



Minnesota State Grant and North Star Promise Projections Fiscal Years 2022-2023 and 2024-2025

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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 \$224 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.

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Executive Summary

This report presents actual spending for the Minnesota State Grant program for the 2022-2023 biennium and projected spending for the 2024-2025 biennium as of February 15, 2024, 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 2024 and 2025. It uses fiscal year 2023 actual spending data and award parameters in law as of February 15, 2024, along with information on enrollment and tuition and fee changes provided by institutional representatives and the percent change in wages. Discussion of the assumptions used in the spending projections starts on page five of this report.

The results of the projections are:

- Fiscal years 2022-2023: State Grant spending totaled \$202.136 million for fiscal year 2022 and \$215.233 million for fiscal year 2023, for a biennial total of \$417.368 million. This compares to base resources of \$417.834 million for the biennium. Base resources include transfers of \$2.05 million from the State Grant to other financial aid programs and approximately \$150,000 in cancelled funds. These transfers and cancellations reduced overall funds available to the State Grant program. Overall, the difference between base resources and total spending is positive \$0.505 million or 0.1% below available resources.
- Fiscal years 2024-2025: The spending projection for fiscal year 2024 is \$229.502 million, and the spending projection for fiscal year 2025 is \$244.924 million. Total spending for the biennium is projected to be \$474.426 million. This compares to base resources of \$456.111 million for the biennium. The projected difference between base resources and total spending is negative \$18.315 million, or 4% above available resources.

Projections for fiscal year 2025 include the estimated impact of the FAFSA Simplification Act passed by Congress in December 2020. This legislation includes major changes to the federal need analysis, renames the Expected Family Contribution (EFC) to the Student Aid Index (SAI), and significantly modifies the awarding formula for the federal Pell Grant. These go into effect in fiscal year 2025 and will have a significant impact on State Grant spending. The impact to the 2025 projection is detailed further in this report. Current estimates use draft reference tables published as of February 15, 2022.

Impacts to the State Grant projection

The Office projected a modest spending balance for the State Grant program in November 2023. This estimate has changed significantly for several key reasons:

- Enrollment has increased faster than previously projected by the Minnesota State Colleges.
- The fiscal year 2025 projection was modified to reflect the updated SAI eligibility guide released by the U.S. Department of Education on January 30, 2024.
- The Office made modifications to our projections formula to better reconcile with actual reported State Grant spending for fiscal year 2023.

Deficit Projections

When a deficit in resources occurs for the State Grant program, the Office of Higher Education is authorized to reduce awards using the rationing procedure outlined in statute 136A.121 Subd. 7. Once the Office has determined needed adjustments to the parameters as outlined in statute, institutions will be notified.

Fiscal Years 2022 and 2023 – Actual Spending

This report presents actual Minnesota State Grant program spending for fiscal years 2022 and 2023 and spending projections for fiscal years 2024 and 2025 as of February 15, 2024. State 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 February 5, 2024.

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 2024 and 2025, using fiscal year 2023 actual spending data and award parameters in law as of February 15, 2024; information on enrollment and tuition and fee changes provided by institutional representatives; and the percent change in wages. Discussion of the assumptions used in the spending projections starts on page five.

State Grant spending totaled \$202.136 million for fiscal year 2022 and \$215.233 million for fiscal year 2023, for a biennial total of \$417.368 million. This compares to base resources of \$417.834 million for the biennium. Base resources include transfers of \$2.05 million from the State Grant to other financial aid programs and approximately \$150,000 in cancelled funds. These transfers and cancellations reduced overall funds available to the State Grant program. Overall, the difference between base resources and total spending is positive \$0.505 million or 0.1% below available resources.

Table 1: Spending versus Resources FY2022-2023 (in millions)

	FY2022	FY2023	Biennium
Base resources	\$210.037	\$207.837 ⁱ	\$417.834
Spending	+(202.136)	+(215.233) ⁱⁱ	+(417.368)
Difference between resources and spending	\$7.901	\$(7.396)	\$0.505 0.1% below resources

ⁱ Base resources for fiscal year 2023 include transfers of \$2.05M to other financial aid programs and approximately \$150,000 in cancelled funds.

