

# Impact of Changes in Minnesota State Grants Implemented in Fiscal Year 2004

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# Contents

<b>Executive Summary</b> .....	iii
<b>Introduction</b> .....	1
<b>Overview of the Results</b> .....	2
<b>Design for Shared Responsibility</b> .....	4
<b>Starting Point</b> .....	5
<b>Reduction of the Living and Miscellaneous Expense Allowance</b> .....	7
1. Background .....	7
2. Methodology .....	7
3. Number of Students Affected Fall Term .....	8
4. Impact on Annual Spending .....	9
<b>Use of Average Tuition and Fees</b> .....	10
1. Background .....	10
2. Methodology .....	10
3. Number of Students Affected Fall Term .....	11
4. Impact on Annual Spending .....	15
<b>Application of Tuition and Fee Maximums Based on Student’s Program Choice</b> .....	17
1. Background .....	17
2. Methodology .....	17
3. Number of Students Affected Fall Term .....	18
4. Impact on Annual Spending .....	20
<b>Change in Application Deadlines</b> .....	21
1. Background .....	21
2. Methodology .....	21
3. Number of Students Affected Fall Term .....	22
4. Impact on Annual Spending .....	24
<b>Elimination of Minnesota Education Savings Allowance</b> .....	26
1. Background .....	26
2. Methodology .....	26
3. Number of Students Affected Fall Term .....	27
4. Impact on Annual Spending .....	31
<b>Elimination of Full Coverage of Assigned Taxpayer Responsibilities in the Third Semester</b> .....	32
1. Background .....	32

- 2. Methodology ..... 33
- 3. Number of Students Affected ..... 33
- 4. Impact on Annual Spending ..... 38
  
- Reduction in the Period of Eligibility to 8 Semesters ..... 39**
  - 1. Background ..... 39
  - 2. Methodology ..... 39
  - 3. Number of Students Affected ..... 41
  - 4. Impact on Annual Spending ..... 42
  
- Summary ..... 43**
  
- Attachment 1.**
  - Projected Minnesota State Grant Spending, Fall Term Fiscal Year 2004 ..... 44**

## Executive Summary

The Minnesota State Grant Program helps provide financial access to and choice of post-secondary education opportunities for Minnesota residents. In Fiscal Year 2003, more than \$133 million was awarded to over 72,000 students. To help Minnesota students pay the rising prices of education beyond high school, the state provided a \$40 million biennial increase in funding for Minnesota State Grants. The policy framework for state financial aid, the Design for Shared Responsibility, which assigns the payment responsibilities among students, their families, and state and federal taxpayers, was maintained.

While approving increased funding to help meet the growing demand for Minnesota State Grants, the Legislature reduced the budget recognized for calculating grants, changed several program parameters, and redefined eligibility criteria (*Laws of Minnesota 2003*, Chapter 133).

All 58,000 recipients projected to have received a Minnesota State Grant fall term if the Living and Miscellaneous Expenses Allowance (LME) had not been reduced by \$200 were affected by that change. This reduced projected spending for Fiscal Year 2004 by about \$6.3–\$6.6 million.

Almost 23,000 recipients received smaller awards for fall term because average tuition and fees were used instead of actual tuition and fees. This reduced projected spending for Fiscal Year 2004 by about \$6.0–\$6.2 million.

About 3,500 recipients for fall term were affected by changing the application of Tuition and Fee Maximums from a system based on the program offerings of the institution to the program choice of the student. This reduced projected spending for Fiscal Year 2004 by about \$2.4–\$2.5 million.

About 850 potential recipients did not receive an award for fall term because they missed the deadline of 14 days after the start of the term instead of June 30 of the award year. This reduced projected spending for Fiscal Year 2004 by about \$1.4–\$1.5 million.

About 4,200 students received smaller fall term Minnesota State Grants as a result of the elimination of the Minnesota Education Savings Allowance. This reduced projected spending for Fiscal Year 2004 by about \$2.0–\$2.1 million.

About 6,500 students were projected to receive smaller Minnesota State Grants as a result of the partial coverage of Assigned Taxpayer Responsibilities in the third semester. This reduced projected spending for Fiscal Year 2004 by about \$5.7 million.

About 5,700 recipients were identified as fifth year students during Fiscal Year 2002. This reduced projected spending by about \$6.4 million in Fiscal Year 2002.

Overall, the program changes are projected to reduce spending by about \$31 million for Fiscal Year 2004. All recipients are affected by the reduction in the Living and Miscellaneous Expense Allowance, and many recipients also are affected by one or more of the other program changes. About 9,000 students will not receive an award in Fiscal Year 2004 because of the changes.



## Introduction

The Minnesota State Grant Program helps provide financial access to and choice of post-secondary education opportunities for Minnesota residents. In Fiscal Year 2003, more than \$133 million was awarded to over 72,000 students. To help Minnesota students pay the rising prices of education beyond high school, the state provided a \$40 million biennial increase in funding for Minnesota State Grants. The policy framework for state financial aid, the Design for Shared Responsibility, which assigns the payment responsibilities among students, their families, and state and federal taxpayers, was maintained.

While approving increased funding to help meet the growing demand for Minnesota State Grants, the Legislature reduced the budget recognized for calculating grants, changed several program parameters, and redefined eligibility criteria. *Laws of Minnesota 2003*, Chapter 133 made the following changes:

- Reduced the Living and Miscellaneous Expense Allowance component of the recognized price of attendance by \$200 in each year of the 2004-2005 biennium (Article 1, Section 2, Subdivision 2);
- Mandated a return to using average tuition and fees for the award calculation instead of actual tuition and fees paid by each student, an initiative implemented in Fiscal Year 2003 (Article 2, Section 9);
- Required that the Tuition and Fee Maximums for a student's price of attendance be based on the length of the student's program rather than the maximum assigned to the institution (Article 2, Section 11);
- Established a deadline for the acceptance of State Grant applications (Article 2, Section 13);
- Eliminated the Minnesota Education Savings Allowance, which sheltered more net worth than allowed by the federal need analysis (Article 2, Section 8);
- Discontinued full coverage of the Assigned Taxpayer Responsibility in the third semester or fourth quarter of a year by not covering the amount of the Federal Pell Grant a student would have received under the award calculation (Article 2, Section 12); and
- Reduced the period of eligibility for grants from 10 semesters to 8 semesters, or the equivalent (Article 2, Section 11).

The legislation directed the Services Office by January 15, 2004 and November 30, 2004 to report on the impact on students of the changes in financial aid policies made by the act (*Laws of Minnesota 2003*, Chapter 133, Article 1, Section 2, Subdivision 14).

## Overview of the Results

The remainder of this report examines the individual effects of each of the changes identified in the previous section. In this section, a summary of the results is presented in the next two tables.

### Number of Students Receiving Smaller Minnesota State Grants as a Result of Changes in Program Parameters and Eligibility Criteria

Changes to the Minnesota State Grant Program for Fiscal Year 2004 Specified by Law	Number of Students Receiving Smaller Fall Term Awards
Reduce Living and Miscellaneous Expense Allowance by \$200	58,760
Use average tuition and fees rather than actual tuition and fees	22,916
Base Tuition and Fee Maximum on the length of the student's program rather than the maximum assigned to the institution	3,457
Set deadline at 14 days after start of a term rather than June 30 of fiscal year	849
Eliminate the Minnesota Education Savings Allowance	4,154
Eliminate full coverage of Assigned Taxpayer Responsibilities in third semester	6,454 For 3 <sup>rd</sup> Semester
Reduce eligibility from 10 semesters to 8 semesters of attendance	5,723 For Fiscal Year 2002 (whole year)

### Summary of Impact on Minnesota State Grant Spending of Changes in Program Parameters Implemented for Fiscal Year 2004

