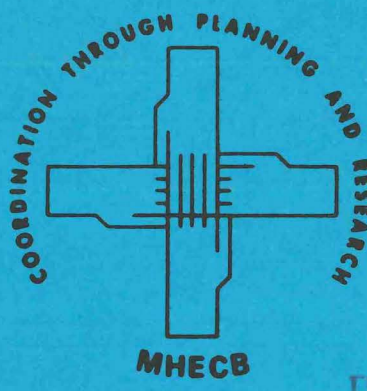


2 copies

851174

REPORT AND RECOMMENDATIONS  
OF THE  
TASK FORCE ON ALTERNATIVE DELIVERY SYSTEMS  
MINNESOTA SCHOLARSHIP AND GRANT PROGRAM

JUNE 19, 1985



LEGISLATIVE REFERENCE LIBRARY  
645 State Office Building  
Saint Paul, Minnesota 55155

LB  
2337.5  
.M6  
R46  
1985

# MINNESOTA HIGHER EDUCATION COORDINATING BOARD



MINNESOTA HIGHER EDUCATION  
COORDINATING BOARD

MEMBERS

Carol Kamper, Rochester, First Congressional District  
Maureen Johnson, Minneota, Second Congressional District  
Robert Ferguson, Eagan, Third Congressional District  
Arthur Gillen, North Oaks, Fourth Congressional District  
Mona Hintzman, Brooklyn Center, Fifth Congressional District  
Celeste O'Donnell, Stillwater, Sixth Congressional District  
Orrin Rinke, Sauk Rapids, Seventh Congressional District  
Archie Chelseth, Cloquet, Eighth Congressional District  
Patricia Spence, Little Falls, At-Large  
Charles Mourin, Aurora, At-Large  
Duane Scribner, Minneapolis, At-Large  
David A. Longanecker, Executive Director

REPORT AND RECOMMENDATIONS  
OF THE  
TASK FORCE ON ALTERNATIVE DELIVERY SYSTEMS  
MINNESOTA SCHOLARSHIP AND GRANT PROGRAM

JUNE 19, 1985

---

## EXECUTIVE SUMMARY

---

The Higher Education Coordinating Board (MHECB) in September 1984 formed a task force to study alternative methods of delivering Scholarship and Grant awards to eligible Minnesota students. The project was initiated as part of the Board's comprehensive review of state financial aid policies and procedures. Creation of the task force also was based on recommendations by the Minnesota Association of Financial Aid Administrators (MAFAA) and the Commission on the Future of Minnesota Post-Secondary Education.

The task force consisted of one representative from each of the state's six educational sectors, the MAFAA, the Department of Finance, the Board's Student Advisory Council, and the Coordinating Board.

The task force analyzed the strengths and weaknesses of the current delivery system and reviewed different approaches used by other states. Four alternatives were developed.

- I. Continue the current system with minor modifications.
- II. Develop a version of the extensively decentralized Colorado model.
- III. Develop a version of the highly centralized Pennsylvania model.
- IV. Develop a model that offers schools a choice of two delivery options:
  - a. A new campus-based delivery model, and
  - b. The current delivery system with minor modifications

Alternative I was rejected because, while preferred by several schools, it fails to address many weaknesses in the current system identified by the task force at the beginning of the study.

Alternative II was rejected because it lacks a central data base and internal control features.

Alternative III was rejected because it is too expensive.

Alternative IV was considered the most feasible to pursue and received the most attention by the task force members.

Task force members felt that the weaknesses of the current system could be eliminated or significantly reduced if responsibility for delivery

functions were divided between the Higher Education Coordinating Board, the American College Testing Service (ACT), and the schools as follows:

1. Higher Education Coordinating Board:
  - a. Coordination and determination of program policy and control.
  - b. Maintenance of a central data base for policy development and control.
  - c. Maintenance of audit and compliance function.
2. American College Testing Service - Iowa City:
  - a. Processing of applications using Uniform Methodology format.
  - b. Reporting of application data and calculated Parental Contribution to the MHECB and the schools.
3. Schools:
  - a. Maintenance of contact with students and parents.
  - b. Verification of information submitted by the student and the parents on the program application.
  - c. Calculation of the state award, within policy parameters established by the MHECB, and notification of the award package to the student.
  - d. Payment of award amounts to students.
  - e. Processing of changes to award and payment data.
  - f. Sending detailed reports to the MHECB, periodically, for entry into the central data base.

A system flow chart then was developed and discussed extensively with members of the task force and the Minnesota financial aid community in over 40 meetings held between January 1985 and May 1985 to test the feasibility of such a division of responsibilities. The task force found that the proposal was feasible and acceptable to many Minnesota schools and the staff of the Coordinating Board. The task force also found that many Minnesota schools were satisfied with the current system and felt that with some minor modification it would fully meet their needs.

Following its review of the alternatives, the task force adopted three recommendations:

- I. That the Higher Education Coordinating Board adopt the fourth alternative providing institutions with a choice of a new campus-based delivery model or the current delivery system with modifications.

- II. That in academic year 1986-87, the State University System pilot test the new campus-based delivery model and that it be available to other schools beginning in the 1987-88 school year.
- III. That in recognition of the additional administrative burdens placed on the institutions' financial aid office and data processing function, school administrators give high priority to the allocation of financial and personnel resources necessary to implement the new model.

---

CONTENTS

---

	<u>Page</u>
EXECUTIVE SUMMARY. . . . .	1-3
CONTENTS . . . . .	4
CHAPTER I. INTRODUCTION AND BACKGROUND. . . . .	5-6
COMPOSITION OF THE TASK FORCE . . . . .	6
CONTENTS. . . . .	7
CHAPTER II. A REVIEW OF THE CURRENT DELIVERY SYSTEM . . . . .	8
THE CURRENT SYSTEM: HOW IT WORKS . . . . .	8-10
DESIRABLE AND UNDESIRABLE FEATURES OF THE CURRENT DELIVERY SYSTEM. . . . .	10
Desirable Features . . . . .	10
Undesirable Features . . . . .	10-11
CHAPTER III. ALTERNATIVES . . . . .	12
ALTERNATIVE I. THE CURRENT SYSTEM WITH MODIFICATIONS . . . . .	12-13
Advantages . . . . .	13
Disadvantages. . . . .	13
ALTERNATIVE II. A TOTALLY DECENTRALIZED SYSTEM: THE COLORADO SYSTEM . . . . .	13-14
Advantages . . . . .	14
Disadvantages. . . . .	14-15
ALTERNATIVE III. A CENTRALIZED SYSTEM: THE PENNSYLVANIA OPTION. . . . .	15
Advantages . . . . .	15-16
Disadvantages. . . . .	16
ALTERNATIVE IV. A NEW CAMPUS BASED DELIVERY MODEL. . . . .	16-18
Advantages . . . . .	18-19
CHAPTER IV. RECOMMENDATIONS . . . . .	20-21
APPENDICES . . . . .	22
APPENDIX A: Alternative Delivery System Project Feasibility Statement - March 1984 . . . . .	23-25
APPENDIX B: Time Line - Current Delivery System. . . . .	26
APPENDIX C: Flow Chart - Current Delivery System . . . . .	27-38
APPENDIX D: Flow Chart - Proposed Campus Based Delivery System Option. . . . .	39-55
APPENDIX E: Institutional Agreement (Draft 6-11-85). . . . .	56-61
APPENDIX F: Data Elements to be Maintained in MHECB Data Base . . . . .	62-64
APPENDIX G: Summary of Task Force Meetings . . . . .	65-66

---

CHAPTER I. INTRODUCTION AND BACKGROUND

---

The creation of a task force to examine financial aid delivery options evolved from interest expressed by the Higher Education Coordinating Board, the Minnesota Association of Financial Aid Administrators (MAFAA), and the Commission on the Future of Minnesota Post-Secondary Education.

The Coordinating Board in 1980 began a complete review of the state financial aid programs, first focusing on policy issues and then addressing operational matters. Several major changes in MHECB administered programs have resulted from this review, including the following:

1. Adoption of the Shared Responsibility design for calculating State Scholarship and Grant awards,
2. Extension of Scholarship and Grant deadlines, thus opening the program to many more students than served previously,
3. Consolidation of the AVTI Tuition Subsidy Program with the Scholarship and Grant Program,
4. Expansion of financial aid to part-time students,
5. Development of the Student Educational Loan Fund (SELF) to supplement federal loan programs, and
6. Upgrading of the Board's data processing capabilities through installation of a new Digital VAX 11750 computer.

The MAFAA, in testimony to the Commission on the Future of Minnesota Post-Secondary Education on February 9, 1984, proposed the formation by the Higher Education Coordinating Board of a task force to explore alternative methods of delivering state financial aid to students. The Commission subsequently endorsed the recommendation in its final report to Governor Rudy Perpich.<sup>1</sup>

The Coordinating Board considered this recommendation consistent with its long range planning efforts for financial aid and in March 1984

<sup>1</sup>Commission on the Future of Minnesota Post-Secondary Education, Post-Secondary Education in Minnesota: A commitment to quality, access and diversity (April 1984).



included a project on delivery options in its management plan for the subsequent year. A copy of the project feasibility statement presented to the Board is included in Appendix A.

COMPOSITION OF THE TASK FORCE

The task force was established in September 1984. The Higher Education Coordinating Board sent a letter to the commissioner or representative of each of the six post-secondary systems, the commissioner of Finance, the president of the MAFAA, and the Student Advisory Council requesting that they designate a representative to serve on the Delivery System Task Force. All sectors responded, and a task force consisting of the following individuals was organized:

<u>NAME</u>	<u>REPRESENTING</u>	<u>VOTE</u>
H. James Leskee	Chairman (MHECB)	*
Cheryl Maplethorpe	MHECB	1
Marion Freeman	University of Minnesota	1
Robert Krause	State University System	1
Gary Ness	Community College System	1
Jan Hyllestad	AVTI System	1
Rick Smith	Private 4 Year Colleges	1
Patty Gartland/Maurey Gharrity**	Private 2 Year Colleges	1
Frank Loncorich	MAFAA	1
Dale Nelson	Department of Finance	1
Sue Boettcher***	Students	1

\*Project chairman, to vote only in the event of a tie.

\*\*Maurey Gharrity was selected by the Private 2 Year College sector to replace Patty Gartland midway during the project.

\*\*\*Sue Boettcher was selected by the students to replace Michael Olkives and Glenn Allen during the project.

Each representative was asked to appoint an advisory group from his or her sector. These subgroups represented institutional interests including the financial aid office, the business office and the data processing division.

CONTENTS

This report of the task force reviews the operation of the current delivery system and identifies its desirable and undesirable features. It examines four alternatives to deliver financial aid that were considered, and presents the task force recommendations.

---

CHAPTER II. A REVIEW OF THE CURRENT DELIVERY SYSTEM

---

The task force began its work by analyzing the current financial aid delivery system. Each task force representative conducted individual meetings with his or her advisory group to identify desirable features of the current system that should be retained and features of the current system that were creating problems and needed to be addressed. These findings were reviewed with Coordinating Board staff and the task force. This chapter reviews how the current delivery system works and summarizes the perceptions of it as expressed by task force members.

THE CURRENT SYSTEM: HOW IT WORKS

The starting point for the current Scholarship and Grant delivery system is the biennial appropriation by the Minnesota Legislature to the MHECB.

Supplemental appropriations during the biennium are sometimes required and are based on analysis of need prepared by the Board staff.

The second step is the approval by the Board of a list of schools which meet the Board's requirements to participate in the program. This action normally occurs each June.

During the summer and fall leading to the start of the application period, Board staff completes computer requirements, prepares and distributes printed materials describing the program, holds workshops for financial aid administrators, and attends college sponsored events such as the "College Fair". Meanwhile, institutional financial aid administrators conduct parent meetings at the high schools.

The application process starts January 1 and runs continuously for the next 17 months. A student may apply any time for any academic program which commences during that period. The student fills out a Family Financial Statement (FFS) which collects the family's financial data. This form is then mailed to a central data processor, The American College Testing Service (ACT) of Iowa City, Iowa with whom the Board has a contract to process the information on the application.

The central processor (ACT) performs several functions:

- o It summarizes the application data and transmits it to the Federal Pell Grant processing agent for subsequent use in determining Federal Pell Grant awards to students attending Minnesota schools.
- o It analyzes and summarizes the data. Using a standard need analysis system (Uniform Methodology), it determines an amount that the parents and the student could reasonably be expected to contribute toward educational expenses -- the Parental Contribution (PC) and Student Contribution (SC). This information is then sent to the institution the student is planning to attend, the student, and the Higher Education Coordinating Board.

Upon receipt of the application information and the computation of the Parental and Student Contribution from ACT, the Board enters the data into its computer and calculates the Scholarship and Grant award using the Shared Responsibility methodology. If questionable data are received, this step is preceded by a letter to the student from the Board asking for clarification or additional information.

After the award has been calculated, the Board sends the student a letter advising him or her of the award amount.

Shortly before the start of each term or semester, the Board authorizes the Department of Finance to prepare individual checks payable to the students. Multiple disbursement procedures are used to disburse award amounts. These checks are mailed to the school where they are distributed to students by the financial aid office.

At the end of each year the Board summarizes the year's activity and publishes the data in an annual status report. This information also is used by the Board to prepare the biennial appropriation request for the subsequent biennium.

Appendix B presents this process in more detail and identifies the timing of each activity. Calendar years 1984, 85 and 86 are used for the illustrations.

A flow chart of the current system is presented in Appendix C.

DESIRABLE AND UNDESIRABLE FEATURES OF THE CURRENT DELIVERY SYSTEM

In reviewing the current system, the task force members identified several desirable and undesirable features.

Desirable Features

1. A centralized body exists to:
  - a. Maintain a central data base,
  - b. Develop program policy,
  - c. Insure consistency of the award process, and
  - d. Develop budget requests.
2. Awards are portable. Students may transfer to a different school during the academic year and receive an award at each school.
3. Deadlines for applications have been extended adequately.
4. The schools are offered the option of receiving one check and a roster rather than single check per student.

Undesirable Features

1. The current system is too costly, to students, schools, and the state
2. Awards and payments to students are not made in a timely manner.
3. There is redundancy in the validation efforts of the MHECB and school staff.
4. The system is too complex and has too many actors; this causes confusion for students and parents as well as delays in the process.
5. The state has only one delivery system that it applies to a large number of schools with differing internal operating practices. This results in a large variety of operating problems.
6. There is no institutional agreement between the MHECB and the schools. This results in confusion regarding duties and responsibilities of each party in the delivery process.
7. There is no administrative cost allowance to help schools afford the cost of processing State Scholarships and Grants.
8. The current system is cumbersome in dealing with award or payment revisions.

9. The current system was designed around the traditional academic year (September - June) and does not address the growing needs of students enrolled in programs of non-traditional starting dates and length.
10. The handling of refunds is cumbersome and inefficient.

---

CHAPTER III. ALTERNATIVES

---

After extensive discussion of the strengths and weaknesses of the current delivery system and a review of approaches used by other states, the task force reviewed the following four alternative delivery approaches:

- I. Continuation of the current delivery system with modifications.
- II. Development of a version of the extensively decentralized Colorado model.
- III. Development of a version of the highly centralized Pennsylvania model.
- IV. Development of a new campus based delivery model with the option of retaining the current delivery system with modifications.

The strengths and weaknesses of each of these alternatives is presented below.

ALTERNATIVE I. THE CURRENT SYSTEM WITH MODIFICATIONS.

The task force considered maintaining the present centralized system with several modifications.

The first modification would be to alter the present process to allow awards for continuous or uninterrupted periods of enrollment. This modification would be of special significance to students enrolled in vocational programs.

The second modification would be to allow financial aid administrators to make award payments that cross fiscal years. This would simplify the administration of the program.

The third modification would be to require financial aid administrators to report to the HECB any adjustment to financial data due to the Pell Grant verification procedure. This would strengthen the internal controls of the current system.

The task force considered the possibility of installing terminals on each campus which would be linked to the MHECB mainframe computer. The terminals would be used to inquire as to the status of individual student awards and update information due to the Pell Grant verification process.

This option was rejected because it would require significant expenditures to implement by both schools and the MHECB and the benefits did not appear to outweigh the costs.

Advantages

This alternative would have the following advantages:

1. It would minimize the number of changes in current procedures and involve little additional cost to implement.
2. It would eliminate a number of the current procedural problems experienced by vocational schools.

Disadvantages

The disadvantages of this alternative are as follows:

1. Since the award would be calculated by the MHECB and payments made by the Department of Finance, this alternative would not reduce the time involved in delivering aid.
2. Student contact would remain with the MHECB in St. Paul.
3. Verification procedures would not be strengthened and procedural redundancies would continue to exist.
4. The refund problem would continue to affect the timeliness of awards and payments.
5. The procedural problem of how to deal with awards to part time students, or students who switch from full time to part time during the year, would be complicated.
6. Maintenance of a central system of delivery would limit program administrators current and future ability to:
  - a. prevent overawards,
  - b. respond to the individual nature of students' cost of attendance budgets,
  - c. provide an administrative cost allowance to financial aid offices.

ALTERNATIVE II. A TOTALLY DECENTRALIZED SYSTEM: THE COLORADO OPTION.

Colorado maintains a totally decentralized delivery system for state grant funds.

State appropriations are made to a two person staff who administer the



program. The funds are reallocated to the schools which perform all the procedural activities of the program, process applications, verify data, calculate the award, and disburse funds. At year end a summary report is sent to the state agency. No student level data base is maintained at the state level.

#### Advantages

Advantages of a totally decentralized system are as follows:

1. Awards and payments to students can be accomplished on a timely basis.
2. All contact with the student is maintained at the school.
3. The administrative cost to the state is small.
4. The refund problem is eliminated.
5. Verification of data is improved by locating the responsibility at the school.
6. Part time students can be accommodated effectively.
7. Packaging can be highly individualized.