ⁱⁱ Preliminary

Fiscal Years 2024 and 2025 – Spending Projection

The spending projection for fiscal year 2024 is \$229.502 million, and the spending projection for fiscal year 2025 is \$244.924 million. Total spending for the biennium is projected to be \$474.426 million. This compares to base resources of \$456.111 million for the biennium. The projected difference between base resources and total spending is negative \$18.315 million, or 4% above available resources.

The changes modeled are the Office’s best estimates as of February 15, 2024, and are subject to change, based on updated information on enrollment, tuition, family incomes, federal law, federal funding, and changes to the federal need analysis.

Table 2: Spending Forecast versus Resources FY2024-2025 (in millions)

	FY2024	FY2025	Biennium
Base resources	\$231.944 ⁱ	\$224.167	\$456.111
Spending projection	<u>+(229.502)</u>	<u>+(244.924)</u>	<u>+(474.426)</u>
Difference between resources and spending	\$2.442	\$(20.757)	\$(18.315) 4% above available resources

ⁱ Base resources for fiscal year 2025 include transfers of \$2.8M to other financial aid programs.

Projections for fiscal years 2024 and 2025 include changes made to State Grant program parameters during the 2023 Minnesota legislative session. These changes include:

- Beginning fiscal year 2024:
 - Increasing the Living and Miscellaneous Expense allowance (LME) to 115% of the poverty guideline
 - Moving the State Grant application deadline to June 30 of the fiscal year for which the student is applying for financial aid
- Beginning fiscal year 2025:
 - Increasing lifetime eligibility for the Minnesota State Grant to 180 credits of grant receipt (previously 120 credits of postsecondary enrollment)
 - Modifying the State Grant award calculation for part-time students so that the student’s family contribution is prorated by credits of enrollment in the same way that the State Grant budget is prorated
 - Technical changes to align with changes to the federal need analysis
 - Lowering the minimum credit requirement for State Grant eligibility from three credits to one credit

Impacts to the State Grant projection

The Office projected a modest spending balance for the State Grant program in November 2023. This estimate has changed significantly for several key reasons:

1. Enrollment has increased faster than projected at the Minnesota State 2-year colleges, a large driver of State Grant spending and the system with the largest number of State Grant recipients in any given year.

Overall, enrollment serves as an early indicator that the investments the legislature made in higher education last session and the anticipation surrounding the rollout of the North Star Promise program are indeed working to bring students back to higher education.

2. Projections for fiscal year 2025 include the estimated impact of the FAFSA Simplification Act passed by Congress in December 2020. This legislation includes major changes to the federal need analysis, renames the Expected Family Contribution (EFC) to the Student Aid Index (SAI), and significantly modifies the awarding formula for the federal Pell Grant. These changes are expected to go into effect for fiscal year 2025 (the 2024-2025 academic year), and are projected to have a significant impact on State Grant spending.

Current estimates use the most recently updated draft of the SAI calculation guide — released by the federal Department of Education on January 30, 2024 — which contains significant changes to tables used in the aid calculation. These changes increase aid for many students by lowering family SAIs. This in turn increases State Grant spending. The Office will continue to update projected spending using actual FAFSA filing data that is expected to be released to states later this spring.

3. Additionally, the Office made modifications to our projections formula to better reconcile with actual reported State Grant spending for fiscal year 2023.

Deficit Projections

When a deficit in resources occurs for the State Grant program, the Office of Higher Education is authorized to reduce awards using the rationing procedure outlined in statute. Once the Office has determined needed adjustments to the parameters as outlined in statute, institutions will be notified.

136A.121 Subd. 7. Insufficient appropriation. If the amount appropriated is determined by the office to be insufficient to make full awards to applicants under subdivision 5, awards must be reduced by:

(1) adding a surcharge to the applicant's assigned family responsibility, as defined in section 136A.101, subdivision 5a; and

(2) a percentage increase in the applicant's assigned student responsibility, as defined in subdivision

The reduction under clauses (1) and (2) must be equal dollar amounts.

