



State Grant Update for House

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Minnesota State Grant - Program Basics

Need-based grant

- Complete Free Application for Federal Student Aid (FAFSA)
 - Application process same as federal Pell Grant.
 - Application deadline is end of the fiscal year (no waitlist)

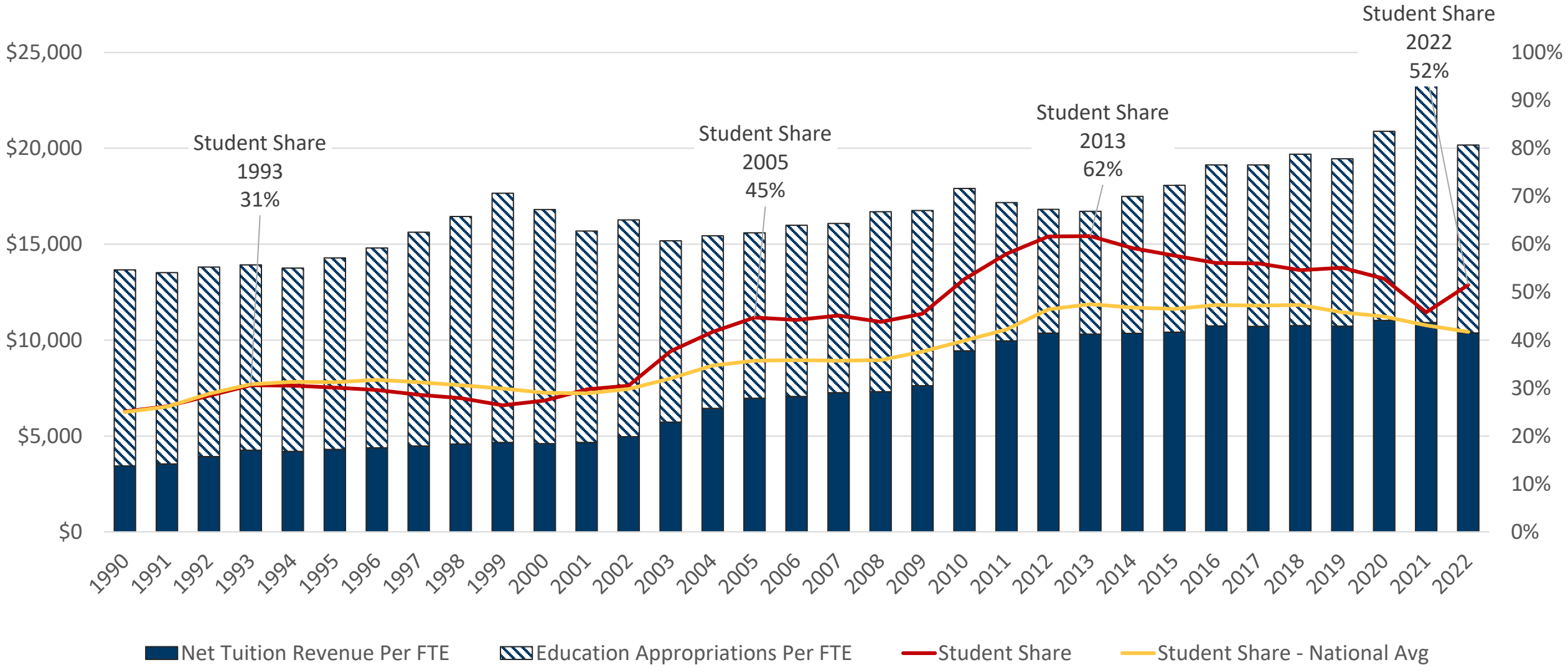
Minnesota residency required

- Attendance at Minnesota institution required
 - 61% of applicants receive a State Grant
 - Roughly 1/3 of resident undergraduates receives a grant

