

## Chris Steller

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**From:** Hendrickson, Chris (OHE) <[chris.hendrickson@state.mn.us](mailto:chris.hendrickson@state.mn.us)>  
**Sent:** Tuesday, February 19, 2019 12:23 PM  
**To:** Rep.Connie Bernardy; Rep.Laurie Pryor; Rep.Bud Nornes; Rep.Brian Daniels; Rep.Mary Franson; Rep.Aisha Gomez; Rep.Ginny Klevorn; Rep.Sandy Layman; Rep.Ben Lien; Rep.Leon Lillie; Rep.Eric Lucero; Rep.Jeanne Poppe; Rep.Duane Quam; Rep.Linda Runbeck; Rep.Samantha Vang; Rep.Dan Wolgamott; Rep.Tou Xiong; Rep.Lyndon Carlson; Chris Steller; Ken Savary; Nathan Hopkins; Sean Herring; Johnson, Aara (GOV)  
**Cc:** Lam Young, Melissa (MMB); Chris Steller; Oliver, Nekey (OHE); Grimes, Tricia (OHE); Whelan, Nicole (OHE)  
**Subject:** February 2019 : State Grant Projections Report  
**Attachments:** StateGrantProj Report\_Feb 2019.pdf

Good afternoon.

Please let us know if there are questions regarding the attached report.

Thanks much.

**Chris Hendrickson**

Executive Assistant | Commissioner's Office

**Minnesota Office of Higher Education**

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**From:** Hendrickson, Chris (OHE) <chris.hendrickson@state.mn.us>  
**Sent:** Tuesday, February 19, 2019 12:23 PM  
**To:** sen.rich.draheim@senate.mn; sen.greg.clausen@senate.mn; sen.jim.abeler@senate.mn; sen.jason.isaacson@senate.mn; sen.paul.anderson@senate.mn; Scot Missling; sen.scott.jensen@senate.mn; senrichardohen@visi.com; sen.jerry.newton@senate.mn; Andrew Erickson; Joan White; Danna Elling; sen.jeremy.miller@senate.mn; Johnson, Aara (GOV)  
**Cc:** Chris Steller; Oliver, Nekey (OHE); Whelan, Nicole (OHE); Grimes, Tricia (OHE)  
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# OFFICE OF HIGHER EDUCATION

February 15, 2019

The Honorable Connie Bernardy, Chair  
Higher Education Finance and Policy Division  
369 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Boulevard  
St. Paul, Minnesota 55155

Dear Representative Bernardy:

Enclosed is the latest projections report for the Minnesota State Grant program as required by *Minnesota Statute* 136A.121. By law, updates occur on November 1 and February 15 of each fiscal year. Information on enrollments and tuition and fee changes were provided by public and private institutions.

#### *Fiscal Years 2018-2019*

State Grant spending totaled \$195.967 million for fiscal year 2018 and is projected to total \$208.147 million for fiscal year 2019 for a biennial total of \$404.114 million. This compares to base resources of \$403.192 million for the biennium. Base resources include: \$396.560 million in appropriations and transfers of \$5.4 million in unexpended funds from Tuition Reciprocity and \$1.23 million in unexpended funds from the Occupational Grant Program. The difference between base resources and total spending was negative \$0.922 million.

Actual funding is anticipated to modestly decline by the end of the fiscal year. If actual funding does not decline from projected levels during the remainder of spring and summer terms, the Office of Higher Education anticipates that unspent funds from other programs will be adequate to cover the balance. Further information will be known in May.

#### *Fiscal Years 2020-2021*

The spending projection for fiscal year 2020 is \$188.335 million and for fiscal year 2021 is \$188.484 million compared to base resources of \$396.712 million or positive \$19.89 million (4.8% below appropriations) for the biennium.

The report can be viewed online at <http://www.ohe.state.mn.us/mPg.cfm?pageID=1553>. Feel free to contact me or the report authors if you have questions or would like more information.

