



Minnesota State Grant Projections Fiscal Years 2020-2021 & 2022-2023

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

The Minnesota State Grant Program is the largest financial aid program administered by the Office of Higher Education, awarding up to \$207 million in need-based grants to Minnesota residents attending eligible colleges, universities and career schools in Minnesota. The agency oversees other state scholarship programs, tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Plan, licensing and early college awareness programs for youth.

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Executive Summary

This report presents projected spending for the Minnesota State Grant program for the 2020-2021 biennium and the 2022-2023 biennium as of November 1, 2020, 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 2021-2023 using fiscal year 2020 (FY2020) actual spending data and award parameters in law as of November 1, 2020; 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 starts on page four of this report.

The results of the projections are:

- Fiscal years 2020-2021: State Grant spending totaled \$207.918 million for fiscal year 2020. This total is preliminary, pending final closeouts from FY2020. Spending is projected to total \$202.482 million for fiscal year 2021 for a biennial total of \$410.400 million. This compares to base resources of \$416.194 million for the biennium (\$414.874 base appropriation and transfers of \$1.32 million in unexpended funds other programs). The difference between base resources and total spending was positive \$5.794 million or 1.4% below appropriations.
- Fiscal years 2022-2023: The spending projection for fiscal year 2022 is \$200.786 million and is \$213.785 million for fiscal year 2023 for a biennial total of \$414.571 million. This compares to base resources of \$414.874 million for the biennium. The difference between base resources and total spending was positive \$0.303 million (0.07% below appropriations).

Projections for fiscal years 2021-2023 take into account an analysis of FAFSAs completed, which notes that the lower-income students experienced larger enrollment declines relative to middle- and higher-income students. Projections are moderated to control for this shift.

COVID-19 impacts on State Grant spending projections

- Following the onset of the COVID-19 pandemic, fall 2020 enrollment declined across most sectors. The statewide enrollment decline averaged -3.3% across all sectors and impacts State Grant spending projections for fiscal years 2021-2023.
- For fiscal year 2023 projections, estimated changes in wages are derived from estimates provided by MMB following the onset of the COVID-19 pandemic, which estimates an average wage decline of -1.7% across all Minnesotans. This impacts State Grant spending projections for fiscal year 2023.

Fiscal Years 2020 & 2021 — Spending Projection

This report presents actual Minnesota State Grant program spending for FY2020 and spending projections for the State Grant program for fiscal years 2021, 2022, and 2023 as of November 1, 2020. The law requires spending projection updates to occur by November 1 and February 15 of each fiscal year. Information on enrollment and tuition and fee changes was provided by institutional representatives on October 21, 2020.

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 2021, 2022, and 2023 using FY2020 actual spending data and award parameters in law as of November 1, 2020; 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 starts on page four.

State Grant spending totaled \$207.918 million for fiscal year 2020. This total is preliminary, pending final closeouts from FY2020. Spending is projected to total \$202.482 million for fiscal year 2021 for a biennial total of \$410.400 million. This compares to base resources of \$416.194 million for the biennium (\$414.874 base appropriation and transfers of \$1.32 million in unexpended funds other programs). The difference between base resources and total spending was positive \$5.794 million or 1.4% below appropriations.

Table 1: Spending versus Resources FY2020-2021 (in millions)

	FY2020	FY2021	Biennium
Base resources	\$208.757 ⁱ	\$207.437	\$416.194
Spending	<u>+(207.918)ⁱⁱ</u>	<u>+(202.482)</u>	<u>+(410.400)</u>
Difference between resources and spending	\$0.839	\$4.955	\$5.794 1.4% below appropriations