#### Disadvantages

Disadvantages of a totally decentralized system are as follows:

1. No student level data base is maintained at the state agency for simulation or policy development. Only summary information is reported to the state.
2. Internal controls over the program are weak.
  - a. No way exists to determine consistency of award methodology between schools.
  - b. No way exists to ensure payments are consistent with awards calculated by whatever method.
  - c. No way exists to ensure that payments are made to eligible students.
  - d. No way exists to ensure that schools are not overawarding some students and discriminating against others.
3. Totally decentralized delivery systems generally are associated with small programs. Because of this, legislators normally do not

appropriate significant amounts of money to control them. The task force surveyed the membership of the National Association of State Scholarship and Grant Programs to determine the extent of decentralized administration and found that only seven states used such a method; the largest appropriation was \$8.7 million in Colorado.

ALTERNATIVE III. A CENTRALIZED SYSTEM: THE PENNSYLVANIA OPTION.

Pennsylvania operates a centralized delivery system that relies heavily on data processing technology on both the state and campus levels.

State appropriations are made to the state agency which employs a large staff (35 clerical employees, 30 data processing employees, 6 auditors and 4 criminal investigators). The state agency prepares award packages for all students and sends them to the schools. The schools, in turn, make adjustments, as necessary, and send the award packages to the student. Approximately one half of the schools (150) have computer terminals on campus which are used to make adjustments to the central data base at the state agency as well as make inquiries as to student status. The state agency transfers appropriated funds to the schools where individual checks are prepared and distributed to students. Verification of data on state programs is done at the state level by directly accessing state tax and other information. Verification of data on federal programs is done at the school. There is no requirement for schools to report information on campus-based programs to the state agency.

Advantages

Advantages of the Pennsylvania option are as follows:

1. It assures the maintenance of a central data base of information for control and research purposes.
2. It maximizes the use of state-of-the art data processing techniques which improves communication between the state agency and the campus. This improves ability to communicate and eliminates many problems such as refunds due to lack of information on the location of the student, data changes due to verification of awards to part time students and overawarding.
3. Internal controls over the system are strong. The system:

- a. Assures consistency of award methodology over award calculations.
  - b. Assures that payments are consistent with awards.
  - c. Assures that payments are made to eligible students.
  - d. Assures the equitable distribution of monies between students and schools.
4. Centralized systems generally are associated with large programs that are heavily funded. Because of this, legislators are generally willing to pay for a large administrative staff to maintain control over the expenditure of monies.

#### Disadvantages

The disadvantages of the Pennsylvania option are as follows:

1. It is costly, both in terms of data processing equipment and personnel.
2. Timeliness of awards and payments to students can be improved.

#### ALTERNATIVE IV. A NEW CAMPUS BASED DELIVERY MODEL.

As a result of its extensive review of the strengths and weaknesses of the current delivery system, the task force tentatively concluded that its weaknesses could be eliminated or significantly reduced if the Coordinating Board would delegate the responsibility and accountability for a number of the major system functions to the schools. This division of functions is outlined below:

1. Higher Education Coordinating Board:
  - a. Coordination and determination of program policy and control.
  - b. Maintenance of a central data base for policy development and control.
  - c. Maintenance of audit and compliance function.
2. American College Testing Service - Iowa City:
  - a. Processing of applications using Uniform Methodology format.
  - b. Reporting of application data and calculated Parental Contribution to the MHECB and the schools.

3. Schools:

- a. Maintenance of contact with students and parents.
- b. Verification of information submitted by the student and the parents on the program application.
- c. Calculation of the state award, within policy parameters established by the MHECB, and notification of the award package to the student.
- d. Payment of award amounts to students.
- e. Processing of changes to award and payment data.
- f. Submission of detailed reports to the MHECB, on a periodic basis, for entry into the centralized data base.

The task force then developed a system flow chart to test the feasibility of implementing such a division of functional responsibilities. The flow chart was reviewed with each sector, revised, and reviewed repeatedly in more than 40 meetings. This alternative is diagrammed in Appendix D. Since some schools are satisfied with the current delivery system, this alternative was expanded to give those schools an option to retain the current system, possibly with the modifications outlined under the first alternative.

Implementation of the campus based option would have varying impacts on schools depending on the current status of staffing in the financial aid and business offices and the extent to which their financial aid and business offices are automated. This option would operate the same as the current system except that the following responsibilities would be assumed by the schools.

1. Verification of student eligibility.
2. Processing of changes to application information.
3. Calculation of the state award.
4. Preparation of individual checks to students.
5. Reconciliation of fund balances with the MHECB staff.
6. Periodic and annual reporting to the MHECB.

The increased workload from these responsibilities would be offset to some extent by decreases in phone calls to the MHECB staff and processing of refunds.

The net result however, would likely in all cases be an increase in

workload to the school. To help offset the cost of this increased workload, schools would have the use of interest earnings on funds advanced to them 20 to 30 days prior to their disbursement to students.

Under this alternative, the institutions participating in the Scholarship and Grant Program would sign an institutional agreement with the Coordinating Board identifying duties and responsibilities. A draft agreement is presented in Appendix E. Appendix F lists the data the Coordinating Board would maintain in the student data base under this alternative.

Because of the wide variance of impacts, the task force did not attempt to quantify the overall financial effect of this option on the schools.

The impact of the campus based option on the Higher Education Coordinating Board was somewhat easier to determine. The impact on staffing and expenses of the MHECB Scholarship and Grant staff would be marginal as reductions in current production activities would be replaced by increases in audit activities. The extent of this would depend on the number of schools electing to use the campus based option. The MHECB computer system would require some one time software modifications at a cost of approximately \$75,000 to \$100,000. The Conference Committee of the Minnesota legislature has appropriated funds adequate to cover these expenses.

#### Advantages

This alternative would have the following advantages:

1. Awards and payments could be made on a more timely basis.
2. Campus financial aid administrators could do a better job of verifying data and eliminate redundant verification efforts.
3. Awards and payments could be made for periods of continuous enrollment, even in cases where the periods cross fiscal years.
4. The refund problem would be eliminated since the payment would be made after the enrollment decision had been made and the students location is determined.
5. An administrative cost allowance could be provided to financial aid offices through interest earnings on fund balances.

6. The focus of student contact would be shifted from St. Paul to the campus.
7. The MHECB and the school financial aid office would be provided a much cleaner method of dealing with the growing number of part-time students.
8. The current movement in all systems toward enhanced data processing capabilities would be used and encouraged.
9. A vehicle would be provided by which financial aid to students could be more individualized than the current centralized system allows.
10. Internal controls and policy development objectives of the MHECB would be maintained by providing for periodic and annual reporting of individual student level data to the MHECB for maintenance of a student level data base.

By allowing a school the option of selecting either a computerized campus based system or the current system, schools which feel they are ill equipped to deal with the campus based system could continue with the current system.

---

CHAPTER IV. RECOMMENDATIONS

---

The task force, after extensive review of the current delivery system, alternative delivery methods used by other states, and a new campus based model, adopted the following recommendations:

- I. That the Higher Education Coordinating Board offer schools a new campus-based delivery system option and at the same time offer a school the option of continuing to use the current system with modifications.

The major advantage of the new system option is that it incorporates the many operational advantages of a decentralized system while maintaining the control and policy development features of a centralized system. The proposed new system option specifically addresses the concerns expressed by participants at the beginning of the study.

- II. That the campus-based option be tested on a pilot basis with the State University System in academic year 1986-87 and made available to other schools in subsequent academic years.

Since a considerable amount of preliminary data processing work would be necessary both by the Coordinating Board staff and the schools, testing the new delivery model on a limited number of schools in the first year would provide time to work out the mechanical procedures. The State University System appears to be in the best position to conduct such a test in 1986-87. Delaying implementation in the other systems until subsequent academic years will provide time for those schools which elect this new option to prepare for the conversion.

- III. That school administrators place a high priority on the allocation of financial and personnel resources necessary to implement and maintain the campus-based option.

The task force recognized that in selecting the campus-based option, a school will assume an increased workload in its data

processing department and its financial aid and business offices.

A summary of task force meetings, issues discussed and actions taken is presented in Appendix G.



---

APPENDICES

---

- A. Alternative Delivery System Project Feasibility Statement - March 1984
- B. Time Line - Current Delivery System
- C. Flow Chart - Current Delivery System
- D. Flow Chart - Proposed Campus Based Delivery System Option
- E. Institutional Agreement (DRAFT 6-11-85)
- F. Data Elements to be Maintained in MHECB Data Base
- G. Summary of Task Force Meetings

ALTERNATIVE DELIVERY SYSTEMS FOR MINNESOTA  
STATE SCHOLARSHIP AND GRANT PROGRAMS

---

PROJECT FEASIBILITY STATEMENT #1

---

GENERAL PROJECT DESCRIPTION

The project would examine alternative methods of processing applications and delivering monies to students eligible to participate in the Minnesota State Scholarship and Grant Program.

Alternative methods of delivery to be examined are presented below:

1. Continuation of the present centralized program administered by the HECB in St. Paul.
2. Decentralize the administrative process to the campus level.
3. Modify the present delivery process to incorporate new data processing technology at the HECB with campus capabilities.

The Project would examine the impact of these alternatives on the accomplishment of the states goal of providing maximum service to students at the lowest reasonable administrative cost to the state.

The impact of each alternative on the accomplishment of the goal would be assessed by a detailed system review and cost analysis. Other pertinent considerations include whether:

1. The alternative is consistent with the concept of Shared Responsibility.
2. Internal controls are present to insure that funds are being used consistent with legislative intent.
3. The alternative maximizes the ability of the HECB staff to complete simulation and projection modeling projects in a timely and comprehensive maner.
4. The alternative maximizes the use of state-of-the-art data processing capabilities both on the campus and at the HECB.

The review project does not rule out the possibility that more than one delivery alternative may be appropriate.

PLAN OF THE PROJECT:

The Project would include a review of the literature of alternative methods of administering student financial aid. It would include an analysis of what other state agencies are doing. The product of the project would be a staff technical paper describing the literature, other state delivery models, a system flow chart of each alternative, a detailed cost analysis of each alternative, a narrative description of the advantages and disadvantages of each alternative as it relates to the project objective. On the basis of this paper the Task Force will make a recommendation to the Board.

INTEREST IN THE SUBJECT

The Minnesota Higher Education Coordinating Board expressed an interest in this subject in 1980 when it directed the staff to undertake a review of the financial aid process in Minnesota. The Governor's Commission on the Future of Post-Secondary Education expressed an interest in improving service to students. The Minnesota Association of Financial Aid Officers recommended to the Governor's Commission the establishment of a task force to study this subject.

The Project is the final phase of the complete review of the Minnesota Financial Aid Programs which was started in 1980. Significant outcomes of this review process since then include:

1. The development of a new data processing capability at HECB.
2. The development of the policy of Shared Responsibility which provides a policy framework from which to proceed.
3. The decision to proceed with the development of a state sponsored student loan program to supplement the existing federal loan programs.
4. The consolidation of overlapping programs and the extension of application deadlines.

The progress made in the above areas provides a sound foundation for a review of administrative processing alternatives. In addition, the review will provide valuable input for MHECB staff as they plan future data processing requirements.

LOGISTIC REQUIREMENTS:

The project would require the appointment of a task force consisting of the following:

J. Leskee	MHECB	Project Leader
C. Maplethorpe	MHECB	State S&G Programs
A. Hauptert	MHECB	Cash Flow
T. Medd	MHECB	Internal Controls
A. Hoverstad	MHECB	Data Processing
?		Department of Finance
?		Student Representative
?		AVTI Representative
?		Community College Representative
?		State University Representative
?		Univ. of Minnesota Representative
?		Private Four-Year Representative
?		Private Two-Year Representative
?		MAFAA Representative

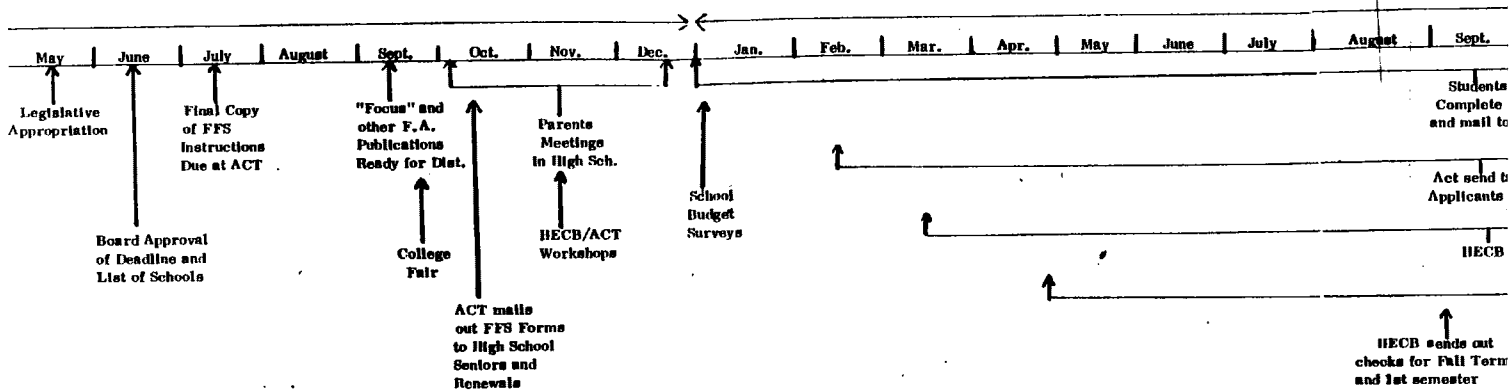
It is anticipated that current administrative procedures as well as each of the alternatives will be reviewed in detail by HECB staff with sub-groups headed by each system representative. Common and unique requirements would be identified and final recommendations developed. An estimated \$3,000 will be required for visits to other states. Use of outside consultants will be limited to no more than \$5,000. It is anticipated that the project will be completed during the fall of 1984 (September 1984 through December 1984) and a report issued in January of 1985.

TIME LINE - SCHOLARSHIPS AND GRANTS

ACADEMIC YEAR 1985-86

1984

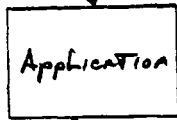
1985



High School



INSTITUTION

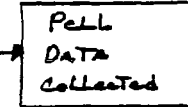
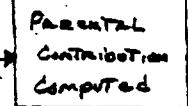
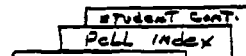
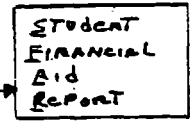
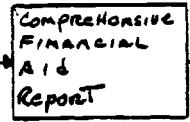
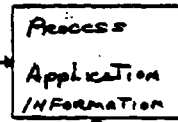
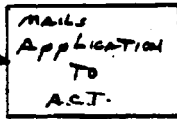
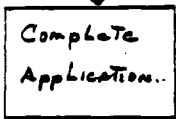


