



# Minnesota State Grant Projections Fiscal Years 2018-2019 & 2020-2021

November 1, 2019



**Author****Nicole Whelan**

Financial Aid Research Analyst

Tel: 651-259-3967

Email: [nicole.whelan@state.mn.us](mailto:nicole.whelan@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 \$207 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

Email: [info.ohe@state.mn.us](mailto:info.ohe@state.mn.us)

# Contents

Executive Summary	1
Fiscal Years 2018 and 2019 — Actual Spending	2
Fiscal Years 2020 and 2021 — Spending Projection	3
Assumptions	4
Federal Poverty Guidelines – Living and Miscellaneous Expense Allowance	5
Change in Wages	5
Enrollment Assumptions	6
Pell Grant Changes in Law	6
Tuition and Fee Increases	7
Federal Need Analysis	7
Next Report	8
Appendix A	9
Report of Compliance with Financial Aid Reallocations, Refunds and Closeout Deadlines	9

# Executive Summary

---

This report presents actual spending for the Minnesota State Grant Program for the 2018-2019 biennium and projected spending for the 2020-2021 biennium as of November 1, 2019, as required by state law. Projections are the result of a full simulation of the State Grant model. This model projects state grant spending for fiscal years 2020-2021 using fiscal year 2019 actual spending data and award parameters in law as of November 1, 2019; information on enrollment, tuition and fee changes provided by institutional representatives; and the percent change in wages of tax filers estimated by Minnesota Management and Budget. Discussion of the assumptions used in the spending projections start on page four of this report.

The results of the projections are:

- Fiscal years 2018-2019: State Grant spending totaled \$195.967 million for fiscal year 2018, and totaled \$208.791 million for fiscal year 2019, for a biennial total of \$404.759 million. This compares to base resources of \$404.855 million for the biennium (\$396.562 base appropriation and transfers of \$8.3 million in unexpended funds from other programs). The difference between base resources and total spending was positive \$0.096 million (0.02% below appropriations).
- Fiscal years 2020-2021: The spending projection for fiscal year 2020 is \$204.147 million and for fiscal year 2021 is \$204.939 million, for a biennial total of \$409.086 million. This compare to base resources of \$414.874 million for the biennium. The difference between base resources and total spending was positive \$5.788 million (1.4% below appropriations).

Spending projections for fiscal years 2020-2021 include a language change adopted by the Minnesota State Legislature in 2019, which raised the Living and Miscellaneous Expense Allowance (LME) to 106% of the poverty level guideline<sup>1</sup>, and lowered the Assigned Family Responsibility (AFR) for the following groups: dependent students, from 0.84 to 0.82; independent students with dependents, from 0.76 to 0.74<sup>2</sup>; and independent students with no dependents, from 0.40 to 0.38. The change to LME increased state grants to all students, while the change to AFR reduced the family contribution and increased state grants to those students with an AFR greater than \$0.

---

<sup>1</sup> Minnesota Statute 136A.121 Subd6a

<sup>2</sup> Minnesota Statute 136A.101 Subd5a

# Fiscal Years 2018 and 2019 - Actual Spending

---

This report presents final spending totals for the Minnesota State Grant Program for the 2018-2019 biennium as of November 1, 2019.

State Grant spending totaled \$195.967 million for fiscal year 2018 and \$208.791 million for fiscal year 2019 for a biennial total of \$404.759 million. This compares to base resources of \$404.855 million for the biennium (\$396.562 base appropriation and transfers of \$8.3 million in unexpended funds other programs). The difference between base resources and total spending was positive \$0.096 million or 0.02% below appropriations.

**Table 1: Spending versus Resources FY2018-2019 (in millions)\***

	<b>FY2018</b>	<b>FY2019</b>	<b>Biennium</b>
Base resources	\$198.206	\$206.649 <sup>i</sup>	\$404.855
Spending	<u>+(195.967)</u>	<u>+(208.791)</u>	<u>+(404.759)</u>
Difference between resources and spending	\$2.239	\$(2.143)*	\$0.096 -0.02% below appropriations

\* Figures rounded. <sup>i</sup> Base resources for fiscal years 2018 and 2019 include unexpended funds transferred from other programs totaling \$8.3 million.