Budget of approx. \$235 million in fiscal year 2024

- FY2023: 110,199 applicants; 67,584 recipients; 79 participating institutions

Student Share of Revenue Has Increased

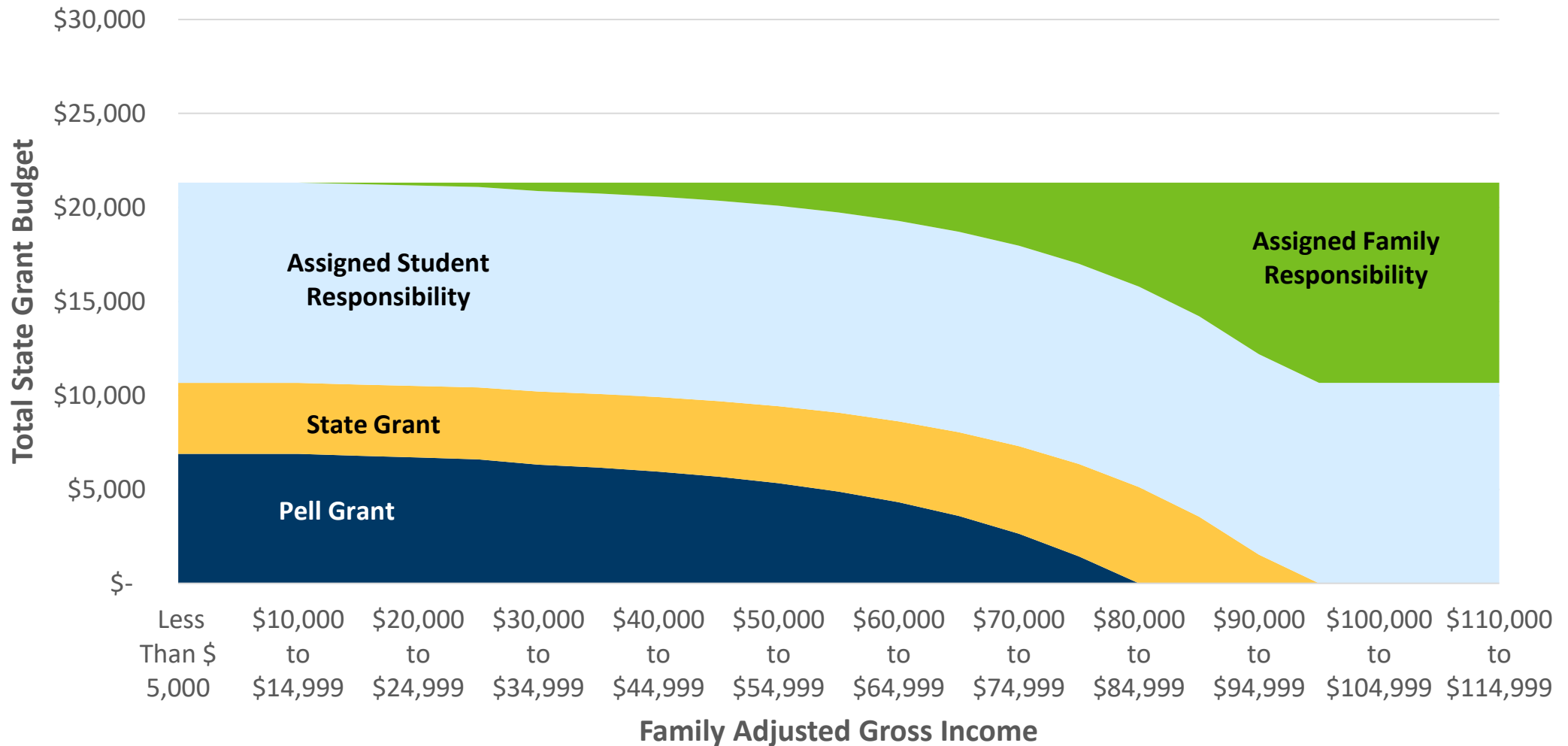


2023 Legislative Session Highlights

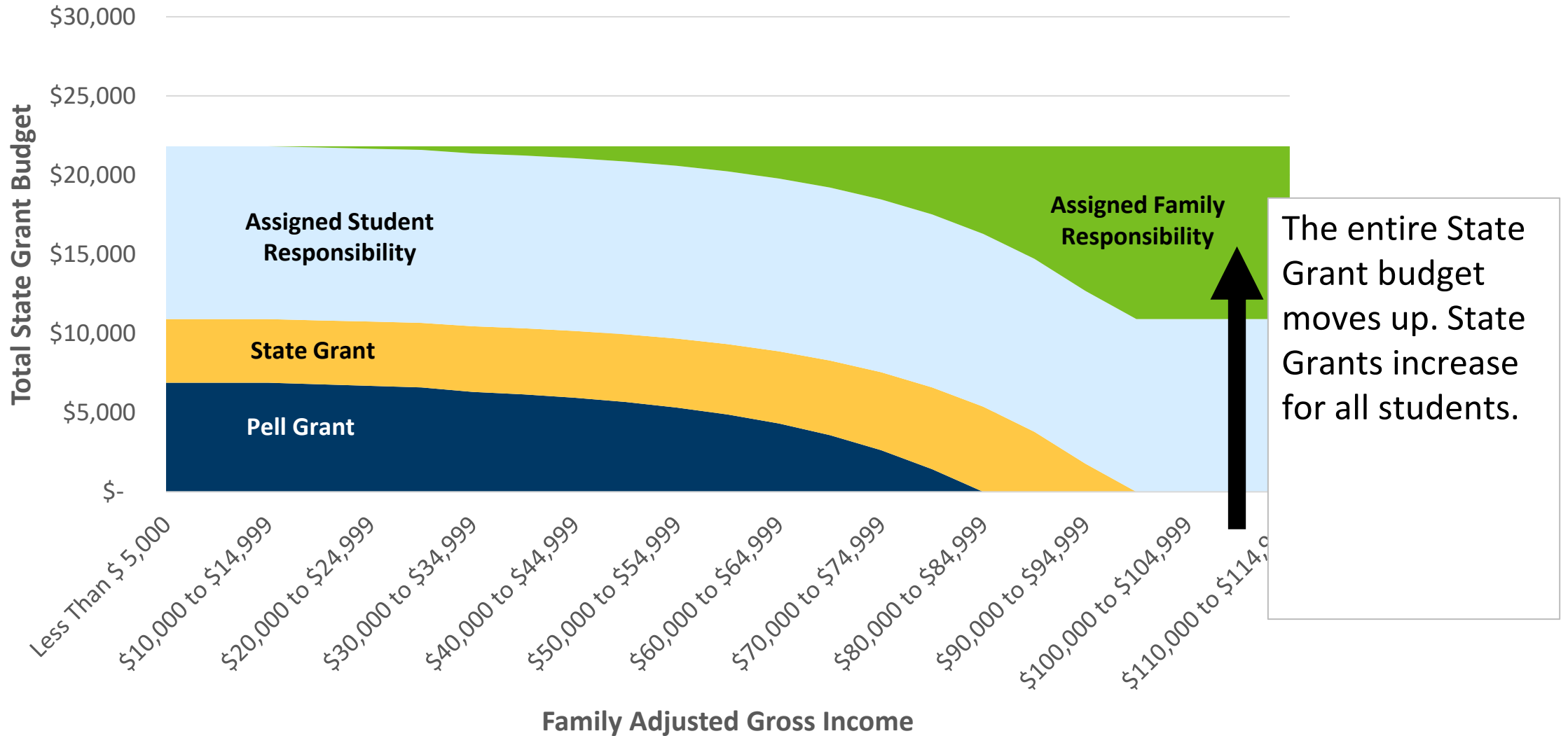
Summary of investments from last session

- Items implemented in 2023-2024 aid year:
 - Living and Miscellaneous Expense allowance (LME) increased from 109% to 115% of the poverty guideline
 - Federal conformity: State Grant deadline to match Federal Pell Grant; June 30 of the fiscal year
- Items to be implemented in 2024-2025 :
 - Federal conformity: State Grant eligibility to 180 credits of grant receipt to match Federal Pell Grant
 - Modify award formula to ensure families with negative SAI are not negatively impacted
 - Modify award formula to ensure greater equity for part-time students
 - Lower minimum credit requirement from 3 to 1

Impact of increase in LME



Impact of increase in LME



2024-2025 Projected State Grant Spending

November 2023 State Grant Projection

Spending Forecast versus Resources FY2024-2025 (in millions)

