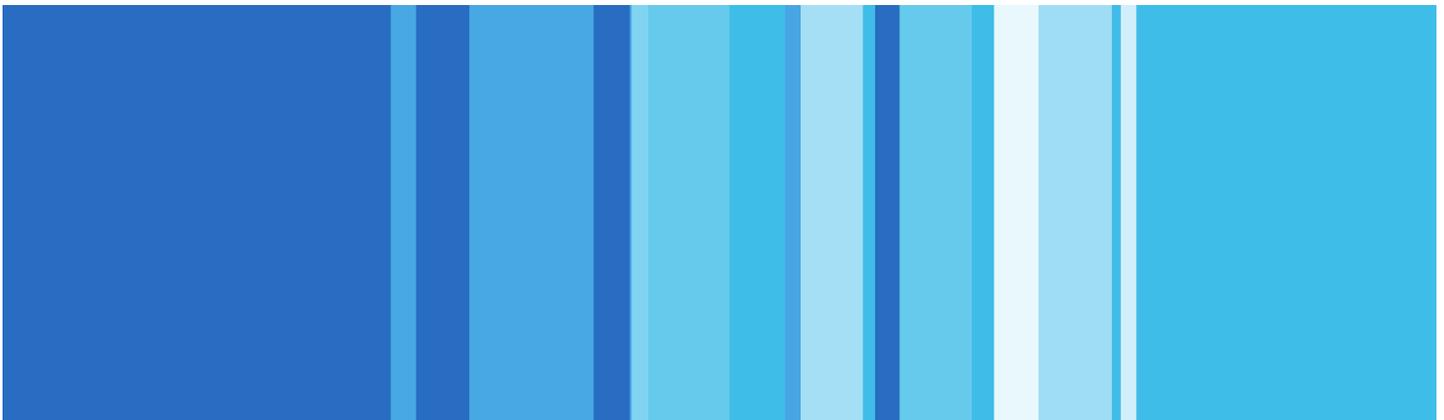


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# Projected Minnesota State Grant Spending

Fiscal Years 2006-2007



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## About the Minnesota Office of Higher Education

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to post-secondary education. The agency serves as the state's clearinghouse for data, research and analysis on post-secondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program, which is administered by the agency, is a need-based tuition assistance program for Minnesota students. The agency oversees tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Program, licensing and an early awareness outreach initiative for youth. Through collaboration with systems and institutions, the agency assists in the development of the state's education technology infrastructure and shared library resources.

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# Background

Since 2004, the Minnesota Office of Higher Education has been required by the Minnesota Legislature to provide updated State Grant spending projections during the course of the year. During FY2004 and FY2005 this update occurred four times annually. In the 2005 session this requirement was reduced to twice each year on November 1 and February 15 of each year.

The purpose of this report is to satisfy the first reporting requirement for fiscal year 2006. As also required under the statute, a meeting was held with interested parties including representatives from various public and private higher education systems and organizations and legislative staff on October 26. Information on projected enrollments and tuition and fee changes were provided by these representatives and are included in the projections contained in this report.

Under the set of assumptions provided by institutional representatives and using actual data for FY2005, the projections for FY2006 and FY2007 are \$131.2 million and \$141.51 million respectively<sup>1</sup>.

At the end of the 2005 session the Office had projected state grant needs of \$133.8 million for 2006 and \$145.36 million for 2007.<sup>2</sup> The base data for these projections was fiscal year 2004. These projections also include the assumptions used in November 2004 regarding enrollment and tuition and fee changes reported by the various sectors, changes in the federal needs analysis that had been promulgated by the U.S. Department of Education, and several policy changes enacted by the legislature during the session. The previous figures also reflect a \$7 million “outside-the-model” reduction each year that reflected a rebasing of the state grant model results with data that more closely matches the anticipated enrollment experience for FY2005. The November 1, 2005 projections suggest a saving of \$2.60 million in FY 2006 and \$3.85 million in FY 2007 compared to the levels estimated at the end of the 2005 session.

These differences are the net effect of changes in both economic variables like enrollment and tuition and new estimates of the impact of recent policy changes.

## Understanding the Projections Report

In order to more clearly show the reasons for the changes, details of the more significant variables are shown in Table 1. Estimates for both fiscal years are shown. Column one of the Table indicates the assumption or policy lever that is being measured. Column two indicates the estimated need for the program based on that assumption or lever that was made at the end of session. If one reads down the column the cumulative impact of each change can be measured.

The third column shows the current projection based on the information described above. The fourth column is the difference between the two projections. Column five shows the change between each assumption or program change. This allows the reader to see the impact on the total of the new information by change type.