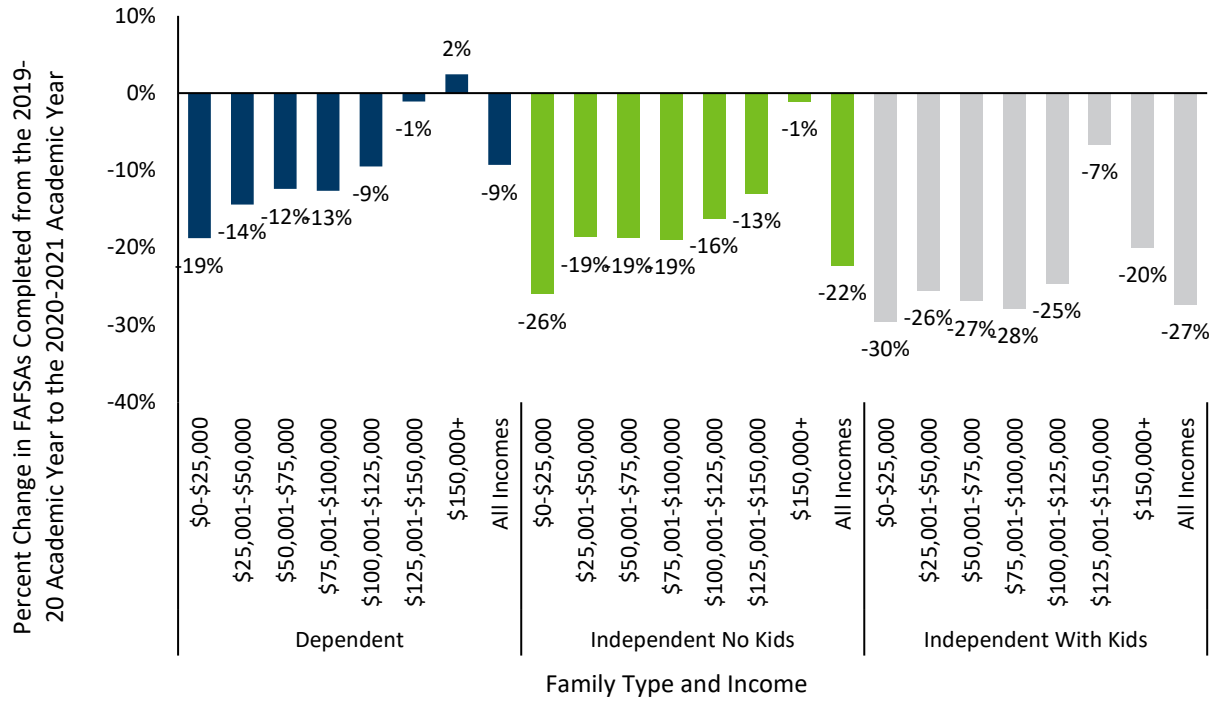
ⁱ Base resources for fiscal years 2020 and 2021 include unexpended funds from Tuition Reciprocity (\$1.32 million).

ⁱⁱ Preliminary

The LME was increased to \$10,530 for fiscal year 2021 under OHE’s statutory authority, per 136A.121 Subd. 7a. This figure is roughly equivalent to 110% of the poverty level in fiscal year 2021, prorated for a nine-month school year.

Projections for fiscal years 2021-2023 take into account an analysis of FAFSAs completed, which notes that the lower-income students experienced larger enrollment declines relative to middle- and higher-income students. Across all family types, the number of students completing a FAFSA declined at a higher rate at incomes \$0-\$25,000 as shown in Figure 1. Projections are moderated to control for this shift.

Figure 1. Comparison of FAFSAs Completed as of October 29th by Family Type and Income



Fiscal Years 2022 & 2023 — Spending Projection

The Office forecasts State Grant spending to total \$200.786 million for fiscal year 2022 and \$213.785 million for fiscal year 2023 for a biennial total of \$414.571 million. This compares to base resources of \$414.874 million for the biennium or positive \$0.303 million (0.07% below appropriations), shown in Table 2.

The changes modeled are the Office's best estimates as of November 1, 2020, and are subject to change, based on updated information on enrollment, tuition, and family incomes.

Table 2: Spending Forecast versus Resources FY2022-2023 (in millions)

	FY2022	FY2023	Biennium
Base resources	\$207.437	\$207.437	\$414.874
Spending projection	<u>+(200.786)</u>	<u>+(213.785)</u>	<u>+(414.571)</u>
Difference between resources and spending	\$6.651	\$(6.348)	\$0.303 0.07% 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

	FY2020	FY2021	FY2022	FY2023
	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Living and Miscellaneous Expense Allowance	\$9,930	\$10,530 ⁱ	\$10,319 ⁱⁱ	\$10,496 ⁱⁱ
Assigned Student Responsibility	50%	50%	50%	50%
Tuition and Fee Maximums				
Students in Two-Year Programs	\$5,963	\$6,113	\$6,297	\$6,486
Students in Four-Year Programs	\$15,142	\$15,142	\$15,369	\$15,600
Federal Pell Grant Maximum	\$6,195	\$6,345	\$6,345 ⁱⁱ	\$6,345 ⁱⁱ
Rationing Surcharge on Assigned Family Responsibility	0%	0%	0%	0%
Proration for the Assigned Family Responsibility				
Dependent Students (Parent Contribution)	82%	82%	82%	82%
Independent Students with Dependents (Student Contribution)	74%	74%	74%	74%
Independent Students without Dependents (Student Contribution)	38%	38%	38%	38%

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

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 the contiguous 48 states for a nine-month period. The U.S. Department of Health and Human Services issues Federal Poverty Guidelines annually on January 31. Under Minnesota law, the LME is equal to the Federal Poverty Guidelines plus six percent. Table 4 displays the annual figures for the Living and Miscellaneous Expense Allowance.

The Office projects the LME parameter to increase by 1.72% annually for fiscal years 2022 and 2023, based on 10-year average changes to the Consumer Price Index. LME projections will be updated in the February 15, 2021 projections report following updates to the Federal Poverty Guidelines.

