



## Agency Overview - Part 3

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| House Higher Education Committee

# Minnesota State Grant

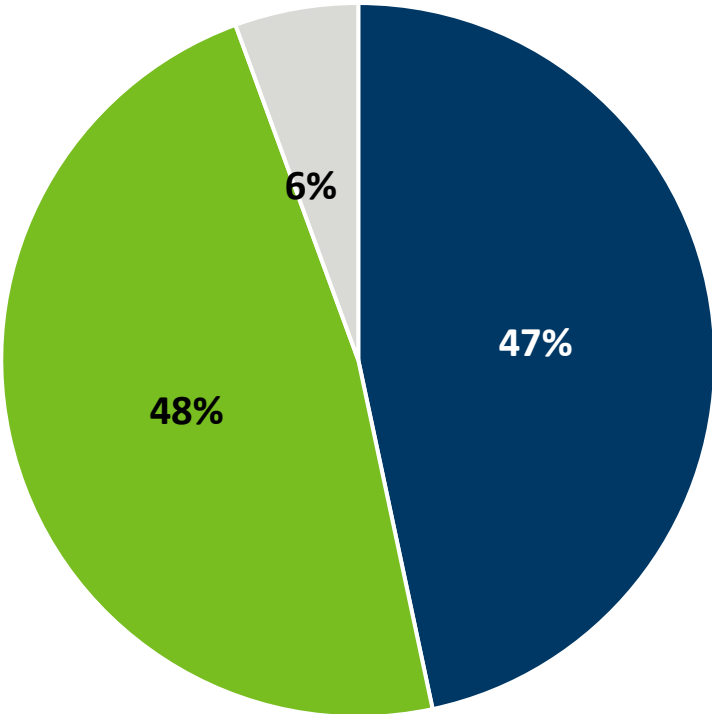
## Minnesota State Grant

### **2023 Budget Appropriation - FY24: \$243,933,000 | FY25: \$212,167,000**

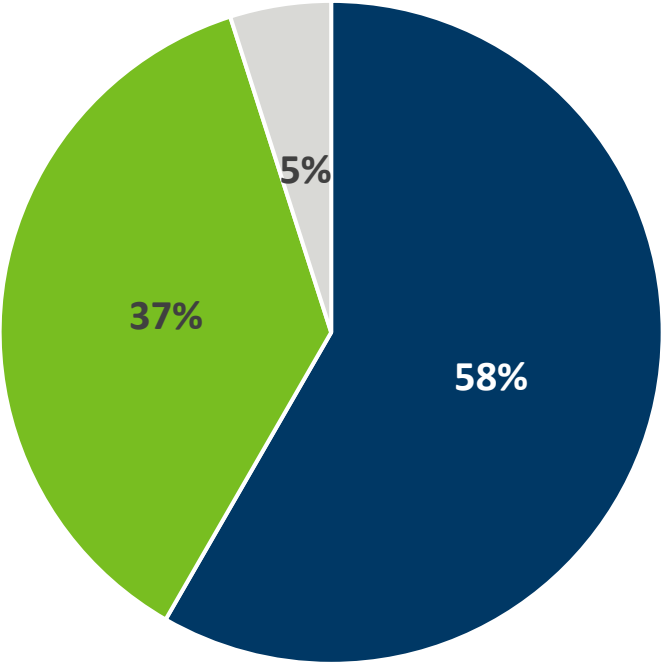
- The Minnesota State Grant is a need-based financial aid program established in 1969 to assist eligible Minnesotans pursuing an undergraduate degree at both public and private postsecondary institutions in Minnesota.
- Total number of recipients in 2024: 71,530 recipients
  - Two-thirds of recipients are dependent students
- Over 75 institutions participate in the State Grant program
- Average award: \$3,406
- 50% of recipients had a family adjusted gross income of less than \$40,000
- Most recipients attend public institutions:
  - 59% at Minnesota State college or universities
  - 17% at the University of Minnesota

# State Grant Demographics

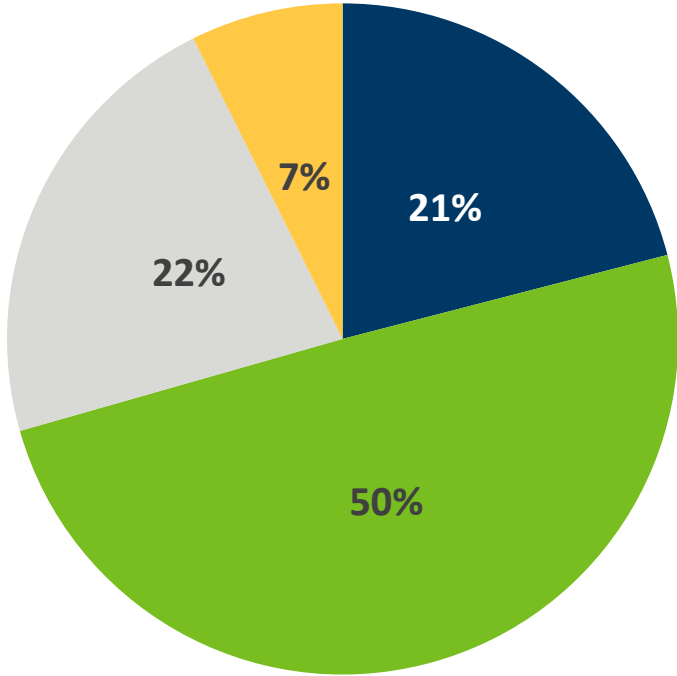
## Minnesota State Grant Recipients, Fiscal Year 2024