ACT



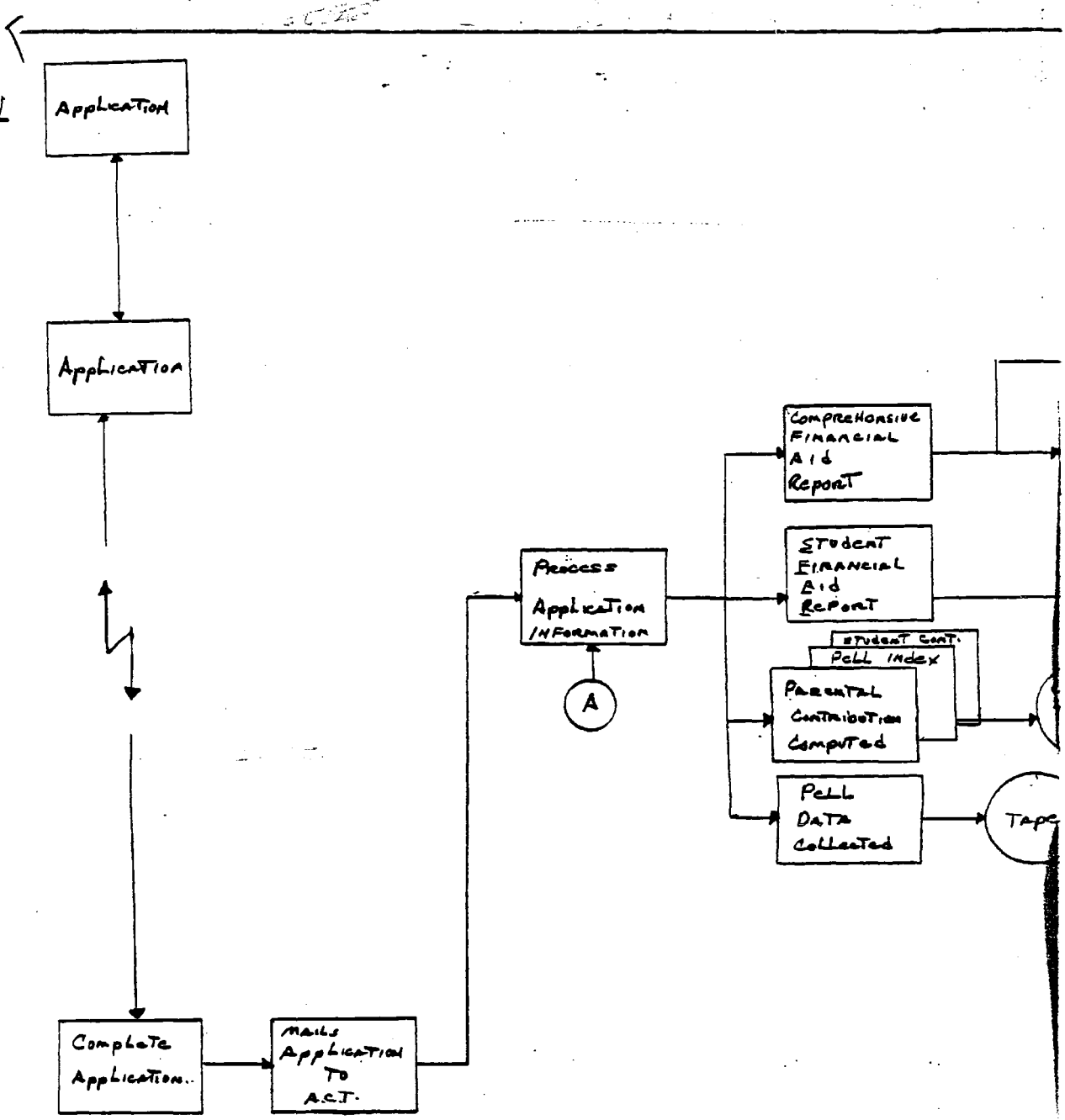
MHECB

STUDENT

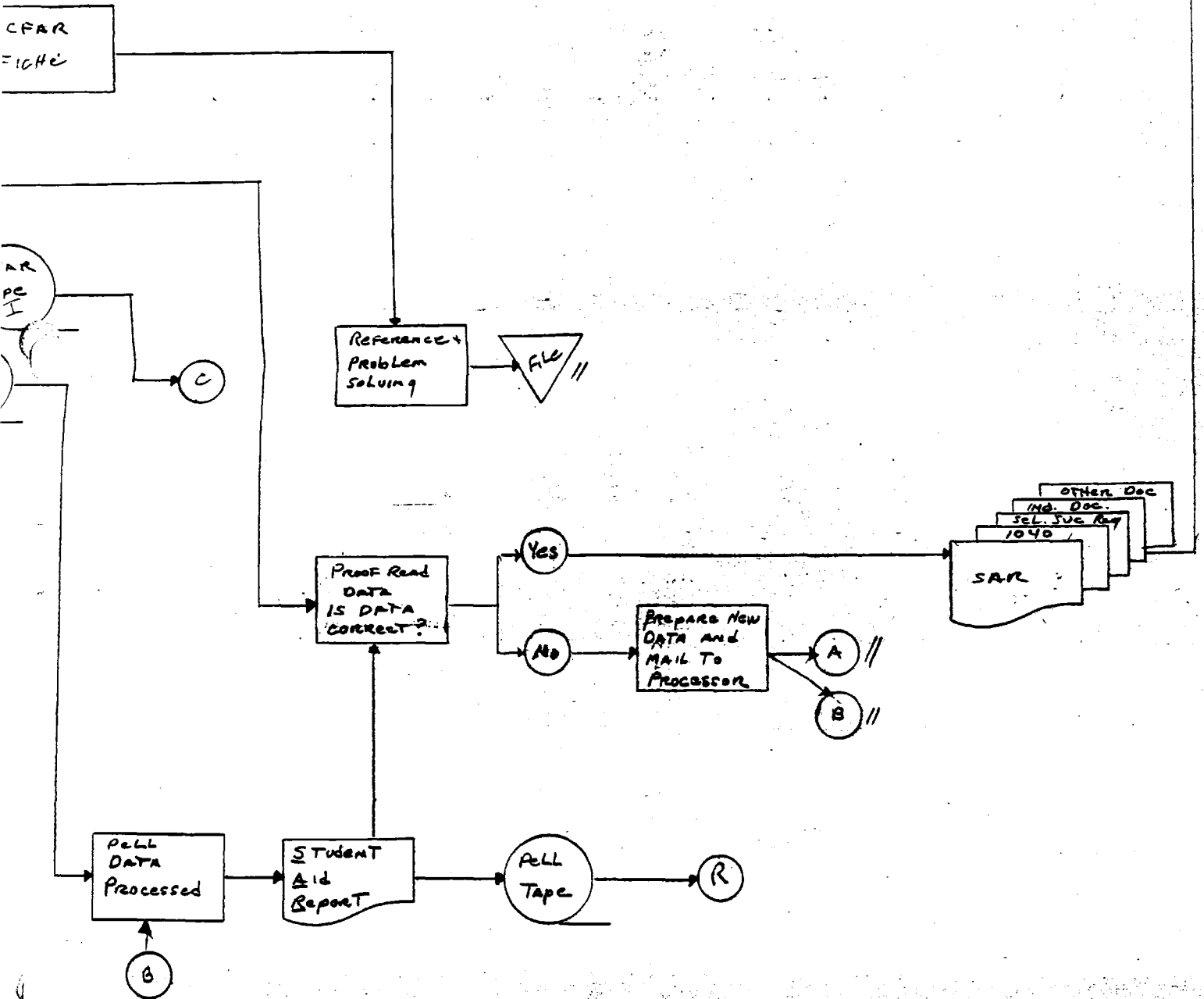


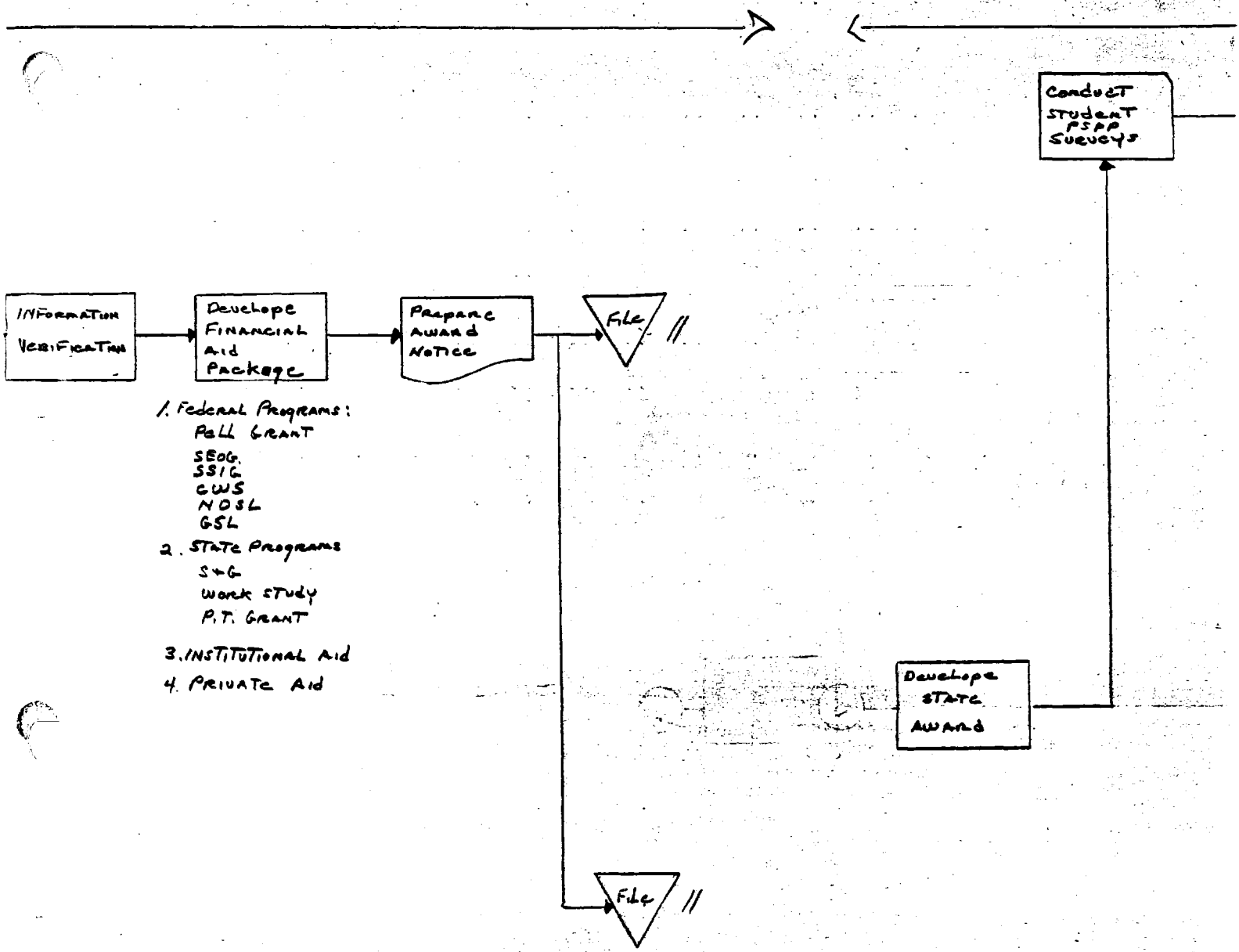
Federal

Dept of Finance



# Application Processing

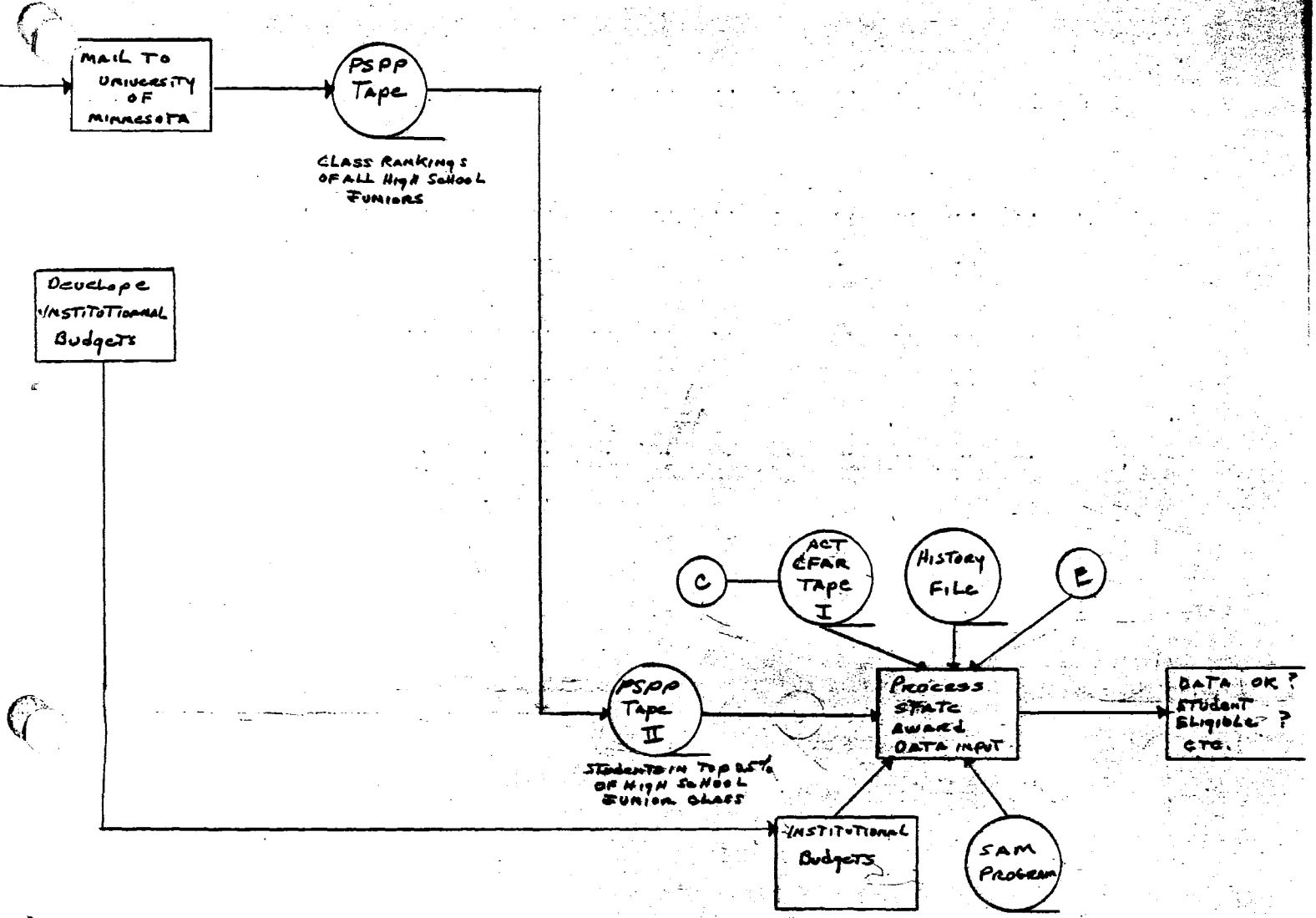


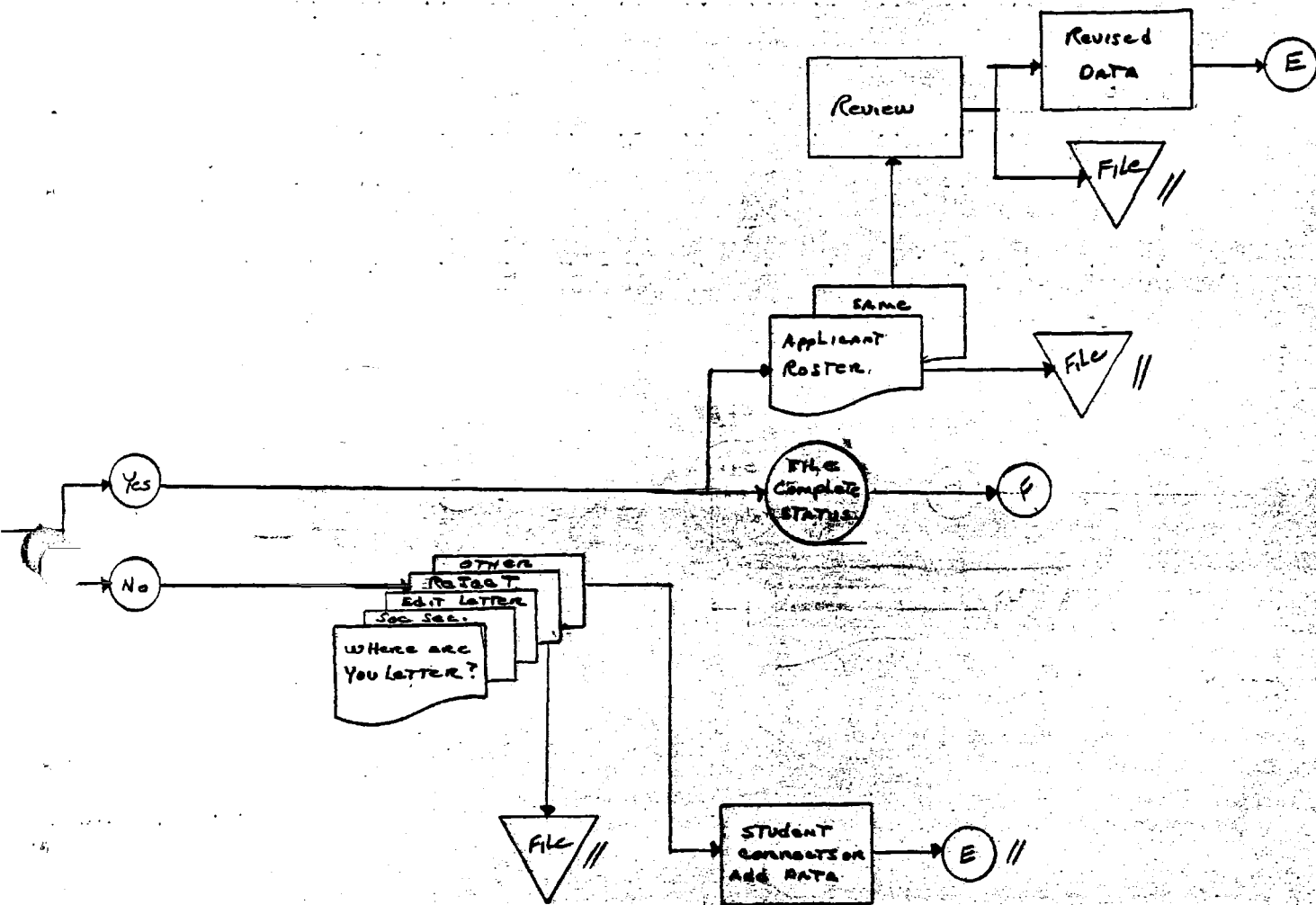


- 1. Federal Programs:
  - Pell Grant
  - SEOG
  - SSIG
  - CWS
  - NDSL
  - GSL
- 2. STATE Programs
  - S+G
  - Work Study
  - P.T. Grant
- 3. INSTITUTIONAL Aid
- 4. PRIVATE Aid

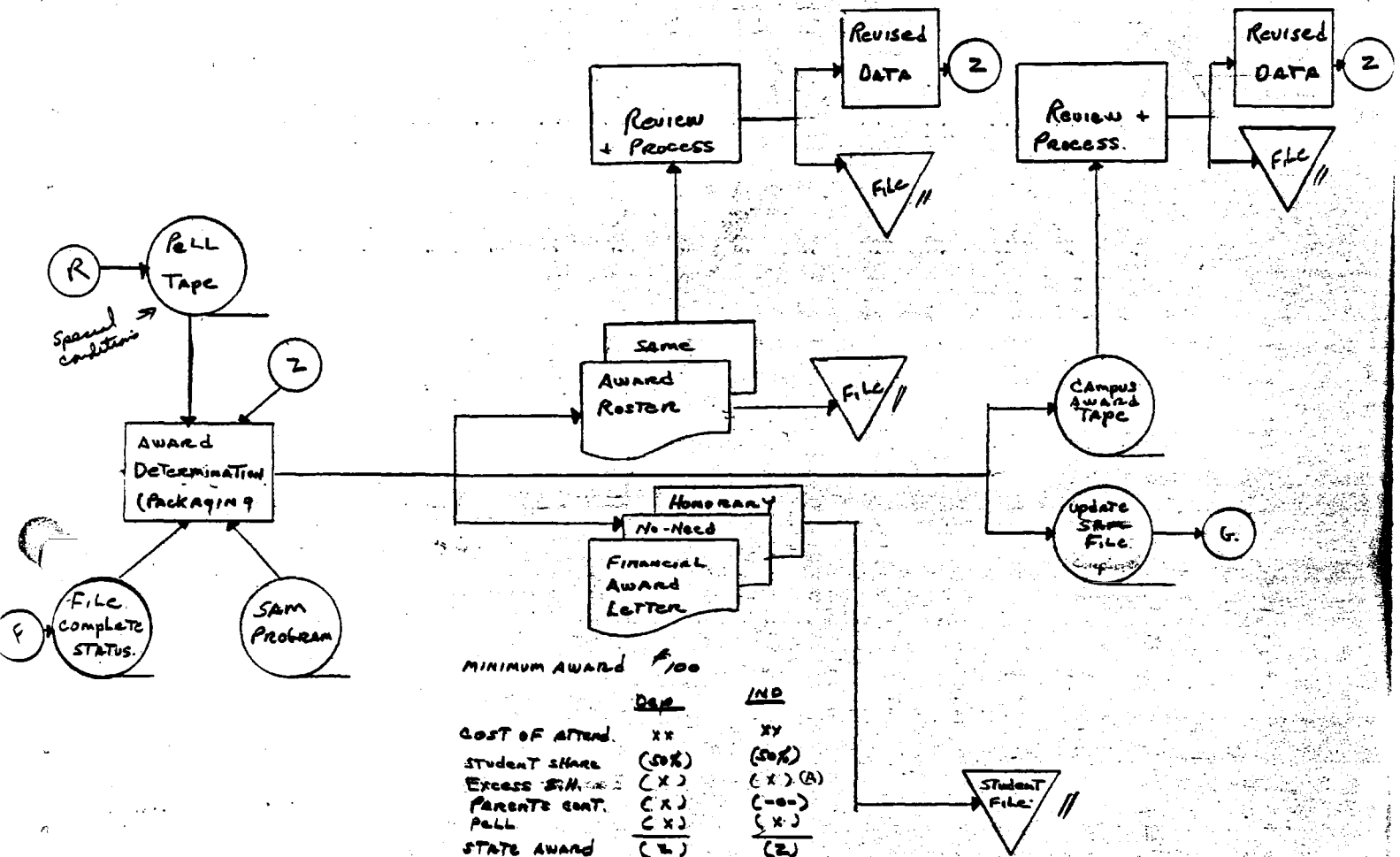


# STUDENT DATA INFORMATION PROCESSING





Award Packaging



MINIMUM AWARD \$100

	Dep	IND
COST OF ATTEND.	XX	XY
STUDENT SHARE	(50%)	(50%)
EXCESS \$1M.	(X)	(X) (A)
PARENTS CONT.	(X)	(-0-)
PELL	(X)	(X)
STATE AWARD	(X)	(X)