Sincerely,



Dennis Olson, Jr.  
Commissioner

Enclosure

cc: Rep. Laurie Pryor, Vice Chair  
Rep. Mary Franson  
Rep. Sandy Layman  
Rep. Eric Lucero  
Rep. Linda Runbeck  
Rep. Tour Xiong  
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Rep. Brian Daniels  
Rep. Ginny Klevorn  
Rep. Leon Lillie  
Rep. Duane Quam  
Rep. Dan Wolgamott  
Sean Herring  
Melissa Lam Young

# Fiscal Years 2018-2019 & 2020-2021

February 15, 2019

## **Authors**

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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 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 more than \$198 million in need-based grants to Minnesota residents attending accredited institutions in Minnesota. The agency oversees 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 spending projections for the Minnesota State Grant program for the 2018-2019 and 2020-2021 biennia as of February 15, 2019, as required by state law. Projections are the result of a full simulation of the State Grant model. This model projects state grant spending for fiscal years 2018-2021 using fiscal year 2018 actual spending data and award parameters in law as of February 15, 2019; information on enrollment and tuition and fee changes provided by institutional representatives; and the percent change in wages of tax filers estimated by Minnesota Management and Budget. Discussion of the assumptions used in the spending projections start on page three of this report.

## The results of the projections are:

### Fiscal Years 2018-2019

State Grant spending totaled \$195.967 million for fiscal year 2018 and is projected to total \$208.147 million for fiscal year 2019 for a biennial total of \$404.114 million. This compares to base resources of \$403.192 million for the biennium. Base resources include: \$396.560 appropriations and transfers of \$5.4 million in unexpended funds from Tuition Reciprocity and \$1.23 million in unexpended funds from the Occupational Grant Program. The difference between base resources and total spending was negative \$0.922 million.

Actual funding is anticipated to modestly decline by the end of the fiscal year. If actual funding does not decline from projected levels during the remainder of spring and summer terms, the Office of Higher Education anticipates that unspent funds from other programs will be adequate to cover the balance. Further information will be known in May.

### Fiscal Years 2020-2021

The spending projection for fiscal year 2020 is \$188.335 million and for fiscal year 2021 is \$188.484 million compared to base resources of \$396.712 million or positive \$19.89 million (4.8% below appropriations) for the biennium.

### Changes to State Grant parameters

- Federal poverty guidelines grew 2.9% over FY19. This is an increase from the November projections, and raises the Living and Miscellaneous Expense allowance by about \$50 in FY20 and FY21.
- There are no changes to wage growth estimates from the November projections. Wage growth estimates will change March 1, 2019. Enrollment is starting to stabilize.
- There are no updates to tuition increases from the November projections document.

The next report on Minnesota State Grant spending is due to the Legislature by November 1, 2019.

# Fiscal Years 2018 & 2019: Spending Projection

This report presents spending projections for the Minnesota State Grant program for the 2018-2019 biennium as of February 15, 2019. The law requires spending projection updates to occur by November 1 and February 15 of each fiscal year. Any updates on tuition or enrollment changes were provided by institutional representatives on February 8, 2019.

The projections contained in this report are the result of a full simulation of the State Grant model. This model projects state grant spending for fiscal years 2018 and 2019 using fiscal year 2018 actual spending data and award parameters in law as of February 15, 2019; information on enrollment and tuition and fee changes provided by institutional representatives; and the percent change in wages of tax filers estimated by Minnesota Management and Budget. Discussion of the assumptions used in the spending projections start on page three.

State Grant spending totaled \$195.967 million for fiscal year 2018 and is projected to be \$208.147 million for fiscal year 2019 for a biennial total of \$404.114 million. This compares to base resources of \$403.192 million for the biennium. Base resources include: \$396.560 appropriations and transfers of \$5.4 million in unexpended funds from Tuition Reciprocity and \$1.23 million in unexpended funds from the Occupational Grant Program.