The LME was increased to \$9,900 for fiscal year 2019 under OHE's statutory authority, per 136A.121 Subd. 7a. This figure is roughly equivalent to 109% of the poverty level in fiscal year 2019, prorated for a nine-month school year.

# Fiscal Years 2020 and 2021 - Spending Projection

---

This report presents spending projections for the Minnesota State Grant Program for the 2020-2021 biennium as of November 1, 2019. The law requires spending projection updates to occur by November 1 and February 15 of each fiscal year. Information on enrollment and tuition and fee changes was provided by institutional representatives on October 18, 2019.

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 2020 and 2021 using fiscal year 2019 actual spending data and award parameters in law as of November 1, 2019; 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. Discussion of the assumptions used in the spending projections start on page four.

In 2019, the Minnesota State Legislature adopted a language change, which raised the Living and Miscellaneous Expense allowance (LME) to 106% of the poverty level guideline<sup>3</sup> and lowered the Assigned Family Responsibility (AFR) for dependent students from 0.84 to 0.82, independent students with dependents from 0.76 to 0.74<sup>4</sup>, and independent students with no dependents from 0.40 to 0.38. The change to LME increased state grants to all students, while the change to AFR reduced the family contribution and increased state grants to those students with an AFR greater than \$0.

The Office forecasts State Grant spending to be \$204.147 million for fiscal year 2020 and \$204.939 million for fiscal year 2021 for a biennial total of \$409.086 million. This compares to base resources of \$414.874 million for the biennium or positive \$5.788 million (1.4% below appropriations), as shown in Table 2.

The changes modeled are the Office's best estimates as of November 1, 2019 and are subject to change, based on updated information on enrollment, tuition, and family incomes.

**Table 2: Spending Forecast versus Resources FY2020-2021 (in millions)\***

	<b>FY2020</b>	<b>FY2021</b>	<b>Biennium</b>
Base resources	\$207.437	\$207.437	\$414.874
Spending projection	+(204.147)	+(204.939)	+(409.086)
Difference between resources and spending	\$3.290	\$2.498	\$5.788 -1.4% below appropriations

\* Figures rounded.

<sup>3</sup> Minnesota Statute 136A.121 Subd6a

<sup>4</sup> Minnesota Statute 136A.101 Subd5a

# Assumptions

---

The Minnesota State Grant spending forecast for each fiscal year relies on a series of adjustments and the program parameters shown in Table 3.

**Table 3: Minnesota State Grant Award Parameters**

	FY2018	FY2019	FY2020	FY2021
	ACTUAL	ACTUAL	ACTUAL	PROJECTED
Living and Miscellaneous Expense Allowance	\$9,135	\$9,900 <sup>ii</sup>	\$9,930	\$10,098 <sup>i</sup>
Assigned Student Responsibility	50.0%	50.0%	50.0%	50.0%
<b>Tuition and Fee Maximums</b>				
Students in Two-Year Programs	\$5,790	\$5,790	\$5,963	\$6,142 <sup>i</sup>
Students in Four-Year Programs	\$14,488	\$14,790	\$15,142	\$15,445 <sup>i</sup>
Federal Pell Grant Maximum	\$5,920	\$6,095	\$6,195	\$6,195 <sup>i</sup>
Rationing Surcharge on Assigned Family Responsibility	0%	0%	0%	0%
<b>Proration for the Assigned Family Responsibility</b>				
Dependent Students (Parent Contribution)	84%	84%	82%	82%
Independent Students with Dependents (Student Contribution)	76%	76%	74%	74%
Independent Students without Dependents (Student Contribution)	40%	40%	38%	38%

<sup>i</sup> Estimated; <sup>ii</sup> Increased under OHE authority in statute (Minnesota Statute 136A.121 Subd7a).



## Federal Poverty Guidelines – Living and Miscellaneous Expense Allowance

The Living and Miscellaneous Expense Allowance (LME) is set at an amount equal to the Federal Poverty Guidelines for a single person household living in the contiguous 48 states for a nine-month period. The U.S. Department of Health and Human Services issues Federal Poverty Guidelines annually on January 31. Under Minnesota law, the LME is equal to the Federal Poverty Guidelines plus six percent. Table 4 displays the annual figures for the Living and Miscellaneous Expense Allowance.

