specify situations when the student is considered involuntarily separated from parental support and eligible to be considered independent.

COORDINATING BOARD RECOMMENDATIONS

Under the Coordinating Board's recommendation of September 22, 1983, a student is to be presumed dependent on his or her parents, and the parents financial resources are to be considered in the need analysis unless the applicant establishes one of the following:

- A. The applicant has been involuntarily separated from parental support because one of the following exists:
  - i. The applicant is an orphan or ward of the state.
  - ii. The applicant's parents cannot be located.
  - iii. The applicant has suffered physical abuse or mental abuse necessitating such separation.

A court document or an affidavit from a clergy, social worker, lawyer, or physician would be required to verify these situations.

B. The applicant is 22 years of age or older and establishes that for the year prior to applying for aid and during the time the applicant receives aid.

- i. The parents did not and will not claim the student as an income tax exemption;
- ii. The student did not and will not live with his or her parents more than six weeks in any calendar year; and
- iii. The parents did not and will not provide indirect support worth \$750 or more in any calendar year.

C. A married applicant, regardless of age, must meet the requirements in B above only during the time he or she receives aid.

Such facts would have to be established by affidavit from the parents, if locatable, and additional documentation as reasonable may be requested. This could include income tax returns, proof of residence, voter registration or similar documentation.

#### COORDINATING BOARD DELIBERATIONS

The Board's recommendations resulted from extensive study, discussion and testimony on the dependency issue.

#### Initial Concerns and Developments

Initial concerns about the dependency issue began to surface about the time the Coordinating Board was conducting a comprehensive review of the state's financial aid policies and proposing a redesign of the State Scholarship and Grant Program to more effectively target available money to students from lower income families. As described in the introduction, all scholarship and grant applicants are expected to contribute at least 50 percent of their cost of attendance from savings, earnings, loans or other additional assistance. The remaining cost is met by a contribution from the parents determined by a national need analysis and the combination of federal Pell grant and state scholarship and grant awards. Applying for financial aid under this redesign

provides an incentive for the student to seek aid as an independent student and disregard his or her parents' financial position--a situation that often enables the student to qualify for a larger award than he or she would receive as a dependent student.

The Coordinating Board in 1982 directed its staff to analyze the characteristics of students claiming financial assistance from their parents, how alternative eligibility criteria would affect who qualifies as independent, and the resources of these students that should be recognized in determining state financial aid.

#### Coordinating Board Staff Paper

In April 1983 the Board received the staff paper on student dependency for the State Scholarship and Grant Program, and it was discussed by the Board's financial aid committee.<sup>10</sup> The paper analyzes issues related to the definition and treatment of the independent student. The current definition and determination of award size are described. Current trends and conditions that suggest the need for definitional changes are presented. Five definitions ranging from very lax to very strict are considered and evaluated. The most lax definition is the self-declaration option. It assumes that any adult has the right to be emancipated from his or her parents and the applicant need not prove that he or she has established a pattern of self-supporting behavior. The strictest definition would limit independent student status to those who have no surviving parents or have been legally separated from their parents. In between these two extremes are the current definition and two variations to tighten it. One alternative examined would be to continue the three conditions under the current definition but require that they hold for three years before the year

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<sup>10</sup> Minnesota Higher Education Coordinating Board Student Dependency for the State Scholarship and Grant Program With Coordinating Board Recommendations, Staff Technical Paper, (September 1983)

for which an award is made. This assumes that once a student has severed financial relations with his or her parents, it takes three years to establish a pattern of self-supporting behavior. A second alternative is to restrict independent student status to students 22 years of age or older. These two alternatives reduce the incentives for parents to arrange their affairs to enable their children to apply as independent students.

The staff paper analyzes four models that could be used to determine how much an independent student should receive in aid once eligibility is determined by the definition. The paper points out that the definition and treatment of the independent student need to be considered together. A lax definition would require either appropriating more money for financial aid or spreading available money more thinly. A more stringent definition would allow a more generous treatment and still target awards to the most needy.

In view of current trends and their implications, the paper concludes that the current definition and treatment of independent students need to be reassessed and alternatives considered to ensure that the traditional intent of the independent student status is fulfilled.

#### Coordinating Board Consultation With Interested Parties

The Coordinating Board and its staff consulted extensively with individuals and groups interested in the dependency issue both prior to and after the release of the staff paper.