The difference between base resources and total spending was negative \$0.922 million or 0.2% of all available funds. The changes modeled are the agency's best estimates as of February 15, 2019, and are subject to change, based on updated information on enrollment, tuition, and family incomes. Actual funding is anticipated to modestly decline by the end of the fiscal year. If actual funding does not decline from projected levels during the remainder of spring and summer terms, the Office of Higher Education anticipates that unspent funds from other programs will be adequate to cover the balance. Further information will be known in May.

**Table 1: Spending Projections Versus Resources FY2018-2019 (in millions)**

	<b>FY2018</b>	<b>FY2019</b>	<b>Biennium</b>
Base Resources	\$198.206	\$204.986 <sup>i</sup>	\$403.192
Spending projection	+(195.967)	+(208.147)	+(404.114)
Difference between resources and spending	\$2.239	\$(3.161)	\$(0.922) 0.2% above appropriations

<sup>i</sup> Base resources for fiscal years 2018 and 2019 include unexpended funds from Tuition Reciprocity (\$5.4 million) and Occupational Grant Program (\$1.23 million).

# Fiscal Years 2020 & 2021: Spending Projection

Based on statutory parameters, the agency forecasts State Grant spending to be \$188.335 million for fiscal year 2020 and \$188.484 million for fiscal year 2021 for a biennial total of \$377.495 million. This compares to base resources of \$396.712 million for the biennium or positive \$19.89 million (4.8% below appropriations), as shown in Table 2.

**Table 2: Spending Projections Versus Resources FY2020-2021 (in millions)**

	FY2018	FY2019	Biennium
Base Resources	\$198.356	\$198.356	\$396.712
Spending projection	+(188.335)	+(188.484)	+(377.495)
Difference between resources and spending	\$10.02	\$9.87	\$19.89 4.8% below appropriations

## Assumptions

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

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

	FY2018	FY2019	FY2020	FY2021
	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Living and Miscellaneous Expense Allowance	\$9,135	\$9,900 <sup>ii</sup>	\$9,461	\$9,651 <sup>i</sup>
Assigned Student Responsibility	50.0%	50.0%	50.0%	50.0%
Tuition and Fee Maximums				
Students in Two-Year Programs	\$5,790	\$5,790	\$5,905 <sup>i</sup>	\$6,023 <sup>i</sup>
Students in Four-Year Programs	\$14,488	\$14,790	\$15,129 <sup>i</sup>	\$15,507 <sup>i</sup>
Federal Pell Grant Maximum	\$5,920	\$6,095	\$6,195	\$6,195 <sup>i</sup>
Rationing Surcharge on Assigned Family Responsibility	0%	0%	0%	0%
Proration for the Assigned Family Responsibility				
Dependent Students (Parent Contribution)	84%	84%	84%	84%
Independent Students with Dependents (Student Contribution)	76%	76%	76%	76%
Independent Students without Dependents (Student Contribution)	40%	40%	40%	40%

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

## Federal Poverty Guidelines: Living and Miscellaneous Expense Allowance

The Living and Miscellaneous Expense Allowance is set at an amount equal to the federal Poverty Guidelines for a single person household living in Minnesota for a nine-month period. The 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 one percent. Table 4 displays the annual figures for the Living and Miscellaneous Expense Allowance.

The agency uses the current CPI of about +2% to project federal poverty guidelines for FY2021.

**Table 4: Federal Poverty Guidelines**

	FY2018	FY2019	FY2020	FY2021
Poverty Guidelines Year	2017	2018	2019	2020
	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Federal Poverty Guideline – 1 person in family/household, 48 contiguous states	\$12,060	\$12,140	\$12,490	\$12,740 <sup>ii</sup>
Increase %	+1.5%	+0.7%	+2.9%	+2.0% <sup>ii</sup>
Multiplier for 9-month time period	0.75	0.75	0.75	0.75
Inflator in Minnesota law	+1%	+1%	+1%	+1%
101 % of poverty guidelines	\$9,135	\$9,196	\$9,461	\$6,651
Living and Miscellaneous Expense Allowance	\$9,135	\$9,900 <sup>i</sup>	\$9,461	\$9,651 <sup>ii</sup>