The Office uses the current CPI of about +1.7% to project Federal Poverty Guidelines for FY2021.

**Table 4: Federal Poverty Guidelines**

	FY2018	FY2019	FY2020	FY2021
Poverty Guidelines Year	2017	2018	2019	2020
	ACTUAL	ACTUAL	ACTUAL	PROJECTED
Federal Poverty Guideline – 1 person in family/household, 48 contiguous states	\$12,060	\$12,140	\$12,490	\$12,702 <sup>ii</sup>
Increase %	+1.5%	+0.7%	+2.9%	+1.7% <sup>ii</sup>
Multiplier for 9-month time period	0.75	0.75	0.75	0.75
Inflator in Minnesota law	101%	101%	106%	106%
Living and Miscellaneous Expense Allowance	\$9,135	\$9,900 <sup>i</sup>	\$9,930	\$10,098 <sup>ii</sup>

<sup>i</sup> Increased under OHE authority in statute (Minnesota Statute 136A.121 Subd7a). <sup>ii</sup> Estimated

## Change in Wages

The State Grant spending projection incorporates data about changes in wages of Minnesota tax filers from Minnesota Management and Budget (MMB). MMB uses the tax filer data in projections of state revenue and spending across multiple agencies and updates the information each March. For fiscal year 2021 projections, the model utilizes data from applicable tax years to update student and family wages and adjusted gross incomes. Following the March 2019 budget forecast, The Office adjusted the assumption for changes in average wages of Minnesota tax filers. Current assumptions appear in Table 5. In 2017-2018, the U.S. Department of Education switched to using the prior-prior year FAFSA to calculate the student's Pell Grant. Thus, no income change occurred for fiscal year 2018.

**Table 5: Change in Annual Wages, Minnesota**

	FY2018 tax year 2015	FY2019 tax year 2016	FY2020 tax year 2017	FY2021 tax year 2018
One-Year Change in Average Wages	n/a <sup>i</sup>	+1.9%	+3.5%	+3.7%

## Enrollment Assumptions

The State Grant spending forecast also incorporates estimated changes in the number of Minnesota resident undergraduates enrolling at each institution. Table 6 shows information about enrollment changes for fiscal years 2018-2021. Overall enrollment changes serve to estimate changes in the number of Minnesota resident aid applicants. The Office revises enrollment assumptions 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 \$2.0 million. Overall, fall 2019 enrollments declined for the seventh-straight year.

**Table 6: Enrollment Assumptions**

Fiscal Year	2018	2019	2020	2020	2021
	Fall 2017	Fall 2018	Fall 2019	Fall 2019	Fall 2020
System	ACTUAL	ACTUAL	PROJECTED	ACTUAL	PROJECTED
Minnesota State Colleges	-2.1%	-1.8%	-0.3%	-2.1%	+0.5%
Minnesota State Universities	-2.2%	-2.6%	-1.9%	-3.0%	-0.4%
University of Minnesota Twin Cities	+1.0%	+0.04%	+0.5%	+0.6%	+0.08%
University of Minnesota System Total	+0.7%	+0.04%	+0.5%	-0.6%	+0.03%
Private Not-for-Profit Institutions	-0.6%	+0.5%	0.0%	-0.5%	0.0%
Private For-Profit Institutions	-2.0%	0% to +4.0%	0% to +5.0%	-6.0%	+4.0%

## Pell Grant Changes in Law

For academic year 2018-2019 (fiscal year 2019), the Pell Grant maximum is \$6,095. For academic year 2019-2020 (fiscal year 2020), the Pell Grant maximum will increase to \$6,195. OHE State Grant projections assume the Pell Grant maximum will stay flat at \$6,195 for academic year 2020-2021 (fiscal year 2021). The Office will continue to monitor Congressional activity regarding funding of the Federal Pell Grant Program, and future projections will include updated Pell Grant amounts.

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. Table 7 below lists the current Federal Pell Grant parameters and assumes a flat Pell Grant award for fiscal year 2021.

