

STATEMENTS OF NEED AND REASONABLENESS

PERMANENT RULES RELATING TO PART-TIME STUDENT GRANT PROGRAM

as administered by

the Minnesota Higher Education Coordinating Board

In the Matter of the Proposed Adoption of the Rule of the

Minnesota Higher Education Coordinating Board

Governing Part-time Student Grants

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STATE OF MINNESOTA
MINNESOTA HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed Rules
Governing Part-time Student Grants,
Minn. Rules Parts 4830.1550-4830.1555

STATEMENT OF NEED
AND REASONABLENESS

SECTION I: AUTHORITY TO PRESCRIBE RULES

The Minnesota Higher Education Coordinating Board is authorized by statute to adopt policies and prescribe rules and regulations for student financial aid programs, including part-time student grants [Minnesota Statutes 1990, 136A.04, Subd. 1(9) and 136A.16].

The Board is proposing to make changes to the rules governing this program. This document provides an explanation for the proposed rule changes.

SECTION II: PART-TIME GRANT DISCUSSION

A. ISSUE

The Part-time Grant Program is not easy to defend because the state can not describe who gets how much. The purposes of this section are to: 1) pull together information that the Coordinating Board has available to describe the current situation and 2) compare Part-time Grant awards to State Grant awards.

B. PURPOSES

The purpose of the Part-time Grant Program is to extend the concept of the Design for Shared Responsibility to the total population (see Supplement I). The program serves students with financial need enrolled less than half-time and new or returning students enrolled at least half-time but less than full-time.

The Part-time Grant Program provides flexibility to institutional financial aid administrators to respond to the needs of students who are new or returning to post-secondary education and to provide assistance to those students who register for loads not covered by the State Grant Program.

The Part-time Grant Program fosters student access to Minnesota post-secondary education. Altering the parameters of the Part-time Grant Program would affect the ability of the program to promote student access. Shortcomings in the design of the Part-time Grant Program, however, may outweigh the program's ability to foster student access.

C. PROGRAM DESCRIPTION

The Part-time Grant Program is a campus-based program. The Coordinating Board allocates money to institutions according to a formula based on the number

of resident undergraduate part-time students registered less than half-time, their average registration load and the cost of attendance recognized in the State Grant Program. The first two variables provide a full-time equivalent measure of attendance. The third variable recognizes differences in the prices charged to students.

The allocation is adjusted according to the portion of the allocation used by the institution in the preceding year. An institution that used only 10 percent of its allocation in Fiscal Year 1990, for example, would have its allocation for 1991 adjusted down.

Eligibility for the Part-time Grant Program is specified by statute. The student must be registered for work that is required or can be applied toward the requirements of a degree, diploma or certificate. An award can be made for one term at a time. The State Grant Program residency rules apply. Students registered less than half-time are eligible.

The state allows the financial aid office to use these funds to provide a grant to new or returning students registering for less than a full-time but more than a half-time load for the first term of enrollment. A returning student is one who has not attended a post-secondary institution for a period of time. The number of these students is not included in the allocation calculation.

The calculation of the award is left to the institutional financial aid office. The state rules indicate that the award calculation must be consistent with the institution's financial aid policies and procedures. For this program, the public post-secondary systems determine need by using two variables, gross income (including non-taxable income) and household size. If a student qualifies, the student receives the maximum award. This is equivalent to assuming that they have no available family resources.

The state rules specify that only tuition, fees and direct educational expenses can be covered by a Part-time Grant award. Most of the institutions use a standardized rate for determining direct educational expenses.

D. NUMBER OF MINNESOTA RESIDENTS ATTENDING MINNESOTA POST-SECONDARY INSTITUTIONS LESS THAN HALF-TIME

Fiscal Year 1991 allocations were based on a reported Fall 1989 enrollment of 107,200 students with registration loads less than half-time (see Attachment A). Attachment A also shows the other data used in the allocation. Those institutions showing no allocation even though they reported eligible students have made a decision not to participate in the Part-time Grant Program. As reported in Attachment B, 6965 students received a Part-time Grant in Fiscal year 1989.

E. VULNERABILITIES

The Part-time Grant Program was intended to extend the benefits of the State Grant Program to students registered for less than half-time loads. The State Grant Program conforms with the Design for Shared Responsibility and

provides awards equitably among students registered for various loads on the basis of financial need. The Part-time Grant Program relaxes standards incorporated in the State Grant Program. Institutions are required to incorporate a need standard into their administration of the Part-time Grant Program. The standard is relaxed relative to the policy guidelines of the State Grant Program. This leaves the Part-time Grant Program vulnerable and open to criticism.

1) Inequities Between the Part-time Grant Program and the State Grant Program

The design of the Part-time Grant Program potentially results in students receiving larger awards for registering for less than half-time than they would have received under the combined State Grant and federal Pell Grant Programs by registering for half-time loads. The intent of the Part-time Grant Program was to extend the benefits of the State Grant Program to less than half-time students. To the degree that Part-time Grant awards exceed what students would receive under the State Grant Program, the Part-time Grant Program has not equitably extended the benefits of the State Grant Program to less than half-time students.