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

## Change in Wages

The State Grant spending projection incorporates data about changes in wages of Minnesota tax filers from Minnesota Management and Budget (MMB). MMB uses the tax filer data in projections of state revenue and spending across multiple agencies and updates the information each March. For fiscal year 2019 -2021 projections, the model utilizes data from applicable tax years to update student and family wages and adjusted gross incomes. As fiscal year 2018 information (tax year 2015) is used, the agency updates wage information to reflect projections for subsequent tax years. Following the March 2018 budget forecast, OHE adjusted the assumption for changes in average wages of Minnesota tax filers. Current assumptions appear in Table 5. In 2017-2018, the U.S. Department of Education switched to using the prior-prior year FAFSA to calculate the student's Pell Grant. Thus, no income change occurred for Fiscal Year 2018.

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

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

<sup>i</sup> Note: FY2018 reflects change by the U.S. Department of Education to the prior-prior year FAFSA.

## Enrollment Assumptions

The State Grant spending forecast also incorporated estimated enrollment changes in the number of Minnesota resident undergraduates enrolling at each institution. Table 6 shows information about enrollment changes for fiscal years 2018-2021. Overall enrollment changes serves to estimate changes in the number of Minnesota resident aid applicants. The agency revises enrollment assumptions as new enrollment data becomes 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.

**Table 6: Enrollment Assumptions**

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
	Fall 2017	Fall 2018	Fall 2019	Fall 2020
System	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Minnesota State Colleges	-2.5%	-1.9%	-0.3%	0.2%
Minnesota State Universities	-2.4%	-3.0%	-1.9%	-0.6%
University of Minnesota Twin Cities	+1.0%	+0.04%	+0.5%	+0.5%
Morris, Crookston, Duluth	+0.7%	+0.04%	+0.5%	+0.5%
Private Not-for-Profit Institutions	-0.6%	+0.5%	+0.0%	+0.0%
Private For-Profit Institutions	-2.0%	0% to +4.0%	0% to +5.0%	0% to +5.0%

## Pell Grant Changes in Law

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

Increases or reductions in the federal Pell Grant amounts affect State Grant spending as the State Grant award formula maintains a dollar for dollar relationship with the student's Pell Grant. Earlier this fall, Congress passed a federal appropriations funding bill, approving an additional \$100 increase in the Pell Grant. This measure raised the Pell maximum award to \$6,195 for academic year 2019-2020 (fiscal year 2020). The Office will continue to monitor Congressional activity regarding funding of the federal Pell Grant program. Table 7 below lists the current federal Pell Grant parameters and assumes a flat Pell Grant award for fiscal year 2021.

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

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

<sup>i</sup> Estimated

## Tuition and Fee Increases

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

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

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
System	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Minnesota State Colleges	+1%	+0.2%	+2% <sup>i</sup>	+2% <sup>i</sup>
Minnesota State Universities	+3.7%	+0.4%	+2% <sup>i</sup>	+2% <sup>i</sup>
University of Minnesota	+1%	+1.4%	+2% to 3%	+2% to 3%
Private Not-for-Profit Institutions <sup>ii</sup>	+3%	+3.8%	+3.5%	+3.5%
Private For-Profit Institutions <sup>ii</sup>	+1%	0% to +4%	0% to +3%	0% to +3%

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

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

## Federal Need Analysis

The forecasted spending model for the Minnesota State Grant incorporates all changes passed by Congress or made by the U.S. Department of Education to the federal need analysis as of October 2018. The U.S. Department of Education releases annual updates to the tables in the statutory “Federal Methodology Need Analysis” used to determine a student’s EFC.

## Next Report

The next report on Minnesota State Grant spending is due to the Legislature by November 1, 2019.