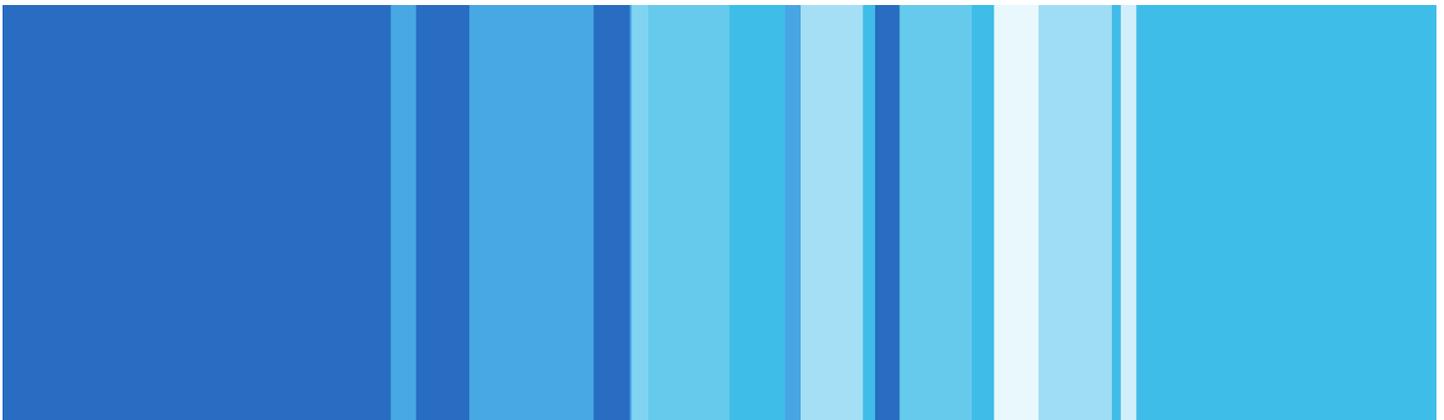


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Minnesota State Grant Projections Report

November 1, 2006



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About the Minnesota Office of Higher Education

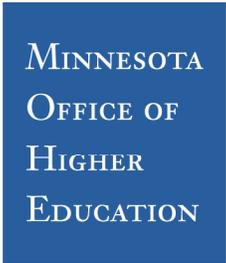
The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to post-secondary education. The agency serves as the state's clearinghouse for data, research and analysis on post-secondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program, which is administered by the agency, is a need-based tuition assistance program for Minnesota students. The agency oversees tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Program, licensing and an early awareness outreach initiative for youth. Through collaboration with systems and institutions, the agency assists in the development of the state's education technology infrastructure and shared library resources.

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Background

The purpose of this report is to meet the directive of Minnesota Session Laws 2005 pertaining to the Minnesota State Grant appropriation that requires the Minnesota Office of Higher Education to update projections for the State Grant program for the 2006-07 biennium.

The law requires these updates to occur by November 1st and February 15th of each year. A meeting was held with interested parties including representatives from the public systems and private institutions, legislative staff and the Department of Finance on October 26, 2006. Information on enrollments and tuition and fee changes were provided by these representatives and are included in the projections contained in this report.

Laws of Minnesota Chapter 107 further require the Office of Higher Education to modify the living and miscellaneous expense (LME) allowance, which is a figure set in statute used to calculate the price of attendance, if a surplus is projected for the second year of the biennium.

If the amount appropriated is determined by the office to be more than sufficient to fund projected grant demand in the second year of the biennium, the office may increase the living and miscellaneous expense allowance in the second year of the biennium by up to an amount that retains sufficient appropriations to fund the projected grant demand. The adjustment may be made one or more times. In making the determination that there is more than sufficient funds, the office shall balance the need for sufficient resources to meet the projected demand for grants with the goal of fully allocating the appropriation for state grants. An increase in the living and miscellaneous expense allowance under this subdivision does not carry forward into a subsequent biennium. This subdivision expires June 30, 2007. [Minnesota Session Laws 2005, Chapter 107, Article 2, Section 19 Subdivision 7a]

State Grant Activity Since February 2006

In February of 2006 the Office of Higher Education provided projections that indicated State Grant spending would be \$126.2 million for Fiscal Year 2006 and \$134.75 for Fiscal Year 2007.¹ This compares to appropriations of \$136.4 million and \$144.8 million for those years respectively. In the February report, a surplus of about \$18 million dollars was anticipated. Under the provision above contained in *Laws of Minnesota 2005*, this amount was used to increase the living and miscellaneous expense (LME) allowance for school year 2007 by \$400 to \$5,750.²

In September 2006, when fiscal year 2006 spending was closed out by the Minnesota Department of Finance, the 2006 spending in the State Grant program was about \$124.3 million, or about \$2 million below the February projection for 2006. Approximately \$12.1 million was carried forward from Fiscal Year 2006 to Fiscal Year 2007.

¹ Projected Minnesota State Grant Spending, Fiscal Years 2006-2007, February 15, 2006

² *Laws of Minnesota, 2005*, Chapter 107, Article 1, Section 2, Subdivision 2. In that law, the LME was set at \$5,350. The adjustment increased this to \$5,750.

The November 2006 Projection

The State Grant spending projection for Fiscal Year 2007 is now \$145 million. This figure is based on two independent approaches. Preliminary spending data has been submitted by institutions for the fall term. If this information is extrapolated to the full year based on historical patterns, the annual total would be about \$145 million. This figure has also been confirmed by a separate simulation that projects Fiscal Year 2006 data to Fiscal Year 2007 using known enrollment and tuition changes.³ This figure includes the \$400 increase in the LME announced in April 2006. While there are five academic terms in which State Grant awards are made each year, the fall data can be used as a predictor of the demand for the entire year.

Total resources for Fiscal Year 2007 State Grant spending are about \$158 million. This includes the appropriation of \$144.8 million, the carry forward of \$12.1 million and federal SLEAP and LEAP funds of about \$1.6 million. This suggests a surplus of about \$13 million. The 2005 Higher Education Act provides that the agency may make adjustments to the LME allowance more than one time for Fiscal Year 2007.

Living and Miscellaneous Expense Allowance (LME) to be Temporarily Increased a Second Time for 2007

The Office of Higher Education has determined that the LME allowance for the entire 2007 academic year will be increased an additional \$315 over the current level. The result will be an LME of \$6,065 for Fiscal Year 2007. The increase will apply to students enrolled in fall 2006, in addition to students enrolled for other terms in Fiscal Year 2007. The agency will hold \$3 million in reserve to cover unexpected changes in the demand for the State Grant program through Fiscal Year 2007. According to the law, the LME will return to the \$5,350 level set in statute for fall 2007.

The Projections Process

State Grant projections are estimates based upon a number of variables including student enrollment, credit load, students' institutional choices and student and family income and financial circumstances. The Office of Higher Education continues to work on procedures to improve the projections process for the State Grant program, paying particular attention to changes in income of grant recipient families and the impact on grant need that was discussed in the February report.

³ This also reflects an adjustment of \$2.5 million for income changes. This was discussed in the February report.