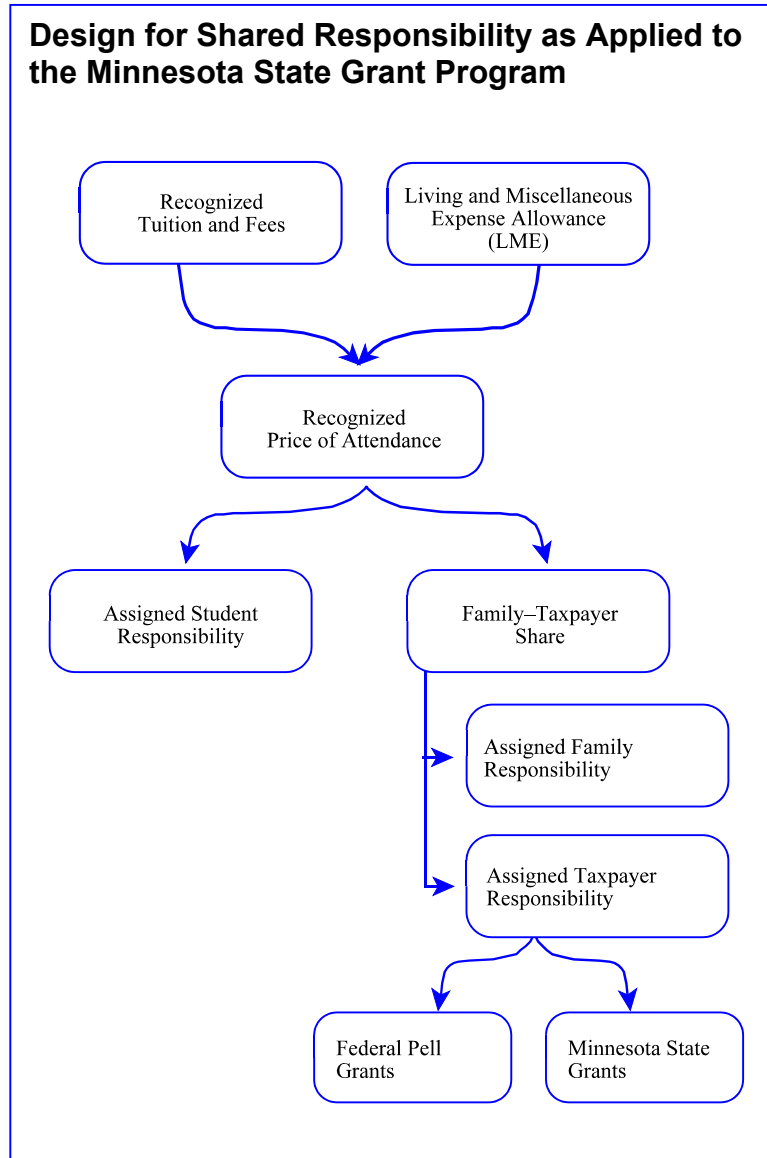
Changes to the Minnesota State Grant Program for Fiscal Year 2004 Specified by Law	Change in Projected Spending for Fiscal Year 2004 (Million)
Reduce Living and Miscellaneous Expense Allowance by \$200	\$6.3 – \$6.6
Use average tuition and fees rather than actual tuition and fees	\$6.0 – \$6.2
Base Tuition and Fee Maximum on the length of the student's program rather than the maximum assigned to the institution	\$2.4 – \$2.5
Set deadline at 14 days after start of a term rather than June 30 of fiscal year	\$1.4 – \$1.5



Changes to the Minnesota State Grant Program for Fiscal Year 2004 Specified by Law	Change in Projected Spending for Fiscal Year 2004 (Million)
Eliminate the Minnesota Education Savings Allowance	\$2.0 – \$2.1
Eliminate full coverage of Assigned Taxpayer Responsibilities in third semester	\$5.7
Reduce eligibility from 10 semesters to 8 semesters of attendance	\$6.4 Projected for Fiscal Year 2002

## Design for Shared Responsibility

- Students determine the price of investing in their post-secondary educations by the choices they make, such as decisions of where to attend and size of their registration loads.
- The Design for Shared Responsibility, as applied to Minnesota State Grants, distributes the price of post-secondary education based on family circumstances and attendance choices among students, families, and taxpayers, as shown on the chart to the right.
- The state expects *students* to make a significant personal investment in their own post-secondary educations up front, called Assigned Student Responsibilities.
- The state expects *families* to make an investment in their student's post-secondary education based on their ability to pay, called Assigned Family Responsibilities.
- The state leverages *taxpayers'* federal tax dollars (Federal Pell Grant) to work with state tax dollars to meet the state policy of covering for families whose ability to pay (Assigned Family Responsibility) does not provide full coverage of their Family-Taxpayer Share.
- The combined Federal Pell and Minnesota State Grant statistics presented below measure Assigned Taxpayer Responsibilities.
- Projections of Minnesota State Grants make assumptions about all the steps shown on the chart.



## Starting Point

Much of the analysis presented in this report is based on applicants registered for courses during fall term of Fiscal Year 2004. A single term is only a portion of the fiscal year. To have a projection of spending for the full year, information from Fiscal Years 2002 and 2003 is used. These results were presented in a Services Office report, *Projection of Minnesota State Grant Spending for Fiscal Years 2004 and 2005* (December 1, 2003).<sup>1</sup>

The Fiscal Year 2004 projections presented in the December 1, 2003 report:

- Used the parameters specified in the *Laws of Minnesota 2003*, Chapter 133.
- Used end-of-year data on Fiscal Year 2002 and Fiscal Year 2003 Minnesota State Grant applicants.
- Assumed that the students will make the same types of attendance choices (institutions, terms attended, registration loads) in Fiscal Years 2004 and 2005 as they made in Fiscal Years 2002 and 2003.
- Assumed students will not change behavior in response to the changes enacted for Fiscal Years 2004 and 2005.

Concerns and uncertainties still exist for Fiscal Year 2004. The impact of some changes would turn out differently if students change behavior; for example, newly imposed deadlines could cause students to apply in a more timely fashion. Students could respond to changes in tuition prices or to job opportunities and adjust their attendance and registration load choices resulting in different Minnesota State Grant awards.

The most recent projections for Fiscal Year 2004 were:

	Fiscal Year 2004 (million)
Projection based on Fiscal Year 2002 applicant data	\$127.63
Projection based on Fiscal Year 2003 applicant data	\$122.87

As of January 1, 2004, there were 111,702 applicants registering for at least three credits (or equivalent) during the fall term in the data base. Of these, 56,949 were projected to receive over

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1 For a copy of this report, go to [www.mheso.state.mn.us/pdf/StateGrantProj04-05.pdf](http://www.mheso.state.mn.us/pdf/StateGrantProj04-05.pdf)

\$55 million in Minnesota State Grants for the fall term.<sup>2</sup> A breakdown of projected recipients is shown in Attachment 1.

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2 These are preliminary results for fall term and will change as records are reviewed and updated to reflect changes made during the term; for example, withdrawals from one or more classes that affect eligibility and award size.

# Reduction of the Living and Miscellaneous Expense Allowance

## 1. Background

The Living and Miscellaneous Expense Allowance (LME) is a key component of the price of attendance used in the Minnesota State Grant Program. It is a standard allowance specified in law to reflect a student's expenses for room and board, books and supplies, and miscellaneous items. Historically, the amount has been intended to reflect a "frugal but reasonable" standard of living for single undergraduates without dependents.

With the implementation of the Design for Shared Responsibility in Fiscal Year 1984, the allowance was set at \$2,750. It was increased to \$5,405 for Fiscal Years 2001 through 2003. In its biennial budget request, the Services Office proposed increasing the allowance to \$5,464 in Fiscal Year 2004 and \$5,525 in 2005 to reflect inflation.

Seeking to respond to increased demand for State Grants with limited resources, the 2003 Legislature reduced Living and Miscellaneous Allowance by \$200, to \$5,205 for both years of the 2004-2005 biennium.

## 2. Methodology

To calculate the effect of changing the LME, two projections for fall term were run. The first projection was based on the parameters in place for Fiscal Year 2004 on all the applicants reported to the Services Office registered for fall term. The second projection increased the LME by \$200 to restore the Fiscal Year 2003 level and left all the other parameters at their Fiscal Year 2004 values.

Restoring the LME was projected to increase Minnesota State Grant spending for fall term by \$2.84 million, as shown in the next table. This was a 5.1 percent increase over the projected spending for fall term based on current parameters. These results suggest that the reduction in LME reduced spending by 5.1 percent for Fiscal Year 2004.

### Projection Results Comparing Starting Point and Restoring LME, Fall Term of Fiscal Year 2004

		Number of Minnesota State Grant Recipients	Combined Federal Pell and Minnesota State Grants Received (million)	Minnesota State Grants Received (million)
Projection 1	FY 2004 starting point (Fall Term)	56,949	\$103.29	\$55.40
Projection 2	FY 2004 with FY 2003 LME (Fall Term)	58,760	\$108.24	\$58.24
Difference for Fall Term		1,811	\$4.95	\$2.84
Percentage Change from Starting Point		3.2%	4.8%	5.1%

### 3. Number of Students Affected Fall Term

All 58,760 recipients projected to have received a Minnesota State Grant if the LME had not been reduced were affected by the change. Students registering for 15 or more credits would have had a \$54 smaller award for the fall semester. The range of changes is shown in the next table.<sup>3</sup> The median impact was about a \$50 smaller award in fall term. Students experiencing the smaller changes registered for fewer than 15 credits during the fall term.

#### Number of Fall Term Recipients Adversely Affected by Change in LME

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$0	66	0%	0%
\$25	10,029	17%	17%
\$50	47,340	81%	98%
\$75	1,152	2%	100%
\$100	173	0%	100%
Total	58,760	100%	

3 The categories in this and subsequent tables were calculated by rounding the actual amount to the nearest \$25. The number shown in the table is the mid point of the range. The lowest category, labeled \$0, includes all those experiencing a reduction of \$1 to \$12.49. The next category, labeled \$25, for example, includes all those experiencing a reduction of \$12.50 to \$32.49.

Of the 58,760 projected students to receive an award in fall term if the LME had not been reduced, 1,811 were dropped from the program due to the reduction in the LME. Some of the students had more than a \$54 decrease. These were students whose calculated award after the change in the LME was less than the minimum semester award of \$50. They lost about \$50 due to the decrease in the LME and another \$50 or so due to the minimum award criterion.

