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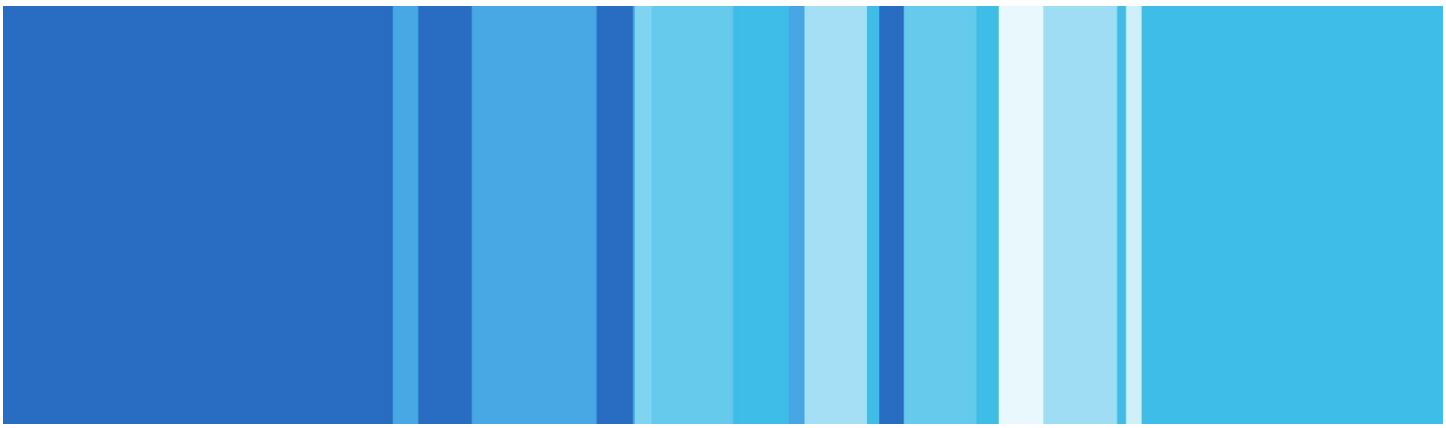

Minnesota State Grant Projections Fiscal Years 2016-2017 & 2018-2019

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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 up to $180 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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Fiscal Years 2016 and 2017 — Spending Projection

This report presents spending projections for the Minnesota State Grant program for the 2016-2017 biennium as of November 1, 2016. The law requires spending projection updates to occur by November 1 and February 15 of each year. Information on tuition and fee changes was provided by institutional representatives on October 26, 2016.

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 2016 and 2017 using fiscal year 2016 actual spending data and award parameters in law as of November 1, 2016; 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. The assumptions used in the spending projections are described starting on page seven.

State Grant spending totaled $175.218 million for fiscal year 2016. State Grant spending is projected to be $182.988 million for fiscal year 2017 for a biennial total of $358.206 million. This compares to base resources of $362.562 million for the biennium.

The difference between base resources and projected spending is $5.063 million for fiscal year 2016 and negative $0.707 million for fiscal year 2017. For the biennium, the difference between resources and estimated spending equals $4.356 million. The changes modeled are the agency's best estimates as of November 1, 2016 and are subject to change, based on updated information on enrollment, tuition, and family incomes.

Table 1
Spending Projections versus Available Resources FY2016-2017 (in millions)

	FY2016	FY2017	Biennium
Base resources	$180.281	$182.281	$362.562
Spending projection	+(175.218)	+ (182.988)	+(358.206)
Difference between resources and spending	$5.063	$(0.707)	**$4.356**

In the 2016 the Minnesota Legislature adopted language changes that reduced the modifier for Assigned Family Responsibility (AFR) for dependent students from 0.96 to 0.94. This reduced family contribution and increased state grants to those dependent students with an AFR greater than $0. The Legislature provided a one-time increase of $2 million in state grant appropriations.

Fiscal Years 2018 and 2019 — Spending Projection

State Grant spending is projected to be $170.846 million for fiscal year 2018 and $177.588 million for fiscal year 2019 for a biennial total of $348.434 million. This compares to base resources of $360.562 million for the biennium.

The difference between base resources and projected spending is $9.435 million for fiscal year 2018 and $2.693 million for fiscal year 2019. For the biennium, the difference between resources and estimated spending equals $12.128 million. The changes modeled are the agency's best estimates as of November 1, 2016 and are subject to change, based on updated information on enrollment, tuition and family incomes.

Table 2
Spending Projections versus Available Resources FY2018-2019 (in millions)

	FY2018	FY2019	Biennium
Base resources	$180.281	$180.281	$360.562
Spending projection	+(170.846)	+ (177.588)	+(348.434)
Difference between resources and spending	$9.435	$2.693	$12.128

Projection Assumptions

The Minnesota State Grant spending projection for each fiscal year is formulated using a series of adjustments and the following program parameters as shown in Table 3.