Assumptions

The Minnesota State Grant spending projection 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

	FY2022	FY2023	FY2024	FY2025
	ACTUAL	ACTUAL	ACTUAL	PROJECTED
Living and Miscellaneous Expense Allowance	\$10,530	\$11,418 ⁱ	\$12,576	\$12,990
Assigned Student Responsibility	50%	50%	50%	50%
Tuition and Fee Maximums				
Students in Two-Year Programs	\$6,287	\$6,484	\$6,580	\$6,580 ⁱⁱ
Students in Four-Year Programs	\$15,368	\$16,106	\$16,654	\$16,987 ⁱⁱ
Federal Pell Grant Maximum	\$6,495	\$6,895	\$7,395	\$7,395 ⁱⁱ
Rationing Surcharge on Assigned Family Responsibility	0%	0%	0%	0%
Proration for the Assigned Family Responsibility				
Dependent Students (Parent Contribution)	79%	79%	79%	79%
Independent Students with Dependents (Student Contribution)	71%	71%	71%	71%
Independent Students without Dependents (Student Contribution)	35%	35%	35%	35%

ⁱ Increased under OHE authority in statute (Minnesota Statute 136A.121 Subd. 7(a)); ⁱⁱ Estimated

Federal Poverty Guidelines - Living and Miscellaneous Expense Allowance

The Living and Miscellaneous Expense allowance (LME) is benchmarked to 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 15 percent. Table 4 displays the annual figures for the Living and Miscellaneous Expense allowance.

Table 4: Federal Poverty Guidelines

	FY2022	FY2023	FY2024	FY2025
Poverty Guidelines Year	2021	2022	2023	2024
	ACTUAL	ACTUAL	ACTUAL	ACTUAL
Federal Poverty Guidelines – 1 person in family/household, 48 contiguous states	\$12,880	\$13,590	\$14,580	\$15,060
Poverty Guideline Increase %	0.94%	5.51%	7.28%	3.29%
Multiplier for 9-month time period	0.75	0.75	0.75	0.75
Inflator in Minnesota law	0.09	0.09	0.15	0.15
Living and Miscellaneous Expense Allowance	\$10,530	\$11,418 ⁱ	\$12,576	\$12,990

ⁱ Increased under OHE authority in statute (Minnesota Statute 136A.121 Subd. 7(a))

Change in Wages

The State Grant spending projection incorporates data about changes in wages of Minnesota tax filers. Estimated changes in wages are derived from year-over-year changes in the Employment Cost Index. Current assumptions appear in Table 5.

Table 5: Change in Annual Wages, Minnesota

	FY2022 tax year 2019	FY2023 tax year 2020	FY2024 tax year 2021	FY2025 tax year 2022
One-Year Change in Average Wages	2.8%	3.1%	2.4%	5.8%

Enrollment Assumptions

The State Grant spending projection 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 2023 to 2025. 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. Public 4-year institutions experienced flat or declining enrollment in fall 2023, while Minnesota State colleges experienced a significant increase in enrollment, in line with national trends.

Table 6: Enrollment Assumptions

	FY2022	FY2023	FY2024	FY2024	FY2025
	Fall 2021	Fall 2022	Fall 2023	Fall 2023	Fall 2024
System	Actual	Actual	Projected	Actual	Projected
Minnesota State Colleges	-6.4%	-1.8%	-0.9%	3.7%	0.7%
Minnesota State Universities	-5.5%	-4.3%	-1.1%	-1.4%	-0.6%

	FY2022	FY2023	FY2024	FY2024	FY2025
	Fall 2021	Fall 2022	Fall 2023	Fall 2023	Fall 2024
System	Actual	Actual	Projected	Actual	Projected
University of Minnesota Twin Cities	1.30%	0.2%	0% to 2%	-0.5%	0% to 2%
University of Minnesota Crookston, Duluth & Morris	-4.05%	-5.7%	0% to 2%	-2.6%	0% to 2%
Private Not-for-Profit Institutions	-3.6%	-3.4%	0.0%	-0.2%	0.0%
Private For-Profit Institutions	-6.0%	-20.0%	-2.0%	-27.4%	3.0%

Pell Grant Changes in Law

The Consolidated Appropriations Act of 2023 increased the Pell Grant maximum to \$7,395, which has a direct impact on State Grant spending. 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.

The State Grant award formula maintains a dollar-for-dollar relationship with the student’s Pell Grant, and increases or reductions in the federal Pell Grant amounts will impact State Grant spending. Table 7 lists the current federal Pell Grant award parameters.

