

Projection of Minnesota State Grant Spending for Fiscal Years 2004 and 2005

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The Minnesota Higher Education Services Office

The Minnesota Higher Education Services Office is a cabinet-level state agency providing prospective and current post-secondary students with financial aid programs, services and information. The agency collects and reports state-wide higher education data, negotiates and administers interstate tuition reciprocity programs and facilitates collaboration among higher education providers on technology and library resources. Working in partnership with higher education institutions, K-12 schools and other organizations, the agency administers programs to help students gain access to post-secondary educational opportunity.

Projected Minnesota State Grant Spending

This is the sixth report presenting projections of spending for the Minnesota State Grant Program as required by state law¹. The Legislature recognized that many economic uncertainties influence the estimation results and strengthened the projection process by mandating a monthly statement on spending and updated quarterly projections. Another important change required direct communication with the post-secondary education community. Information about enrollment changes and tuition and fee increases was received from representatives of the various sectors. This information is used in the projection process and directly impacts the results. This report only presents a brief update of the projections from the previous issue. A more detailed explanation of the methodology can be found in the July 15, 2004 report, *Projection of Minnesota State Grant Spending for Fiscal Years 2004 and 2005*.²

In a market of more than a quarter million undergraduate students, individual decisions about post-secondary choices create dramatic uncertainties. External economic conditions also bear markedly on enrollment decisions and eligibility factors that affect spending. This risk is further exacerbated by legislative changes in the grant formula that were enacted in 2003 to achieve cost savings. The individual and interactive effects of program changes on spending are included, but since many of the changes were new, there was no program experience available to test the estimates.

Based on projections models using complete annual data from FY 2004, the Higher Education Services Office projects a surplus of about \$35 million in the State Grant Program for the 2004-2005 biennium. This compares to a range of figures between \$11 million and \$32 million reported in July. Since that report two significant changes have occurred that affect spending projections for the biennium. First, fiscal year 2004 processing of Minnesota State Grant files was completed. Second, revised enrollment projections for Fiscal Year 2005 were made based on the enrollment decisions of students for fall term 2004. The \$35 million could potentially be higher when partial data for the fall term of 2004 is considered. A preliminary number based on this information suggests a total surplus for the 2004-05 biennium of approximately \$42 million. A more precise estimate will be available in the report due in February of 2005.

¹ Laws of Minnesota, 2003, Chapter 133, Article 1, Section 2

² For a copy of the report, see <http://www.mheso.state.mn.us/pdf/StateGrantProj07-15-04.pdf>.

Enrollment and Cost Expectations

At a meeting of representatives of Minnesota post-secondary institutions and other interested parties on November 15, 2004, enrollment experiences for Fall 2004 and expectations for the rest of Fiscal Year 2005 were discussed. The estimates were, in general, revised downward from earlier reporting, resulting in the projected changes shown in Table 1. The change in tuition and fees increase was reported to the Office earlier this year.

Table 1. Projected Change in Undergraduate Enrollments and Tuition and Fees Between Fiscal Years 2004 and 2005

Grouping	Change in Enrollment Between 2004 and 2005	Change in Tuition and Fees Between 2004 and 2005
MnSCU Two-Year Colleges	0.96%	11.5%
MnSCU Four-Year Universities	-0.08%	13.1%
University of Minnesota	0.30%	12.3%
Private Non-Profit Institutions ³	0.90%	7.4%
Private For-Profit Institutions ³	18.00%	8.2%

Spending Projections Based on Fiscal Year 2004 End of Year Data

The results of using the end-of-year Fiscal Year 2004 data files resulted in reported and actual spending amounts shown in Table 2. The actual surplus was about \$26 million in FY 2004 and the projected surplus is not quite \$10 million in FY2005 resulting in a biennial total of about \$35 million. As indicated above, the projection for FY2005 could be \$124.9 million, or \$6.7 million lower, if early FY2005 data is considered. However, this is partial data for the fall term of the fiscal year and may change as the school year progresses. If this information holds up through the rest of the fiscal year, this could result in a total biennium surplus of \$42 million

Table 2. Actual and Projected Minnesota State Grant Spending, Fiscal Years 2004 and 2005

Projection	FY 2004	FY 2005 Projection	Biennium
Appropriations & Federal Grants (million)	\$141.08	\$141.13	\$282.20
Minnesota State Grant Spending (million)	\$115.32	\$131.59	\$246.91
Difference (million)	\$25.76	\$9.54	\$35.29

³ Tuition and fees at these institutions already exceed the recognized level. In the simulation they have relatively little impact on the change.