Coordinating Board members discussed the issue in 1983 at meetings in April, June and September. The April and June meetings were in St. Paul, and the September meeting was in Moorhead. In addition, Board staff discussed the issue with the Board's Student Advisory Committee, the Board's Financial Aid Advisory

Committee, and with the Higher Education Advisory Council.<sup>11</sup> Staff also participated in several student-sponsored forums on the issue that were conducted at campuses throughout the state.

#### Proposed Federal Definition and Coordinating Board Decision

The Board's Committee of the Whole discussed the paper June 1, 1983, and considered several options for determining student dependency status. In anticipation of a federal decision on revising the definition, the Board delayed action until fall 1983. The federal Department of Education had published a new, more stringent definition on May 23, 1983, for public comment. If more stringent federal requirements had been adopted, the Board may have decided to accept a new federal approach rather than adopt a separate state approach for several reasons. Using one definition for both state and federal programs makes it easier for students to apply, for campus aid officers to assist students, and for the Coordinating Board to administer the program.

On August 3, however, Congress passed legislation, which the President signed, to override the Department of Education's proposal and freeze the current definition through at least the 1985-86 academic year.

Therefore, the Coordinating Board resumed consideration of the issue at its September meeting and concluded that the need to maintain the integrity of the State Scholarship and Grant Program outweighed the disadvantages of using a different definition than that used for the federal programs.

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<sup>11</sup> The Student Advisory Committee consists of representatives from the state's various public and private post-secondary education systems. The Financial Aid Committee includes financial aid administrators from the systems and institutions. The Higher Education Advisory Council membership includes the heads of the public and private educational systems.

RATIONALE FOR COORDINATING BOARD PROPOSAL

The Board's recommendation is based on traditional state policy that has been to preserve the family relationship. Using age 22 as a condition implies that parents are expected to provide financial support, if they are able, for at least four years after their son or daughter would normally complete high school. Further, age 22 is used in other definitions of presumed dependency such as group health insurance policies and the Social Security Program.<sup>12</sup> The Board's recommendation recognizes some exceptional cases by protecting those students who legitimately cannot expect to receive parental support.

Of the states that have adopted a separate definition than used by the federal government, New York and Indiana use the age 22 criterion and have found it workable and acceptable.<sup>13</sup>

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12 Employers presume unmarried children attending post-secondary institutions are dependents on the parents until age 23, and in some cases, age 25 for determining eligibility for group health insurance benefits. Similarly, the Social Security Program established a precedent that children under age 22 attending a post-secondary institution are presumed to be dependent. (Social Security educational benefits for students whose attendance began after May 1982, have been deleted from the program.)

13 Beginning with the applications for the 1983-84 academic year, Indiana is requiring all students under age 22 to submit parental financial information. For those 22 years of age or older, Indiana uses the Pell Grant program definition. In the validation process, Indiana does not accept amended tax returns as proof of income tax exemption status. These changes have received a favorable opinion from the state attorney general, have been endorsed by the legislature, and are receiving support from the state's post-secondary institutions.

New York has also added age to the list of conditions it uses to define student dependency status. Unlike Indiana, applicants to the New York program over age 35 do not need to provide proof that they have severed financial relations with their parents. Like Indiana, New York requires almost everyone under age 22 to apply as a dependent student. New York, however, allows students under age 22 to apply as financially independent students if they meet one of the following conditions: (a) the family has been involuntarily dissolved resulting in the parents' relinquishing responsibility and control; or (b) the student receives public assistance. (This is a specific welfare program in New York comparable to general assistance programs in Minnesota.) For those 22 and older but less than 35, New York uses the Pell Grant program definition.

Of all the conditions implemented by other states, age is the easiest to understand, requires families to provide no additional data (the applicant's age already is collected), and is the easiest to verify. Adding age to the conditions now used would reduce the incentive for families to arrange their financial affairs so their son or daughter would be eligible for a larger scholarship or grant.

#### IMPACT OF THE PROPOSAL

Scholarship and Grant Program data from 1979-80 through 1982-83 and preliminary data for 1983-84 provide an indication of the impact of the Coordinating Board's proposed rule change. This information is shown in Table 3.

If the proposed rule change had been in effect in 1982-83, for example, 1,710, or about 22 percent, of the 7,895 students receiving awards as independent students would have been affected. That is, these students would have been required to provide parental information. These are single students, under age 22. In contrast, 6,185, or 78 percent of the 7,895 independent recipients would have been unaffected. These are independent students 22 years old or older and married students, under age 22.

