



# Minnesota State Grant Simplification and Federal Conformity

# Federal Changes to the Expected Family Contribution

## 2020 FAFSA Simplification Act (Changes to the FAFSA and Pell eligibility/awards)

*Changes began in the 2021-2022 award year with full implementation by 2024-2025*

1. Eliminates FAFSA questions about drug offense convictions and Selective Service
2. Replaces Expect Family Contribution (EFC) with Student Aid Index (SAI)

Note: the SAI will allow for a negative number (down to -\$1,500)

3. Makes incarcerated students eligible for Pell Grants
4. Restores Pell Grant lifetime eligibility for students from closed and fraudulent schools
5. No longer considers the number of household members in college for SAI or Pell
6. Students with divorced parents: change from reporting income and assets from parent who student lived with the most, to parent that provided majority of financial support

# State Aid Federal Conformity

- 2020 FAFSA Simplification Act impacts state aid programs in several ways
  - The Minnesota State Grant uses the FAFSA in lieu of requiring a separate application, thus changes in MN Law need to be consistent with implementation and intent for both state and federal programs
  - Changes to Expected Family Contribution and other elements of the Free Application for Federal Student Aid (FAFSA), require changes in state statute for multiple programs
  - Modifies awarding formula for federal Pell Grant program
- OHE has been planning for these changes and engaging with stakeholders since 2021
  - Surveys, meetings and conversations with stakeholders to determine training, communication, and implementation needs
  - Stakeholders wanted to:
    - Increase predictability of awards to students,
    - Ensure better alignment with Pell Grants,
    - Ensure students had access to grants for the entirety of their undergraduate education,
    - Better serve part-time students, and reflect actual educational and living costs.

# Federal Changes to Pell Grants

- Maximum federal Pell Grant awards will be made based on family type and federal adjusted gross income
  - Those not qualifying for a maximum grant may still qualify for a partial grant based on their SAI calculation
  - Some students may also qualify for a minimum Pell Grant (10% of the maximum grant) based on family type and federal adjusted gross income, even if they do not qualify based on their SAI
- This change likely results in more Pell-eligible students and higher average grant awards
  - Some students may see reduction in Pell eligibility but current estimates are less than 10% of students will have a negative impact from these changes

# Minnesota State Grant - Program Basics

- State policy determines the price of attendance based on a calculation tuition, fees, and average living expenses
- Divides that price among three payers :
  - 1) Students
  - 2) Families (unless student is an independent student)
  - 3) Taxpayers
    - Federal – Pell Grants
    - State – Minnesota State Grants
- Student award size will be determined a variety of factors:
  - Institution type
  - # of credits enrolled in per semester
  - EFC/SAI
  - Pell Grant award level

# Minnesota State Grant - Program Basics

- Need-based grant
  - Complete Free Application for Federal Student Aid (FAFSA)
  - Application deadline is 30 days after the start of term (no waitlist)
  - 84% of new entering resident undergraduates complete the FAFSA
- Minnesota residents
  - Attending participating Minnesota institutions (82 institutions)
    - 59% of applicants receive a State Grant
    - 39% of resident undergraduates receives a grant
- Budget of approx. \$210 million per year
  - FY2022:
    - 117,667 applicants
    - 69,495 recipients

# Impact for Minnesota

- Overall State Grant spending shift due to federal changes
  - the increase in Pell Grant spending and expanded eligibility, assuming modest changes in enrollment, wages, and college costs.
- To align with the federal changes and prevent conflict in awarding and administration, changes required include:
  - Replace references to “Expected Family Contribution” with “Student Aid Index” or the more generic “results of the federal need analysis”.
    - This is required for the Postsecondary Child Care Grant, the Minnesota Indian Scholarship program, and the Fostering Independence Grant to continue awarding funds in fiscal year 2025. Additional changes may be required in some of these programs to account for negative SAIs.
  - The SAI can go negative, therefore wording for the calculation of the Assigned Family Responsibility must be changed to hold harmless students with negative SAIs.  
*Cost: \$8.899M per fiscal year, beginning in FY2025*

# Better Align Minnesota Aid to Federal Policy

- The changes present the opportunity for Minnesota to change existing statute to better conform to the federal Pell Grant program and simplify the program to the benefit of students.
  - Eligibility for the Minnesota State Grant should be set to 180 credits of grant receipt to align with the federal Pell Grant.  
*Cost: \$21.25M per fiscal year, beginning in FY2025*
  - The deadline to apply for a State Grant should be set to the June 30 to align with the federal Pell Grant.  
*Cost: \$12.7M per fiscal year, beginning in FY2024*



# Better Serve Students and Families

- Align calculation of grants to part-time students (enrolled less than 15 credits per term) to align with the federal Pell Grant.

*Cost: \$1M per fiscal year, beginning in FY2025*

- Increase the Living and Miscellaneous Expense allowance (LME) to 120% of the poverty guideline beginning in FY2024 and 130% of the poverty guideline beginning in FY2026 to ensure continued affordability of Minnesota's postsecondary education system.

Cost: \$25M per fiscal year, beginning in FY2024;  
\$47.8M per fiscal year, beginning in FY2026

# Total Changes to the State Grant Program

<b>Change</b>	<b>FY2024 (in millions)</b>	<b>FY2025 (in millions)</b>	<b>FY2024- FY2025 biennium (in millions)</b>	<b>FY2026- FY2027 biennium (in millions)</b>
Projection adjustments	TBD	TBD	TBD	TBD
Reduction in Spending due to Pell Grant and SAI	\$0.000	(\$38.820)	(\$38.820)	(\$77.640)
Correct the AFR calculation	\$0.000	\$8.899	\$8.899	\$17.798
Apply proration for enrollment level after the full award is calculated	\$0.000	\$1.000	\$1.000	\$2.000
Increase State Grant lifetime eligibility to 180 credits of grant receipt	\$0.000	\$21.250	\$21.250	\$42.500
Change the deadline to apply for a State Grant to the end of the fiscal year	\$12.700	\$12.700	\$25.400	\$25.400
Increase LME	\$25.000	\$25.000	\$50.000	\$95.600
IT	\$0.500	\$0.500	\$1.000	\$0.500
<b>Total</b>	<b>\$38.200</b>	<b>\$30.529</b>	<b>\$68.729</b>	<b>\$106.158</b>