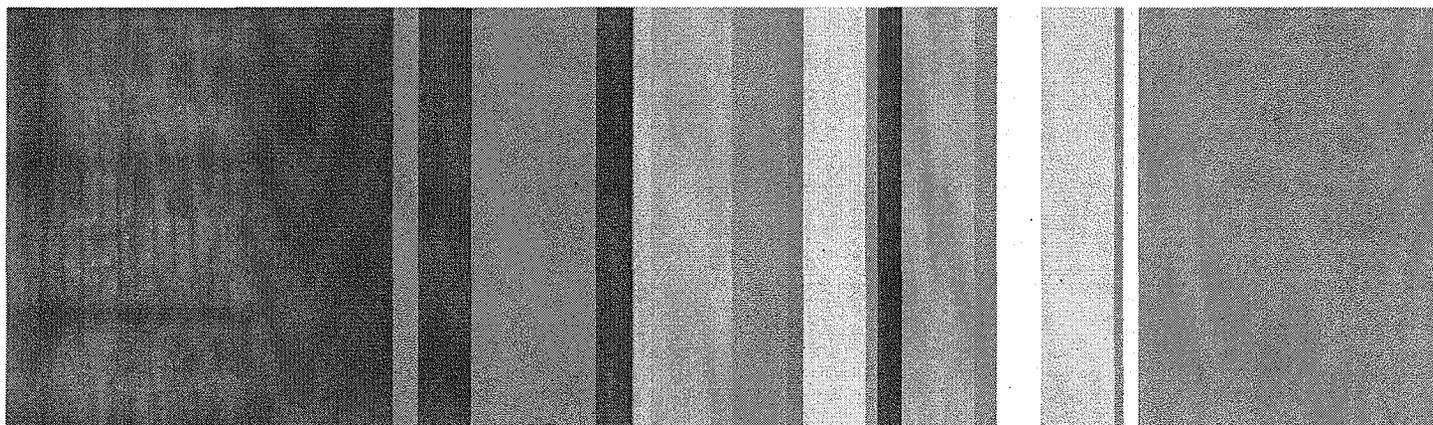


MINNESOTA
OFFICE OF
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EDUCATION

07 - 0679

November 1, 2007



November 1, 2007:
State Grant
Projections



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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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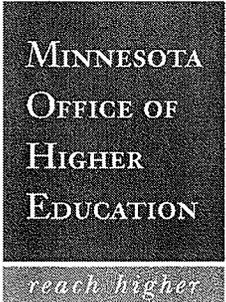
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Introduction

The purpose of this report is to meet the directive of Minnesota Statute 136A.121 that requires the Office of Higher Education to update projections of the State Grant program for the 2008-09 biennium. The law requires these updates to occur by November 1 and February 15 of each year. A meeting was held as required under the statute with interested parties including representatives from various public and private sector institutions, legislative staff and the Department of Finance on October 26, 2007. Information on enrollments and tuition and fee changes were provided by these representatives.

November 1, 2007 Spending Projection

In May of 2007 the legislature established appropriations for the State Grant program of \$147.4 million for fiscal year 2008 and \$144.138 million for fiscal year 2009. The agency receives additional resources for the program through the federal LEAP and SLEAP programs of approximately \$1.2 million each year. Using data reported through the end of September, projected spending for fiscal year 2008 is \$155.7 million.

This amount exceeds the available appropriation and Federal LEAP/SLEAP funding of \$148.7 million by \$7 million. Historically, annual projections calculated during the fall term have tended to decrease by \$1.0 to \$3.0 million by the end of the fiscal year as colleges adjust awards throughout the year. This suggests a lower deficiency for fiscal year 2008 in the range of \$4.0 to \$6.0 million. Since this data is preliminary, spending projections for fiscal year 2009 are not changed and the appropriation and federal resources are expected at this point to be adequate to meet the demand.

Background

The projections contained in this report are not the result of a full simulation of the State Grant model with new assumptions regarding enrollments, tuitions and income changes. Instead, the figures are based on preliminary spending for the fall term.

Each month, colleges participating in the State Grant program submit student records containing awards and disbursements to date. The \$155.7 million reflects preliminary spending for the fall term and projects it forward based on historical spending patterns. For colleges reporting fall term payments before the end of September, reported fall term spending was projected out through the end of the year based on each college's percentage difference in spending from September 30 through the end of the year during the previous fiscal year. Additional adjustments were made for several private vocational colleges that have fall quarters starting in October and are unable to report fall term spending in September. These calculations result in an estimated spending amount of \$73.2 million for the fall term. This amount is divided by fall term's historic percentage of total year spending for the past six fiscal years (47 percent) to arrive at total annual projected spending of \$155.7 million.

Next Report

The next report on State Grant projections is due to the Legislature by February 15, 2008. This report will contain new projection figures for both fiscal years of the biennium. The report will also incorporate updated information on fiscal 2008 spending, a new base year data file and updated income forecast from the Department of Finance. There are a number of changes pending in Congress in the Pell Grant program that may materially impact the State Grant projections. By next February, it is expected that any federal changes will be clearly identified and integrated into the projection process.