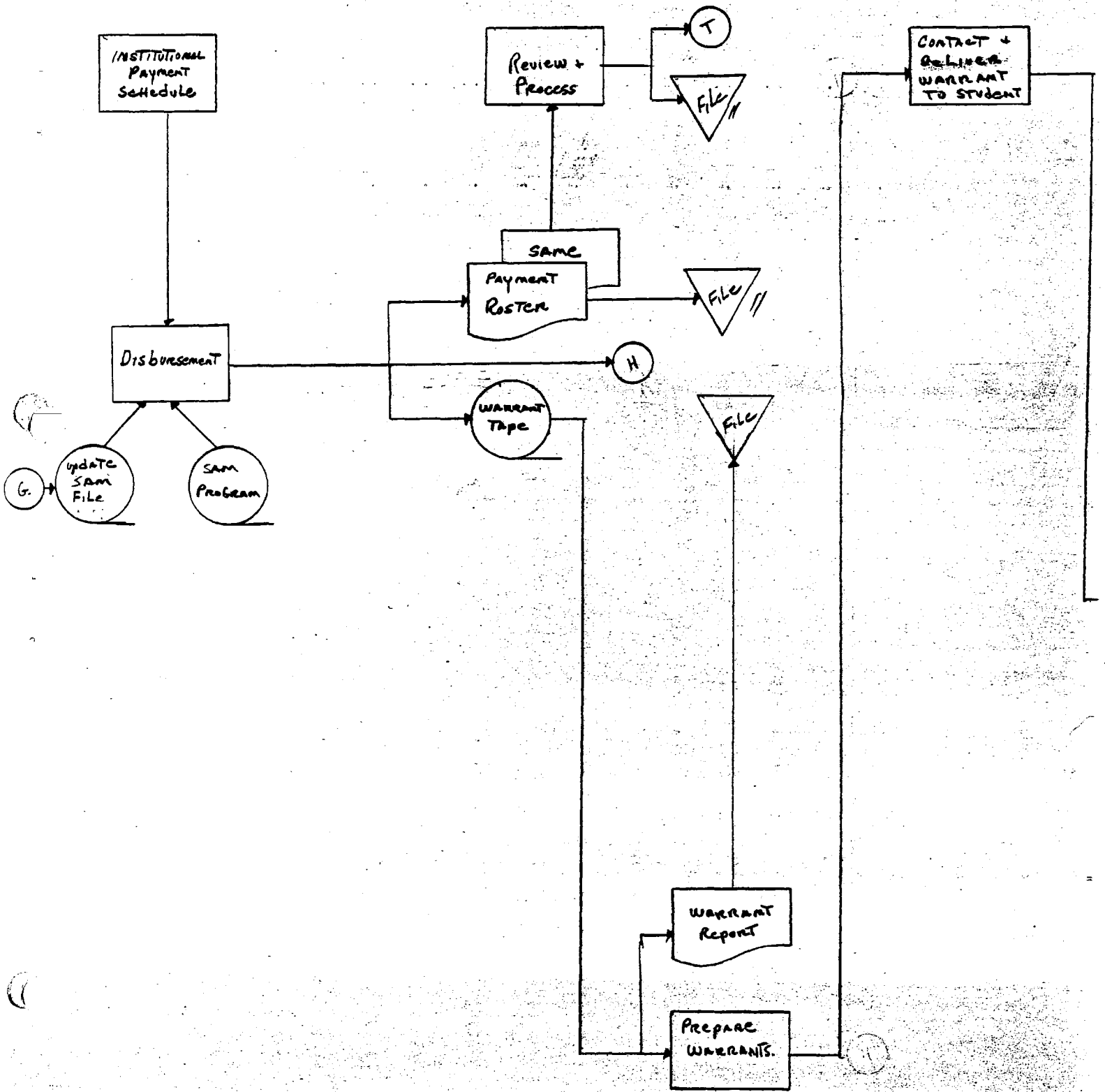
(A) EST. 9 MOS EARN + 35% OF ASSETS.

PRIORITIES:

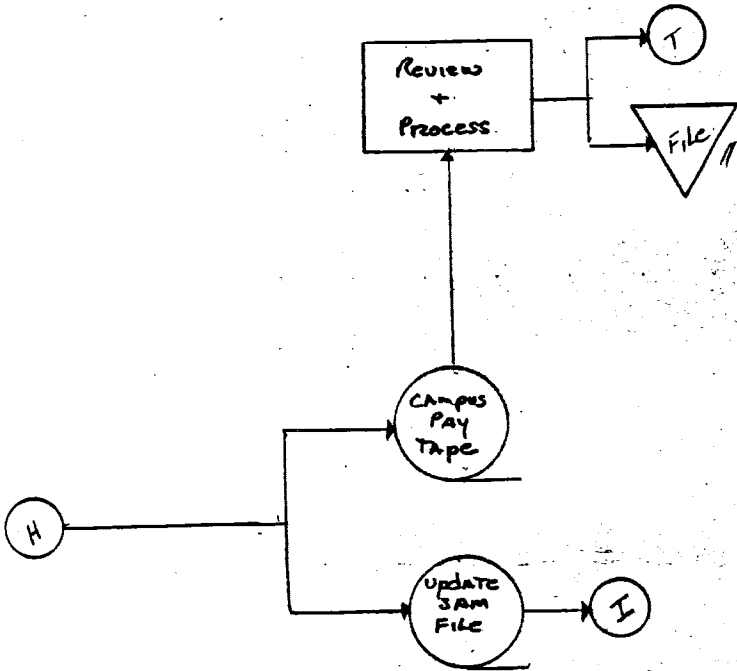
1. RENEWAL SCHOLARS - HIGH RANK TO LOW RANK
2. RENEWAL GRANTS - LOW P.C. TO HIGH P.C.
3. NEW SCHOLARS - HIGH RANK TO LOW RANK
4. NEW GRANTS - LOW P.C. TO HIGH P.C.

RATIONING MECHANISM:

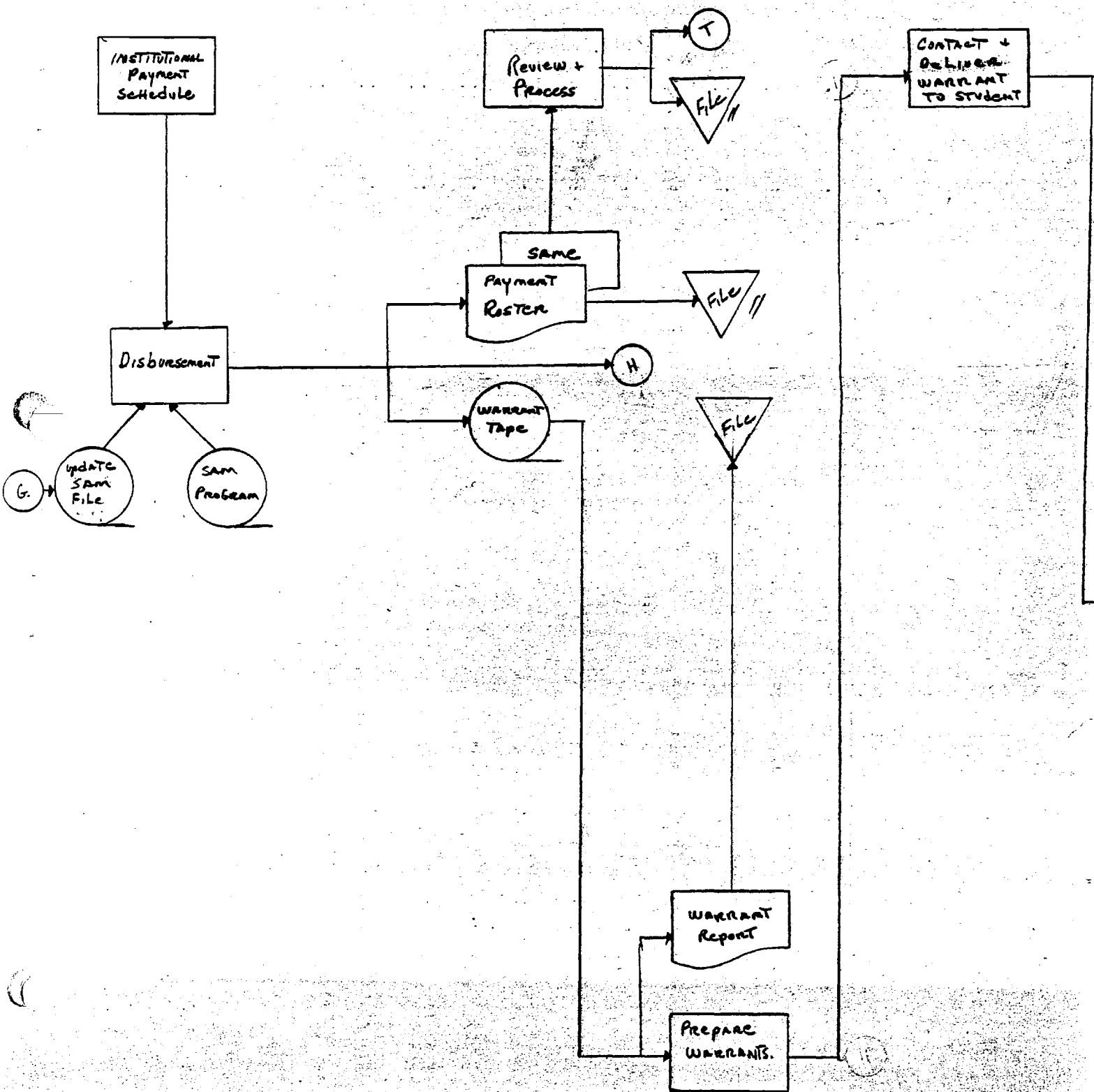
1. SURCHARGE ON P.C.
2. ADJUST. SIG. %



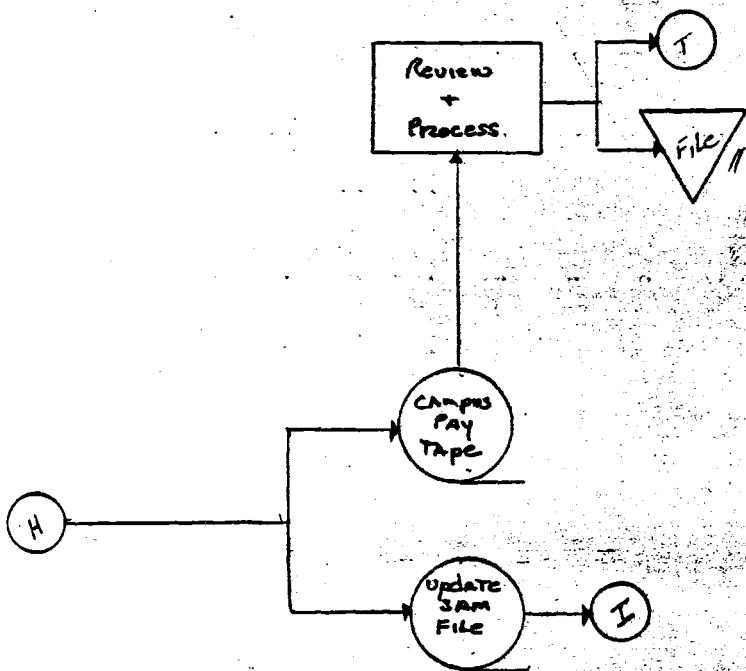
Processing



STUDENT Pays College Expenses //

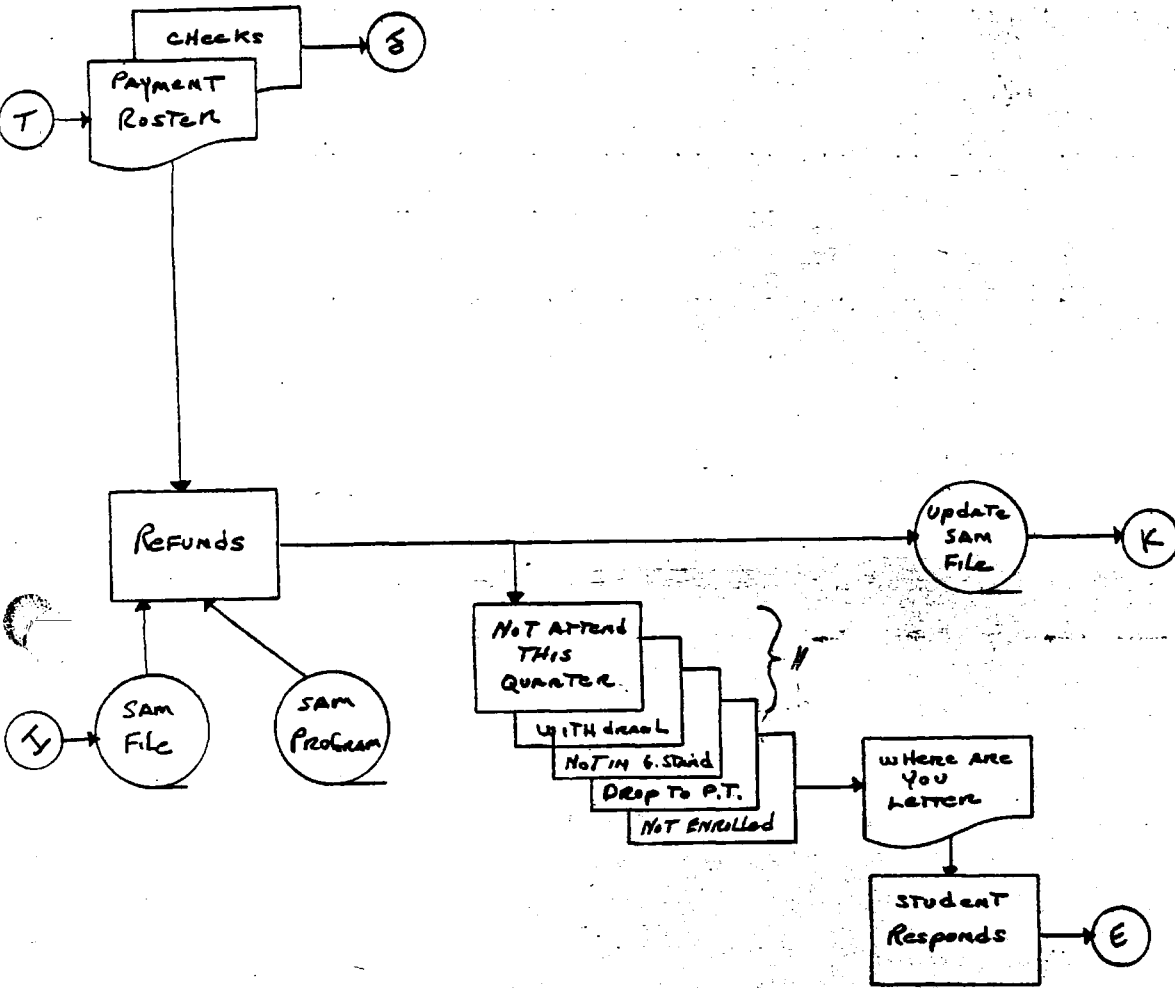


Processing



STUDENT Pays College Expenses //

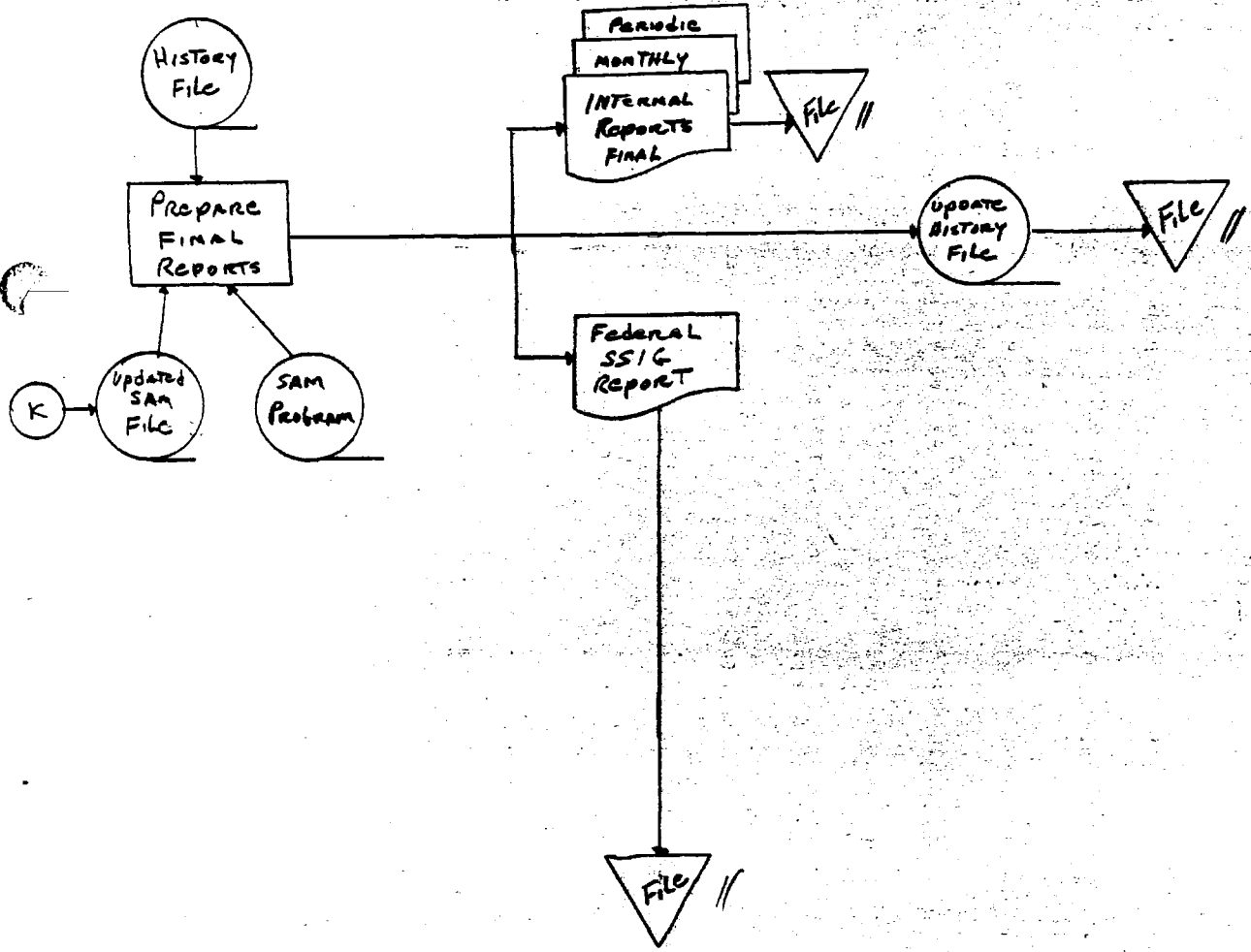
# Re Fund Processing



(S) — checks Deposited BY FINANCE //



Prepare Final Reports



Revised 5-14-85

1

EST DATE FOR IMPLEMENTATION  
ACADEMIC YEAR 1987-88

Appendix D

Pilot in 86-87

INSTITUTION

ACT / CSS

HECB

STUDENT

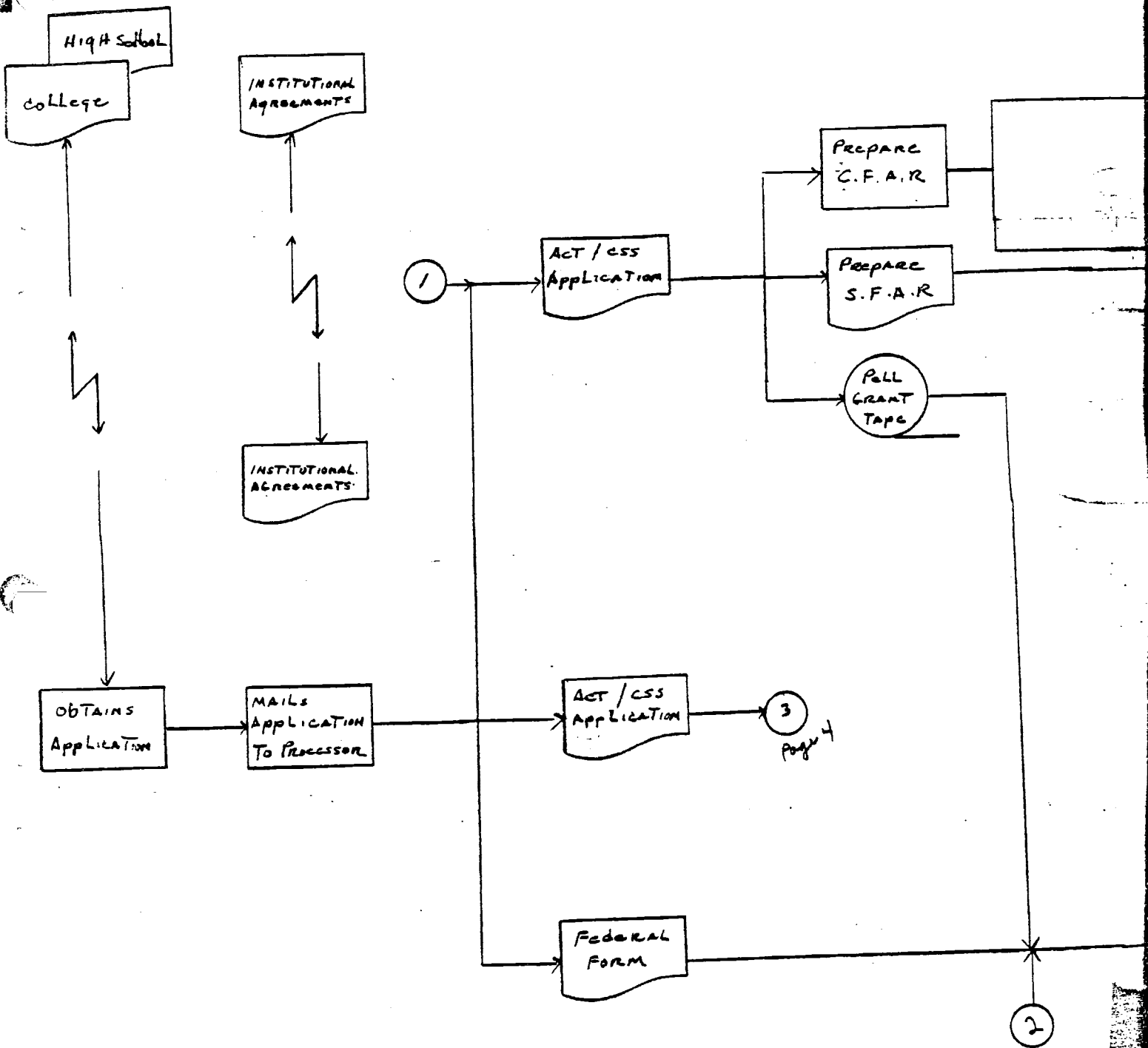
Federal

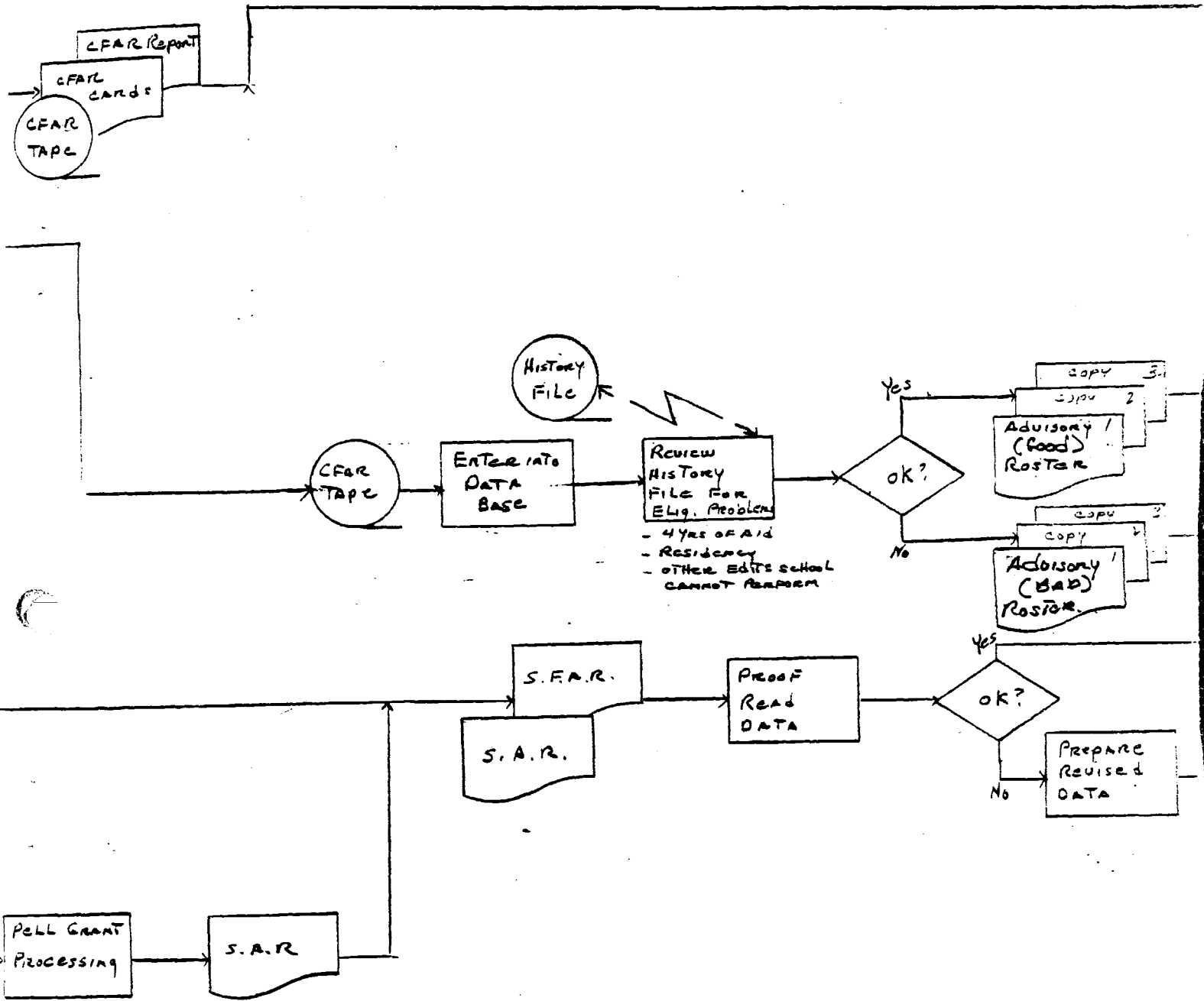
FINANCE

Budget  
Computer  
SET UP AND  
TESTING



Budget  
Computer  
SET UP AND  
TESTING





3

ENTER INFORMATION ON COMPUTER DATA BASE

- 1. PARENTAL CONTRIBUTION
- 2. STUDENT CONTRIBUTION
- 3. ALL FINANCIAL INFO. NEEDED TO CALCULATE THE STATE S+G. AWARD

DETERMINE ELIGIBILITY AND VERIFY DATA

Doc File

DRAFT Req

1040

S.A.R.

C.F.A.R.

Ind. Stg Ver.

OTHER

Doc File

Doc File

S.A.R.

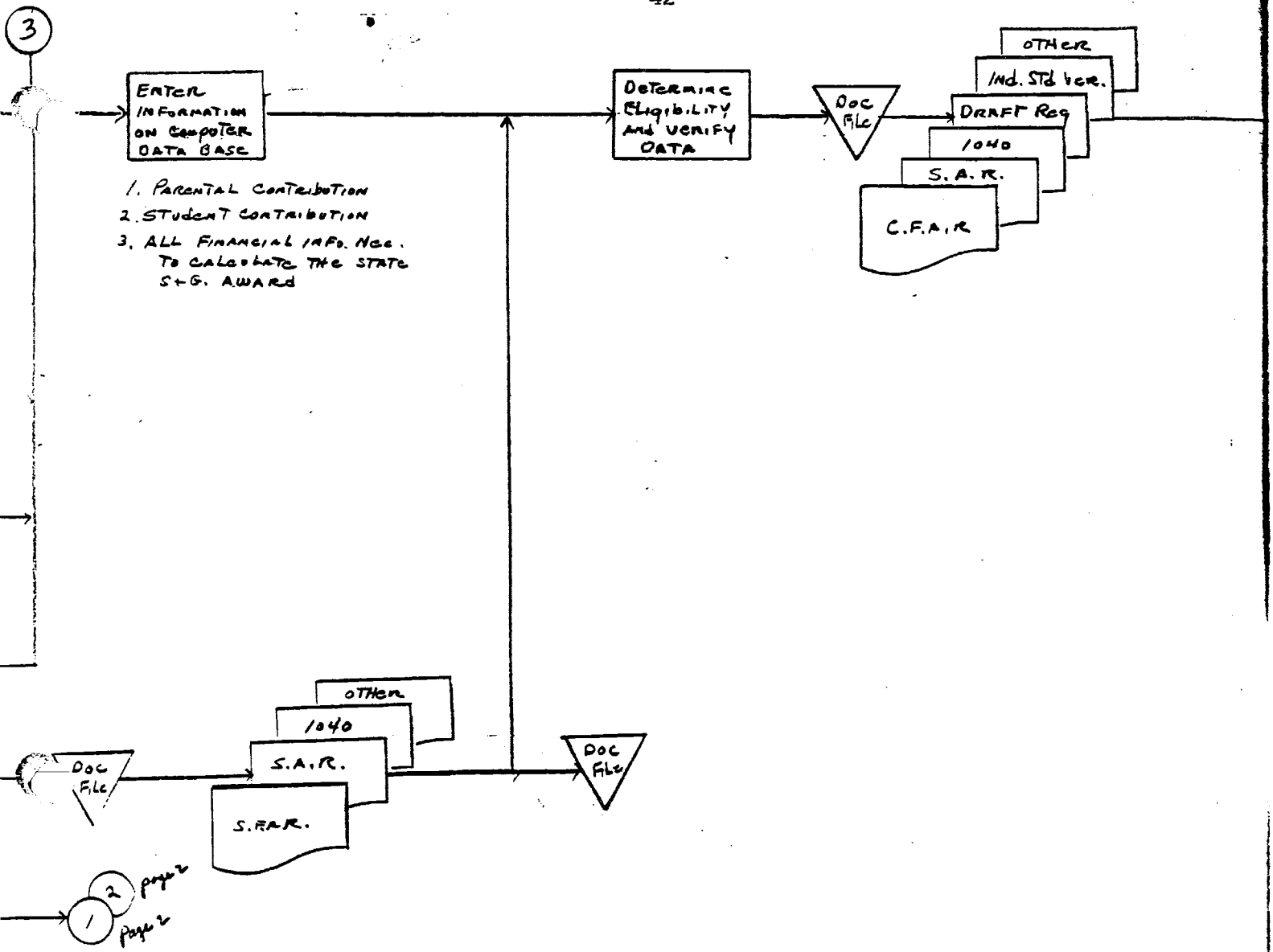
S.A.R.