2) Incentives to Register for Reduced Loads

A related problem arises in that there could be an incentive for students to maintain reduced registration loads and generate larger awards under the Part-time Grant Program. Legislative interest in the time it takes students to complete programs suggests that policymakers do not want to provide incentives for students to reduce registration loads. The Part-time Grant Program is open to criticism to the degree that it provides an incentive for students to reduce registration loads.

3) Difficulties in Obtaining the Data to Make the Allocations

A third problem is the difficulty in collecting the data necessary to make Part-time Grant Program allocations. Enrollment numbers for the Part-time Grant Program allocations were intended to be obtained from the Student Enrollment Record Data Base.

In practice, Student Enrollment Record Data Base data are used to allocate Part-time Grant Program funds to institutions for only two systems (i.e., the Community College System, and the private four-year institutions). The Technical Colleges use Student Enrollment Record Data Base data for the overall breakdown of full-time and part-time enrollment in their continuous enrollment programs and apply ratios based on system-wide averages to approximate the less than half-time enrollment and their average registration loads. For students enrolled in extension programs, the Technical College System comes up with some numbers. The variation between 1989 and 1990 indicates that they do not have a sound process for determining these numbers.

Enrollment numbers from the Student Enrollment Record Data Base for the State University System do not include many of the students who register for extension classes. These classes typically do not start at the same time as the regular classes so they are not included in the tenth day enrollment reports

used in the Student Enrollment Record Data Base. State University System representatives have argued that using only the data from the Student Enrollment Record Data Base would miss most of their students registering for less than half-time loads. Thus, we rely on the system office to provide the data.

The Student Enrollment Record Data Base is unable to handle the metric Metropolitan State University uses to measure registration loads. So, all of the data supplied for Metro State must be augmented to obtain the number of less than half-time students and their average registration load.

Reporting of extension enrollments is a problem for the University of Minnesota. For them, enrollment record-keeping for extension courses is completely separate from enrollment record-keeping for "regular" courses. As a result, we get an estimate from the University of Minnesota to make the allocation.

Overall, there are problems of consistency and accuracy in the data supplied by all systems except the Community Colleges and the private four-year institutions. Further, we would be unable to provide adequate documentation for a serious program audit.

F. NUMBER OF STATE GRANT PROGRAM APPLICANTS WHO WOULD RECEIVE A LARGER AWARD IN THE PART-TIME GRANT PROGRAM

This section compares the calculated half-time award for State Grant Program applicants with the Part-time Grant award they would have received if they had registered for less than a half-time load.

This analysis is based on the population of State Grant Program applicants contained in the research data base used for projecting expenditures for Fiscal Years 1991 and 1993. (Further explanation of this data base is provided in Supplement I.)

1) Procedure for Calculating the Part-time Grant

First, it was assumed that all cleared State Grant Program applicants were eligible for a Part-time Grant if they registered for less than a half-time load.

Second, the income guidelines used by St. Cloud State University as shown in Attachment C were used. These guidelines are very similar to those used by other State Universities and the Community Colleges. While the guidelines specify that taxable and non-taxable income be used, this analysis used only taxable. The State Grant Program applicant data base does not contain both items. These assumptions are not critical in this analysis, since a comparison is being made, not a spending projection.

Third, the award calculation formulas shown in Attachment C were used. The Community College System and the State University System formula have been implemented across each of the systems. They have specified a flat rate per credit. Although not specified in the projections, they will add another \$10 per credit for child care if needed.

The formula for the University of Minnesota is similar to the one used at the University of Minnesota-Twin Cities. They use actual tuition, not an average tuition, which was used in this analysis. They add \$185 per term for transportation and \$40 per term for books. Although they will cover child care costs, these were not used in the projections. The maximum award is \$1,000 per term.

The formula for the Technical Colleges, private four-year institutions and the private two-year institutions is a conservative assumption, specific information about each institutions' formula was not collected. The tuition value used for all but those attending a Community College or a State University is based on the tuition used in the State Grant Program. To the extent that these are conservative assumptions, the assumptions are not critical; only a comparison is being made, not a projection.

Fourth, projections were made for two different registration loads. The intent of this analysis is to compare the two programs at the margin. This would imply an assumption of a 5/12 registration load (5 credits, or the equivalent). The second assumption was that everyone would register for one-quarter of a full-time load. This is equivalent to 3 credits. Three credits, or the equivalent, was chosen because not all students have a choice between 5 or 6 credits, or the equivalent. Every student can find at least a 3 credit, or the equivalent, course as an option to registering for a half-time load.

2) Procedure for Calculating the Half-time State Grant Award

It was assumed that everyone who was reported as being in attendance was registered for a half-time load. This is the same group that is considered as being in attendance in the projections used for preparing the agency's budget. Since the Part-time Grant projection is based on taking one course, the calculated half-time State Grant award is for one term.