**Number of Fall Term Recipients Not Receiving Minnesota State Grants as a Result of the Change in LME**

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$25	7	0%	0%
\$50	479	26%	27%
\$75	1,152	64%	90%
\$100	173	10%	100%
Total	1,811	100%	

**4. Impact on Annual Spending**

Reducing the LME by \$200 decreased spending 5.1 percent for the fall term, as shown above. Using the two spending projections for Fiscal Year 2004 presented above, it is projected that the reduction in annual spending for Fiscal Year 2004 was about \$6.3 to \$6.6 million, as shown in the next table.

**Projected Impact on Annual Spending for Minnesota State Grants, Fiscal Year 2004**

	Based on Fiscal Year 2003 Data	Based on Fiscal Year 2002 Data
Projection for Fiscal Year 2004 (million)	\$122.87	\$127.63
Percentage Change from Starting Point (see prior table)	5.1%	5.1%
Estimated Reduction in Minnesota State Grants Resulting from Reducing LME by \$200 (million)	\$6.30	\$6.55

# Use of Average Tuition and Fees

## 1. Background

The guiding principle of the Minnesota State Grant Program has been to recognize full tuition and fees and miscellaneous prices faced by students and to assign responsibility for these prices to students, families, and taxpayers. The initiative to recognize individual tuition and fees was adopted by the 2001 Legislature to recognize more accurately the actual prices charged to students. The initiative was implemented in Fiscal Year 2003 following a year of preparation by the Services Office and campuses. Using individual tuition and fees supports the ability of students to choose the option that best meets their educational needs and reduces financial barriers.

Prior to Fiscal Year 2003, State Grants were calculated based on a single tuition and fee charge for 15 credits per semester for two semesters identified annually for each institution. Only fees applicable to all undergraduates were recognized. This practice did not recognize the increasing variation in charges made to students within an institution; for example: per credit schedules that vary by course load taken; specific tuition rates in certain programs; individual course fees; and required computer and other equipment purchases or leases. Students who incurred additional costs because they take more than 15 credits did not receive consideration for these expenses.

The 2003 Legislature amended the statutes governing the State Grant Program to return to the practice of recognizing a price of attendance based on average, not actual, tuition and fees charged by the institution, or the tuition and fee maximums established in law. Further, fees were defined as including only those fees that are mandatory and charged to a full-time resident students attending the institution.

## 2. Methodology

To calculate the effect of using actual rather than average tuition and fees, two projections for fall term were run. The first projection was based on the parameters in place for Fiscal Year 2004 on all the applicants reported to the Services Office registered for fall term. The second projection used actual tuition and fees and left all the other parameters at their Fiscal Year 2004 values. Using actual tuition and fees was projected to increase Minnesota State Grant spending for fall term by \$2.68 million, a 4.8 percent increase over the projected spending for fall term based on current parameters, as shown in the next table. This suggests that this change reduced annual spending for Minnesota State Grants by 4.8 percent.



**Projection Results Comparing Starting Point and Restoring Actual Tuition and Fees, Fall Term of Fiscal Year 2004**

		Number of Minnesota State Grant Recipients	Combined Federal Pell and Minnesota State Grants Received (million)	Minnesota State Grants Received (million)
Projection 1	FY 2004 starting point (Fall Term)	56,949	\$103.29	\$55.40
Projection 2	FY 2004 with Actual Tuition and Fees (Fall Term)	56,857	\$105.62	\$58.08
Difference for Fall Term		(92)	\$2.34	\$2.68
Percentage Change from Starting Point		-0.2%	2.3%	4.8%

**3. Number of Students Affected Fall Term**

Almost 23,000 of the 57,000 recipients received smaller awards for fall term because average tuition and fees were used instead of actual tuition and fees, as shown in the next table. Actual tuition and fees exceed average tuition and fees for students facing fees not charged to all undergraduates and for students registered for more than 15 credits in a term. Half the affected recipients experienced reductions of about \$75 or less due to this change, as shown in the table below. A few students received around \$1,000 less. All the 23,000 affected students were registered at a Minnesota State College or University and at the University of Minnesota.<sup>4</sup>

**Number of Fall Term Recipients Adversely Affected by Implementing Average Tuition and Fees as the Price Base for Calculating Minnesota State Grants**

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$0	2,703	12%	12%
\$25	3,832	17%	29%
\$50	2,419	11%	39%
\$75	3,198	14%	53%
\$100	1,049	5%	58%
\$125	2,087	9%	67%

4 Tuition and Fee Maximums apply for both actual and average tuition and fees. For students attending institutions with both values over the Maximum, it makes no difference which price is used in the calculation. While some private institutions have an average price less than the maximums, none of those students were in the data set used in this analysis.

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$150	1,085	5%	71%
\$175	859	4%	75%
\$200	787	3%	79%
\$225	636	3%	81%
\$250	895	4%	85%
\$275	808	4%	89%
\$300	535	2%	91%
\$325	498	2%	93%
\$350	412	2%	95%
\$375	330	1%	97%
\$400	102	0%	97%
\$425	291	1%	98%
\$450	107	0%	99%
\$475	22	0%	99%
\$500	36	0%	99%
\$525	29	0%	99%
\$550	30	0%	99%
\$575	4	0%	99%
\$600	17	0%	99%
\$625	2	0%	99%
\$650	5	0%	99%
\$675	14	0%	99%
\$700	12	0%	100%
\$725	8	0%	100%
\$750	2	0%	100%
\$800	6	0%	100%
\$825	2	0%	100%
\$850	4	0%	100%
\$875	9	0%	100%
\$900	7	0%	100%
\$925	23	0%	100%
\$950	1	0%	100%
\$975	7	0%	100%
\$1,000	40	0%	100%
\$1,075	2	0%	100%
\$1,125	1	0%	100%
<b>Total</b>	<b>22,916</b>	<b>100%</b>	

Of the 23,000 recipients receiving smaller awards, fewer than 200 did not receive a Minnesota State Grant for fall term who would have if actual tuition and fees had been used, as shown in the next table.

**Number of Fall Term Recipients Not Receiving Minnesota State Grants as a Result of Implementing Average Tuition and Fees as the Price Base for Calculating Minnesota State Grants**

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$50	17	10%	10%
\$75	20	12%	22%
\$100	22	13%	35%
\$125	19	11%	46%
\$150	17	10%	56%
\$175	15	9%	65%
\$200	12	7%	72%
\$225	7	4%	76%
\$250	9	5%	81%
\$275	7	4%	85%
\$300	4	2%	88%
\$325	4	2%	90%
\$350	4	2%	92%
\$375	6	4%	96%
\$400	3	2%	98%
\$425	1	1%	98%
\$450	2	1%	99%
\$475	1	1%	100%
<b>Total</b>	<b>170</b>	<b>100%</b>	

For fall term, about 2,000 of the 57,000 recipients received larger awards due to the use of average tuition and fees rather than actual tuition and fees in calculating Minnesota State Grants, as shown in the next table. Many campuses do not prorate all tuition and fee charges by registration load (credits). Some campuses, for example, have fees that are charged only to those registered for 12 or more credits. Thus, those registering for 9 credits are charged less than a pro rata amount of the average price charged students registered for 15 credits.

**Number of Fall Term Recipients Receiving Larger Awards as a Result of Implementing Average Tuition and Fees as the Price Base for Calculating Minnesota State Grants**

Increase in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$0	909	44%	44%
\$25	199	10%	53%
\$50	304	15%	68%
\$75	142	7%	75%
\$100	49	2%	77%
\$125	41	2%	79%
\$150	49	2%	81%
\$175	56	3%	84%
\$200	45	2%	86%
\$225	83	4%	90%
\$250	25	1%	91%
\$275	18	1%	92%
\$300	24	1%	93%
\$325	12	1%	94%
\$350	14	1%	94%
\$375	5	0%	95%
\$400	9	0%	95%
\$425	9	0%	96%
\$450	6	0%	96%
\$475	11	1%	96%
\$500	5	0%	97%
\$525	7	0%	97%
\$575	6	0%	97%
\$600	2	0%	97%
\$625	1	0%	97%
\$650	4	0%	98%
\$700	2	0%	98%
\$750	2	0%	98%
\$800	2	0%	98%
\$825	3	0%	98%
\$850	1	0%	98%
\$875	1	0%	98%
\$925	2	0%	98%

Increase in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$975	1	0%	98%
\$1,000	1	0%	98%
\$1,050	2	0%	98%
\$1,075	1	0%	98%
\$1,125	2	0%	99%
\$1,150	1	0%	99%
\$1,300	1	0%	99%
\$1,350	1	0%	99%
\$1,375	8	0%	99%
\$1,400	2	0%	99%
\$1,425	2	0%	99%
\$1,450	1	0%	99%
\$1,475	1	0%	99%
\$1,575	1	0%	99%
\$1,600	1	0%	99%
\$1,625	1	0%	100%
\$1,750	1	0%	100%
\$1,800	1	0%	100%
\$1,875	1	0%	100%
\$1,900	2	0%	100%
\$1,950	5	0%	100%
Total	2,085	100%	

#### 4. Impact on Annual Spending

Using the average tuition and fees rather than actual tuition and fees decreased spending about 4.8 percent, or about \$6.0 to \$6.2 million for Fiscal Year 2004, as shown in the next table.