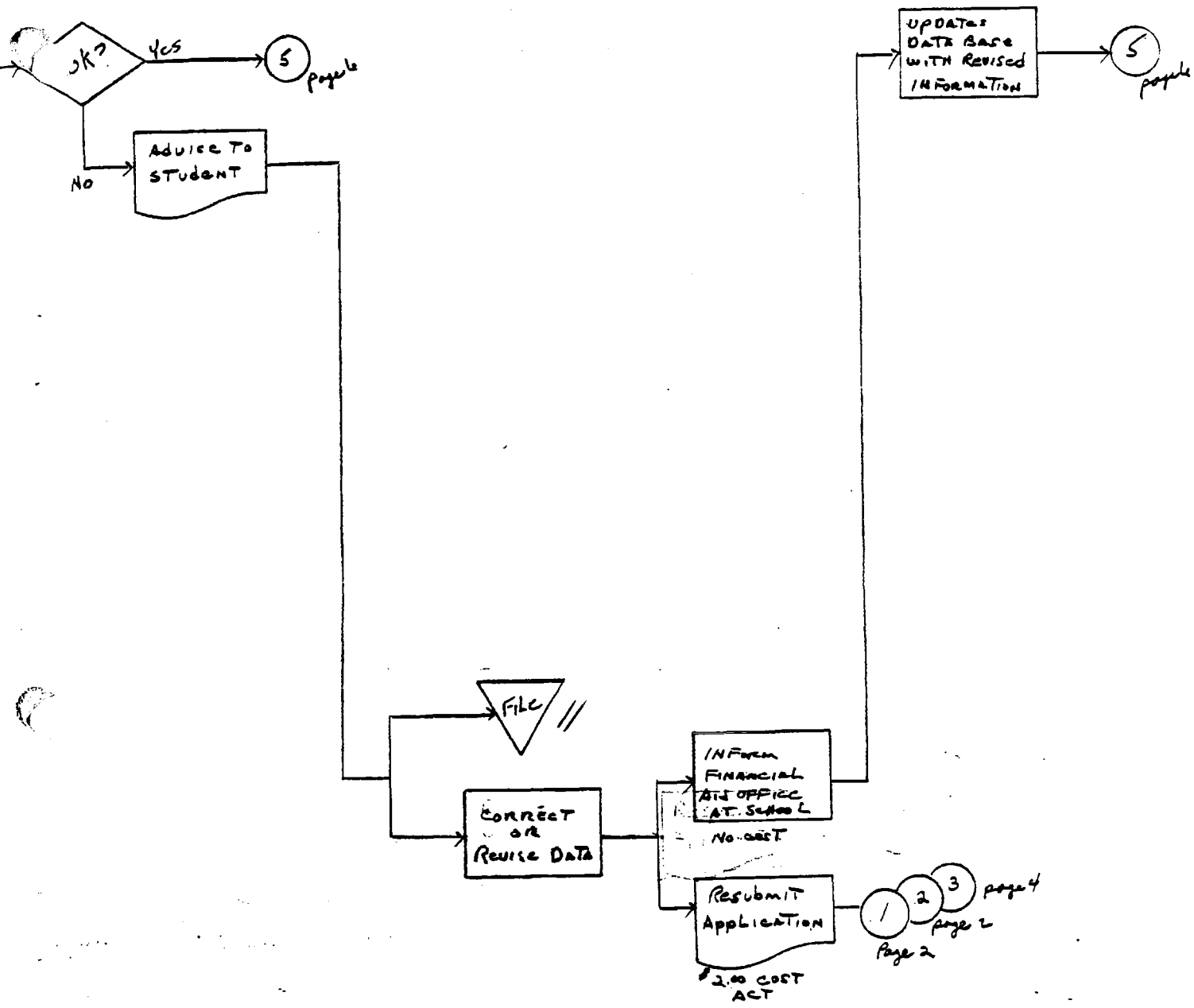
1040

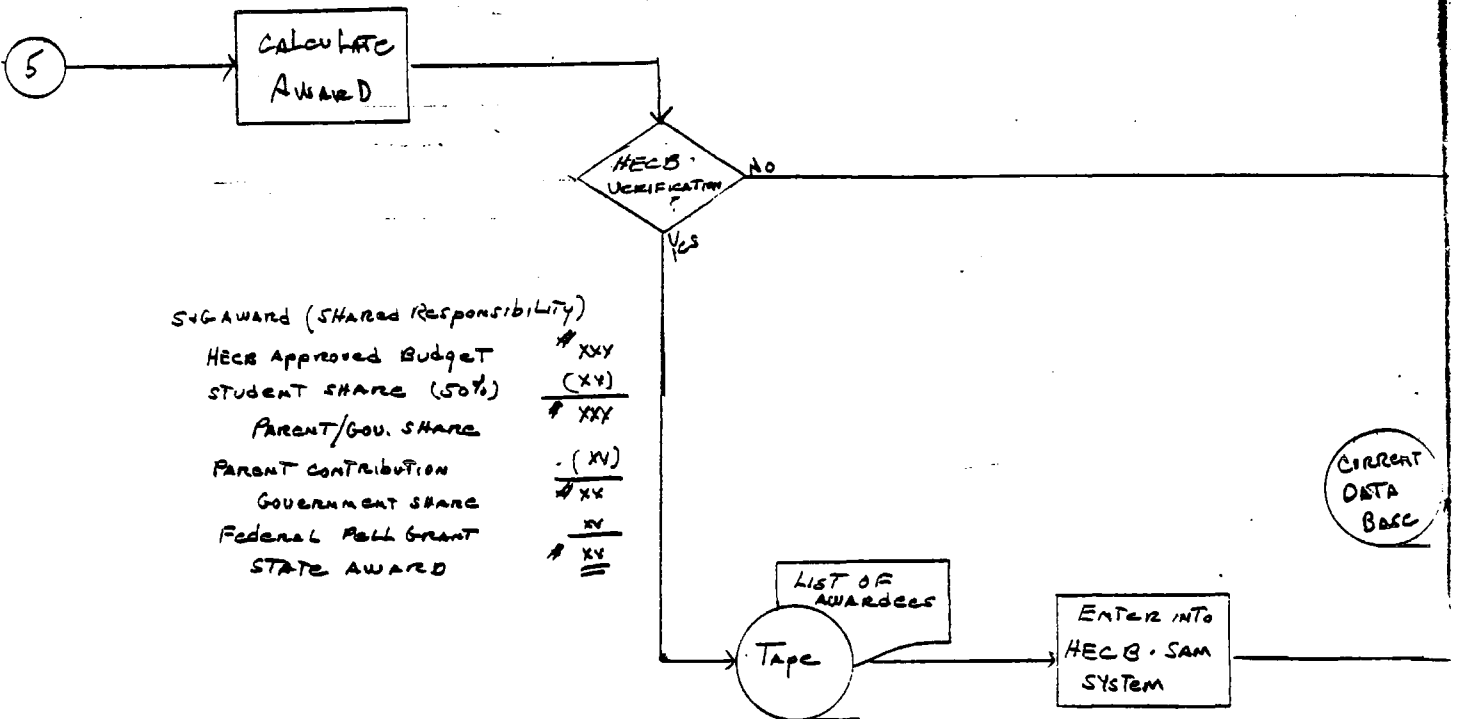
OTHER

1 page 2

2 page 2



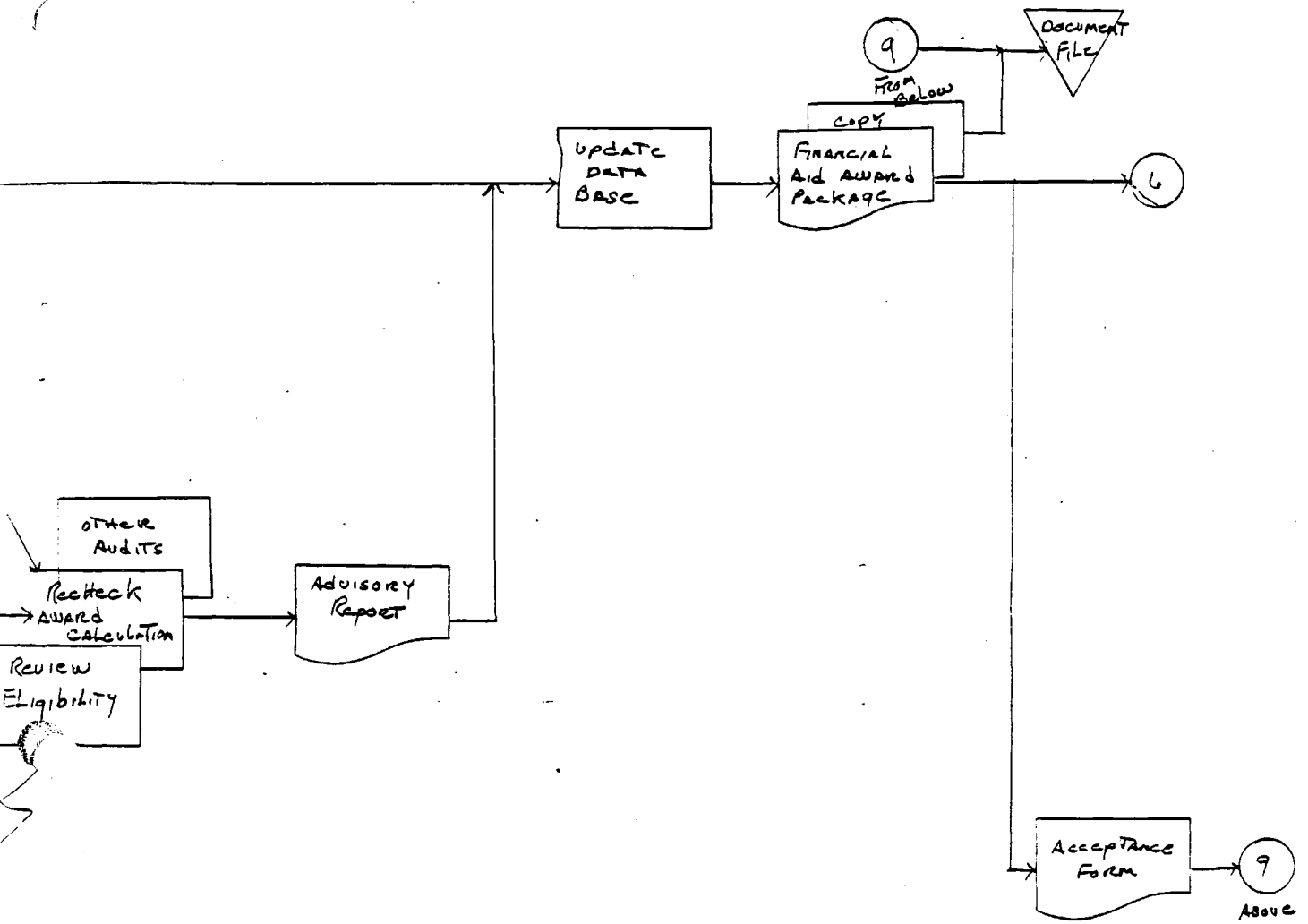




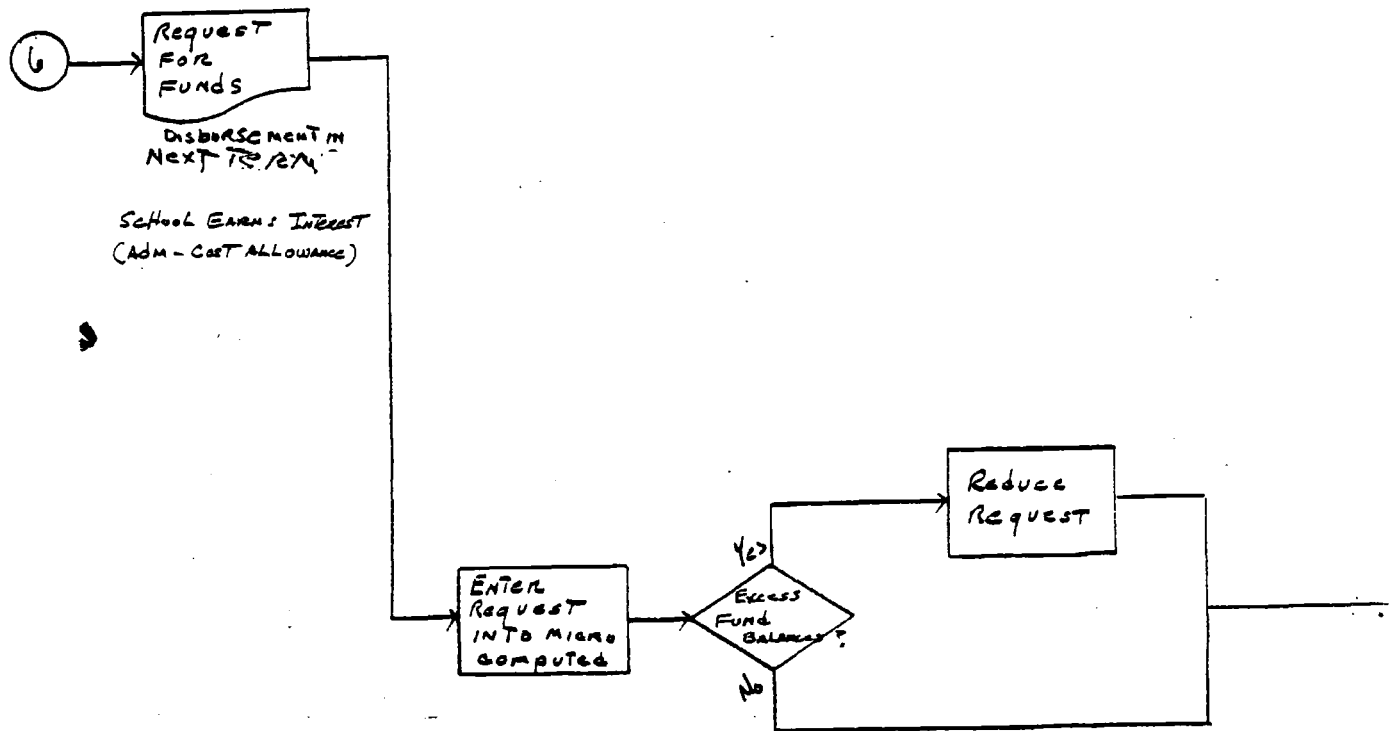
SIGAWARD (SHARED RESPONSIBILITY)

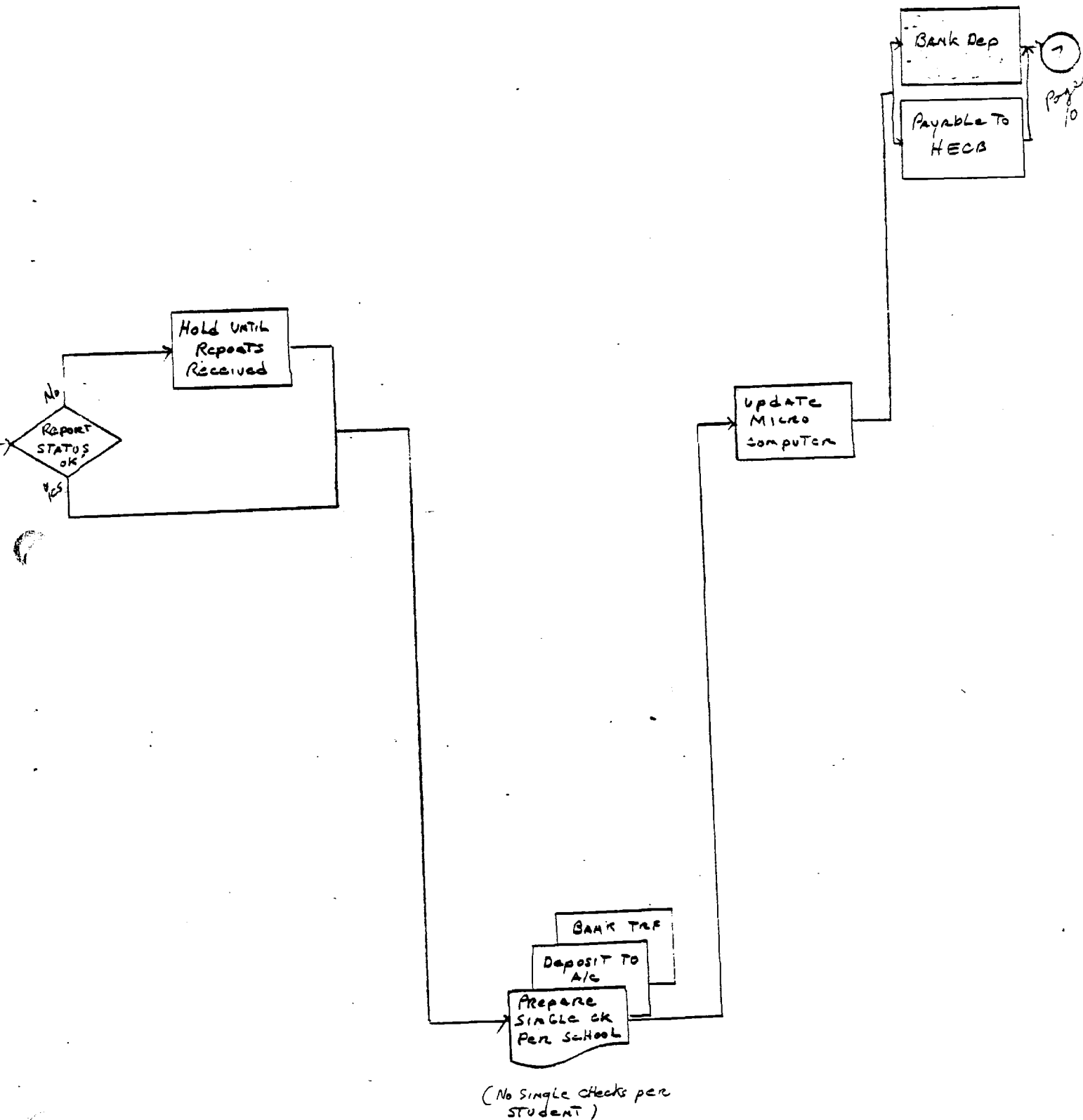
HECB Approved Budget	#	XXY
STUDENT SHARE (50%)	(	XY)
PARENT/GOV. SHARE	#	XXY
PARENT CONTRIBUTION	.	(XY)
GOVERNMENT SHARE	#	XX
FEDERAL PELL GRANT		XY
STATE AWARD	#	<u>XY</u>

