

**HF2859 - 0 - Assigned Student Responsibility; OHE State Grants**

Chief Author: **Michael Howard**  
 Committee: **Higher Education Finance and Policy**  
 Date Completed: **2/23/2022 10:18:22 AM**  
 Agency: **Office of Higher Education**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	36,983	45,785	45,785	
<b>Total</b>	-	-	<b>36,983</b>	<b>45,785</b>	<b>45,785</b>	
<b>Biennial Total</b>			<b>36,983</b>			<b>91,570</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Alyssa Holterman Rosas      **Date:** 2/23/2022 10:18:22 AM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	
General Fund	-	-	36,983	45,785	45,785	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>36,983</b>	<b>45,785</b>	<b>45,785</b>	
<b>Biennial Total</b>			<b>36,983</b>		<b>91,570</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund						
Expenditures	-	-	42,021	45,785	45,785	
Absorbed Costs	-	-	(5,038)	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>36,983</b>	<b>45,785</b>	<b>45,785</b>	
<b>Biennial Total</b>			<b>36,983</b>		<b>91,570</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund						
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Biennial Total</b>			<b>-</b>		<b>-</b>	

**Bill Description**

HF 2859.0 amends State statute section 136A.121, subdivision 5, reducing the Assigned Student Responsibility used in calculation of a Minnesota State Grant from 50% of total cost of attendance to 46% of the total cost of attendance.

**Assumptions**

The estimates provided are the result of a cost simulation of State Grant data projecting fiscal year 2021 actual spending to fiscal years 2022-2023, using: award parameters in law as of February 15, 2022, changes specified in the proposed legislation, and tuition and fee changes provided by institutional representatives.

Spending estimates use the following the program parameters to calculate Federal Pell and Minnesota State Grants as shown in the table below.

Table 1: Minnesota State Grant Award Parameters

	<b>FY2022</b>	<b>FY2023</b>
	Actual	Projected
Living and Miscellaneous Expense Allowance	\$10,530	\$11,110
Assigned Student Responsibility	50%	50%
Tuition and Fee Maximums		
Students in Two-Year Programs	\$6,287	\$6,507 <sup>ii</sup>
Students in Four-Year Programs	\$15,368	\$15,599 <sup>ii</sup>
Federal Pell Grant Maximum	\$6,495	\$6,495 <sup>ii</sup>
Rationing Surcharge on Assigned Family Responsibility	0%	0%
Proration for the Assigned Family Responsibility		
Dependent Students (Parent Contribution)	79%	79%
Independent Students with Dependents (Student Contribution)	71%	71%
Independent Students without Dependents (Student Contribution)	35%	35%

<sup>i</sup> 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 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.

For FY2022, the LME is to be \$10,530. For FY2023, the LME is estimated to be \$11,110.

#### 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 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 derived from the Employment Cost Index. As of February 15, 2022, the wage increase for FY2022 is estimated to be +2.7% and the wage increase for FY2023 is estimated to be +2.6%.

#### Enrollment Assumptions

The State Grant spending forecast also incorporated estimated enrollment changes in the number of Minnesota resident undergraduates enrolling at each institution. Table 2 shows information about enrollment changes for fiscal years 2022-2023. Overall enrollment changes serve 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 2: Enrollment Assumptions

	FY2022	FY2023
	Fall 2021	Fall 2022
System	Actual	Projected
Minnesota State Colleges	-7.3%	-0.7%
Minnesota State Universities	-6.2%	-0.6%
University of Minnesota Twin Cities	1.30%	-0.5%
Morris, Crookston, Duluth	-4.05%	1.8%
Private Not-for-Profit Institutions	-3.6%	0.0%
Private For-Profit Institutions	-6.0%	-2.0%

#### Pell Grant Changes in Law

A federal appropriations bill passed late in calendar year 2020 raised the Pell Grant maximum to \$6,495 for fiscal year 2022, following raises to the Pell Grant maximum in the two prior years. Currently federal appropriations for the Pell Grant program for fiscal year 2023 has 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.

#### Tuition and Fee Increases

OHE gathered information about tuition and fee increases for fiscal years 2020-2023 from institutional and system representatives. Table 3 below details actual and estimated tuition and fee increases for State Grant calculations as reported by institutions for projections of spending.