**Projected Impact on Annual Spending for Minnesota State Grants,  
Fiscal Year 2004**

	Based on Fiscal Year 2003 Data	Based on Fiscal Year 2002 Data
Projection for Fiscal Year 2004 (million)	\$122.87	\$127.63
Percentage Change from Starting Point (see prior table)	4.8%	4.8%
Estimated Reduction in Minnesota State Grants Resulting from Implementing Average Tuition and Fees (million)	\$5.95	\$6.18

# Application of Tuition and Fee Maximums Based on Student's Program Choice

## 1. Background

The recognized cost of attendance for calculating Minnesota State Grants consists of allowances specified in law for living and miscellaneous expenses, and an allowance for tuition and fees equal to the lesser of the average tuition and fees charged by the institution, or the Tuition and Fee Maximums established in law. The Legislature sets separate Tuition and Fee Maximums for four-year and two-year institutions.

Between Fiscal Years 1984 and 2003, applicants were assigned a Tuition and Fee Maximum according to the institution they attended. In recent years, several institutions offering primarily two-year programs expanded their offerings to include four-year programs and then were included under the four-year maximum. The 2003 Legislature amended the statutes governing the State Grant Program to state that a student enrolled in a two-year program at a four-year institution is only eligible for the Tuition and Fee Maximums established in law for two-year institutions.

## 2. Methodology

To calculate the effect of changing the method of applying Tuition and Fee Maximums, two projections for fall term were run. The first projection was based on the parameters in place for Fiscal Year 2004 on all the applicants reported to the Services Office registered for fall term. The second projection used the status of the institution as the criterion for applying Tuition and Fee Maximums and left all the other parameters at their Fiscal Year 2004 values. Making this change was projected to increase Minnesota State Grant spending for fall term by \$1.07 million, as shown in the next table. This was a 1.9 percent increase over the projected spending for fall term based on current parameters.

**Projection Results Comparing Starting Point and Basing Tuition and Fee Maximums on Institution Selected Instead of Student’s Program Choice, Fall Term of Fiscal Year 2004**

		Number of Minnesota State Grant Recipients	Combined Federal Pell and Minnesota State Grants Received (million)	Minnesota State Grants Received (million)
Projection 1	FY 2004 starting point (Fall Term)	56,949	\$103.29	\$55.40
Projection 2	FY 2004 with Tuition and Fee Maximums Based on Institution Attended (Fall Term)	57,159	\$104.37	\$56.47
	Difference for Fall Term	210	\$1.09	\$1.07
	Percentage Change from Starting Point	0.4%	1.1%	1.9%

**3. Number of Students Affected Fall Term**

About 3,500 of the 57,000 projected recipients for fall term were affected by the change in the application of the Tuition and Fee Maximums, as shown in the next table. The size of the impact varied from about \$25 to about \$600. The median change was about \$325.

**Number of Fall Term Recipients Adversely Affected by Basing Tuition and Fee Maximums on Student’s Program Choice**

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$25	11	0%	0%
\$50	13	0%	1%
\$75	18	1%	1%
\$100	37	1%	2%
\$125	35	1%	3%
\$150	102	3%	6%
\$175	150	4%	11%
\$200	252	7%	18%
\$225	299	9%	27%
\$250	162	5%	31%
\$275	120	3%	35%



Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$300	402	12%	46%
\$325	320	9%	56%
\$350	155	4%	60%
\$375	1,062	31%	91%
\$400	41	1%	92%
\$450	127	4%	96%
\$475	38	1%	97%
\$500	1	0%	97%
\$525	13	0%	97%
\$550	98	3%	100%
\$600	1	0%	100%
Total	3,457	100%	

About 200 of the 3,500 students affected by the change in the application of Tuition and Fee Maximums did not receive a fall term Minnesota State Grant due to this change, as shown on the next table.

**Number of Fall Term Recipients Not Receiving Minnesota State Grants as a Result of Basing Tuition and Fee Maximums on Student’s Program Choice**

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$25	1	0%	0%
\$50	13	6%	7%
\$75	18	9%	15%
\$100	22	10%	26%
\$125	21	10%	36%
\$150	28	13%	49%
\$175	24	11%	60%
\$200	7	3%	64%
\$225	7	3%	67%
\$250	10	5%	72%
\$275	14	7%	79%
\$300	7	3%	82%
\$325	12	6%	88%
\$350	9	4%	92%

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$375	6	3%	95%
\$400	5	2%	97%
\$450	2	1%	98%
\$475	2	1%	99%
\$500	1	0%	100%
\$600	1	0%	100%
Total	210	100%	

#### 4. Impact on Annual Spending

Basing the Tuition and Fee Maximum on the program choices of applicants rather than the degree programs offered by institutions decreased spending about 1.9 percent, or about \$2.4 to \$2.5 million, as shown on the next table.

##### Projected Impact on Annual Spending for Minnesota State Grants, Fiscal Year 2004

	Based on Fiscal Year 2003 Data	Based on Fiscal Year 2002 Data
Projection for Fiscal Year 2004 (million)	\$122.87	\$127.63
Percentage Change from Starting Point (see prior table)	1.9%	1.9%
Estimated Reduction in Minnesota State Grants Resulting from Basing Tuition and Fee Maximum on Applicant's Program Choice (million)	\$2.37	\$2.46

# Change in Application Deadlines

## 1. Background

For several years, students could apply for a Minnesota State Grant through June 30 of the fiscal year they attended and still receive an award for the full year. Likewise, students applying for Federal Pell Grants can apply through June 30 and receive an award for the full year. The 2003 Legislature amended the statute governing deadlines so that applications for State Grants for a term must be submitted no later than 14 days after the start of the term. That is, the Free Application for Federal Student Aid (FAFSA) must be received at the Federal Processing Center within two weeks of the start of the term.

The Services Office, the post-secondary systems and sectors, and many campuses during the summer of 2003 publicized the change in deadlines.

## 2. Methodology

To calculate the effect of setting the deadline at 14 days after the start of the term, two projections for fall term were run. The first projection was based on the parameters in place for Fiscal Year 2004 and all the applicants reported to the Services Office registered for fall term. The second projection was based on a June 30 deadline and left all the other parameters at their Fiscal Year 2004 values. Using the June 30 deadline was projected to increase Minnesota State Grant spending for fall term by \$0.65 million, as shown in the next table. This was a 1.2 percent increase over the projected spending for fall term based on current parameters.

### Projection Results Comparing Starting Point and Restoring June 30 Deadline, Fall Term of Fiscal Year 2004

		Number of Minnesota State Grant Recipients	Combined Federal Pell and Minnesota State Grants Received (million)	Minnesota State Grants Received (million)
Projection 1	FY 2004 starting point (Fall Term)	56,949	\$103.29	\$55.40
Projection 2	FY 2004 with Deadlines removed (Fall Term)	57,798	\$104.60	\$56.05
Difference for Fall Term		849	\$1.31	\$0.65
Percentage Change from Starting Point		1.5%	1.3%	1.2%

### 3. Number of Students Affected Fall Term

Based on data reported by early January 2004, about 850 potential recipients did not receive an award for fall term because they missed the deadline, as shown in the next table. The median reduction was about \$625.

#### Number of Fall Term Recipients Adversely Affected by Implementing Deadlines 14 Days After Start of Term

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$50	12	1%	1%
\$75	20	2%	4%
\$100	29	3%	7%
\$125	22	3%	10%
\$150	14	2%	11%
\$175	13	2%	13%
\$200	25	3%	16%
\$225	16	2%	18%
\$250	38	4%	22%
\$275	27	3%	25%
\$300	27	3%	29%
\$325	23	3%	31%
\$350	26	3%	34%
\$375	20	2%	37%
\$400	12	1%	38%
\$425	15	2%	40%
\$450	11	1%	41%
\$475	16	2%	43%
\$500	10	1%	44%
\$525	11	1%	46%
\$550	10	1%	47%
\$575	9	1%	48%
\$600	5	1%	48%
\$625	20	2%	51%
\$650	10	1%	52%
\$675	11	1%	53%
\$700	14	2%	55%
\$725	13	2%	56%
\$750	12	1%	58%