**Table 7: Federal Pell Grant Award Parameters**

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
	<b>ACTUAL</b>	<b>PROJECTED</b>	<b>PROJECTED</b>	<b>PROJECTED</b>
Pell Grant Minimum Award	\$596	\$650	\$650	\$650 <sup>i</sup>
Pell Grant Maximum Award	\$5,920	\$6,095	\$6,195	\$6,195 <sup>i</sup>
Award Formula: Expected Family Contribution (EFC)	Maximum Pell – EFC	Maximum Pell - EFC	Maximum Pell - EFC	Maximum Pell - EFC
Qualifying EFC	\$0 - \$5,328	\$0 - \$5,486	\$0 - \$5,576	\$0 - \$5,576

<sup>i</sup> As of October 1, 2018

## Tuition and Fee Increases

The Office gathered information about tuition and fee increases for fiscal years 2018-2021 from institutional and system representatives. Table 8 below details actual and estimated tuition and fee increases for State Grant calculations as reported by institutions for projections of spending.

**Table 8: Annual Changes in Minnesota Resident Undergraduate Tuition and Fee Rates**

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
System	ACTUAL	ACTUAL	ACTUAL	PROJECTED
Minnesota State Colleges	+1.0%	+0.2%	+2.9%	+3.0% <sup>i</sup>
Minnesota State Universities	+3.7%	+0.4%	+3.4%	+3.0% <sup>i</sup>
University of Minnesota	+1.0%	+1.4%	+2.3%	+1% to +3%
Private Not-for-Profit Institutions	+3.0%	+3.8%	+3.3%	+3.5%
Private For-Profit Institutions	+1.0%	0% to +4%	+0.9%	-0.50%

<sup>i</sup> Tuition estimates for Minnesota State Colleges and Universities reflect estimates made by OHE for use in cost projections for State Grant and other financial aid programs.

<sup>ii</sup> Tuition and fees exceed the annual tuition and fees maximums currently established in law for determining state grant awards.

## Federal Need Analysis

The forecasted spending 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 October 2018. The U.S. Department of Education releases annual updates to the tables in the statutory “Federal Methodology Need Analysis” used to determine a student’s EFC.

# Next Report

---

The next report on Minnesota State Grant spending is due to the Legislature by February 15, 2020.

# Appendix A

---

## Report of Compliance with Financial Aid Reallocations, Refunds and Closeout Deadlines

### *For Academic Year 2018-2019*

The goal of the Minnesota Office of Higher Education is to distribute 100% of available appropriations for state financial aid to students. Many state financial aid programs allocate funds to an institution in exchange for the institution reporting back to the Office in a timely manner the total funds distributed to students and to which students. If an institution overestimates the total funds needed, the Office relies on institutions to return unspent funds in a timely manner so the funds can be re-allocated to other institutions with unfunded eligible students.

To ensure system efficiency, the Minnesota Office of Higher Education relies on common reporting, refund, and reallocation deadlines. When institutions do not complete reporting and return of funds in a timely manner, then the Office is not able to redistribute those dollars to other eligible unfunded students. Beginning with this report, the Office is making public a list of institutions failing to meet refund deadlines for the Minnesota State Grant Program, the State Work Study Program, and the Postsecondary Child Care Grant Program. Failure to report payments and return unspent funds to the Office negatively impacts the students we serve, negatively impacts the Office's ability to comply with state financial deadlines and processes, and raises questions about institutional capacity. Late reporting or refunds in year one of a biennium could cause the Office to underestimate funds available in year two, resulting in lower awards for all eligible students.

Institutional reporting and refund deadlines for the 2018-2019 academic year are listed below by program. **These deadlines indicate when funds must be received by the Office, not the date for which funds must be postmarked.** The Office will continue to monitor institutional compliance with established program deadlines.

### Minnesota State Grant

**Table A1. Academic year 2018-2019 Financial Aid Deadlines for the Minnesota State Grant Program**

Deadline	Item	Institutional Action Required
September 2018 – July 2019	Monthly reporting	Institutions must submit information on payments made once per month.
August 2, 2019	Refund	All unspent funds must be returned to OHE.
August 30, 2019	Closeout	End of year balance and final payment information must be received by OHE.