Table 3
Minnesota State Grant Award Parameters

Minnesota State Grant Award Parameters	FY2016	FY2017	FY2018	FY2019
	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Living and Miscellaneous Expense Allowance	$8,828	$9,320*	$9,000**	$9,090**
Assigned Student Responsibility	50.0%	50.0%	50.0%	50.0%
Rationing Surcharge on Assigned Student Responsibility	0%	0%	0%	0%
Tuition and Fee Maximums				
Students in Two-Year Programs	$5,736	$5,736	$5,714**	$5,714**
Students in Four-Year Programs	$13,840	$14,186	$14,508**	$14,800**
Federal Pell Grant Maximum	$5,775	$5,815	$5,920	$5,920
Proration for the Assigned Family Responsibility				
Dependent Students (Parent Contribution)	96%	94%	94%	94%
Independent Students with Dependents (Student Contribution)	86%	86%	86%	86%
Independent Students without Dependents (Student Contribution)	50%	50%	50%	50%
Rationing Surcharge on Assigned Family Responsibility	0%	0%	0%	0%
Maximum Semesters of Enrollment for Grant Eligibility	8	8	8	8

*temporary increase; **estimated

Change in Wages

The projection model incorporates forecasted data about change in wages of Minnesota tax filers from Minnesota Management and Budget. The forecast is used in projections of state revenue and spending across multiple agencies and is updated each December and March. For fiscal year 2016 -2019 projections, the model utilizes data from applicable tax years to update student and family wages and adjusted gross incomes. As fiscal year 2016 information (tax year 2014) is used, incomes are updated to reflect projections for subsequent tax years. Following the March 2016 budget forecast, the assumption for changes in average wages of Minnesota tax filers was adjusted. Current assumptions are shown below in Table 4. In FY2018, the U.S. Department of Education will switch to using the prior-prior year FAFSA to calculate the student's Pell Grant. Thus no income change is shown for that year.

Table 4
Change in Annual Wages, Minnesota

Change in Annual Wages	FY2016	FY2017	FY2018	FY2019
One-Year Change	**Tax year 2014**	**Tax year 2015**	**Tax year 2015**	**Tax year 2016**
March 2016	+3.0%	+3.6%	n/a Change to Prior Prior Year FAFSA	+2.8%

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 time period. The Poverty Guidelines are issued each year by the Department of Health and Human Services. Table 5 displays the annual figures for the Living and Miscellaneous Expense Allowance.

Table 5
Federal Poverty Guidelines

	FY2016	FY2017	FY2018	FY2019
Poverty Guidelines Year	**2015**	**2016**	**2017**	**2018**
	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Federal Poverty Guideline – 1 person in family/household, 48 contiguous states	$11,770	$11,880	$12,000	$12,120
Increase Estimate	n/a	n/a	+1.0%	+1.0%
Multiplier for 9-month time period	0.75	0.75	0.75	0.75
Living and Miscellaneous Expense Allowance	$8,828	$8,910*	$9,000	$9,090

*This is the amount under current law. OHE increased LME for FY17 under its spending authority.

Enrollment Assumptions

Minnesota State Grant spending projections also incorporate estimated enrollment changes in the number of Minnesota resident undergraduates enrolling at each institution type. Information about enrollment changes for fiscal years 2016-2019 is shown in Table 6. Overall enrollment is used to estimate changes in the number of Minnesota resident aid applicants. These figures will be revised 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 $1.8 million. Fall 2016 enrollments declined for the fifth straight year.

Table 6
Enrollment Assumptions

Enrollment Assumptions	FY2016	FY2017		FY2018	FY2019
	Fall 2015	Fall 2016		Fall 2017	Fall 2018
System	Actual	Projected	Actual	Projected	Projected
Minnesota State Colleges	-4.1%	-1.0%	-3.9%	-0.4%	+0.3%
Minnesota State Universities	-1.5%	0.0%	-1.0%	+0.3%	0%
University of Minnesota	-0.4%	-1.3%	+0.8%	+1.0%	+1.0%
Private Not-for-Profit Institutions	-1.6%	0.0%	-1.2%	0%	0%
Private For-Profit Institutions	-3.2%	+5.0%	-15.6%	-10.0%	+1.0%

Pell Grant Changes in Law

For academic year 2016-2017 (fiscal year 2017), the Pell Grant maximum is $5,815. For academic year 2017-2018 (fiscal year 2018), the Pell Grant maximum is $5,920. 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.

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. On January 30, 2016, the U.S. Department of Education issued the Pell Grant table with a maximum Pell Grant of $5,920 for the 2017-2018 academic year – a $105 increase. Federal law allows for inflationary adjustments to the maximum Pell Grant award each year, but those increases are dependent on funding being approved as part of the federal budget process each October. The automatic inflationary adjustments are set to expire in 2017.

Table 7
Federal Pell Grant Award Parameters

Federal Pell Grant Award Parameters	FY2016	FY2017	FY2018	FY2019
	Actual	Actual	Actual	Projected
Pell Grant Minimum Award	$626	$598	$606	$606
Pell Grant Maximum Award	$5,775	$5,815	$5,920	$5,920
Award Formula: Expected Family Contribution (EFC)	Maximum Pell - EFC	Maximum Pell - EFC	Maximum Pell - EFC	Maximum Pell - EFC
Qualifying EFC	$0 - $5,198	$0 - $5,234	$0 - $5,328	$0 - $5,328

Tuition and Fee Increases

Information about tuition and fee increases for fiscal years 2016-2019 was gathered 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. Tuition and fee rates are not finalized until summer. If actual tuition increases exceed the tuition increase assumptions, then projected program spending in the Minnesota State Grant program will increase as well.

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

Tuition and Fee Increases	FY2016	FY2017	FY2018	FY2019
System	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Minnesota State Colleges	0.0%	-1.0%	0%	0%
Minnesota State Universities	+3.4%	0%	0%	0%
University of Minnesota	+1.5%	+2.5%	+2.0%	+2.0%
Private Not-for-Profit Institutions*	+3.0%	+3.5%	+3.5%	+3.5%
Private For-Profit Institutions*	+2.5%	-2.0%	-2.0%	+1.0%

*Note: Tuition and fees exceed the annual tuition and fees maximums currently established in law for determining state grant awards.

Federal Need Analysis

The projections 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 May 2016. Annual updates to the tables in the statutory "Federal Methodology Need Analysis" used to determine a student's EFC are released annually by the U.S. Department of Education.

Next Report

The next report on Minnesota State Grant projections is due to the Legislature by February 15, 2017.