Table 7: Federal Pell Grant Award Parameters

	FY2022	FY2023	FY2024	FY2025
	ACTUAL	ACTUAL	ACTUAL	PROJECTED
Pell Grant Minimum Award	\$650	\$690	\$750	\$740
Pell Grant Maximum Award	\$6,495	\$6,895	\$7,395	\$7,395
Award Formula: Expected Family Contribution (EFC)	Maximum Pell – EFC	Maximum Pell – EFC	Maximum Pell – EFC	See Table 7a
Qualifying EFC	\$0-\$5,846	\$0-\$6,206	\$0-\$6,656	Varies

Table 7a. FY 2025 Pell Grant Thresholds for Award Amounts Under the FAFSA Simplification Act

Dependency Status	Single Parent Status	Receives Maximum Pell Grant	Receives Greater of Minimum Pell Grant or Maximum Pell Grant-SAI	IF SAI<=90% of Maximum Pell Grant, Receives Maximum Pell Grant – SAI
Dependent	Single Parent	AGI Less than 225% of FPG ⁱ	226%-325% of FPG	326%+ of FPG
Dependent	Not a Single Parent	Less than 175%	176%-275%	276%+
Independent	No Dependents	Less than 175%	176%-275%	276%+
Independent	With Dependents, Single Parent	Less than 225%	226%-400%	401%+
Independent	With Dependents, Not a Single Parent	Less than 175%	176%-350%	351%+

ⁱPell funding level eligibility is determined using Adjusted Gross Income (AGI) as a Percentage of Federal Poverty Guidelines (FPG)

Tuition and Fee Increases

The Office gathered information about tuition and fee increases for fiscal year 2025 from institutional and system representatives. Table 8 details actual and estimated tuition and fee increases for State Grant calculations as reported by institutions for use in spending projections. For fiscal years 2022 and 2023, some Minnesota State institutions implemented a tuition reset as authorized in state law, resulting in tuition and fee increases that exceed the maximum set in law.

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

	FY2022	FY2023	FY2024	FY2025
System	Actual	Actual	Actual	Projected
Minnesota State Colleges	3.9%	3.0%	0.8%	0.0%
Minnesota State Universities	7.1% ⁱ	4.5% ⁱ	0.5%	0.0%
University of Minnesota	1.7%	4.1%	3.4%	0% to 4%
Private Not-for-Profit Institutions ⁱⁱⁱ	1.8%	4.0%	3.7%	3.0%
Private For-Profit Institutions ⁱⁱⁱ	1.5%	4.3%	4.2%	4.0%

ⁱ Unadjusted for tuition reset authorized in state law. Actual percent change in average tuition and fees charged for all terms of the 2021-2022 academic year. May differ from published rate changes.

ⁱⁱ 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.

ⁱⁱⁱ 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 February 15, 2024. 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 (or SAI, beginning with the 2024-2025 aid year).

North Star Promise Program

The 2023 Minnesota State Legislature passed legislation that included the creation of the North Star Promise program. This tuition- and fee-free pathway to higher education for eligible Minnesota residents at eligible institutions as a “last-dollar” program by covering the balance of tuition and fees remaining after other scholarships, grants, stipends and tuition waivers have been applied.

To be eligible to participate in the program, the student must:

- Be a Minnesota resident
- Have a family Adjusted Gross Income* (AGI) as reported on the Free Application for Federal Student Aid (FAFSA) or Minnesota Dream Act Application below \$80,000.
- Attend a Minnesota public higher education institution or Tribal College
- Not be in default on a state or federal student loan
- Be enrolled taking at least one credit
- Meet Satisfactory Academic Progress (SAP) standards
- Have not already earned a baccalaureate degree
- Be enrolled in a program or course of study that applies to a degree, diploma, or certificate

This program is currently in the implementation phase and will be available to students beginning in the 2024-2025 academic year. In addition to the last-dollar grant, students receiving federal Pell Grants may be eligible to receive additional funding (North Star Promise Plus award) at a level to be determined by the Office and dependent on available funding. At this time, the Office has not determined what that funding level will be. Table 9 shows projected spending for the program for Fiscal Year 2025.

Table 9: North Star Promise Program Projected Awards, Fiscal Year 2025

System	Projected Student Count	Projected Average Award	Projected Total Awards
Minnesota State Colleges	3,800	\$1,260	\$4,779,000
Minnesota State Universities	2,900	\$2,120	\$6,149,500
University of Minnesota	4,400	\$2,790	\$12,273,900
Tribal Institutions	10	\$1,660	\$16,600
Total	11,000	\$2,110	\$23,218,800

Next Report

The next report on Minnesota State Grant spending is due to the Legislature by November 1, 2024.



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