

Consolidated Fiscal Note

2021-2022 Legislative Session

SF1306 - 1UE - Fostering Higher Education; Grants and Waivers

Chief Author: **Jason Rarick**
 Committee: **Higher Education Finance And Policy**
 Date Completed: **3/8/2021 3:41:13 PM**
 Lead Agency: **Office of Higher Education**
 Other Agencies:
 Minnesota State University Of Minnesota

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
Minnesota State	-	-	-	-	-	-
MN State Colleges/Universities	-	-	-	-	-	-
Office of Higher Education						
General Fund	-	171	5,102	5,105	5,105	5,105
University Of Minnesota	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
State Total						
MN State Colleges/Universities	-	-	-	-	-	-
General Fund	-	171	5,102	5,105	5,105	5,105
Total	-	171	5,102	5,105	5,105	5,105
Biennial Total			5,273			10,210

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Minnesota State	-	-	-	-	-
MN State Colleges/Universities	-	-	-	-	-
Office of Higher Education					
General Fund	-	.5	.5	.5	.5
University Of Minnesota	-	-	-	-	-
General Fund	-	-	-	-	-
Total	-	.5	.5	.5	.5

Lead 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:** 3/8/2021 3:41:13 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.leg.mn

NOTE: This is an earlier version of the fiscal note for SF1306-1UE.
The most current version is available on the Fiscal Note Search site: <https://mn.gov/mmbapps/fnsearchlbo/>

State Cost (Savings) Calculation Details

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

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Minnesota State	-	-	-	-	-
MN State Colleges/Universities	-	-	-	-	-
Office of Higher Education					
General Fund	-	171	5,102	5,105	5,105
University Of Minnesota	-	-	-	-	-
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Total	-	171	5,102	5,105	5,105
Biennial Total			5,273		10,210
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Minnesota State	-	-	-	-	-
MN State Colleges/Universities					
Expenditures	-	3	-	-	-
Absorbed Costs	-	(3)	-	-	-
Office of Higher Education					
General Fund	-	171	5,102	5,105	5,105
University Of Minnesota	-	-	-	-	-
General Fund					
Expenditures	-	3	-	-	-
Absorbed Costs	-	(3)	-	-	-
Total	-	171	5,102	5,105	5,105
Biennial Total			5,273		10,210
2 - Revenues, Transfers In*					
Minnesota State	-	-	-	-	-
MN State Colleges/Universities	-	-	-	-	-
Office of Higher Education					
General Fund	-	-	-	-	-
University Of Minnesota	-	-	-	-	-
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

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Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		
		X

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State Cost (Savings)	Biennium			Biennium		
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Total	-	171	5,102	5,105	5,105	5,105
Biennial Total			5,273			10,210

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	.5	.5	.5	.5
Total	-	.5	.5	.5	.5

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:** 3/5/2021 4:02:36 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.leg.mn

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.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
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Total	-	171	5,102	5,105	5,105
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Biennial Total			5,273		10,210
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

SF1306-1UE directs OHE to create grant program for former foster care youth and provides appropriations for the program.

Section 1. [136A.1241] FOSTERING HIGHER EDUCATION GRANTS.

Subd. 1 Defines key terms for the program. Of note for purposes of this fiscal note:

Subd. 1. (c) Cost of attendance includes tuition, fees, books, supplies, room and board, transportation, and miscellaneous expenses aligning to the definition used for federal student aid.

Subd. 1. (d), Subd. 1. (e), Subd. 1. (f) Eligible institutions definition aligns to state law under section 136A.103 (a) and includes both public and private institutions.

Subd. 2 requires OHE to establish a grant program for eligible students. OHE must use financial aid application data to identify eligible students and their institutions.

Subd. 3 establishes the eligibility requirements for students. To receive a grant a student must be a Minnesota resident, age 13-27; be in or have been in foster care age 13+ (including placement in, adoption from, placement from); high school graduate or equivalent; admitted or enrolled in a public institution, submitted a FAFSA or state aid application, and meets satisfactory academic progress.

Subd. 4 establishes the program cost of attendance to be used in grant award calculations. Cost of attendance is set equal to tuition and fees plus non-tuition expenses of food, housing, books, supplies, transportation and miscellaneous expenses. This is same as the federal cost of attendance definition used for the Pell Grant program. This section also limits students enrolled at private institutions to receiving an amount equal to that amount they would have received if attending the highest cost public institution.