	FY2024	FY2025	Biennium
Base resources	\$234.744	\$224.167	\$458.911
Spending projection	<u>+(221.214)</u>	<u>+(231.360)</u>	<u>+(452.574)</u>
Difference between resources and spending	\$13.530	\$(7.193)	\$6.337 1.4% below appropriations

February 2024 State Grant Projection

Spending Forecast versus Resources FY2024-2025 (in millions)

	FY2024	FY2025	Biennium
Base resources	\$231.944 ⁱ	\$224.167	\$456.111
Spending projection	<u>+(229.502)</u>	<u>+(244.924)</u>	<u>+(474.426)</u>
Difference between resources and spending	\$2.442	\$(20.757)	\$(18.315) 4% above available resources

ⁱ Base resources for fiscal year 2025 include transfers of \$2.8M to other financial aid programs.

What Changed?

- Minnesota State Colleges reported a 3.7% enrollment increase in February 2024, up from 1.2% reported for November 2023 projections.
 - Increase of an estimated 1,100 State Grant applicants
- Changes in federal need analysis for 2024-2025
 - New FAFSA released December 2023
 - Updates to the federal needs analysis formula for FY2025 were released on Jan. 30, 2024; Feb. 27, 2024; and Mar. 1, 2024
 - These changes have a significant impact on the Student Aid Index (SAI), which heavily influence State Grant spending
 - Changes to federal aid have multi-million dollar impacts on State Grant

What Changed? (cont.)

- OHE continues to analyze multiple models used to project program expenses
 - Refining anticipated enrollment changes, modeling the impact of changes to needs analysis/SAI, monitoring FAFSA filing rates, etc.
- Pressure on resources evident for several other state aid programs
 - Demand for resources is just barely meeting or even exceeding the availability of funds:
 - Fostering Independence Grant,
 - Minnesota Indian Scholarship Program, and
 - Postsecondary Childcare Grant

History of State Grant deficits

- Year-to-year deficits generally occur when spending for year 1 is under appropriations and spending for year 2 is above appropriations due to natural cost and enrollment changes over time.
 - OHE's transfer authority between years is utilized to resolve year-to-year deficits.
- Biennial deficits occur when projected spending for the biennium exceeds appropriations for the biennium.
 - This has occurred 4 times since 2000.

History of State Grant deficits

- Fiscal Year 2002-2003
 - Legislative action was taken to reduce spending, and statutory authority to reduce awards in the instance of a projected shortfall was added in 2004
- Fiscal Year 2010-2011
 - The Agency took action to reduce FY2011 awards by:
 - Increasing the ASR from 46% to 48.2%
 - Increasing the AFR by 20%
- Fiscal Year 2012-2013
 - The Agency took action to reduce FY2012 awards by:
 - Increasing the ASR from 46% to 46.3%
 - Increasing the AFR by 2%
 - Enrollments continued to decline, and the spending deficit resolved. FY2013 awards were not reduced.
- Fiscal Year 2018-2019
 - The Office projected a deficit in state grant spending. The deficit was resolved by transferring in unencumbered funds from other financial aid programs.

What OHE does when projecting a deficit

[MN Statutes 136A.121, Subd. 7. Insufficient appropriation.](#)

If the amount appropriated is determined by the office to be insufficient to make full awards to applicants under subdivision 5, awards must be reduced by:

(1) adding a surcharge to the applicant's assigned family responsibility, as defined in section [136A.101, subdivision 5a](#); and