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<sup>1</sup> Since 2005 actual data is now the base used for the projections the \$7 million adjustment is no longer needed. It is embedded in the 2005 data. This is the first set of projections for fiscal years 2006 and 2007 that include actual data for the 2004-05 school year.

<sup>2</sup> This information was contained in an internal staff report and was also shared with legislative staff for appropriation purposes.

**Table 1**  
**Comparison of Current Projection with End-of-Session**  
**for the State Grant Program**

**Fiscal Year 2006 Differences**  
**(all figures in millions)**

<b>Assumption or Program Change</b>	<b>End of 2005 Session Projections</b>	<b>Current Projection</b>	<b>Difference in Cumulative Spending Projections</b>	<b>Difference in Projections for Change Item</b>
Change in Enrollment Projections	\$127.80	\$126.33	(\$1.47)	(\$1.47)
Impact of State & Other Tax Tables changes	\$121.57	\$120.53	(\$1.04)	\$0.43
Change in Tuition and Fees	\$128.78	\$126.26	(\$2.52)	(\$1.48)
Adopt 30-day Deadlines	\$129.31	\$126.78	(\$2.53)	(\$0.01)
Increase in 4-Year Tuition and Fee Maximums	\$130.78	\$128.16	(\$2.62)	(\$0.09)
Decrease in 2-Year Tuition and Fee Maximums	\$129.19	\$126.86	(\$2.33)	\$0.29
Increase in LME	\$133.80	\$131.20	(\$2.60)	(\$0.27)

**Fiscal Year 2007 Differences**

<b>Assumption or Program Change</b>	<b>End of 2005 Session Projections</b>	<b>Current Projection</b>	<b>Difference in Cumulative Spending Projections</b>	<b>Difference in Projections for Change Item</b>
Change in Enrollment Projections	\$131.14	\$128.83	(\$2.31)	(\$2.31)
Impact of State & Other Tax Tables changes	\$124.81	\$122.95	(\$1.86)	\$0.45
Change in Tuition and Fees	\$137.44	\$133.58	(\$3.86)	(\$2.00)
Adopt 30-day Deadlines	\$138.03	\$134.15	(\$3.88)	(\$0.02)
Increase in 4-Year Tuition and Fee Maximums	\$142.90	\$138.86	(\$4.04)	(\$0.16)
Decrease in 2-Year Tuition and Fee Maximums	\$140.46	\$136.90	(\$3.56)	\$0.48
Increase in LME	\$145.36	\$141.51	(\$3.85)	(\$0.29)

For example, see the first change listed, which is the change in enrollment. Enrollments are lower under this projection than they were assumed at the end of session. This results in a re-estimate that is \$1.47 million lower in FY 2006 today than was expected last spring. The impact of the change in the federal needs analysis is the next policy adjustment shown. At the end of session the estimate for this change was \$6.23 million. The current estimate is \$5.80 million, or a difference of \$.43 million. From the table, we see that changes to the enrollment and tuition assumptions have led to the two largest changes in the total estimates from the end of session.

## **Preliminary Fall 2005 Information**

Results from the model used for the State Grant program are typically presented on an annual basis. However, since there are important differences between the various educational terms when students enroll (fall, winter, spring, and two summer terms) the model is actually run on a term-by-term basis. Preliminary expenditure data for the fall term has been submitted to the agency by each institution eligible for the State Grant program. This data is preliminary and is adjusted throughout the year as students' awards are amended for credit-load changes or other related reasons.<sup>3</sup> For instance, between September 2004 fall reports and the end of year for fall 2004, total spending for the term was adjusted upwards by \$6.5 million. Although most of this adjustment is due to schools that begin after the fall reporting date.

Fall 2005 spending information has been reported by the participating institutions. This data contains information that may be used to improve the projections and to better understand the program dynamics. If we assume that the same end-of-year adjustments that occurred in fall 2004 would again occur in fall 2005, and that the historical share of the annual total reflected in the fall data from prior years holds up for FY2006, spending for FY2006 would be lower than that projected by the model by about \$5 million.<sup>4</sup> This suggests a total for FY 2006 of about \$126 million, lower than the \$131.2 reported in Table 1. Given the substantial uncertainty of preliminary reports at this point in time, the official projection required under law is the \$131.2 million. However, the agency is investigating potential reasons why the figure may be lower by fiscal year end. For instance, are certain types of institutions overestimated for the fall term? Are there differences between private and public institutions? One important line of investigation is a shift in the distribution of income for families of grant recipients. Staff at the agency have begun work on this analysis and results should be available by the next projection.

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<sup>3</sup> This is different than the deadline date. A student may meet that date to be eligible and still have changes at a later time.

<sup>4</sup> For example, fall spending has ranged from a low of 46% to a high of 47.91% of total spending over the last six years.