Had the proposed rule change been in effect in 1983-84--the first year of the Shared Responsibility approach--2,056, or 17 percent--of the 12,217 award recipients, would have been affected. In contrast, 10,161, or 83 percent, of the 12,217 independent award recipients would have been unaffected.

In both 1982-83 and 1983-84, four percent of all award recipients would have been affected had the age 22 criterion been in place.

Some of the affected students likely would submit financial information about their parents and continue to receive an award as dependent students.

Affected students would still have a range of opportunities to pursue their education beyond high school. They could still apply for federal aid as

TABLE 3: STATE SCHOLARSHIP AND GRANT RECIPIENTS UNAFFECTED AND AFFECTED  
BY PROPOSED RULE BY SYSTEM, 1979-80 THROUGH 1983-84\*

	1979-80		1980-81		1981-82		1982-83		1983-84**	
	Number	%	Number	%	Number	%	Number	%	Number	%
	<u>Unaffected by Proposed Rule</u>									
22 years old or older	1,241		3,901		5,283		6,009		9,859	
Under 22 years, married	40		73		99		176		302	
Total Unaffected	1,281		3,974		5,382		6,185		10,161	
	<u>Affected by Proposed Rule</u>									
Under 22 years old, single:										
Area Vocational-Technical Institutes	61	8.8	153	10.4	164	10.0	219	12.8	384	18.7
State Universities	148	21.4	421	28.5	451	27.6	457	26.7	532	25.9
Community Colleges	29	4.2	98	6.6	117	7.2	115	6.7	172	8.4
University of Minnesota	189	27.4	411	27.9	449	27.5	470	27.5	495	24.1
Private Four-Year	215	31.2	320	21.7	368	22.5	350	20.5	333	16.2
Private Two-Year	48	7.0	72	4.9	84	5.1	99	5.8	140	6.8
Total Independent Recipients Affected	690		1,475		1,633		1,710		2,056	
Total Independent Recipients	1,971		5,449		7,015		7,895		12,217	
Total Awards Made	28,022	100.0	38,300	100.0	42,866	100.0	41,027	100.0	50,253	100.0

Source: Minnesota Higher Education Coordinating Board

\* Includes those who might be exempt because of physical or mental abuse.

\*\* Data as of 4/11/84.

independent students under the current definition. This would make them eligible for such programs as the federal Pell Grant Program and the Guaranteed Student Loan Program. They would still be eligible for many campus-based programs and private aid programs.

In September 1983 the Coordinating Board, in addition to adopting recommendations on student dependency, voted to reaffirm its commitment to ensure access to loan capital for all students, especially those who have chosen to be self-sufficient. All students are expected by current policy to finance at least 50 percent of the cost of attending a post-secondary institution. Many will require loan capital to meet this obligation. Self sufficient students by definition have chosen to finance 100 percent of the cost of attendance; they are dependent neither on their parents nor government for direct assistance. Since self-sufficient students are more likely to need loan capital, the eligibility restrictions and loan limits of current government programs will affect them most directly.

The Coordinating Board is pursuing the development of a supplemental student loan program that would ensure loan capital for all students, especially those who have chosen to be self-sufficient. Target date is fall 1984. Such a loan program would enable students to use their future incomes as a way of financing a post-secondary education without compromising their desire to be self-sufficient.

#### CONCLUSION

In summary, the student dependency issue raises philosophical questions about family relationships and the relationship and role of government to families and individuals. And it raises practical considerations about the administration of a particular state program--the State Scholarship and Grant

Program. The Coordinating Board believes that it has adopted an approach consistent with the original intent of student dependency, consistent with state policy regarding the family relationship and consistent with the principles in the state's policy for the Scholarship and Grant Program.

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CHAPTER IV. PART-BY-PART EXPLANATIONS

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This chapter provides an explanation for each part of the rules in which changes are proposed.

4830.0300 Eligible Schools

No substantial changes made, except for additional words to conform with the Revisor's format.

4830.0400 Application Dates and Student Eligibility

Subpart 1: No substantial changes made. The Board used to give priority to applicants who had applied by a certain date, but now awards are made continuously throughout the school year.

Subpart 2: Currently, there are two definitions of residency: the first definition is for independent and the second is for dependent, and these two definitions are currently found in 5MCAR 2.0100, "Definitions for higher education programs." Since the proposed rule affects only the scholarship and grant-in-aid program, the definitions have been incorporated into the text of the Scholarship and Grant-in-aid Program.