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$775	15	2%	60%
\$800	13	2%	61%
\$825	16	2%	63%
\$850	16	2%	65%
\$875	8	1%	66%
\$900	7	1%	67%
\$925	8	1%	68%
\$950	6	1%	68%
\$975	6	1%	69%
\$1,000	12	1%	70%
\$1,025	6	1%	71%
\$1,050	8	1%	72%
\$1,075	5	1%	73%
\$1,100	9	1%	74%
\$1,125	5	1%	74%
\$1,150	3	0%	75%
\$1,175	6	1%	75%
\$1,200	5	1%	76%
\$1,225	7	1%	77%
\$1,250	37	4%	81%
\$1,275	7	1%	82%
\$1,300	7	1%	83%
\$1,325	4	0%	83%
\$1,350	7	1%	84%
\$1,375	5	1%	85%
\$1,400	8	1%	86%
\$1,450	5	1%	86%
\$1,475	3	0%	87%
\$1,500	6	1%	87%
\$1,525	13	2%	89%
\$1,550	6	1%	90%
\$1,575	5	1%	90%
\$1,600	2	0%	90%
\$1,625	2	0%	91%
\$1,650	7	1%	91%
\$1,675	2	0%	92%
\$1,700	1	0%	92%

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (Fall Term)	Percent of Students	Cumulative Percentage
\$1,725	2	0%	92%
\$1,775	3	0%	92%
\$1,800	10	1%	94%
\$1,825	6	1%	94%
\$1,850	9	1%	95%
\$1,875	4	0%	96%
\$1,925	5	1%	96%
\$1,950	2	0%	97%
\$2,025	4	0%	97%
\$2,050	2	0%	97%
\$2,075	1	0%	97%
\$2,175	1	0%	98%
\$2,200	2	0%	98%
\$2,225	1	0%	98%
\$2,275	2	0%	98%
\$2,300	2	0%	98%
\$2,325	1	0%	98%
\$2,350	2	0%	99%
\$2,450	1	0%	99%
\$2,550	1	0%	99%
\$2,575	1	0%	99%
\$2,625	1	0%	99%
\$2,775	1	0%	99%
\$2,850	1	0%	99%
\$2,925	1	0%	100%
\$3,200	1	0%	100%
\$3,275	1	0%	100%
\$3,300	1	0%	100%
\$3,325	1	0%	100%
<b>Total</b>	<b>849</b>	<b>100%</b>	

#### 4. Impact on Annual Spending

This suggests that setting the deadline 14 days after the start of the term instead of at the end of the fiscal year decreased spending by about 1.2 percent, or about \$1.4 to \$1.5 million, as shown in the next table.

### Projected Impact on Annual Spending for Minnesota State Grants, Fiscal Year 2004

	Based on Fiscal Year 2003 Data	Based on Fiscal Year 2002 Data
Projection for Fiscal Year 2004 (million)	\$122.87	\$127.63
Percentage Change from Starting Point (see prior table)	1.2%	1.2%
Estimated Reduction in Minnesota State Grants Resulting from Imposing Deadlines 14 Days After Start of Term (million)	\$1.44	\$1.50

To the extent that potential applicants understood the new deadline policy, some made sure to apply in a timely manner. Others might not have applied at all for the fall term knowing they missed the deadline. These students would not be in the data base used in this analysis. Reinstating the June 30 deadline would have encouraged these students to apply. Thus, the change identified in this section is likely to be less than actually occurred. For example, based on the application dates of students in Fiscal Year 2002, it was estimated that spending would have decreased \$3.8 million rather than the \$1.4 to \$1.5 million shown above.

# Elimination of Minnesota Education Savings Allowance

## 1. Background

The 1997 Minnesota Legislature enacted the Minnesota College Savings Allowance to create an incentive within the financial aid system for families to save for post-secondary education by protecting net worth in the federal need analysis beyond existing protections. Following a year of software modifications, the state in Fiscal Year 1999 began to protect an additional \$25,000 in net worth in the federal need analysis used to determine State Grant eligibility. This incentive reduces the expected parental contribution and increases a family's eligibility for State Grant assistance. The Services Office recommended the initiative to help counter what for many families is a real, and for others a perceived, disincentive to save in the federal need analysis. The federal need analysis taxes net worth at a maximum of 5.6 percent. This approach was proposed because it could be implemented with minimal implementation and administrative costs and be compatible with other savings incentives. The 1997 Legislature also authorized the EdVest program, implemented in September 2001 as the state's 529 Minnesota College Savings Plan.

## 2. Methodology

To calculate the effect of eliminating the Minnesota Education Savings Allowance, two projections for fall term were run. The first projection was based on the parameters in place for Fiscal Year 2004 and all the applicants reported to the Services Office registered for fall term. The second projection was based on including the Minnesota Education Savings Allowance and left all the other parameters at their Fiscal Year 2004 values. This change was projected to increase Minnesota State Grant spending for fall term by \$0.89 million, as shown in the next table. This was a 1.6 percent increase over the projected spending for fall term based on current parameters.



**Projection Results Comparing Starting Point and Restoring the Minnesota Education Savings Allowance, Fall Term of Fiscal Year 2004**

		Number of Minnesota State Grant Recipients	Combined Federal Pell and Minnesota State Grants Received (million)	Minnesota State Grants Received (million)
Projection 1	FY 2004 starting point (Fall Term)	56,949	\$103.29	\$55.40
Projection 2	FY 2004 with Minnesota Education Savings Allowance reinstated (Fall Term)	57,413	\$104.23	\$56.29
Difference for Fall Term		464	\$0.94	\$0.89
Percentage Change from Starting Point		0.8%	0.9%	1.6%

**3. Number of Students Affected Fall Term**

About 4,200 students received smaller fall term Minnesota State Grants as a result of the elimination of the Minnesota Education Savings Allowance, as shown in the next table. The median amount was about \$175.

**Number of Fall Term Recipients Adversely Affected by Eliminating the Minnesota Education Savings Allowance**

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students with this Amount (Fall Term)	Percent of Students	Cumulative Percentage
\$0	369	9%	9%
\$25	425	10%	19%
\$50	285	7%	26%
\$75	221	5%	31%
\$100	233	6%	37%
\$125	209	5%	42%
\$150	164	4%	46%
\$175	260	6%	52%
\$200	162	4%	56%
\$225	247	6%	62%
\$250	135	3%	65%
\$275	140	3%	69%

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students with this Amount (Fall Term)	Percent of Students	Cumulative Percentage
\$300	112	3%	71%
\$325	319	8%	79%
\$350	316	8%	87%
\$375	100	2%	89%
\$400	72	2%	91%
\$425	50	1%	92%
\$450	40	1%	93%
\$475	47	1%	94%
\$500	40	1%	95%
\$525	28	1%	96%
\$550	24	1%	96%
\$575	22	1%	97%
\$600	26	1%	97%
\$625	14	0%	98%
\$650	15	0%	98%
\$675	11	0%	98%
\$700	2	0%	98%
\$725	3	0%	98%
\$750	5	0%	99%
\$775	1	0%	99%
\$825	6	0%	99%
\$850	2	0%	99%
\$875	5	0%	99%
\$975	2	0%	99%
\$1,000	2	0%	99%
\$1,025	2	0%	99%
\$1,050	3	0%	99%
\$1,075	2	0%	99%
\$1,100	2	0%	99%
\$1,250	2	0%	99%
\$1,300	3	0%	99%
\$1,375	1	0%	99%
\$1,400	1	0%	99%
\$1,475	2	0%	99%
\$1,500	1	0%	99%
\$1,525	1	0%	100%

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students with this Amount (Fall Term)	Percent of Students	Cumulative Percentage
\$1,550	1	0%	100%
\$1,575	1	0%	100%
\$1,600	1	0%	100%
\$1,650	1	0%	100%
\$1,675	2	0%	100%
\$1,750	1	0%	100%
\$1,800	3	0%	100%
\$1,900	1	0%	100%
\$2,000	1	0%	100%
\$2,025	1	0%	100%
\$2,175	1	0%	100%
\$2,275	1	0%	100%
\$2,325	1	0%	100%
\$2,350	1	0%	100%
\$2,675	1	0%	100%
\$2,825	1	0%	100%
\$3,150	1	0%	100%
<b>Total</b>	<b>4,154</b>	<b>100%</b>	

About 460 of the 4,200 affected students received no award as a result of the elimination of the Minnesota Education Savings Allowance, as shown in the next table.

**Number of Fall Term Recipients Not Receiving Minnesota State Grants as a Result of Eliminating the Minnesota Education Savings Allowance**

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students with this Amount (Fall Term)	Percent of Students	Cumulative Percentage
\$50	17	4%	4%
\$75	33	7%	11%
\$100	38	8%	19%
\$125	45	10%	29%
\$150	38	8%	37%
\$175	23	5%	42%
\$200	31	7%	48%
\$225	26	6%	54%

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students with this Amount (Fall Term)	Percent of Students	Cumulative Percentage
\$250	22	5%	59%
\$275	27	6%	65%
\$300	13	3%	67%
\$325	19	4%	72%
\$350	24	5%	77%
\$375	20	4%	81%
\$400	5	1%	82%
\$425	5	1%	83%
\$450	5	1%	84%
\$475	9	2%	86%
\$500	8	2%	88%
\$525	3	1%	89%
\$550	6	1%	90%
\$575	4	1%	91%
\$600	3	1%	91%
\$625	3	1%	92%
\$650	3	1%	93%
\$675	3	1%	93%
\$700	1	0%	94%
\$725	1	0%	94%
\$825	3	1%	94%
\$875	1	0%	95%
\$975	2	0%	95%
\$1,025	1	0%	95%
\$1,050	2	0%	96%
\$1,075	1	0%	96%
\$1,100	2	0%	96%
\$1,300	2	0%	97%
\$1,475	1	0%	97%
\$1,500	1	0%	97%
\$1,525	1	0%	97%
\$1,550	1	0%	98%
\$1,575	1	0%	98%
\$1,675	1	0%	98%
\$1,800	3	1%	99%
\$1,900	1	0%	99%

Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students with this Amount (Fall Term)	Percent of Students	Cumulative Percentage
\$2,175	1	0%	99%
\$2,275	1	0%	99%
\$2,325	1	0%	100%
\$2,350	1	0%	100%
\$2,675	1	0%	100%
Total	464	100%	

#### 4. Impact on Annual Spending

This suggests the elimination of the Minnesota Education Savings Allowance decreased spending 1.6 percent, or about \$2.0 to \$2.1 million.