As of September 30, 2019 (30 days post-deadline), the following institutions failed to report end-of-year State Grant payments to the Office.

- Leech Lake Tribal College
- Oak Hills Christian College

As of September 30, 2019 (30 days post-deadline), the following institutions failed to return unspent State Grant funds to the Office.

- Ridgewater College (\$9,136)
- Minnesota State College-Southeast Technical (\$24)

## State Work Study

**Table A2. Academic year 2018-2019 Financial Aid Deadlines for the State Work Study Program**

Deadline	Item	Institutional Action Required
July 2018	Initial Disbursement	OHE disburses 15% of allocated funds to institutions.
September 2018	Second disbursement	OHE disburses 35% of allocated funds to institutions.
November 2018	Refund/ Reallocation	Institutions must report unspent funds so they may be reallocated to other institutions.
December 2018	Third disbursement	OHE disburses 50% of allocated funds to institutions (all funds disbursed).
January 2019	Refund/ Reallocation	Institutions must report unspent funds so they may be reallocated to other institutions.
March 2019	Refund/ Reallocation	Institutions must report unspent funds so they may be reallocated to other institutions. Funds returned after March 1 will count against the next year's allocation.
May 2019	Refund/ Reallocation	Institutions must report unspent funds so they may be reallocated to other institutions.
July 31, 2019	Closeout	End of year balance and final payment information must be received by OHE. All unspent funds must be returned to OHE.

Of participating institutions, 10 of the 69 institutions (14%) met the July 31, 2019 closeout deadline for state work study. Of participating institutions, 53 institutions (77%) were late in submitting end-of-year payment reports to the Office. Of participating institutions, 42 of 55 institutions (61%) submitted all eight monthly payment reports.

As of August 31, 2019 (30 days post-deadline), the following institutions failed to return unspent funds to the Office.

- Metropolitan State University (\$29,436)
- Winona State University (\$40,694)

As of September 30, 2019 (60 days post-deadline), the following institutions failed to return unspent funds to the Office.

- Minnesota State College-Southeast Technical (\$6,372)
- Minnesota State Community and Technical College (\$18,642)

## Child Care Grant

**Table A3. Academic year 2018-2019 Financial Aid Deadlines for the Postsecondary Child Care Grant**

Deadline	Item	Institutional Action Required
July 2018	Initial Disbursement	OHE disburses a small portion of an institutions allocation for leading summer term student awards. (Rasmussen is the only institution with a summer1 term participating)
September 2018	Second disbursement	OHE disburses 50% of allocated funds to institutions.
November 2018	Refund/ Reallocation	Institutions must report unspent funds so they may be reallocated to other institutions.
December 2018	Third disbursement	OHE disburses 50% of allocated funds to institutions (all funds disbursed).
January 2019	Refund/ Reallocation	Institutions must report unspent funds so they may be reallocated to other institutions.
March 2019	Refund/ Reallocation	Institutions must report unspent funds so they may be reallocated to other institutions. Funds returned after March 1 will count against the next year's allocation.
May 2019	Refund/ Reallocation	Institutions must report unspent funds so they may be reallocated to other institutions.
July 31, 2019	Closeout	End-of-year balance and final payment information must be received by OHE. All unspent funds must be returned.

Of participating institutions, 4 of the 55 institutions (7%) met the July 31, 2019 closeout deadline for the Postsecondary Child Care Grant. Of participating institutions, 49 institutions (89%) were late in submitting end-of-year payment reports to the Office. Of participating institutions, 27 of 55 institutions (49%) submitted all nine monthly payment reports.

As of August 31, 2019 (30 days post-deadline), the following institutions failed to return unspent funds to the Office.

- Concordia University-St Paul (\$19,996)

As of September 30, 2019 (60 days post-deadline), the following institutions failed to return unspent funds to the Office.

- Herzing University (\$22,217)

For additional information about this report, please contact: Meredith Fergus, Manager - Research and SLEDS; Office: 651-259-3963; email: [Meredith.Fergus@state.mn.us](mailto:Meredith.Fergus@state.mn.us)







2019