Table 4: Federal Poverty Guidelines

	FY2020	FY2021	FY2022	FY2023
Poverty Guidelines Year	2019	2020	2021	2022
	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Federal Poverty Guidelines – 1 person in family/household, 48 contiguous states	\$12,490	\$12,760	\$12,979 ⁱⁱ	\$13,203 ⁱⁱ
Increase %	2.90%	2.16%	1.72%	1.72%
Multiplier for 9-month time period	0.75	0.75	0.75	0.75
Inflator in Minnesota law	106%	106%	106%	106%
Living and Miscellaneous Expense Allowance	\$9,930	\$10,530 ⁱ	\$10,319 ⁱⁱ	\$10,496 ⁱⁱ

ⁱ Increased under OHE authority in statute (Minnesota Statutes 136A.121 Subd7a); ⁱⁱ 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. Following the March 2020 budget forecast, the Office adjusted the assumption for changes in average wages of Minnesota tax filers. For fiscal year 2021-2022 projections, the model utilizes data from applicable tax years to update student and family wages and adjusted gross incomes. For fiscal year 2023 projections, estimated changes in wages are derived from estimates provided by MMB following the onset of the COVID-19 pandemic. Current assumptions appear in Table 5.

Table 5: Change in Annual Wages, Minnesota

	FY2020 tax year 2017	FY2021 tax year 2018	FY2022 tax year 2019	FY2023 tax year 2020
One-Year Change in Average Wages	+2.2%	+3.5%	+2.7%	-1.7%

Enrollment Assumptions

The State Grant spending forecast also incorporates estimated changes in the number of Minnesota resident undergraduates enrolling at each institution. Table 6 shows information about enrollment changes for fiscal years 2020-2023. Overall enrollment changes serve to estimate changes in the number of Minnesota resident aid applicants. The Office revises enrollment assumptions as new enrollment data become available. A change in total enrollment of plus or minus one percentage point annually changes projected State Grant spending by an estimated \$2.0 million. Following the onset of the COVID-19 pandemic, fall 2020 enrollment declined across most sectors.

Table 6: Enrollment Assumptions

Fiscal Year	FY2020	FY2021	FY2021	FY2022	FY2023
	Fall 2019	Fall 2020	Fall 2020	Fall 2021	Fall 2022
System	ACTUAL	PROJECTED	ACTUAL	PROJECTED	PROJECTED
Minnesota State Colleges	-2.1%	0.5%	-7.4%	2.7%	1.8%
Minnesota State Universities	-3.0%	-0.4%	-4.3%	-1.0%	-0.6%
University of Minnesota Twin Cities	5.6%	0.08%	1.53% ⁱ	0% ⁱ	0% ⁱ
University of Minnesota Crookston, Duluth & Morris	-0.6%	0.03%	-6.74%	0%	0%
Private Not-for-Profit Institutions	-0.5%	0.0%	-2.4%	2.0%	1.0%
Private For-Profit Institutions	-6.0%	4.0%	-0.6%	2.0%	3.0%

ⁱ Includes data for UMN Rochester

Pell Grant Changes in Law

For academic year 2019-2020 (fiscal year 2020), the Pell Grant maximum increased to \$6,195. The 2019 federal appropriations bill included an increase to the Pell Grant, further raising the maximum award to \$6,345 for Fiscal Year 2021. Currently federal appropriations for the Pell Grant program for fiscal years 2022 and 2023 have not been approved by Congress. The Office will continue to monitor Congressional activity regarding funding of the federal Pell Grant program, and future projections will include updated Pell Grant amounts.

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

Table 7: Federal Pell Grant Award Parameters

	FY2020	FY2021	FY2022	FY2023
	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Pell Grant Minimum Award	\$650	\$639	\$639	\$639
Pell Grant Maximum Award	\$6,195	\$6,345	\$6,345	\$6,345
Award Formula: Expected Family Contribution (EFC)	Maximum Pell - EFC	Maximum Pell - EFC	Maximum Pell - EFC	Maximum Pell - EFC
Qualifying EFC	\$0 - \$5,576	\$0 - \$5,711	\$0 - \$5,711	\$0 - \$5,711

Tuition and Fee Increases

The Office gathered information about tuition and fee increases for fiscal years 2020-2023 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

	FY2020	FY2021	FY2022	FY2023
System	Actual	Actual	Projected	Projected
Minnesota State Colleges	2.9%	1.8%	3% ⁱ	3% ⁱ
Minnesota State Universities	3.4%	1.4%	3% ⁱ	3% ⁱ
University of Minnesota	2.3%	0%	0% to 3%	0% to 3%
Private Not-for-Profit Institutions ⁱⁱ	3.3%	3.4%	2.0%	3.0%
Private For-Profit Institutions ⁱⁱ	0.9%	1.0%	4.0%	2.0%

i 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.

ii 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 August 2020. 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 February 15, 2021.



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