#### Projected Impact on Annual Spending for Minnesota State Grants, Fiscal Year 2004

	Based on Fiscal Year 2003 Data	Based on Fiscal Year 2002 Data
Projection for Fiscal Year 2004 (million)	\$122.87	\$127.63
Percentage Change from Starting Point (see prior table)	1.6%	1.6%
Estimated Reduction in Minnesota State Grants Resulting from Eliminating the Minnesota Education Savings Allowance (million)	\$1.97	\$2.05

# Elimination of Full Coverage of Assigned Taxpayer Responsibilities in the Third Semester

## 1. Background

State policy coordinates payments of Minnesota State Grants with Federal Pell Grants to ensure coverage of Assigned Taxpayer Responsibilities. The federal government defines an annual Federal Pell Grant amount for each applicant as follows:

- An annual amount is calculated for each applicant based on the Federal Pell Maximum and the financial and family characteristics of the student and his or her family.
- A student attending full time can receive one-half of this amount each semester.
- Students attending less than full time qualify for a lower amount.
- Students attending full time for two semesters will draw down the total amount so if they were to attend a third semester they do not qualify for Federal Pell Grants in the third semester.
- Students attending less than full time in one or both of the first two semesters can qualify for the remainder of the annual Federal Pell Grant amount in the third semester.

The 1995 Minnesota Legislature amended the statute to enable students, effective in Fiscal Year 1996, to receive State Grants for four consecutive full-time quarters or three consecutive full-time semesters during the course of a single year. The new law, however, did not allow State Grant funds to cover for Pell Grant funds that were not available for the extra term. Consistent with the Design for Shared Responsibility policy of coordinating State Grant and Federal Pell Grant benefits, the Services Office and Services Council recommended additional funding to cover the federal portion of the taxpayer responsibility for students receiving State Grants in the fourth quarter or third semester of the year. The 1997 Legislature approved the recommendation. The goal was to provide an incentive for students to complete their education in a timely manner by increasing the State Grant to compensate for Pell Grant funds not available to full-time students on a year-round basis.

As a spending reduction strategy, the 2003 Legislature required the Minnesota State Grant Program to presume that students would receive the same Federal Pell Grant in the third semester as they would have qualified for either of the first two semesters. Students who have drawn down the annual Federal Pell Grant amount for which they qualified would have only partial coverage of Assigned Taxpayer Responsibilities in the third semester.

## 2. Methodology

At this point, no Fiscal Year 2004 applicant has registered for the third semester (or equivalent). So the methods used in the prior sections were not appropriate to analyzing the impact of eliminating full coverage of Assigned Taxpayer Responsibilities on students attending a third semester. To calculate the effect of this change, two projections for Fiscal Year 2004 were run. Rather than using available data from Fiscal Year 2004 applicants, the analysis was based on Fiscal Year 2002 data for the full year. The first projection was based on the parameters in place for Fiscal Year 2004. The second projection included fully covered Assigned Taxpayer Responsibilities in the third semester and left all the other parameters at their Fiscal Year 2004 values. This change was projected to increase Minnesota State Grant spending by \$5.7 million for the third semester, implying that the spending reduction is also \$5.7 million.

### Projected Impact on Annual Spending for Minnesota State Grants, Fiscal Year 2004

	Based on Fiscal Year 2002 Data
Estimated Reduction in Minnesota State Grants Resulting from Partially Covering Assigned Taxpayer Responsibilities in the Third Semester (million)	\$5.7

## 3. Number of Students Affected

About 6,500 students are projected to receive smaller Minnesota State Grants as a result of the partial coverage of Assigned Taxpayer Responsibilities in the third semester, as shown in the next table. The median decrease is about \$850. This change will affect only those students who attended in two prior semesters (or equivalent) during the fiscal year and receive a Federal Pell Grant.

### Number of Projected Recipients Adversely Affected by Changing the Coverage of Assigned Taxpayer Responsibilities in Third Semester

Amount of Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (year)	Percent of Students	Cumulative Percentage
\$25	3	0%	0%
\$50	11	0%	0%
\$75	36	1%	1%
\$100	32	0%	1%

Amount of Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (year)	Percent of Students	Cumulative Percentage
\$125	58	1%	2%
\$150	32	0%	3%
\$175	52	1%	3%
\$200	262	4%	8%
\$225	89	1%	9%
\$250	93	1%	10%
\$275	86	1%	12%
\$300	101	2%	13%
\$325	78	1%	14%
\$350	136	2%	17%
\$375	74	1%	18%
\$400	121	2%	20%
\$425	127	2%	22%
\$450	167	3%	24%
\$475	175	3%	27%
\$500	633	10%	37%
\$525	92	1%	38%
\$550	71	1%	39%
\$575	45	1%	40%
\$600	58	1%	41%
\$625	43	1%	41%
\$650	65	1%	42%
\$675	101	2%	44%
\$700	57	1%	45%
\$725	50	1%	46%
\$750	69	1%	47%
\$775	42	1%	47%
\$800	74	1%	49%
\$825	60	1%	49%
\$850	48	1%	50%
\$875	57	1%	51%
\$900	118	2%	53%
\$925	141	2%	55%
\$950	140	2%	57%
\$975	86	1%	59%
\$1,000	129	2%	61%
\$1,025	677	10%	71%



Amount of Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (year)	Percent of Students	Cumulative Percentage
\$1,050	136	2%	73%
\$1,075	7	0%	73%
\$1,100	38	1%	74%
\$1,125	15	0%	74%
\$1,150	21	0%	74%
\$1,175	25	0%	75%
\$1,200	23	0%	75%
\$1,225	11	0%	75%
\$1,250	30	0%	76%
\$1,275	25	0%	76%
\$1,300	24	0%	77%
\$1,325	25	0%	77%
\$1,350	285	4%	81%
\$1,375	29	0%	82%
\$1,400	64	1%	83%
\$1,425	33	1%	83%
\$1,450	20	0%	84%
\$1,475	23	0%	84%
\$1,500	52	1%	85%
\$1,525	241	4%	89%
\$1,550	23	0%	89%
\$1,600	20	0%	89%
\$1,625	1	0%	89%
\$1,650	28	0%	90%
\$1,675	1	0%	90%
\$1,700	16	0%	90%
\$1,725	2	0%	90%
\$1,750	22	0%	90%
\$1,775	1	0%	90%
\$1,800	23	0%	91%
\$1,825	13	0%	91%
\$1,850	37	1%	91%
\$1,875	7	0%	92%
\$1,900	36	1%	92%
\$1,925	3	0%	92%
\$1,950	42	1%	93%
\$1,975	4	0%	93%

Amount of Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (year)	Percent of Students	Cumulative Percentage
\$2,000	67	1%	94%
\$2,025	369	6%	100%
\$2,050	16	0%	100%
\$2,075	2	0%	100%
\$2,325	1	0%	100%
\$2,425	1	0%	100%
Total	6,454	100%	

Of the 6,500 students projected to be affected by the change in the coverage of Assigned Taxpayer Responsibilities in the third semester, about 200 were projected to lose all their Minnesota State Grants, as shown in the next table.