3) Results

The data base contains records for 97,626 applicants. Overall, 45 percent of these applicants would be judged as qualifying for a Part-time Grant given the income and household size criteria described (see Attachment D). Because of the Decentralized Delivery System institutions do not report all State Grant Program applicants, the percentage of applicants attending the State University System who qualify will be higher than for the other applicants. Among the students attending an institution in the other systems, the highest rate was among students eligible to apply as independent students attending the University of Minnesota while the lowest rate was among dependent students attending private four-year institutions.

Assuming that the population of applicants eligible for a Part-time Grant were to enroll for a 5/12 load for one term, their projected awards would total \$20.6 million according to the award calculation formula described above. These same students were projected to receive only \$5.8 million from the State Grant Program if they had attended half-time for one term. The combined State Grant and Pell awards for these students was projected to be \$16.6 million. As shown

in Attachment E, for 1/4 time students, 30 percent would have received a larger Part-time Grant award than a combined State Grant and Pell Grant award. As shown in Attachment F, for 5/12 time students, 46 percent would have received a larger Part-time Grant award than a combined State Grant and Pell Grant award.

G. CONCLUSIONS

This analysis has shown that the design and administration of the Part-time Grant Program permits larger awards to some less than half-time students than they would receive as half-time students under the combined State Grant and federal Pell Grant programs. For students attending 1/4 time, 30 percent would have received a larger Part-time Grant award than a combined State Grant and Pell Grant award (Attachment E). For students attending 5/12 time, 46 percent would have received a larger Part-time Grant award than a combined State Grant and Pell Grant award (Attachment F).

The benefits of the State Grant Program are not equitably extended to less than half-time state grant applicants through the Part-time Grant Program as it is designed. For some applicants, the Part-time Grant Program would be less than the State Grant half-time award. This is what would be expected. For other applicants, the award would be the same. For still other applicants, the Part-time Grant award would exceed the State Grant award at a half-time registration level. For this latter group, the Part-time Grant Program provides an award windfall and a financial incentive to reduce registration loads. Neither of these conditions are consistent with the parameters of the Design For Shared Responsibility, linking need and cost of attendance, and the desire of policymakers to encourage timely program completion.

References

[HECB] Minnesota Higher Education Coordinating Board (1984), Financial Aid for Part-time Students, St. Paul, MN.

Attachment/Supplement Listing

Attachment A: Part-time Grant Program Allocations for Fiscal Year 1991

Attachment B: Part-time Grant Program Statistics: Fiscal Years 1985 through 1989

Attachment C: Parameters Used to Estimate Eligibility for the Part-time Grant Program and the Formula to Calculate a Part-time Grant Award.

Attachment D: Calculated Proportion of State Grant Program Applicant Population Meeting the Part-time Grant Program Need Criteria by System Attended and Dependency Status

Attachment E: Comparison of Part-time and State Grant Awards Based on Registration Load of 1/4

Attachment F: Comparison of Part-time and State Grant Awards Based on
Registration Load of 5/12

Supplement I: DESIGN FOR SHARED RESPONSIBILITY/CHANGING THE PART-TIME GRANT
PROGRAM

SECTION III: SUMMARY OF PROPOSED RULES CHANGES

The proposed changes to current rules are summarized below:

4830.1552 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.

Subpart 1. Allocation formula.

B. Amend the portion of the allocation formula dealing with a school's allocation to simplify and clarify the allocation formula and to make the formula consistent with other campus-based financial aid programs administered by the Board. The changes in this subpart will ensure uniform treatment of all schools and students participating in this program, and simplify the process used to allocate monies to schools.

C. The deletion in this section provides uniformity in the allocation of all program monies to schools for the current academic year, and provides consistency in the allocation calculation.

4830.1553 DETERMINATION OF ELIGIBILITY

The additional language in this section ensures that a student receiving funds under this program is making at least a minimum effort toward completion of a degree or certificate by earning at least 1/12th of the full-time enrollment status at his/her school, which is comparable to earning one academic credit.

4830.1554 AWARDS.

The change in the title of this section is for clarity and uniformity with other rules governing campus-based financial aid programs administered by the Board.

Subparts 1, 2, and 3 of this section have been repealed and two new subparts created because the Board has become aware that the current methodology results in the inequitable treatment of students. Under the repealed language, it is possible for a student to receive a larger award under the Part-time Student Grant Program by taking 5 credits than a student would receive taking 6 credits under the State Grant Program. Therefore, in order to rectify this situation, and to ensure the equitable treatment of students and the integrity of the Part-time Student Grant Program, new language has been inserted as follows:

Subpart 4. **Award amount.** The language in this subpart is comparable to that in the State Grant Program, but the minimum award amount has been adjusted to take into consideration the part-time status of these students. This language ensures equitable treatment of all students applying for grant assistance whether they apply as a part-time student under this program, or attend on at least a half-time basis and apply for an award under the State Grant Program.

Subpart 5. **Registration load.** A definition of "registration load" is provided for clarity and to avoid confusion when this terminology is used in 4830.1554, subpart 6.

Subpart 6. **Cost of Attendance.** The language in this subpart defines "cost of attendance" at various registration levels to ensure the uniform and equitable treatment of all students applying for grant assistance under this program, and consistency in the calculation of individual student awards.