Subd. 5 (a) specifies the calculation of the grant. The grant received shall be equal to the cost of attendance minus EFC, Pell Grant, State Grant, SEOG, Tribal scholarships, other state and federal gift aid, private grants and scholarships, and if enrolled at a public institution, institutional grants, scholarships, tuition waivers, and tuition remission amounts.

Subd. 5(b) Grants will be paid directly to the institution.

Subd. 5(c) Private institutions must provide gift aid or waivers equal to the cost of attendance and the grant calculated in Subd. 5(a).

Subd 5(d) limits eligibility to 4 years of enrollment.

Subd. 6 requires OHE to prepare an annual report including number of grant recipients, and retention rates of grant recipients by January 15th of each year.

Section 1 is effective July 1, 2022 with the first annual report due January 15, 2024.

Sec. 2. Appropriations language.

Assumptions

Data/process used to create this estimate: OHE utilized information from the FAFSA for Fiscal Year 2020 to identify students indicating they had been in former foster care or were a ward of the court at age 13 or later. OHE used the FY2020 students to calculate the cost of attendance, Pell Grant, Minnesota State Grant, and institutional grants for students based on the actual enrollments of these students. The costs serve as the basis for annual costs for direct grants to students. For purposes of this fiscal note, costs accruing to students at public institutions are listed as direct costs. Costs accruing to students at private institutions are listed as an indirect cost.

Eligible students include students aged 13-27 who complete the FAFSA, are a Minnesota resident, and enroll at an eligible institution, and maintain satisfactory academic progress. Students are eligible to receive grants for 5 academic years. OHE assumes that the 5 years is measured in terms for credit equivalents as is done for other state and federal financial aid programs.

Eligible institutions include both public and private institutions in Minnesota. Note: the language in Subd. 1. (e) uses the phrase "operated by the state" as compared to current law Minn. Stat. 136A.103 "operated by this state". This raises the question of whether eligible students enrolled in institutions outside of Minnesota are eligible. For purposes of this fiscal note, OHE assumed they were not eligible and only estimated grants for students enrolled in Minnesota institutions.

The calculated costs of direct funds to students were made with the following assumptions.

Average grants to eligible students are based on the language in the bill which uses the federal cost of attendance definition. This language caps the grant amounts for students enrolled in private colleges to the highest federal cost attendance at a public college. For Minnesota eligible institutions, Metropolitan State University has the highest cost of attendance among public institutions at \$31,372.

OHE assumes students are eligible for awards for summer academic terms using a formula consistent with state financial aid that allows grants for summer academic term to be equal to the amount calculated for a non-summer term.

Grant calculations require OHE to subtract the student's Expected Family Contribution from federal cost of attendance. As the language notes that OHE should subtract the EFC as determined by the federal needs analysis, OHE did not prorate the EFC by the student's enrollment level.

Estimated awards may vary based on future increases in tuition and fees or other educational costs. Grant calculations includes estimates for the University of Minnesota's program covering 100% of tuition and fees for students from families with an adjusted gross income of less than \$50,000. Grant calculations also take into account awards received by FY2020 applicants meeting the eligibility criteria who received Minnesota State Grants, Minnesota Indian Scholarships, or federal Pell Grants.

This program may impact other financial aid programs such as the Minnesota State Grant by increasing the rate at which former foster care youth enroll in college and/or apply for financial aid.

OHE would need to pay its technology vendor to modify its existing IT system to manage the new program. This would require time for business requirement documentation, application engineering, testing, documenting, training and deployment of the new features.

OHE assumes the following activities are required to initially develop and set up the administration of the proposed program: Develop and publish, with assistance from MN.IT, an accessible application, relevant forms, and communication templates meeting Minnesota's IT standards (online and paper); Develop internal administrative tools to be used in the annual administration of the program; Develop relationships with representatives from relevant community organizations, professional organizations, institutional staff, professional governing boards, and others; and Leverage developed

relationships to market the program to potential applicants.