**Number of Projected Recipients Not Receiving Minnesota State Grants as a Result of Changing the Coverage of Assigned Taxpayer Responsibilities in Third Semester**

Amount of Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (year)	Percent of Students	Cumulative Percentage
\$50	1	0%	0%
\$75	3	2%	2%
\$125	4	2%	4%
\$150	2	1%	5%
\$175	4	2%	7%
\$225	3	2%	8%
\$250	3	2%	10%
\$275	3	2%	12%
\$300	3	2%	13%
\$325	1	0%	14%
\$350	6	3%	16%
\$375	3	2%	18%
\$400	8	4%	22%
\$425	11	6%	28%
\$450	20	10%	38%
\$475	19	10%	47%
\$500	1	0%	48%
\$525	2	1%	48%

Amount of Reduction in Minnesota State Grants (rounded to nearest \$25)	Number of Students (year)	Percent of Students	Cumulative Percentage
\$550	5	2%	51%
\$625	1	0%	52%
\$750	4	2%	54%
\$775	3	2%	55%
\$800	5	2%	58%
\$825	3	2%	59%
\$850	1	0%	60%
\$875	2	1%	61%
\$900	16	8%	68%
\$925	17	8%	77%
\$950	10	5%	82%
\$975	3	2%	84%
\$1,000	2	1%	85%
\$1,025	1	0%	85%
\$1,050	3	2%	87%
\$1,075	2	1%	88%
\$1,200	1	0%	88%
\$1,325	1	0%	89%
\$1,350	3	2%	90%
\$1,375	5	2%	93%
\$1,400	4	2%	95%
\$1,425	2	1%	96%
\$1,500	1	0%	96%
\$1,525	1	0%	97%
\$1,550	2	1%	98%
\$1,600	1	0%	98%
\$1,875	1	0%	99%
\$1,900	1	0%	99%
\$1,950	1	0%	100%
\$2,050	1	0%	100%
Total	200	100%	

Of the 6,500 students projected to be affected by the change in coverage, about 2,300 reported annual family adjusted gross incomes of less than \$10,000, as shown in the table below. They were projected to receive 43 percent of the \$5.7 million reduction in Minnesota State Grant awards attributable to this change. The two smallest income categories, incomes less than \$20,000, would have received about 68 percent of the reduction in awards.

**Income Distribution of Minnesota State Grants Adversely Affected by Changing the Coverage of Assigned Taxpayer Responsibilities in Third Semester**

Adjusted Gross Income (Categories)	Number of Students (year)	Average Award	Total Awards (million)
Less Than \$ 9,999	2,292	\$1,071	\$2.45
\$10,000 to \$19,999	1,632	\$903	\$1.47
\$20,000 to \$29,999	1,244	\$834	\$1.04
\$30,000 to \$39,999	716	\$649	\$0.46
\$40,000 to \$49,999	394	\$488	\$0.19
\$50,000 to \$59,999	138	\$419	\$0.06
\$60,000 to \$69,999	33	\$439	\$0.01
\$70,000 or More	5	\$437	\$0.00
<b>Total</b>	<b>6,454</b>	<b>\$883</b>	<b>\$5.70</b>

**4. Impact on Annual Spending**

As reported above, this change was projected to increase Minnesota State Grant spending by \$5.7 million for Fiscal Year 2004.

**Projected Impact on Annual Spending for Minnesota State Grants, Fiscal Year 2004**

	Based on Fiscal Year 2002 Data
Estimated Reduction in Minnesota State Grants Resulting from Partially Covering Assigned Taxpayer Responsibilities in the Third Semester (million)	\$5.7

# Reduction in the Period of Eligibility to 8 Semesters

## 1. Background

In an effort to help students achieve their educational and career goals and contribute to the state's workforce needs, the 2001 Legislature authorized expansion of eligibility for Minnesota State Grants from 8 to 10 semesters of attendance, or the equivalent. The Services Office and Services Council had proposed allowing students to retain State Grant eligibility until they earned a baccalaureate degree. The goal was to benefit workers who see an opportunity to pursue a different career in response to the changing economy by returning to school; and to benefit students who, for legitimate reasons, take longer than four years to earn a baccalaureate degree. Some students enroll in programs that take longer than four years because jobs require advanced and multiple competencies; other students adjust their educational objectives and career plans as they learn more about their abilities and the job market. Further, the extended eligibility would help students who run out of eligibility a few credits short of a new degree.

As part of its budget reduction strategy, the 2003 Legislature amended the statute to reduce State Grant eligibility to eight semesters of attendance, or the equivalent.

## 2. Methodology

Since “fifth year students” are no longer eligible, no records for these students appear in the data base used in the analyses reported above. The results of a survey conducted by Services Office staff and used during the 2003 legislative session was used in this section.

The survey methodology was based on a sample of Fiscal Year 2002 applicants reported to the Services Office.

- Since the focus was those recipients who had attended for more than four years, only recipients reported as being more than 21 years of age at the start of the fiscal year (birthday before July 1, 1979) were included in the population.
- At each four-year institution, a sample of 20 recipients over 21 years of age was drawn and sent to the financial aid director.
  - If there were fewer than 20 recipients in the population at a given institution, all the qualified recipients were selected.
- At each two-year institution a sample of 10 recipients over 21 years of age was drawn and sent to the financial aid director.
  - If there were fewer than 10 recipients in the population at a given institution, all the qualified recipients were selected.

- The financial aid director was asked to indicate if the recipient was a fifth year student and which term the fifth year began.
- All surveys were returned and used in this analysis.
- For each institution and each term, the ratio of grant amounts for fifth year students relative to the total grant amounts for the sample was determined.
- It was assumed that the ratio observed in the sample applied to the population of recipients over age 21 at each institution for each term.
- The calculated estimates of Minnesota State Grants were summed across institutions for each term.

Instead of providing sample data, MnSCU Universities provided a complete set of data for fifth year students.

The estimated awards received by these applicants totaled \$6.4 million for Fiscal Year 2002, as shown in the next table. All these students would have been affected by the change in parameters implemented in Fiscal Year 2004. A number of changes between Fiscal Years 2002 and 2004, for example, tuition and fee increases, while useful for evaluating the impact of this change, is not a solid projection of additional spending that would be associated with reinstating 10 semesters of attendance as an eligibility criterion.

**Estimated Minnesota State Grant Awards to Fifth Year Students by Term, Fiscal Year 2002**

	Summer 1 (000)	Fall (000)	Winter (000)	Spring (000)	Summer 2 (000)	Total (000)
MnSCU Two-Year Colleges	\$0	\$132	\$0	\$255	\$38	\$425
Minnesota's Private Two-Year Institutions	\$1	\$0	\$11	\$22	\$0	\$35
MnSCU Four-Year Universities	\$0	\$830	\$0	\$996	\$487	\$2,313
University of Minnesota	\$0	\$469	\$0	\$569	\$152	\$1,191
Minnesota Private Four-Year Institutions	\$11	\$1,062	\$110	\$1,170	\$111	\$2,465
<b>Total</b>	<b>\$12</b>	<b>\$2,493</b>	<b>\$121</b>	<b>\$3,013</b>	<b>\$789</b>	<b>\$6,429</b>

### 3. Number of Students Affected

The actual number of MnSCU University students and estimates of the number of recipients for other sectors by term are shown in the next table. As the year progresses, more recipients become fifth year students.

#### Estimated Number of Minnesota State Grant Recipients Who Were Fifth Year Students by Term, Fiscal Year 2002

Sector	Summer 1	Fall	Winter	Spring	Summer 2
MnSCU Two-Year Colleges	0	363	0	602	76
Minnesota's Private Two-Year Institutions	1	0	20	28	0
MnSCU Four-Year Universities	0	1,296	0	1,471	502
University of Minnesota	0	713	0	634	156
Minnesota Private Four-Year Institutions	14	749	161	832	95
<b>Total</b>	<b>15</b>	<b>3,121</b>	<b>181</b>	<b>3,567</b>	<b>829</b>

Since one individual could receive an award as a fifth year student in more than one term, an unduplicated count of about 5,700 recipients were identified as fifth year students in at least one term during Fiscal Year 2002, as shown in the next table.

#### Estimated Number of Minnesota State Grant Recipients Who Were Fifth Year Students in at Least One Term, Fiscal Year 2002

	Number of Recipients
MnSCU Two-Year Colleges	760
Minnesota's Private Two-Year Institutions	34
MnSCU Four-Year Universities	2,441
University of Minnesota	1,231
Minnesota Private Four-Year Institutions	1,258
<b>Total</b>	<b>5,723</b>

#### 4. Impact on Annual Spending

As reported above, the estimated impact on spending in Fiscal Year 2002 was \$6.4 million. If this eligibility beyond 8 semesters were to be restored to the Minnesota State Grant Program, additional data collection involving campus financial aid offices and, potentially, students would be needed to measure the impact on projected spending.

##### **Projected Impact on Annual Spending for Minnesota State Grants, Fiscal Year 2002**

	Based on Fiscal Year 2002 Data
Estimated Reduction in Minnesota State Grants Resulting from Reducing Eligibility from 10 to 8 Semesters of Attendance (million)	\$6.4 (estimated for Fiscal Year 2002)



## Summary

To align spending projections for Minnesota State Grants with spending targets for the biennium, the 2003 Minnesota Legislature enacted several changes in the Minnesota State Grant Program. The paper examines the impact of these changes on students and provides an annual spending estimate for each change. The results identified in this report are consistent with the estimated effects discussed in spring 2003 prior to final legislative decisions.

For most of the analyses reported in this paper, data from Fiscal Year 2004 applicants were used. These data provide a fairly complete picture of the impacts for fall term. These results were used to identify the impacts of most of the changes and provide a set of projections as summarized on page 2 of this report. In two instances, prior work was used to provide these estimates.

All recipients are affected by one or more of the changes. Many students will no longer receive Minnesota State Grants as a result of the changes. Some of these students would have received a small award had the changes not been made and now receive no award. Others, such fifth year students, are no longer eligible.

