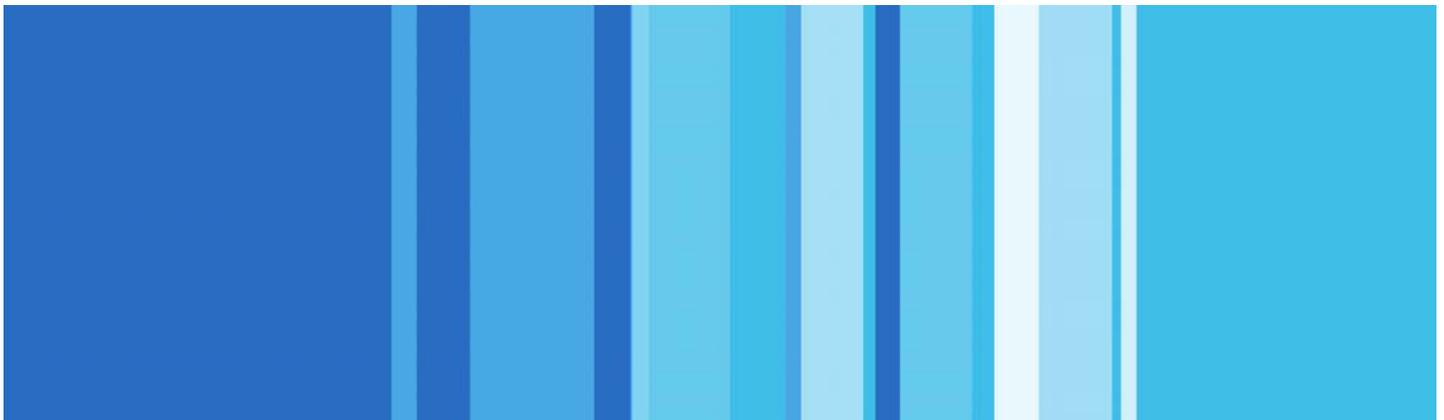


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Minnesota State Grant Spending Projections Report



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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 postsecondary education. The agency serves as the state's clearinghouse for data, research and analysis on postsecondary 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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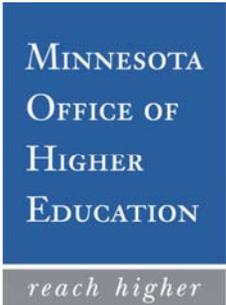
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Background

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 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.

State Grant Activity

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 November 2007, projected spending for fiscal year 2008 is \$148.5 million. This projection is 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 that is annualized using spending patterns from earlier years. The projected \$148.5 million in spending is extremely close to the \$148.6 million in resources for the year. This may change with winter and spring term experience.

Since the estimated spending for 2008 is so close to available resources, the underlying spending projection for 2009 that was used in the 2007 session is not changed. At this point the resources available are expected to be sufficient to meet expected need.

Two other conditions exist that will have, or are likely to have, a significant impact on 2009 spending. Since the last State Grant projections report issued in November 2007, the U.S. Congress has made some significant changes in the Pell program that have implications for spending in 2009 for the State Grant program. The maximum Pell grant has been increased from \$4,310 to \$4,731. This increase will result in an anticipated savings of approximately \$15 million in 2009 in the State Grant program. Under current law the agency has the authority to increase the living and miscellaneous expense allowance to spend any anticipated surplus in the program. The Legislature may act during the 2008 session to change other program parameters to spend this money.

The second condition is the economy. Historically, as general economic downturns occur, enrollment in higher education grows more than expected. If young people can't find jobs they remain in school or as older workers are laid off they may return to school for more training. At this point, the higher education systems have not reflected any enrollment changes due to a softening of general economic activity. However, if enrollments do increase, additional resources may be needed for the program.