

February 15, 2016



Minnesota State Grant Projections Fiscal Years 2016-2017



Authors

Meredith Fergus

Manager Financial Aid Research

Tel: 651-259-3963

meredith.fergus@state.mn.us

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 also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program is the largest financial aid program administered by the Office of Higher Education, awarding up to \$180 million in need-based grants to Minnesota residents attending eligible colleges, universities and career schools in Minnesota. The agency oversees other state scholarship programs, tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Plan, licensing and early college awareness programs for youth.

Minnesota Office of Higher Education

1450 Energy Park Drive, Suite 350
Saint Paul, MN 55108-5227

Tel: 651.642.0567 or 800.657.3866

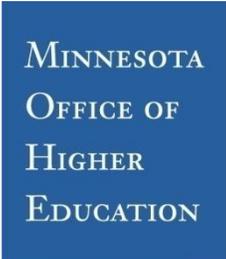
TTY Relay: 800.627.3529

Fax: 651.642.0675

E-mail: info.ohe@state.mn.us

www.getreadyforcollege.org

www.ohe.state.mn.us



MINNESOTA
OFFICE OF
HIGHER
EDUCATION

reach higher

Table of Contents

Table of Contents	3
Fiscal Years 2014 and 2015	5
Fiscal Years 2016 and 2017 — Spending Projection	5
Legislative Changes Enacted in the 2015 Session	6
Impact.....	6
Next Report	6
Projection Assumptions	7
Federal Poverty Level – Living and Miscellaneous Expense Allowance.....	7
Enrollment Assumptions.....	8
Pell Grant Changes in Law.....	8
Tuition and Fee Increases.....	9
Change in Wages.....	9
Federal Need Analysis.....	9

Fiscal Years 2014 and 2015

State Grant spending totaled \$172.925 million for fiscal year 2014 and is \$178.613 million for fiscal year 2015 for a biennial total of \$351.538 million. This compares to base resources of \$355.922 million for the biennium. The Office transferred \$580,000 to the Minnesota Work Study program for FY2015 and cancelled \$3.8m to the general fund.

Table 1
Spending Projections versus Available Resources FY2014-2015 (in millions)

11/1/2015	FY2014	FY2015	Biennium
Base resources	\$179.141	\$176.781	\$355.922
Spending	+(172.925)	+ (178.613)	+(351.538)
Difference between resources and spending	\$6.216	\$(1.832)	\$4.384

Fiscal Years 2016 and 2017 — Spending Projection

This report presents spending projections for the Minnesota State Grant program for the 2016-2017 biennium as of February 15, 2016. The law requires spending projection updates to occur by November 1 and February 15 of each year. Information on tuition and fee changes was provided by institutional representatives on February 10, 2016.

The projections contained in this report are the result of a full simulation of the State Grant model. This model projects state grant spending for fiscal years 2016 and 2017 using fiscal year 2015 actual spending data and award parameters in law as of February 15, 2016; information on enrollment and tuition and fee changes provided by institutional representatives; and the percent change in wages of tax filers estimated by Minnesota Management and Budget. The assumptions used in the spending projections are described starting on page seven.

The State Grant spending projection is \$175.783 million for fiscal year 2016 and is \$172.689 million for fiscal year 2017 for a biennial total of \$348.472 million. This compares to base resources of \$360.562 million for the biennium.

The difference between base resources and projected spending is \$4.498 million for fiscal year 2016 and \$7.592 million for fiscal year 2017. For the biennium, the difference between resources and estimated spending equals \$12.090 million. The changes modeled are the agency's best estimates as of February 15, 2016 and are subject to change, based on updated information on enrollment, tuition and family incomes.

Table 2
Spending Projections versus Available Resources FY2016-2017 (in millions)

02/15/2016	FY2016	FY2017	Biennium
Base resources	\$180.281	\$180.281	\$360.562
Spending projection	+(175.783)	+ (172.689)	+(348.472)
Difference between resources and spending	\$4.498	\$7.592	\$12.1090

Legislative Changes Enacted in the 2015 Session

In the 2015 the Minnesota Legislature adopted language changes that significantly enhanced the program's ability to serve Minnesota students. These changes include: inflationary increases for living expenses; fully funding grants to students at public institutions; and increased flexibility for the Commissioner to allocate spending balances.

- 1. Living and Miscellaneous Expenses (LME) set to the federal poverty level for 9 months if an amount is not specified in law. Similar language is already in law for tuition and fee (T&F) maximums (Art. 5, Sec. 1)**

This provision allows the State Grant to maintain purchasing power by indexing the LME to the federal poverty level. This provision helps provide affordability for lower- and middle-income students and their families.