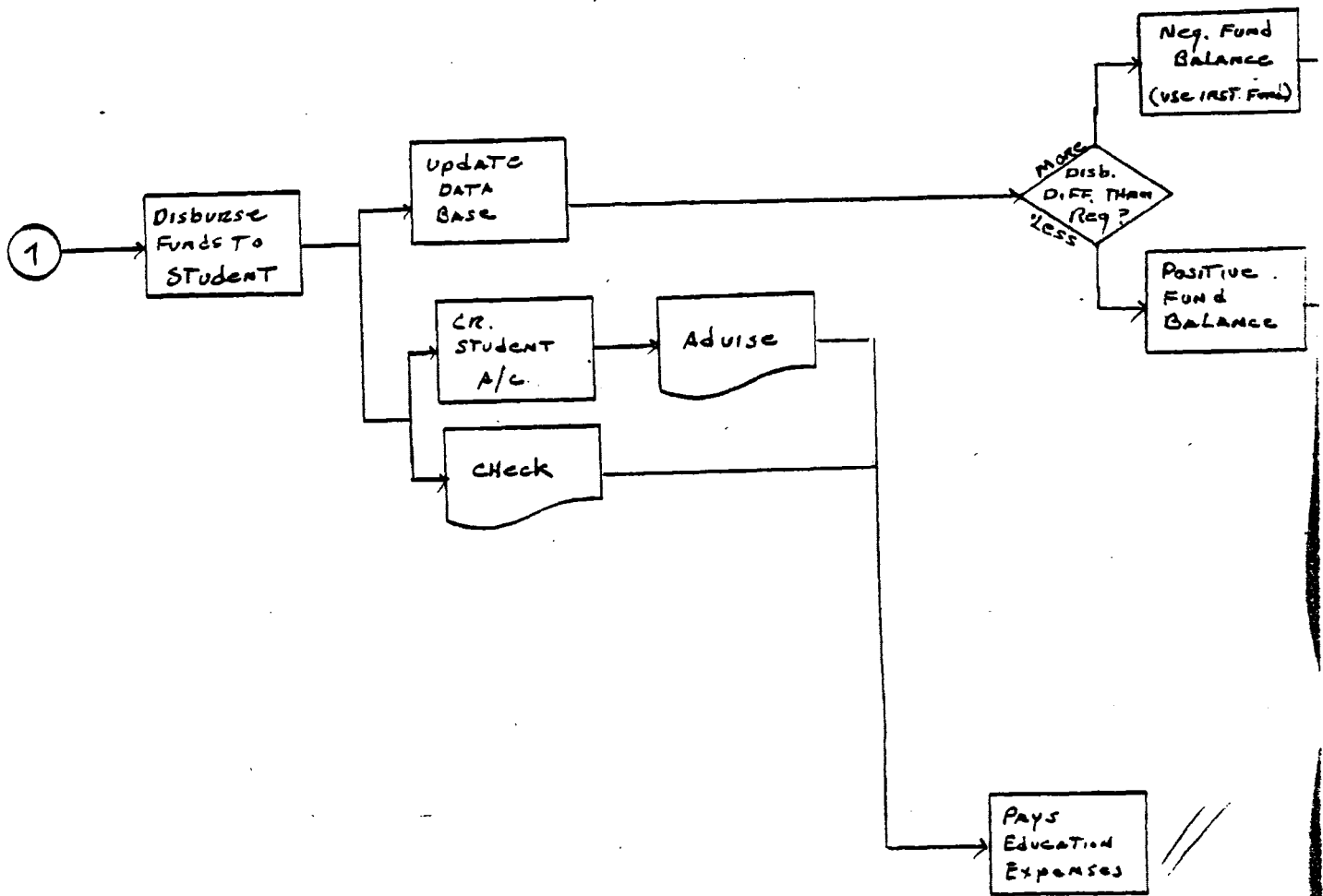
*Send in changes  
have also*

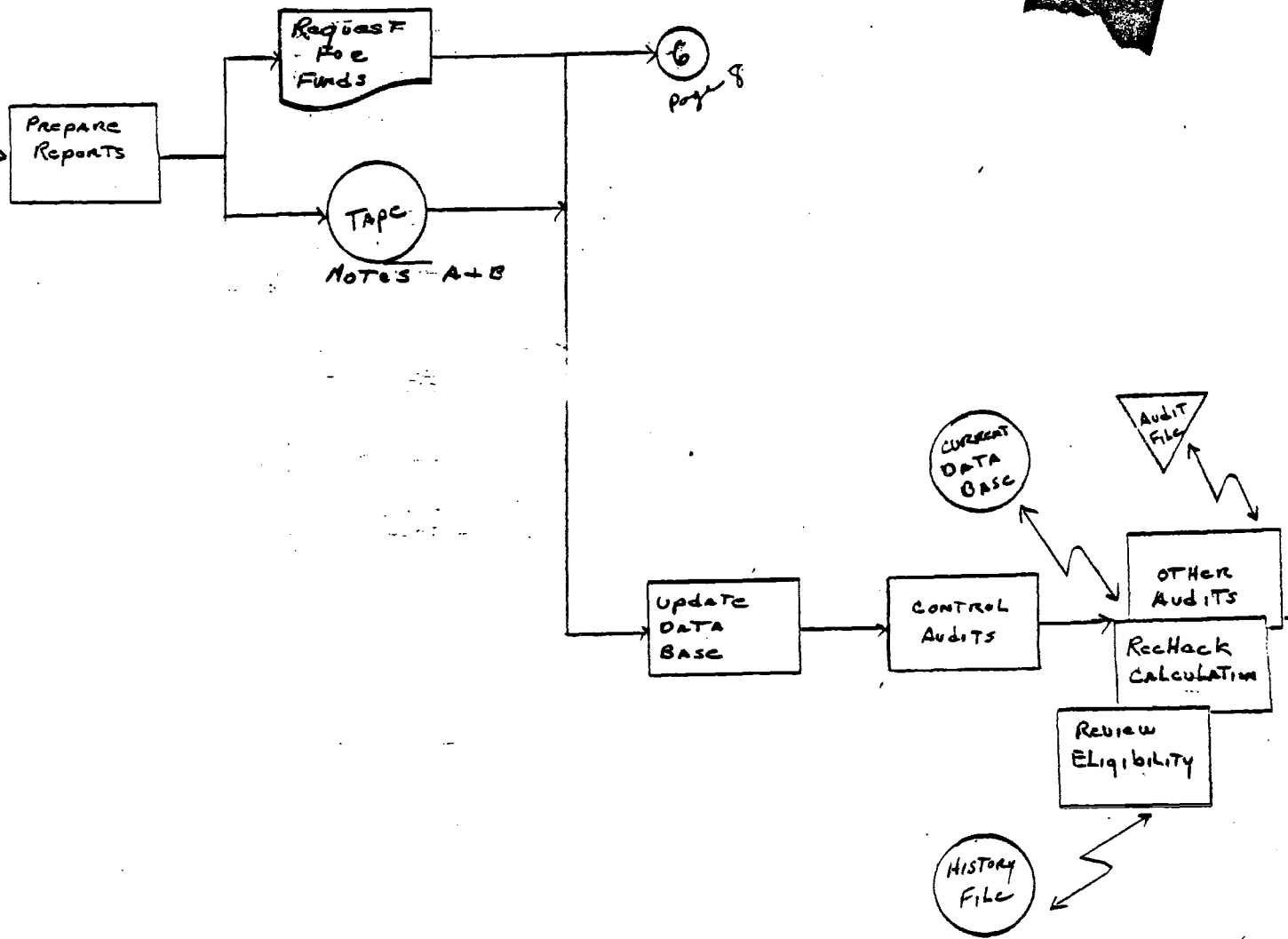










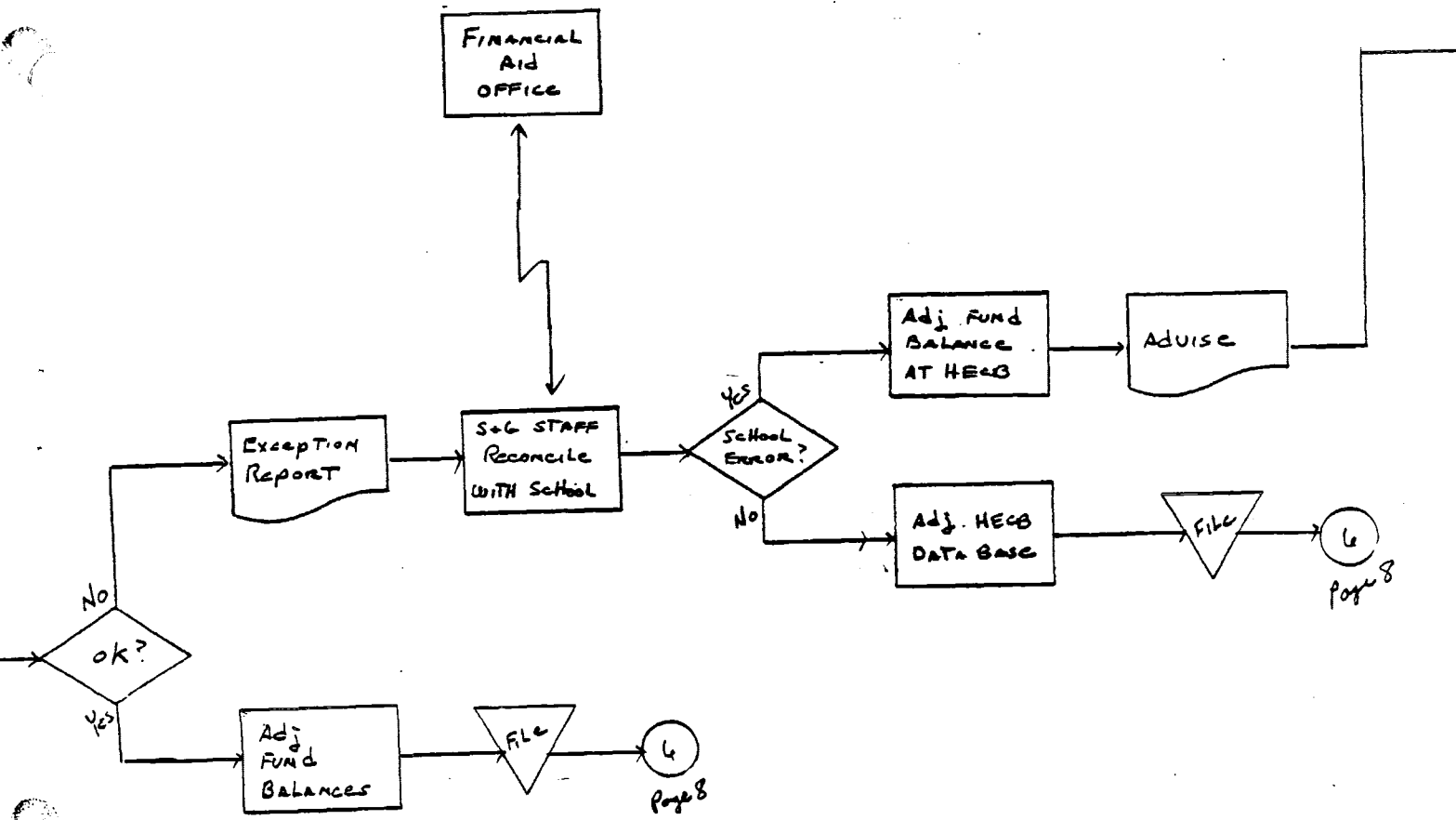


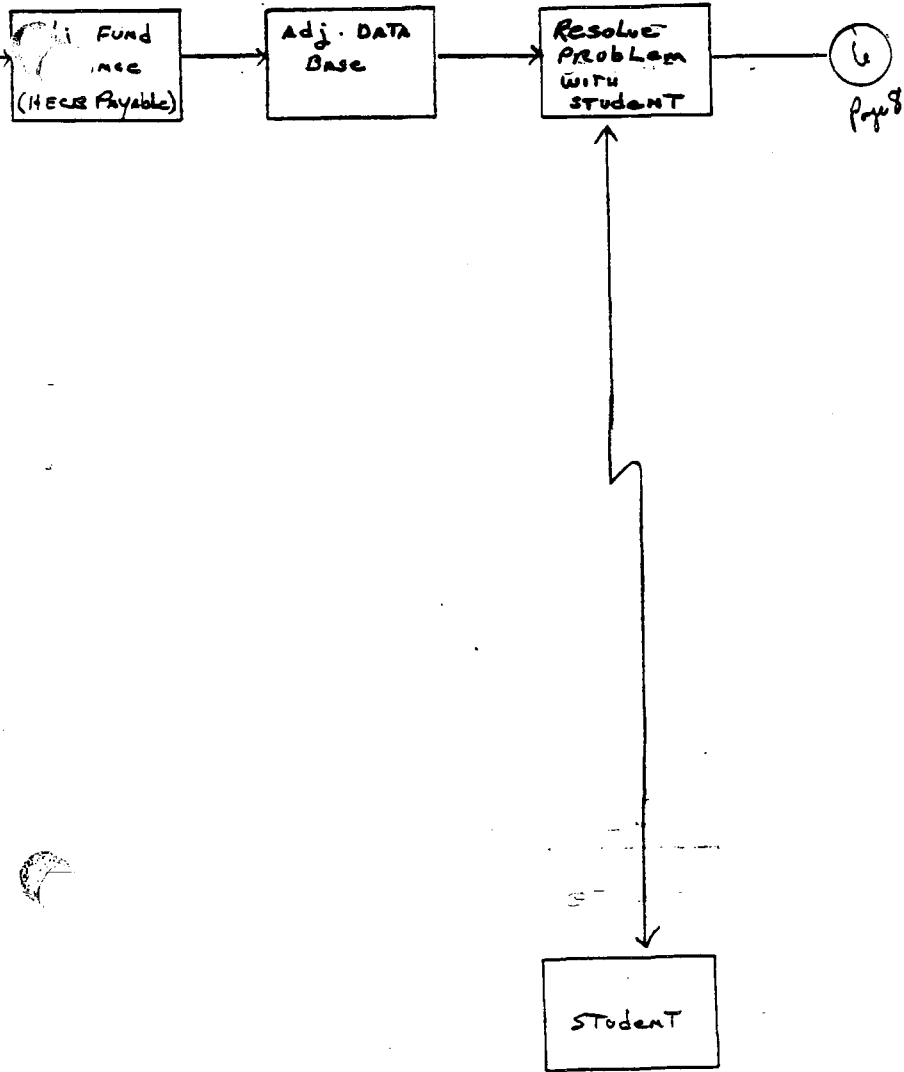
Note A:

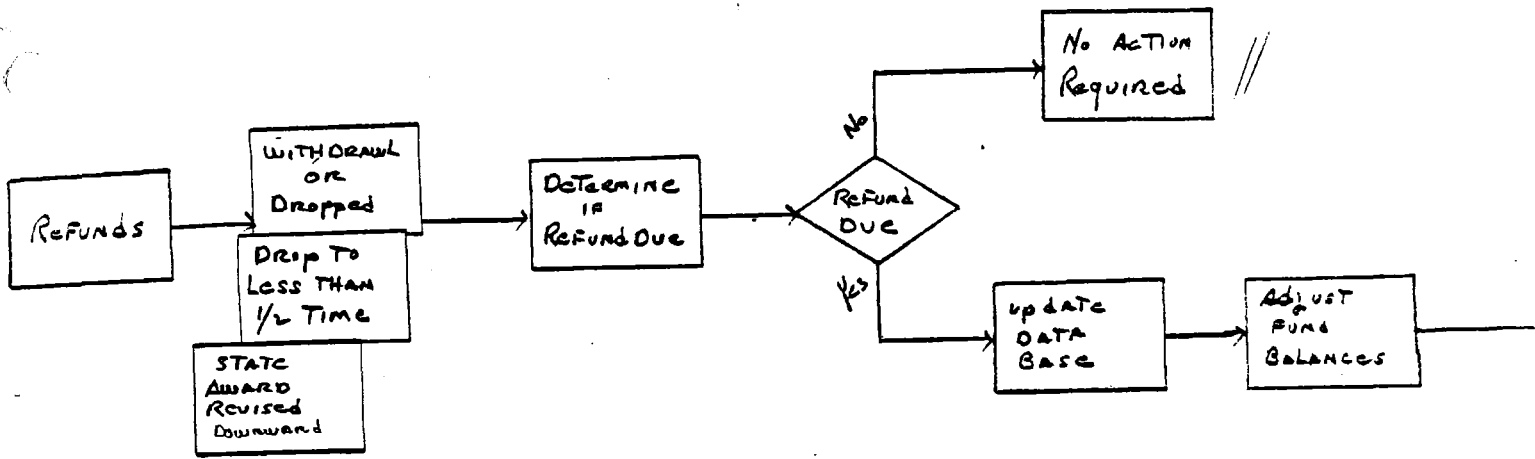
- NAME OF STUDENT
- Soc. Sec. No.
- S+G AWARD FOR YEAR
- S+G AMOUNT DISBURSED THIS PAYMENT PERIOD.

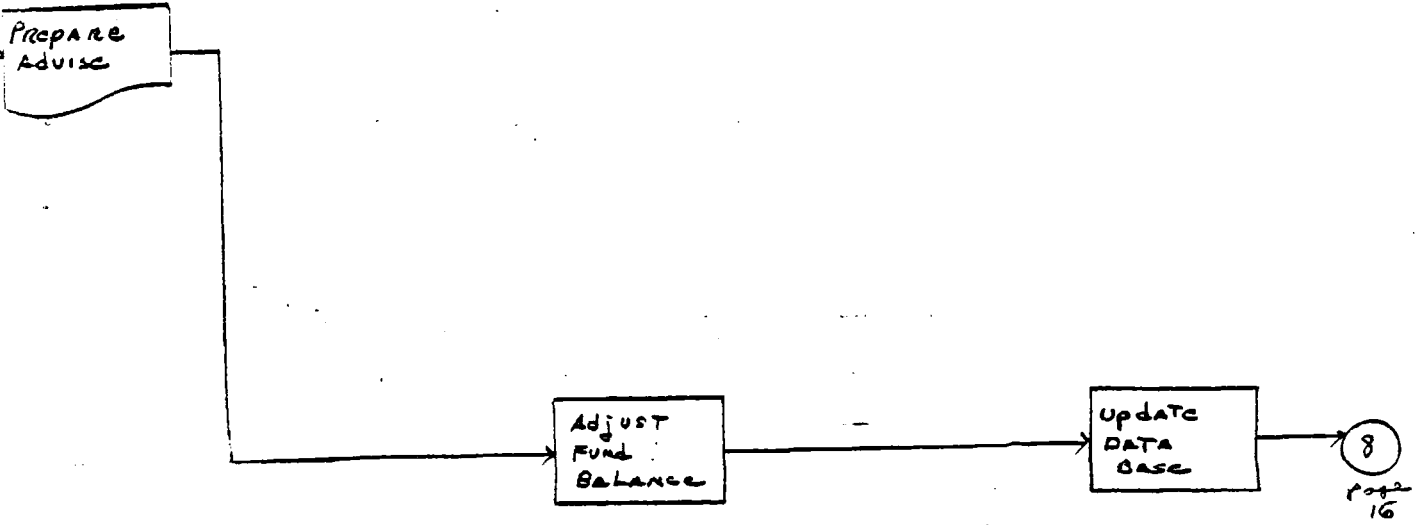
Note B:

- C.FAR DATA CHANGES IF NOT RESUBMITTED THRU ACTION PAGE (5)