The proposed rule maintains the definition of dependency for Minnesota residents, i.e., the student is considered dependent on parental support if the student lives with the parent or legal guardian for at least six weeks; receives support from the parents or legal guardian; or is claimed as a tax exemption by the parent or legal guardian in the calendar year prior to or during the calendar year in which the application is made. Students exempted must have resided in Minnesota for at least 12 consecutive months prior to becoming a full-time student. 4830.0600, subpart 1, item B, subitem 1, 2 or 3.

Subpart 3: No substantial changes made, except for words added or deleted to conform with the Revisor's format.

4830.0500 Ranking Applicants

Discussion: No substantial changes made except for changing a word to conform with the Revisor's format.

4830.0600 Awards

Subpart 1: The word "shall" was changed to "may" in order to conform with the Revisor's format. In addition, the Minnesota Statute citation was corrected.

Subpart 1, item A: Punctuation change.

Subpart 1, item B: The word "financial" was added to coincide with the phrase used in 5MCAR 2.0100, "Definitions for higher education programs." In addition, the following language was added: "The parental contribution will be considered in determining the state award, unless:".

The above language is considered needed and reasonable because the 1983 Minnesota Legislature spelled out the intent of the Scholarship and Grant Program:

1. It is the intention of the Legislature that the responsibility for the costs of attendance at the institutions of the students' choosing be shared by students, parents, and government and that the responsibilities be set forth.
2. Aid is to be made available to eligible students only after taking into account contributions from the students, parents and federal Pell grants for which the applicants are eligible.
3. All students, as the main beneficiaries of the education, will be expected to make substantial contributions of the same proportion equal to at least half the cost of attendance from savings, earnings, loans and other resources.
4. Further, the students' parents, if financially able, are expected to make a contribution to the cost of attendance.\*

\* Minn. Laws 1983, Ch. 258, § 41.

If the proposed rule had been in effect in 1983-84, 2,056 of the 12,217 independent award recipients would have been affected. Affected students, then, would have been asked to submit parental information. (See Table 3 and discussion pp. 23-24). Students affected could still receive an award if their parents' financial situation warranted it.

Subpart 1, item B, unit 1: These are the conditions proposed by the Board by which a student may be exempt from providing parental information: orphans or wards of the state, parents cannot be located, or if the student can prove mental or physical abuse. Mental or physical abuse must be established by a court document or by an affidavit from a member of the clergy, social worker, lawyer or physician.

Subpart 1, item B, unit 2: Another condition for exemption is the age 22, but the student who is 22 years of age or older must still establish that he or she is not dependent upon parental support. Those conditions are listed in subitems a, b and c. (For a more complete discussion, please see pp. 17-20.)

Subpart 1, item B, unit 2, subitem a-c: These conditions are not different from current rule. Their placement under this subpart is new.

The last paragraph in unit 2 indicates how students may prove they are eligible to be exempt: by affidavit from the parents if possible, and by additional documentation such as income tax returns, proof of residence, voter registration or similar documentation that may be requested by the Board or its agents and employees.

Since 1981-82, the Board has required everyone applying as an independent student who is under 30 years of age to submit a notarized statement signed by his or her parents verifying the accuracy of items a-c.

The Board added other means of documentation for those students who, for whatever reason, cannot get an affidavit from the parents. These requests for additional documentation are reasonable and not unlike documentation requested for verification in other programs.

Subpart 1, item c: No change from previous rule.

Subpart 2 and 3: No change from previous rule.

4830.0700 Method and Payment

Subpart 2: The Board changed the language to clarify that an award is available to the student for nine months within a fiscal year and is not restricted to students commencing their education in the fall term. This is consistent with the legislative change that allows the Scholarship and Grant Program to accept applications continuously.

In addition, a paragraph was added to clarify how refunds are made (items a, b). The Board had been operating under the procedure listed in the rule, but it was not put into the rules until now.

Subpart 3: No substantial changes made except for changing words to conform with the Revisor's format.

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CHAPTER V. RESPONSES TO COMMENTS

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The Coordinating Board posted a Notice to Solicit Outside Opinion on October 3, 1983, accepting materials and/or comments until October 21, 1983. A summary of the correspondence received reveals that.

Letters, opposed, no recommendations made	18
Form-letters, opposed, no recommendations made	125
Letters, opposed, some recommendations made	22
Letters, opposed, requesting a response	7
Letters, opposed, arrived late	9
	<u>181</u>

The Board's responses to issues raised in the correspondence follow.