# Attachment 1. Projected Minnesota State Grant Spending, Fall Term Fiscal Year 2004

- Parameters Used:

Parameter	Value Used
Assigned Student Responsibility Percentage	46%
Living and Miscellaneous Expense Allowance	\$5,205
4-Year Tuition & Fee Maximum	\$8,983
2-Year Tuition & Fee Maximum	\$6,913
Federal Pell Maximum	\$4,050
Surcharge on Assigned Family Responsibilities	0%

- Recognized tuition and fees:

Grouping	Mean Recognized Tuition and Fees	Mean Tuition and Fees
MnSCU 2-Year Colleges	\$3,391	\$3,391
Minnesota's Private 2-Year Institutions	\$6,849	\$9,882
MnSCU 4-Year Universities	\$4,643	\$4,643
University of Minnesota	\$7,385	\$7,385
Minnesota's Private 4-Year Institutions	\$8,498	\$17,011

- Based on preliminary Fiscal Year 2004 fall term data on applicants.

Projected Minnesota State Grant Recipients						
Adjusted Gross Income	Students Attending					Total
	MnSCU Two-Year Colleges	Minnesota's Private Two-Year Institutions	MnSCU Four-Year Universities	University of Minnesota	Minnesota's Private Four-Year Institutions	
Less than \$10,000	4,321	1,026	1,741	1,334	2,559	10,981
\$10,000-\$19,999	4,173	855	1,736	1,147	2,270	10,181
\$20,000-\$29,999	3,400	666	1,837	1,280	2,503	9,686
\$30,000-\$39,999	2,544	427	1,748	1,331	2,125	8,175
\$40,000-\$49,999	2,043	376	1,656	1,288	2,159	7,522
\$50,000-\$59,999	1,076	248	1,190	1,079	1,838	5,431
\$60,000-\$69,999	382	104	609	686	1,116	2,897
\$70,000 or more	106	56	238	571	1,105	2,076
Outside the Model Adjustments	0	0	0	0	0	
<b>Total</b>	<b>18,045</b>	<b>3,758</b>	<b>10,755</b>	<b>8,716</b>	<b>15,675</b>	<b>56,949</b>

Projected Combined Federal Pell and Minnesota State Grants Received by Minnesota State Grant Recipients (millions)						
Adjusted Gross Income	Students Attending					Total
	MnSCU Two-Year Colleges	Minnesota's Private Two-Year Institutions	MnSCU Four-Year Universities	University of Minnesota	Minnesota's Private Four-Year Institutions	
Less than \$10,000	\$8.18	\$2.34	\$4.04	\$4.10	\$6.86	\$25.51
\$10,000-\$19,999	\$6.65	\$1.63	\$3.49	\$3.24	\$5.64	\$20.65
\$20,000-\$29,999	\$5.45	\$1.20	\$3.66	\$3.32	\$5.88	\$19.53
\$30,000-\$39,999	\$3.43	\$0.72	\$2.86	\$3.08	\$5.04	\$15.13
\$40,000-\$49,999	\$1.97	\$0.48	\$2.03	\$2.30	\$4.31	\$11.09
\$50,000-\$59,999	\$0.83	\$0.24	\$1.13	\$1.52	\$2.93	\$6.65
\$60,000-\$69,999	\$0.21	\$0.09	\$0.45	\$0.79	\$1.53	\$3.06
\$70,000 or more	\$0.05	\$0.03	\$0.11	\$0.44	\$1.03	\$1.66
Outside the Model Adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>Total</b>	<b>\$26.77</b>	<b>\$6.73</b>	<b>\$17.76</b>	<b>\$18.80</b>	<b>\$33.23</b>	<b>\$103.29</b>

Projected Minnesota State Grants Received by Minnesota State Grant Recipients (millions)						
Adjusted Gross Income	Students Attending					Total
	MnSCU Two-Year Colleges	Minnesota's Private Two-Year Institutions	MnSCU Four-Year Universities	University of Minnesota	Minnesota's Private Four-Year Institutions	
Less than \$10,000	\$1.18	\$0.87	\$0.93	\$1.66	\$3.12	\$7.76
\$10,000-\$19,999	\$1.88	\$0.80	\$1.33	\$1.68	\$3.13	\$8.82
\$20,000-\$29,999	\$2.21	\$0.67	\$1.84	\$2.02	\$3.72	\$10.46
\$30,000-\$39,999	\$1.81	\$0.49	\$1.76	\$2.20	\$3.59	\$9.85
\$40,000-\$49,999	\$1.23	\$0.39	\$1.46	\$1.85	\$3.56	\$8.49
\$50,000-\$59,999	\$0.61	\$0.21	\$0.91	\$1.32	\$2.59	\$5.65
\$60,000-\$69,999	\$0.18	\$0.08	\$0.39	\$0.71	\$1.43	\$2.80
\$70,000 or more	\$0.04	\$0.03	\$0.11	\$0.42	\$0.99	\$1.59
Outside the Model Adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>Total</b>	<b>\$9.14</b>	<b>\$3.55</b>	<b>\$8.73</b>	<b>\$11.85</b>	<b>\$22.13</b>	<b>\$55.40</b>

Projected Minnesota State Grant Recipients						
Adjusted Gross Income	Dependent Students	Independent Students				Total
		Married with Dependents	Unmarried with Dependents	Married with No Other Dependents	Unmarried with No Dependents	
Less than \$10,000	3,943	446	3,177	251	3,164	10,981
\$10,000-\$19,999	4,312	703	2,108	438	2,620	10,181
\$20,000-\$29,999	6,566	926	1,147	368	679	9,686
\$30,000-\$39,999	6,909	805	297	131	33	8,175
\$40,000-\$49,999	6,749	642	91	40	0	7,522
\$50,000-\$59,999	5,057	342	20	12	0	5,431
\$60,000-\$69,999	2,785	102	6	4	0	2,897
\$70,000 or more	2,025	50	1	0	0	2,076
Outside the Model Adjustments	0	0	0	0	0	
<b>Total</b>	<b>38,346</b>	<b>4,016</b>	<b>6,847</b>	<b>1,244</b>	<b>6,496</b>	<b>56,949</b>

Projected Combined Federal Pell and Minnesota State Grants Received by Minnesota State Grant Recipients						
Adjusted Gross Income	Dependent Students	Independent Students				Total
		Married with Dependents	Unmarried with Dependents	Married with No Other Dependents	Unmarried with No Dependents	
Less than \$10,000	\$10.4	\$0.8	\$6.8	\$0.6	\$6.9	\$25.5
\$10,000-\$19,999	\$11.0	\$1.4	\$4.2	\$0.9	\$3.2	\$20.7
\$20,000-\$29,999	\$15.0	\$1.8	\$1.9	\$0.5	\$0.4	\$19.5
\$30,000-\$39,999	\$13.3	\$1.3	\$0.4	\$0.1	\$0.0	\$15.1
\$40,000-\$49,999	\$10.2	\$0.7	\$0.1	\$0.0	\$0.0	\$11.1
\$50,000-\$59,999	\$6.3	\$0.3	\$0.0	\$0.0	\$0.0	\$6.7
\$60,000-\$69,999	\$3.0	\$0.1	\$0.0	\$0.0	\$0.0	\$3.1
\$70,000 or more	\$1.6	\$0.0	\$0.0	\$0.0	\$0.0	\$1.7
Outside the Model Adjustments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
<b>Total</b>	<b>\$70.9</b>	<b>\$6.4</b>	<b>\$13.4</b>	<b>\$2.1</b>	<b>\$10.5</b>	<b>\$103.3</b>

Projected Minnesota State Grants Received by Minnesota State Grant Recipients						
Adjusted Gross Income	Dependent Students	Independent Students				Total
		Married with Dependents	Unmarried with Dependents	Married with No Other Dependents	Unmarried with No Dependents	
Less than \$10,000	\$3.70	\$0.19	\$1.57	\$0.21	\$2.08	\$7.8
\$10,000-\$19,999	\$5.02	\$0.30	\$1.02	\$0.39	\$2.09	\$8.8
\$20,000-\$29,999	\$8.67	\$0.45	\$0.56	\$0.36	\$0.42	\$10.5
\$30,000-\$39,999	\$9.10	\$0.44	\$0.19	\$0.10	\$0.02	\$9.8
\$40,000-\$49,999	\$8.03	\$0.38	\$0.05	\$0.03	\$0.00	\$8.5
\$50,000-\$59,999	\$5.42	\$0.20	\$0.01	\$0.01	\$0.00	\$5.6
\$60,000-\$69,999	\$2.73	\$0.06	\$0.00	\$0.00	\$0.00	\$2.8
\$70,000 or more	\$1.56	\$0.03	\$0.00	\$0.00	\$0.00	\$1.6
Outside the Model Adjustments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
<b>Total</b>	<b>\$44.2</b>	<b>\$2.0</b>	<b>\$3.4</b>	<b>\$1.1</b>	<b>\$4.6</b>	<b>\$55.4</b>