Table 3: Annual Changes in Minnesota Resident Undergraduate Tuition and Fee Rates

	FY2020	FY2021	FY2022	FY2023
System	Actual	Actual	Actual	Projected
Minnesota State Colleges	2.9%	1.8%	3.9%	3.5% <sup>iii</sup>
Minnesota State Universities	3.4%	1.4%	7.1% <sup>i</sup>	3.5% <sup>iii</sup>
University of Minnesota	2.3%	0%	1.7%	0% to 3%
Private Not-for-Profit Institutions <sup>ii</sup>	3.3%	3.4%	1.8%	3.0%
Private For-Profit Institutions <sup>ii</sup>	0.9%	1.0%	1.5%	-3.0%

<sup>i</sup> Unadjusted for tuition reset authorized in state law. <sup>ii</sup> Actual percent change in average tuition and fees charged for all terms of the 2020-2021 academic year. May differ from published rate changes, which calculate percent change from spring semester 2021 (see table 8b). <sup>iii</sup> Reflects maximum increase allowed in law. <sup>iv</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 July 2021. 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.

Significant changes to federal student aid policy, including simplifying the Free Application for Federal Student Aid (FAFSA), expanding Pell Grant eligibility to incarcerated students, and the repeal of limitations on subsidized loan eligibility for undergraduate Direct Loans were attached to the Consolidated Appropriations Act, 2021 which was signed into law on December 27, 2020. The changes include, but are not limited to:

- Reduction in the number of questions on the FAFSA,
- Decrease in the number of students required to report asset information,
- Determines Pell Grant award amount using a federal poverty level model, and
- Changes the calculation of the Expected Family Contribution and renames it the Student Aid Index.

These changes will impact Minnesota State Grant eligibility and awards. At this time, the Office is still awaiting further guidance from the U.S. Department of Education in order to assess the impact for Minnesota. A summary of changes is available from the National Association of Student Financial Aid Administrators (NASFAA) [https://www.nasfaa.org/consolidated\\_approvs\\_21](https://www.nasfaa.org/consolidated_approvs_21).

**Expenditure and/or Revenue Formula**

The estimated total cost for FY23 is \$36,983M over estimated base resources of \$218.839M. Fiscal cost is derived from projected spending for FY2023 after changes are adopted less current base general fund appropriations for FY2023, plus an additional \$8.802M in funding projected to carry forward from FY22, estimating \$5.04M in costs absorbed by existing program funds. Projected spending after changes totaled \$255.822M. This total includes estimated spending for State Grant awards made to students who qualify for a State Grant by completing a state aid application and meeting eligibility requirements under the Minnesota Dream Act (\$1.3M).

The changes result in 13 new students receiving state grants in FY2023 as compared to base awards, but this change also increases grants to all recipients. The average state grant increases by \$635 in FY2023 as compared to base awards.

Fiscal Year 2023	State Grant Spending (in millions)	State Grant excluding Dream Act applicants	Number of Recipients (estimated)	Average State Grant Award (estimated)
February Spending Projection Current Law	\$213,801	\$212,501	Current Law: 66,127	Current Law: \$3,214

HF2859.0	\$255,822	\$254,522	With Change: 66,140	With Change: \$3,848
Difference in spending=HF2859.0 cost	= \$(42,021)	= (42,021)	New Recipients: 13	Grant Increase: \$635
	FY 2023	FY24-25		
Base Appropriations	\$210,037	\$210,037		
Estimated carryforward from FY22	\$8,802	\$0		
HF2859.0 cost	\$(254,522)	\$(254,522)		
Manual Adjustment for State Grants Awarded to MN Dream Act Applicants	\$(1,300)	\$(1,300)		
<b>Difference (Net Costs/Expenditures by Source)</b>	<b>= \$(36,983)</b>	<b>=\$(45,785)</b>		
<b>Costs/Expenditures Absorbed</b>	<b>\$5,04</b>	<b>\$0</b>		

**Long-Term Fiscal Considerations**

The cost estimate is based on several assumptions that may change, including tuition and fee increases adopted by the public governing boards, and enrollment changes.

**Local Fiscal Impact**

None

**References/Sources**

The Office of Higher Education utilized financial aid application and enrollment data for fiscal year 2021 in estimating costs for this fiscal note.

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