- 2. Allows the LME to rise to the federal poverty level beginning with the 2015-2016 academic year**

This provision allows the LME to increase to \$8828 for the 2015-2016 academic year as compared to the level set in MN session laws (\$7,900) and the temporary 2014-2015 level (\$8,490). This will result in increased State Grants to full-time students of \$169 as compared to the 2014-2015 academic year; students enrolled at less than full-time levels will see a proportional increase.

- 3. Allows the tuition and fee maximum for 4-year programs to rise to the University of Minnesota Twin Cities tuition and fee level beginning with the 2015-2016 academic year**

This provision allows the tuition and fee maximum to increase to \$13,840 for the 2015-2016 academic year as compared to the level set in MN session laws (\$13,000). This will result in increased State Grants to full-time students at the University of Minnesota Twin Cities and private colleges of \$420 as compared to the 2014-2015 academic year; students enrolled at less than full-time levels will see a proportional increase.

- 4. Allows for the allocation of unspent funds in law via LME adjustments or T&F maximums in the 2nd year of the biennium (Art. 5, Sec. 2)**

This provision gives the Commissioner the authority to spend existing spending balances within the State Grant program using a third alternative (increasing the tuition & fee maximum) in addition to the two existing options (increasing the LME, transferring funds to other financial aid programs).

Impact

The impact of these changes are two-fold. First, more students will be eligible for State Grants and current recipients will see an increase in their State Grants. Secondly, the State Grant program will have increased stability in purchasing power and as a result better address affordability for lower- and middle income students.

Next Report

The next report on Minnesota State Grant projections is due to the Legislature by November 1, 2016. The report will contain updated projection figures for fiscal year 2017, 2018 and 2019.

Projection Assumptions

The Minnesota State Grant spending projection for each fiscal year is formulated using a series of adjustments and the following program parameters as shown in Table 3.

Table 3
Minnesota State Grant Award Parameters

Minnesota State Grant Award Parameters	FY2014	FY2015	FY2016	FY2017
			CURRENT LAW	
Living and Miscellaneous Expense Allowance	\$7,900	\$8,490*	\$8,828	\$8,910
Assigned Student Responsibility	50.0%	50.0%	50.0%	50.0%
Tuition and Fee Maximums				
Students in Two-Year Programs	\$5,808	\$5,808	\$5,736	\$5,679**
Students in Four-Year Programs	\$13,000	\$13,000	\$13,840	\$14,186**
Federal Pell Grant Maximum	\$5,645	\$5,730	\$5,775	\$5,815
Rationing Surcharge on Assigned Family Responsibility	0%	0%	0%	0%
Proration for the Assigned Family Responsibility				
Dependent Students (Parent Contribution)	96%	96%	96%	96%
Independent Students with Dependents (Student Contribution)	86%	86%	86%	86%
Independent Students without Dependents (Student Contribution)	50%	50%	50%	50%
Maximum Semesters of Enrollment for Grant Eligibility	8	8	8	8

*temporary increase; **estimated

Federal Poverty Level – Living and Miscellaneous Expense Allowance

The Living and Miscellaneous Expense Allowance is set at an amount equal to the federal Poverty Guidelines for a single person household living in Minnesota for a nine month time period. The Poverty Guidelines are issued each year by the Department of Health and Human Services. Table 4 displays the annual figures for the Living and Miscellaneous Expense Allowance.

Table 4
Federal Poverty Guidelines

	FY2014	FY2015	FY2016	FY2017
Poverty Guidelines Year	2013	2014	2015	2016
Federal Poverty Guideline – 1 person in family/household, 48 contiguous states	\$11,490	\$11,670	\$11,770	\$11,880
Increase Estimate	n/a	n/a	n/a	n/a
Multiplier for 9-month time period	0.75	0.75	0.75	0.75
Living and Miscellaneous Expense Allowance	\$8,618	\$8,753	\$8,828	\$8,910

Enrollment Assumptions

Minnesota State Grant spending projections also incorporate estimated enrollment changes in the number of Minnesota resident undergraduates enrolling at each institution type. Information about enrollment changes for fiscal years 2014-2017 is shown in Table 5. Overall enrollment is used to estimate changes in the number of Minnesota resident aid applicants. These figures will be revised as new enrollment data become available. A change in total enrollment of plus or minus one percentage point annually changes projected state grant spending by an estimated \$1.8 million. Fall 2015 enrollments declined for the fourth straight year. Most institutions surveyed project no significant change in enrollments through June 2017.