Activities required to administer the proposed program on an annual basis: Review, update, and publish application and relevant forms; Market the program to potential applicants; Provide technical assistance to individuals interested in applying; Review applications for completeness; Verify required applicant information using federal and state procedures; Encumber funds and execute multi-year contracts (i.e. 5-year contracts) with institutions; Process verification and funds disbursements for each participant; and Collect data on the program. Other operating costs each year for financial services, communications, MN.IT, and supplies that are necessary for the staff to conduct their work.

Activities required to report or summarize the program activity and mandated student outcomes: Clean, upload, and validate student participant data; Develop and update queries to produce summary data; Draft written and electronic materials; and Complete accessibility requirements prior to publication and dissemination.

Expenditure and/or Revenue Formula

Direct funds to students (financial aid): For Fiscal Year 2023, OHE estimates that 573 students would qualify for funding under this bill. The tables below shows number of recipients, average grant, and total grant costs for one year. Grant recipients would receive an average grant of \$9,768 each with awards ranging from \$271 to \$28,700. Grants would total \$5,025,985.

Table 2. Grants to Students

System Attended	Number of Students	Average Grant	Total Grants
Minnesota State Colleges (2-year)	324	\$7,559	\$2,451,081
Minnesota State Universities (4-year)	95	\$9,665	\$920,285
University of Minnesota	45	\$10,084	\$455,178
Non-Profit Institutions	77	\$13,417	\$1,030,759
For-Profit Institutions	21	\$7,986	\$168,683
Total	563	\$8,934	\$5,025,985

IT costs: IT development work in addition to current activities would include total one-time cost in FY 2022 of \$100,000 (800 hours * \$125/hour) for modifying OHE’s financial aid system to add a new program by our current vendor. OHE anticipates IT maintenance costs of 5% per year or \$5,000.

Staff: Based on the activities required to administer the grant program discussed above, OHE assumes that a 0.50 FTE Senior Program Administrator salary would be required to administer the program (\$142,723 salary and fringe * 0.50 = \$71,362).

Reporting/Research: Based on the report requirements, OHE anticipates approximately 60 hours of Research Analyst staff time to ensure student data is available for the report, create the summary data, and produce the written report beginning in year 2. (60 hours * \$43/hour = \$2,580)

Summary Cost Table

Cost	FY2021	FY2022	FY2023	FY2024	FY2025
Direct funds to students	\$0	\$0	\$5,025,985	\$5,025,985	\$5,025,985
IT costs	\$0	\$100,000	\$5,000	\$5,000	\$5,000
Staff program administrator	\$0	\$71,362	\$71,362	\$71,362	\$71,362
Reporting/Research	\$0	\$0	\$0	\$2,580	\$2,580
Other	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$171,362	\$5,102,347	\$5,104,927	\$5,104,927

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

Internal projections and estimates developed by OHE Research in conjunction with OHE Financial Aid department.

Agency Contact: Poawit Yang

Agency Fiscal Note Coordinator Signature: Poawit Yang

Phone: 651-259-3951

Date: 3/5/2021 3:56:07 PM

Email: poawit.yang@state.mn.us

Fiscal Note

2021-2022 Legislative Session

SF1306 - 1UE - Fostering Higher Education; Grants and Waivers

Chief Author: **Jason Rarick**
 Committee: **Higher Education Finance And Policy**
 Date Completed: **3/8/2021 3:41:13 PM**
 Agency: **Minnesota State**

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

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
MN State Colleges/Universities	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
MN State Colleges/Universities	-	-	-	-	-
Total	-	-	-	-	-

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:** 3/8/2021 3:39:39 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.leg.mn

State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
MN State Colleges/Universities	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
MN State Colleges/Universities						
Expenditures	-	3	-	-	-	-
Absorbed Costs	-	(3)	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
MN State Colleges/Universities	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

SF1306 adds M.S. 136A.1241 and directs OHE to establish a Foster Higher Education grant program for individuals who are a Minnesota resident, age 13-27; be in or have been in foster care age 13+ (including placement in, adoption from, placement from); high school graduate or equivalent; admitted or enrolled in a public institution, submitted a FAFSA, and meets satisfactory academic progress.

Subd. 2 requires OHE to use FAFSA data to identify and notify students of eligibility for the program.

Eligible public institutions include institutions with Minnesota State Colleges and Universities and the University of Minnesota. Eligible private institutions include institutions eligible for state financial aid. This definition would include tribal colleges.