**Issue 1. Will Students Attending Public Institutions Be at a Disadvantage Compared to Students Attending Private Institutions?**

The proposed rule change in the definition makes no reference to where the student attends. The proposed rule would be applied to all students and thus would not favor students in any particular type of institution.

**Issue 2. What Will Happen to Students Whose Parents Cannot Help Finance Their Education or Whose Parents Actually Depend Upon the Student For Support?**

Students whose parents have few financial resources would not suffer under the proposed rule change because as dependent students they would be eligible for state grant assistance. The Scholarship and Grant Program is designed specifically to fill in where the family lacks adequate resources.

In a situation where the parents are dependent upon the student, the proposed rule would not disadvantage the student either. Although the student would have to apply as a dependent student, the presence of the parents would increase the size of the family household and thus increase the aid for which

the student is eligible. A student's eligibility would be reduced only if the parents have substantial income or assets.

**Issue 3. Why Isn't There an Appeals Process?**

The Coordinating Board already has a standard appeals process for all programs. Any decision made by program staff can first be appealed to the executive director. If the student is not satisfied with the executive director's decision, the issue can be appealed to the Board.

An appeal, however, can only challenge the interpretation of facts. With respect to student dependency, therefore, it cannot be used to establish a previously undefined additional category of students who need not rely on their parents for financial support. Indeed, the rules process would not allow such a discretionary action on the part of either the Board or its staff because of the danger that such discretion could lead to capricious decisions.

**Issue 4. Will This Proposed Change Disproportionately Affect Women and Minorities?**

According to the Minnesota Government Data Practices Act, Minn. Stat., Ch. 14, the Higher Education Coordinating Board is not allowed to collect extraneous information that is not used to determine the state award. Because of this restriction, we do not know the gender or race of grant recipients. We do not know for sure, therefore, whether the proposed change would adversely affect women or minorities. We do not believe that it would, however.

**Issue 5. Isn't the Board Dictating What Ought to Be a Family Relationship By This Rule?**

Some responses express a general concern that the Board, through its proposed policy, is introjecting itself into family relationships and punishing those students whose parents refuse to help finance their children's education.

Without doubt, the Board believes that parents should be held responsible to contribute reasonably to their children's education. In adopting this stance, the Board supports state law, which states that "it is the intention of the legislature that the responsibility for the costs of attendance...be shared by students, parents, and government and that the responsibilities be set forth. Aid is to be made available...only after taking into account contributions from the students, parents, and federal Pell grants for which the applicants are eligible."<sup>14</sup>

Quite to the contrary of some concerns, the proposed policy consciously avoids introjecting the Board into parents' willingness or unwillingness to help their children. If support is not forthcoming from parents, it is not the Board but rather the parents who are supporting the child. The Board is not proposing that these students not be helped, but only that the state should not defray the amount that the parents could reasonably be expected to provide.

**Issue 6. Will Students Previously Classified as Independent Students Continue to Be Considered Independent?**

The Board's proposal would apply to all students, regardless of their prior status. Some students who previously had not been considered dependent upon their families would now be expected to receive parental support. The Board believes this is prudent public policy for two reasons: First, the proposed policy is sound and reasonable and as such should apply to all students. Second, the proposed implementation in the 1985-86 school year provides ample opportunity for students to plan for the change.

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<sup>14</sup> Minn. Laws 1983, Ch. 258, § 41.

**Issue 7. How Many Students Might Abandon Post-Secondary Education Due to Financial Hardship?**

The Board does not believe that the proposed policy is a threat to educational opportunity. The Board is not proposing that the state not assist these students, but only that the state not defray the amount that the students' parents can reasonably provide. In those instances in which the student, by necessity or choice, does not receive help from her or his parents, he or she will have access to a loan and possibly other state and federal student assistance programs.

**Issue 8. How Will the Proposed Rule Compensate for Changes in the Student's Parents Marital Status?**

Some responses indicated that the Board's proposed policy is insensitive to the potentially devastating effects of the divorce of a student's parents.

The Board's financial aid policies do take into account the marital status of the parents. Only the resources of the parent from whom the student principally receives support are taken into account in determining the expected parental contribution. If those resources are scarce, the student will receive assistance. If the supporting parent has significant resources, the student will not receive much, if anything, from the state.

The dissolution of the parents' marriage does not sever the entire family unit, and public policy should not presume that it does.