Table 5
Enrollment Assumptions

Enrollment Assumptions	FY2014		FY2015		FY2016		FY2017
	Fall 2013		Fall 2014		Fall 2015		Fall 2016
System	PROJECTED	ACTUAL	PROJECTED	ACTUAL	PROJECTED	ACTUAL	PROJECTED
MnSCU Two-Year Institutions	+0.2%	-3.3%	+0.0%	-4.9%	-1.3%	-4.1%	-1.0%
MnSCU Four-Year Institutions	+0.4%	-1.8%	-0.9%	-2.6%	-1.2%	-1.5%	0.0%
University of Minnesota	0.0%	-1.2%	-1.2%	-1.2%	-1.2%	-0.4%	-1.3%
Private Not-for-Profit Institutions	0.0%	-0.2%	0.0%	-1.6%	-0.8%	-1.6%	0.0%
Private For-Profit Institutions	0.0%	-2.8%	+0.7%	-4.8%	0.0%	-3.2%	+5.0%

Pell Grant Changes in Law

For academic year 2015-2016 (fiscal year 2016), the Pell Grant maximum is \$5,775. For academic year 2016-2017 (fiscal year 2017), the Pell Grant maximum is \$5,815. The Office will continue to monitor Congressional activity regarding funding of the federal Pell Grant program. Table 6 below lists the current federal Pell Grant parameters.

Increases or reductions in the federal Pell Grant amounts affect State Grant spending as the State Grant award formula maintains a dollar for dollar relationship with the student's Pell Grant. On January 30, 2016, the U.S. Department of Education issued the Pell Grant table with a maximum Pell Grant of \$5,815 for the 2016-2017 academic year – a \$40 increase. Federal law allows for inflationary adjustments to the maximum Pell Grant award each year, but those increases are dependent on funding being approved as part of the federal budget process each October.

Table 6
Federal Pell Grant Award Parameters

Federal Pell Grant Award Parameters	FY2014	FY2015	FY2016	FY2017
Pell Grant Minimum Award	\$605	\$602	\$626	\$598
Pell Grant Maximum Award	\$5,645	\$5,730	\$5,775	\$5,815
Award Formula: Expected Family Contribution (EFC)	Maximum Pell - EFC	Maximum Pell - EFC	Maximum Pell - EFC	Maximum Pell - EFC
Qualifying EFC	\$0 - \$5,081	\$0 - \$5,157	\$0 - \$5,198	\$0 - \$5,234

Tuition and Fee Increases

Information about tuition and fee increases for fiscal years 2014-2017 was gathered from institutional and system representatives. Table 7 below details actual and estimated tuition and fee increases for State Grant calculations as reported by institutions for projections of spending. While the projection estimate presented utilizes the 2015-2016 academic year (fiscal year 2016) tuition and fee rates, tuition and fee rates for the 2016-2017 academic year (fiscal year 2017) will not be finalized until summer 2016. Tuition and fee increases at MnSCU institutions were specified as part of the 2015 Minnesota Legislature’s approved budget. However, tuition and fee increases at the University of Minnesota and private institutions are only estimated. If actual tuition increases exceed the tuition increase assumptions, then projected program spending in the Minnesota State Grant program will increase as well.

Table 7
Annual Changes in Minnesota Resident Undergraduate Tuition and Fee Rates

Tuition and Fee Increases	FY2014	FY2015	FY2016	FY2017
System	ACTUAL	ACTUAL	ACTUAL	PROJECTED
MnSCU Two-Year Institutions	0.0%	0.0%	0.0%	-1.0%
MnSCU Four-Year Institutions	0.0%	0.0%	+3.4%	0.0%
University of Minnesota	0.0%	0.0%	+1.5%	2.5%
Private Not-for-Profit Institutions*	+4.00%	+4.5%	+3.0%	+3.5%
Private For-Profit Institutions*	-4.75%	-4.10%	+2.5%	+3.5%

*Note: Tuition and fees exceed the annual tuition and fees maximums currently established in law for determining state grant awards.

Change in Wages

The projection model incorporates forecasted data about change in wages of Minnesota tax filers from Minnesota Management and Budget. The forecast is used in projections of state revenue and spending across multiple agencies and is updated each December and March. For fiscal year 2014 -2017 projections, the model utilizes data from applicable tax years to update student and family wages and adjusted gross incomes. As fiscal year 2015 information (tax year 2013) is used, incomes are updated to reflect projections for subsequent tax years. Following the December 2015 budget forecast, the assumption for changes in average wages of Minnesota tax filers was adjusted. Current assumptions are shown below in Table 8. If the economy continues to improve, wage income of students and families is expected to rise and generate savings for the State Grant program.

Table 8
Change in Annual Wages, Minnesota

Change in Annual Wages	FY2014	FY2015	FY2016	FY2017
One-Year Change	Tax year 2012	Tax year 2013	Tax year 2014	Tax year 2015
December 2015	+4.1%	+2.1%	+3.7%	+3.6%

Federal Need Analysis

The projections model for the Minnesota State Grant incorporates all changes passed by Congress or made by the U.S. Department of Education to the federal need analysis as of May 2015. Annual updates to the tables in the statutory “Federal Methodology Need Analysis” used to determine a student’s EFC are released annually by the U.S. Department of Education.