Subd. 4 defines the cost of attendance for public and private institutions. At a public institution it equals the tuition and required fees charged by the institution and the campus-based budget used for federal financial aid for food, housing, books, supplies, transportation and miscellaneous expenses. The cost of attendance at a private institution equals the lesser of the tuition and costs and the campus-based budget used for federal financial aid or the highest cost of attendance for a public institution.

Subd. 5 directs that each eligible student shall be awarded a grant based on federal needs analysis. Applicants are encouraged to apply for all other sources of financial aid. The amount of the grant should not exceed the applicant's cost of attendance after deducting: the expected family contribution, Federal Pell grant, State grant, Federal Supplemental Education Opportunity Grant, All Tribal Scholarships, for public institutions the sum of all institutional grants, scholarships, tuition waivers/remissions. The grant shall be paid directly to the postsecondary institution where the student receives federal financial aid. Recipients may not receive the grant for more than four years of study.

Subd. 6 directs the Office of higher education to prepare an annual report to the chair and minority leaders of the legislative committees with jurisdiction over higher education that contains. The number of students receiving the grant and institutions attended and the corresponding retention rates. This report can be combined with other agency required reporting or if filed separately it must be submitted by January 15. The first grants will be awarded beginning in the 2022-2032 academic year and the first report will be due on January 15, 2024.

Assumptions

Minnesota State is a system composed of thirty-seven colleges and universities and the system office. This fiscal note

applies to all campuses of Minnesota State and the system office.

It is assumed the Office of Higher Education has the data and process to identify students who are eligible for the Foster Higher Education grant program and will notify our institutions when they have eligible students.

Technical changes

Minnesota State would need to create a new award ID number for the campuses to use when they award this grant. It will take about 1 hour for an IT developer time to complete this work. Additionally, we will need to have an IT developer create a report to monitor the retention rates of students who receive the Foster Higher Education Grant and transmit that information to OHE. We anticipate it would take 40 hours of time to build this report. The costs associated with these changes will be absorbed by the system office.

Expenditure and/or Revenue Formula

Technical Change one-time costs in FY 2022

1 hour X \$65 per hour = \$65.00
40 hours X \$65 per hour = \$2,600

Long-Term Fiscal Considerations

The long-term fiscal consideration are minimal and only associated with the running and transmitting the report to the Office of Higher Education.

Local Fiscal Impact

References/Sources

Chris Halling, System Director for Financial Aid and Enrollment Services
Mari Payton, Director of Engineering and Data

Agency Contact: Steve Ernest 651-201-1710

Agency Fiscal Note Coordinator Signature: Steve Ernest

Phone: 651-201-1710

Date: 3/8/2021 3:36:38 PM

Email: Steve.Ernest@minnstate.edu

Fiscal Note

2021-2022 Legislative Session

SF1306 - 1UE - Fostering Higher Education; Grants and Waivers

Chief Author: **Jason Rarick**
 Committee: **Higher Education Finance And Policy**
 Date Completed: **3/8/2021 3:41:13 PM**
 Agency: **University Of Minnesota**

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

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	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

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

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:** 3/4/2021 5:09:28 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.leg.mn

State Cost (Savings) Calculation Details

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Total	-	-	-	-	-	-
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General Fund						
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Absorbed Costs	-	(3)	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
General Fund						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

SF1306-1UE requires the Office of Higher Education to establish a grant program for individuals who are in or have been in foster care and satisfy the eligibility requirements under subdivision 3.

Assumptions

The Office of Higher Education assumes each year 45 University of Minnesota students would be eligible for a grant, an average of \$10,084 per grant. OHE assumes the total grant amount for the U of M would be \$455,178. The University of Minnesota would need to update the financial aid system to monitor the retention rates of students who receive the Foster Higher Education Grant.

Expenditure and/or Revenue Formula

One-time cost in FY 2022

1 hour x \$65 per hour of developer = \$65

40 hours x \$65 per hour business analyst = \$2,600

Long-Term Fiscal Considerations

None.

Local Fiscal Impact

None.

References/Sources

Robert B. McMaster, Vice Provost and Dean of Undergraduate Education, University of Minnesota

Agency Contact: Keeya Steel

Agency Fiscal Note Coordinator Signature: Keeya Steel

Date: 3/4/2021 4:55:09 PM

Phone: 612-625-5512

Email: keeya@umn.edu