**Issue 9. How Does the Proposed Rule Treat Divorced, Separated and Veteran Students**

Several responses expressed concern that the Board's proposal did not explicitly exempt from parental dependency students who are divorced, separated, widowed, veterans, or who have dependents of their own. The responses seem to imply that the Board overlooked these students, and thus should revise its proposal to exempt them, just as it exempted married students.

Contrary to this perception, the lack of special consideration of these groups was not an oversight of the Board. During a number of public discussions about the dependency status issue, the Board discussed which categories of students should be exempted from the expectation of parental dependency. The Board decided to exclude married students from parental dependence because it felt that the appropriate locus of responsibility for these students should be the new family unit. The Board felt that, in general, other students should continue to be considered part of a family unit that includes their parents.

Therefore:

- o A divorced student under 22 would be considered dependent upon her or his family. No longer would the new family unit be an appropriate locus of responsibility.
- o A separated or widowed student would not be considered dependent upon her or his parents because the person legally would retain the rights and responsibilities of being a spouse. Both legally and morally the appropriate locus of responsibility would remain the married family, despite the absence, temporarily or permanently, of the spouse.
- o A student who is also a veteran and who is under 22 would be considered dependent upon her or his family. While veterans may merit recognition for their contributions to the nation, such recognition should come from programs designed explicitly to assist veterans. It is inappropriate to alter the rationale of other public policy to achieve this end. With respect to family relationships, nothing about veterans distinguishes them from other students. Indeed, many veterans reside with their parents after leaving the service, thus demonstrating that they remain an integral part of the family unit. Based on a preliminary count of 1983-84 State Scholarship and Grant recipients, 191 veterans under age 22 received an award. The proposed rule change would have affected only the 13 (7%) who applied as independent students. The remaining 178 would be unaffected because they applied as dependent students under existing rules.
- o A student under 22 with dependents of her or his own would be considered dependent upon her or his family. By having a child, a person does not necessarily sever family ties. In fact, many students with dependents continue to live with and receive support from their parents. A student who has been disowned by her or his parents because she or he has parented a child might be exempted from parental dependency based on the provision allowing exemptions for students who have suffered mental abuse. Based on a preliminary count of 1983-84 State Scholarship and Grant recipients, 1,225 unmarried students who were under age 22 and had one or more dependents received an award. Only 324 (26%) would have been affected by the rule change because 901 applied as dependent students under existing rules.

**Issue 10. Why Propose Criteria Different From Federal Criteria?**

The federal criteria have been used for the State Scholarship and Grant Program since 1968. Using the federal definition for the state program makes it easier for students to apply, for aid officers to assist students, and generally streamlines the administration of the program.

While the Coordinating Board was examining the independent student issue in early 1983, proposed changes in the federal definition were under consideration. Recognizing the convenience of continuing to use one definition for both the state and federal programs, the Board, having considered the issue in spring of 1983, delayed any action until fall.

The federal Department of Education published a new, more stringent definition on May 23, 1983, for public comment. On August 3, 1983, however, Congress passed legislation to override the Department of Education's proposal and to freeze the current federal definition at least through the 1985-86 school year. The president signed the legislation.

With the federal situation clear, the Board resumed its deliberations in September 1983. While it is convenient to use the federal definition, the Board, based on the preponderance of evidence available, concluded that the need to maintain the integrity of the State Scholarship and Grant Program outweighs the disadvantages of a definition that differs from the federal program.

The Board found that the current definition allows students and their parents to arrange their financial affairs so that the student is eligible to apply as an independent student. This is not consistent with the original intent of the independent student category since students who have not established a prior pattern of self-supporting behavior are able to meet the three conditions in the current definition. An increasing number of awards going to students whose parents could and should be expected to contribute to

their child's education shifts resources away from those whose parents cannot be expected to contribute.

If more stringent federal requirements had been adopted, the Coordinating Board might have decided to accept the federal approach rather than adopt a separate state approach.

**Issue 11. Is it Legally Permissible For the Board to Use Standards Other Than Those Established By the Federal Government for the State Scholarship and Grant Program, Because the State Receives Federal Funds For Federal State Student Incentive Grant (SSIG) Program Applicants.**

SSIG funds represent approximately three percent of the funds for the Minnesota State Scholarship and Grant Program. Those students who are designated as recipients of SSIG funds must meet all federal requirements. But the great majority of recipients are not designated as SSIG recipients. Because the state has discretion to designate SSIG recipients, students who might be affected by the proposed policy would be excluded from the designated SSIG pool to avoid possible non-compliance with federal requirements.