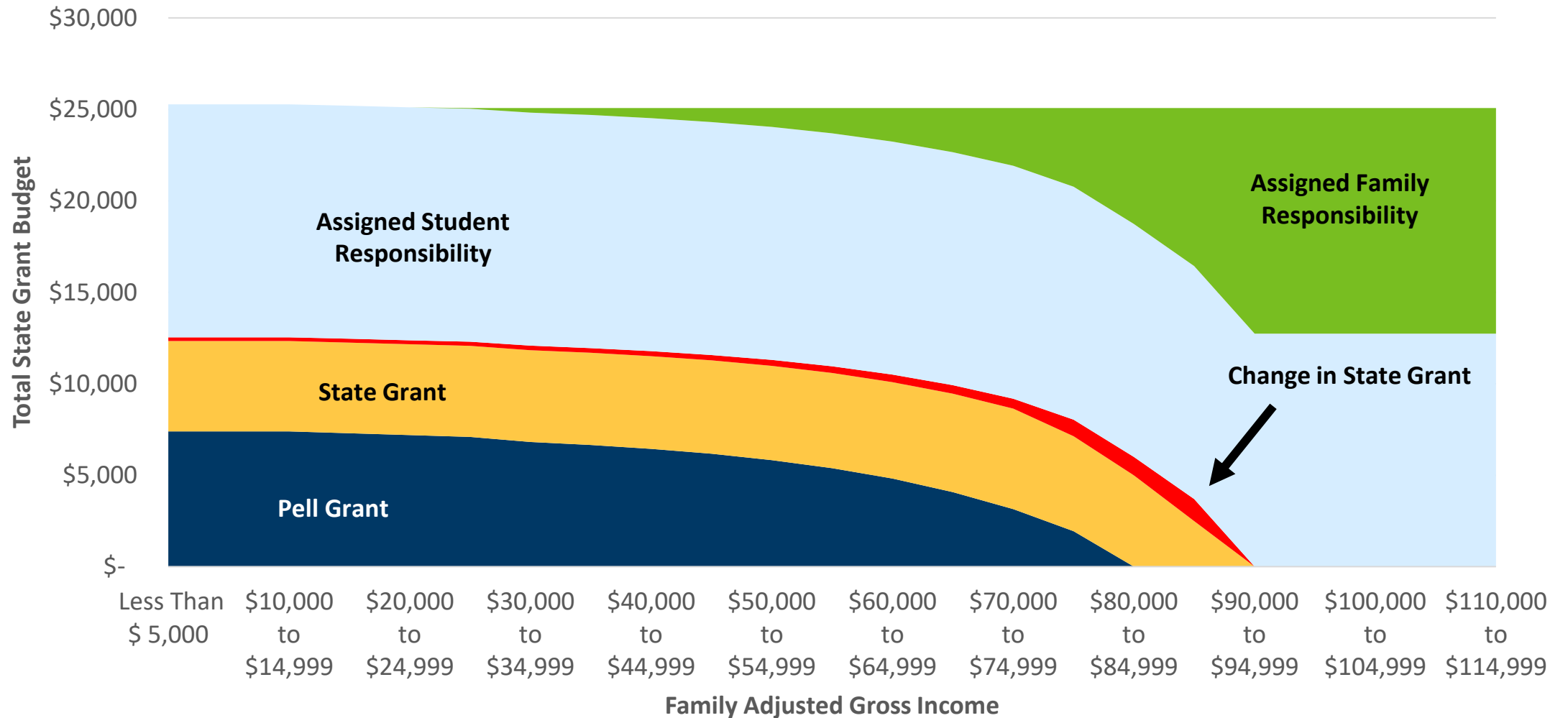
(2) a percentage increase in the applicant's assigned student responsibility, as defined in subdivision 5.

The reduction under clauses (1) and (2) must be equal dollar amounts.

Mandatory Estimated State Grant Award Parameters

- Annually, the Agency issues estimated award parameters in November; it is not uncommon to issue revised estimated parameters as the cycle progresses and changes to federal and state programs occur.
- This is done so that all students in the state are packaged estimated State Grant awards in the same way.
- Given the projected deficit for FY25, revised estimated parameters were issued on February 21st, 2024 and included rationing procedures as outlined in the statute.
- These estimated parameters modify the following parameters:
 - ASR increased to 50.8%
 - AFR increased by approximately 10%

2024-2025 Estimated Impact to Students



Next steps

- Federal Student Aid is expected to deliver FAFSA files to OHE beginning mid-March, this normally would occur in October
 - Will continue to analyze incoming FAFSAs/financial aid demand as more data becomes available
- OHE anticipates a second spring projection to re-evaluate spending
 - OHE will continue to monitor cashflow and refine spending models
- Estimated parameters will be revised and set to final parameters once:
 - Tuition and fees are set by Minnesota State and UMN Boards, and
 - The congressional appropriations process has completed and determined the Maximum Federal Pell Grant award amount

Questions?

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