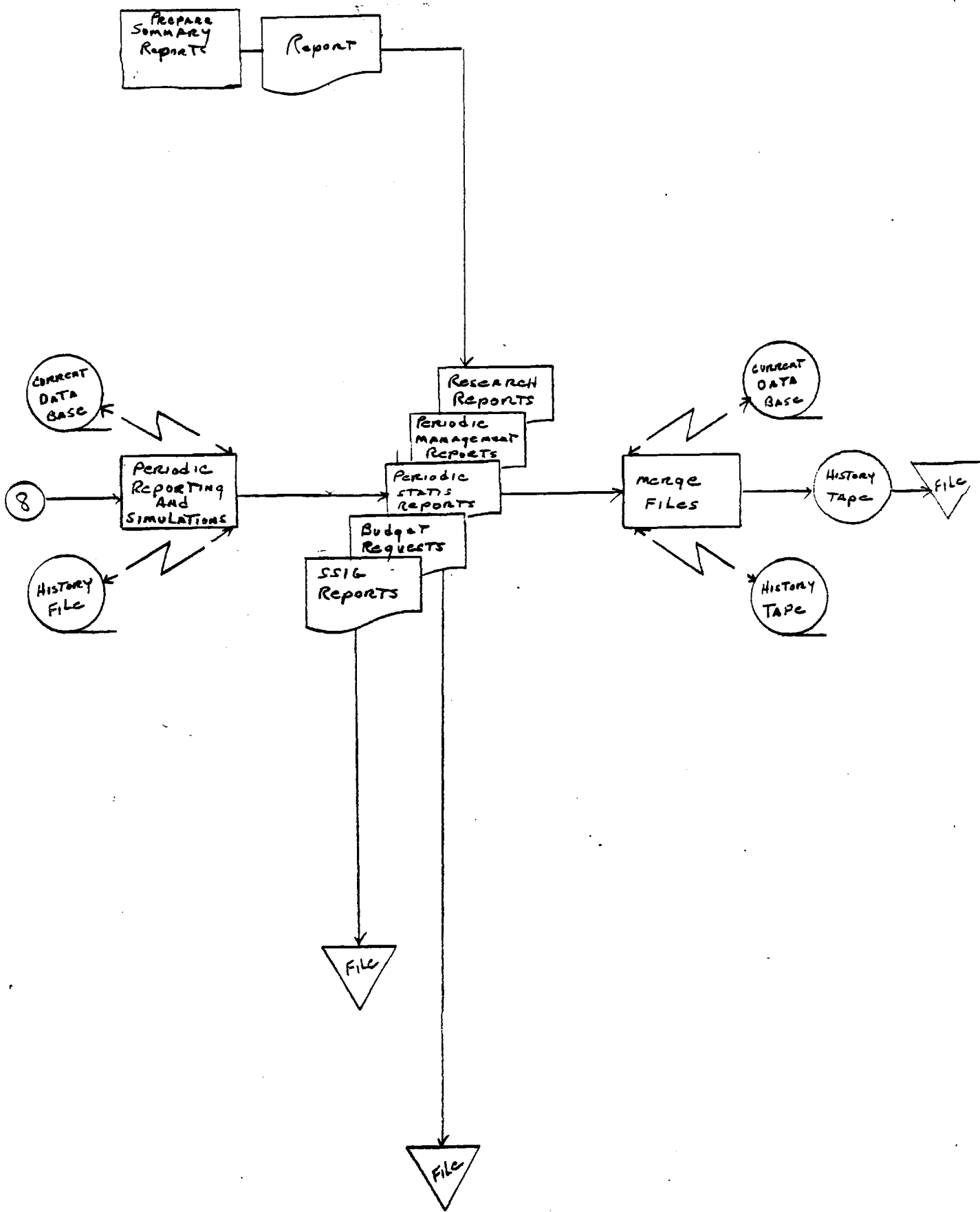


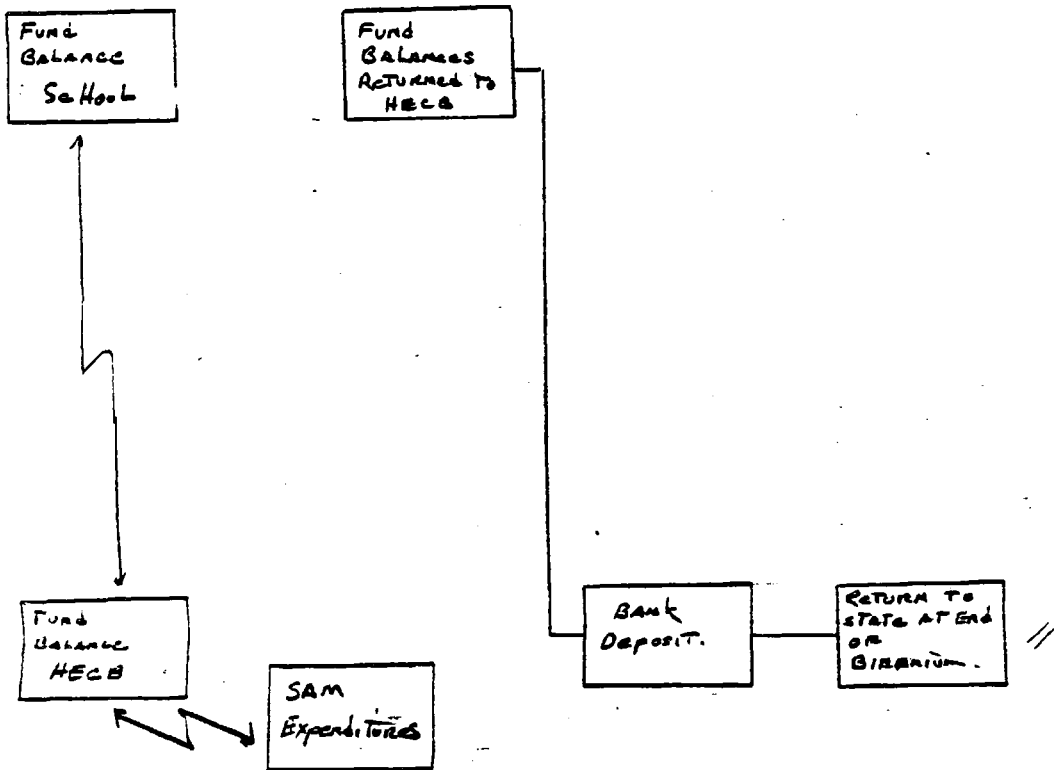












## APPENDIX E

- 56 -

## MINNESOTA STATE SCHOLARSHIP AND GRANT-IN-AID PROGRAMS

## INSTITUTIONAL AGREEMENT

WHEREAS, the Minnesota Higher Education Coordinating Board (MHECB) has been designated by Minn. Stat. S 136A.111, subd. 1 (1980) as the agency to administer the Minnesota State Scholarship and Grants-in-Aid Program (hereinafter "Program"); and

WHEREAS, Program recipients must attend an eligible institution pursuant to Minn. Stat. S 136A.121, subd. 1 (2) (1980); and

WHEREAS, \_\_\_\_\_,  
(hereinafter "Institution") desires to be recognized as an eligible institution by MHECB; and

WHEREAS, MHECB, upon review of the Institution's Application for Eligibility (attached as Exhibit "A"), does recognize the Institution as an eligible institution pursuant to Minn. Stat. S 136A.121, subd. 1 (2) (1980);

THEREFORE, the parties agree to the following terms and conditions:

- I. This agreement is subject to all subsequent changes in both Federal and Minnesota state laws and regulations governing the Minnesota State Scholarship and Grant Programs.
- II. The Institution
  - A. Is responsible for establishing internal operating procedures and controls which it considers necessary to ensure compliance with the rules and regulations governing the program.
  - B. Is responsible for supervision of the following activities:
    1. Provide information to students concerning financial aid offered at that institution,
    2. Calculation and Disbursement of state scholarships or grants after verifying the following items. The minimum verification procedures required would be those utilized by HECB in the centralized delivery option.
      - a. The student's identity.

- b. The student is enrolled and commenced attendance on at least a half time basis as defined by the institution in accordance with HECB Rules,
  - c. The student demonstrates satisfactory progress as defined by the institution in accordance with Title IV Regulations,
  - d. The student is (1) a United States citizen or (2) an eligible resident of the United States as defined in the requirements for federal financial aid,
  - e. The student is a Minnesota resident as defined by the Minnesota Scholarship and Grant-in-Aid Program Rules,
  - f. The student receiving a grant is at least 17 years old or have a high school diploma or the equivalent,
  - g. The student does not have a baccalaureate degree,
  - h. The student has not previously received the equivalent of four years of aid from the program as defined by program rules,
  - i. The student's dependency status in accordance with program rules,
  - j. The financial data on the students' application is accurate where required by Pell Grant validation procedures and utilizing Pell Grant tolerance parameters.
- B. Must designate an official as the Institutional Representative to supervise financial aid activities.
- C. Calculate refunds due the program in accordance with program rules and procedures.
- D. Process requests for funds to pay student awards no more than 30 days in advance of anticipated payment. The school agrees to:
- 1. Utilize interest earnings on funds advanced to offset the administrative costs of the Financial Aid Office at the institution.

2. Return excess funds to the HECB within 7 days of the date the funds are called.
- E. Reporting of data to the HECB in sufficient detail to allow the HECB to:
1. Audit program payments by the school during the academic year to provide internal control over program expenditures.
  2. Annually summarize the information and data required in E1 for reporting purposes.
  3. Determine the number and financial condition of applicants who received no award from the program for research & policy development purposes.
  4. Conduct simulations in a timely manner to insure that the program is adequately funded.
- III. Institution agrees to reimburse the program for financial losses due to the following conditions:
1. Institution has improperly determined a student's eligibility to participate in the program by failure to satisfy the minimum requirements set forth in Paragraphs II B2. Institution would not be liable to reimburse the program when it requested MHECB to verify that the student has received four years of aid from the program and MHECB improperly certifies that the student has not received that amount of aid.
  2. Institution has information, at the time of disbursement, demonstrating that the data on the program application form is erroneous or fraudulent.
  3. Institution has advised or encouraged the student to provide erroneous or fraudulent data on the program application form with full knowledge that the information was incorrect.
  4. Institution has improperly calculated a program award. This provision applies regardless of whether institution exercised its option to have MHECB check its calculations prior to disbursement.

5. Institution has disbursed funds that are inconsisent with award amounts.
  
- IV. The Institution shall not, under any circumstances, collect from applicants or recipients any special fees or charges to directly cover the cost of administering the state scholarship and grant programs.
  
- V. If an Institution maintains student accounts, the institution must:
  - A. Pay the student upon request all scholarship and grant funds in excess of currently due student charges,
  - B. Provide the student with a statement of the account at least annually and upon graduation or withdrawal.
  
- VI. The MHECB shall provide the Institution with an opportunity to respond to proposed changes to the Minnesota Scholarship and Grant-in-Aid Programs' rules and regulations. The MHECB shall notify the Institution of all approved changes or modifications to the rules and regulations.
  
- VII. Term of Contract. This contract shall be effective on \_\_\_\_\_, or upon such date as it is executed as to encumbrance by the Commissioner of Finance, whichever occurs later, and shall remain in effect until \_\_\_\_\_, or until all obgliations set forth in this contract have been satisfactorily fulfilled, whichever occurs first.
  
- VIII. Cancellation. This contract may be cancelled by the STATE or INSTITUTION at any time, with or without cause, upon thirty (30) days' written notice to the other party.
  
- IX. Assignment. INSTITUTION shall neither assign nor transfer any rights or obligations under this contract without the prior written consent of the STATE.

- X. Amendments. Any amendments to this contract shall be in writing.
- XI. Audits. The books, records, documents, and accounting procedures, and practices of an outside party if applicable relevant to this contract shall be subject to examination by HECB and Legislative auditors.
- XII. Affirmative Action. (When applicable) INSTITUTION certifies that it has received a certificate of compliance from the Commission of Human Rights pursuant to Minnesota Statutes, 1981 Supplement, Section 363.073.
- XIII. Workers' Compensation. In accordance with the provisions of Minnesota Statutes, 1981 Supplement, Section 176.182, the MHECB affirms that INSTITUTION has provided acceptable evidence of compliance with the workers' compensation insurance coverage requirement of Minnesota Statutes, 1981 Supplement, Section 176.181, Subdivision 2.
- XIV. Antitrust. INSTITUTION hereby assigns to the State of Minnesota any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under the antitrust laws of the United States and the antitrust laws of the State of Minnesota.

1. Name of Institution \_\_\_\_\_  
(type or print)

2. Full Address \_\_\_\_\_  
(type or print)

\_\_\_\_\_ (type or print)

3. What is the four digit code assigned to your school by ACT?

--	--	--	--

ACT CODE

4. Name and Telephone Number of Financial Aid Officer:

\_\_\_\_\_ ( ) \_\_\_\_\_  
Name (Please type or print) Telephone Number

IN WITNESS WHEREOF, the parties have cause this contract to be duly executed intending to be bound thereby.

APPROVED:

INSTITUTION

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

STATE AGENCY OR DEPARTMENT

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

As to form and execution by the  
ATTORNEY GENERAL

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

COMMISSIONER OF ADMINISTRATION

By: \_\_\_\_\_

Date: \_\_\_\_\_

COMMISSIONER OF FINANCE

By: \_\_\_\_\_

Date: \_\_\_\_\_



## PROPOSED FINANCIAL AID DELIVERY SYSTEM

## DATA ELEMENTS TO BE MAINTAINED IN MHECB STUDENT DATA BASE

	<u>Report</u>	<u>Final Report</u>	Periodic	Annual
<u>Identifying Information</u>				
o Program Type			X	X
o Aid Year			X	X
<u>Student's Information</u>				
o Name			X	X
o Address			X	X
o City			X	X
o State Code			X	X
o Zip Code			X	X
o Date of Birth			X	X
o Social Security Number			X	X
o Dependency Status/State			X	X
o Dependency Status/Federal			X	X
o Citizenship Status			X	X
o Marital Status			X	X
o Degree Status			X	X
o Class Level			X	X
o Legal Residence			X	X
<u>Student's (&amp; Spouse's) Financial Statement</u>				
o Spouse Attending college			X	X
o Number of Dependent's (student)			X	X
o S/S AGI			X	X
o S/S 1984 Taxable Income			X	X
o S/S Soc. Sec. Benefits			X	X
o S/S ATC			X	X
o S/S Other Income			X	X
o S/S Cash			X	X
o S/S Home Value			X	X
o S/S Home Debt			X	X
o S/S Real Estate Value			X	X
o S/S Real Estate Debt			X	X
o S/S Business/Farm Value			X	X
o S/S Business/Farm Debt			X	X
o S/S Household			X	X
o S/S No. in College			X	X
<u>Dependent Student Resources</u>				
o S/S Base Year's Non-Tax. Income			X	X
o Student Assets			X	X
<u>Other Student Information</u>				
o Student 9-Mo. Income			X	X
o Spouse 9-Mo. Income			X	X
o Other Income			X	X
o Housing Type			X	X

Periodic  
Report

Annual  
Final Report

Parent's Information

o Parent Marital Status	X	X
o Older Parent's Age	X	X
o Parent Legal Res.	X	X
o Parent Household	X	X
o Parent Family in College	X	X
o Parents in College	X	X

Parent's Financial Statement

o Parent AGI	X	X
o Parent ADC	X	X
o Parent Other Income	X	X
o Parent Medical	X	X
o Parent Tuition	X	X
o Parent Cash	X	X
o Parent Home Value	X	X
o Parent Home Debt	X	X
o Parent Real Estate Value	X	X
o Parent Real Estate Debt	X	X
o Parent B/F Value	X	X
o Parent B/F Debt	X	X
o Parent Est. Income	X	X

Computed Information

o AGI	X	X
o Untaxed Income (Dependent) or Contribution from untaxed (self-supporting) income	X	X
o Total Income (Blank if self-supporting)	X	X
o Unassessed Taxable Income (self-supporting)	X	X
o Medical (Blank if self-supporting)	X	X
o Emp. Allow (Blank if Model = self-supporting)	X	X
o Std. Maintenance Allow. (Blank if Model = self-supporting)	X	X
o Available Income	X	X
o Adj. Business/Farm Net Worth	X	X
o Net Worth for computation	X	X
o Asset Protection Allowance	X	X
o Discretionary Net Worth	X	X
o Income Supplement	X	X
o Adjusted Available Income	X	X
o Number in College (Blank if self-supporting)	X	X
o Parents' Contribution (dependent) or total student contribution (self-supporting)	X	X
o Parent IRA/Keogh	X	X
o Available Taxable Income	X	X
o Contribution from Taxable Income	X	X
o Budget (MCTI)	X	X

	<u>Periodic Report</u>	<u>Annual Final Report</u>
o Spouse in College S.C./or Spouse Not in College S.C.	X	X
o 12 Mo. S.C.	X	X
o CTI/MCTI - 9 months	X	X
o Total Untaxed Income - 9 months	X	X
o Available Income - 9 months	X	X
o Income Supplement - 9 months	X	X
o Student Contribution - 9 months	X	X
o Contribution from Taxable Income	X	X
<u>Dependent Student Resources</u>		
o Available Student Assets	X	X
o Total Student Contribution	X	X
<u>Other Calculations</u>		
o Estimated Pell SAI	X	X
o Parents' Cont. from Income (dependent)	X	X
o Parents' Cont. from Assets (dependent)	X	X
o Monthly Adjustment - months > 9 (dependent)	X	X
o MCTI (self-supporting)	X	X
o Model R = blank	X	X
o Model S = Employment Allowance (self-supporting)	X	X
o Pell Award	X	X
<u>Section H Data</u>		
o Telephone	X	X
o Months Enrolled (by month)	X	X
o Four Years Post High School	X	X
<u>Other Information</u>		
o Asset Conversion Rate	X	X
o Tuition Allowance	X	X
	X	X
<u>Award Information</u>		
o State Award	X	X
o Type of award	X	X
o Student Budget	X	X
o Hold Status	X	X
o Amount Paid	X	X
o Actual or Planned Enrollment	X	X
o PELL Budget	X	X
o SAI - Pell Student Aid Index	X	X
o PELL Award Actual Pell Award	X	X

### Summary of Task Force Meetings

A summary of Task Force meetings, major issues discussed and actions taken is outlined below:

1. September 1984 Introductory Meeting:
  - a. Issues discussed - Purpose and objectives of the study project  
- study approach.  
- Time table for subsequent meetings.
  - b. Action Taken - Agreed to proceed with the study as outlined in the study approach.
  
2. October 1984 Update Meeting:
  - a. Issues discussed - Reviewed results of the first round of sector meetings where strengths and weaknesses of current system were identified.  
- Reviewed status of data processing development plans in each sector.
  - b. Action Taken - Decision to proceed with the development of a flow chart to test the feasibility of an acceptable alternative which preserved the best features of the current system and at the same time addressed the weakness and concerns identified by the various sectors.
  
3. April 15 Update Meeting:
  - a. Issues discussed - Reviewed results of meetings with sector representatives to proposed system.
  - b. Action Taken - Decision to continue to work to resolve outstanding issues relating to proposed system.
  
4. April 25, 1985 Update Meeting:
  - a. Issues discussed - Outstanding issues related to the proposed system.
  - b. Action Taken - Voted to separate the issue of including the entire financial aid package in the annual report to HECB from the Delivery.

System Project. A majority of the Task Force members considered this a separate issue to be debated in another arena.

5. May 28, 1985 Update Meeting:

- a. Issues discussed - Outstanding issues related to proposed system and alternative delivery methods.
- b. Action Taken - Voted to offer to the HECB the recommendations described elsewhere in this report.