■ White Students ■ BIPOC Students  
■ Not Available



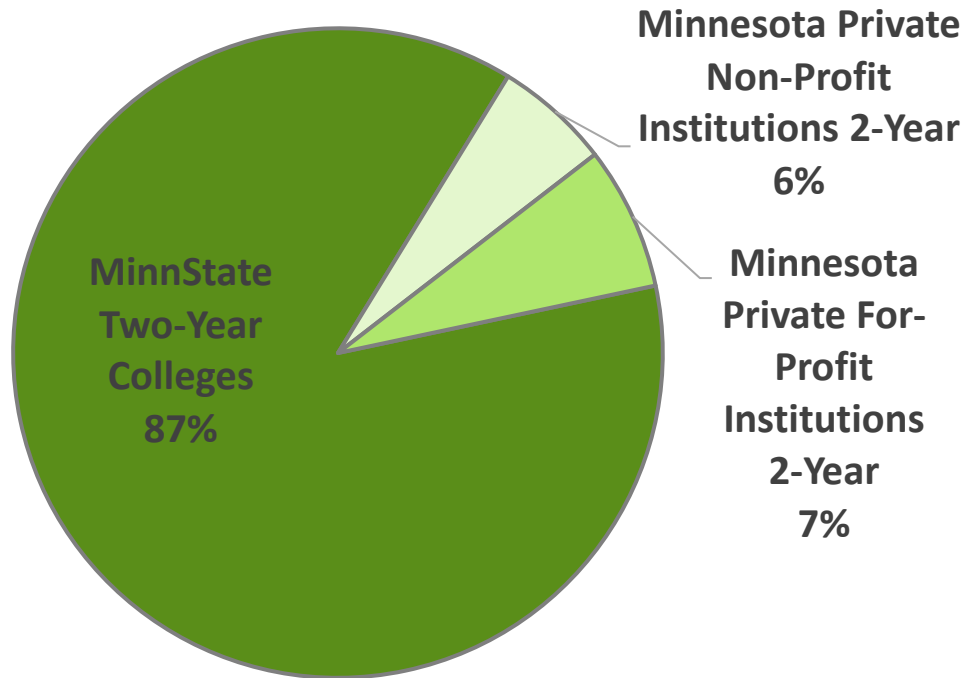
■ Female ■ Male  
■ Unavailable or Another Option Not Listed



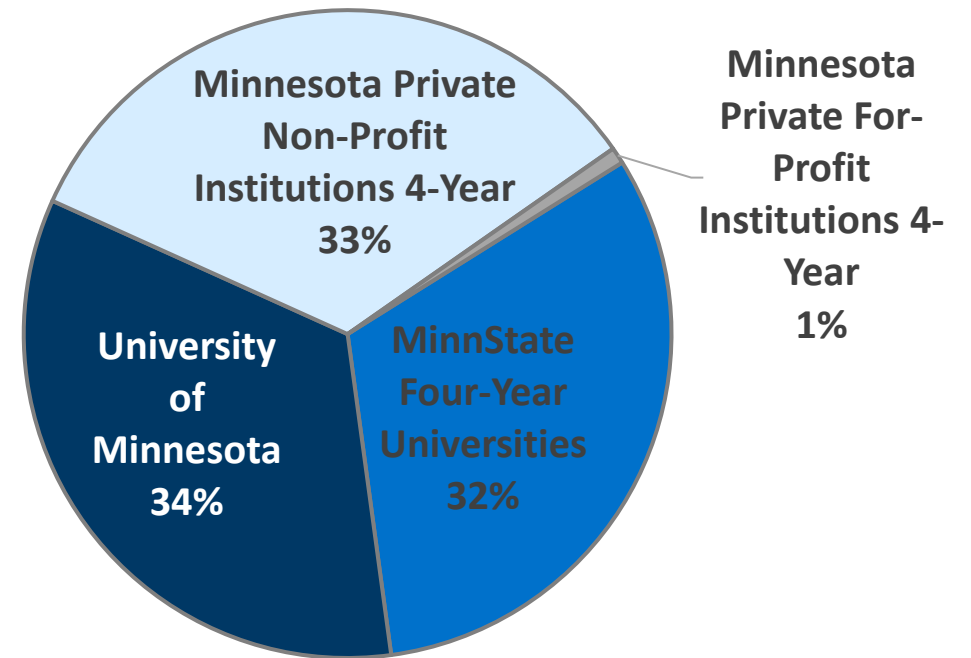
■ 19 or Younger ■ 20 to 23  
■ 24 to 34 ■ 35 or older

# Half of All Recipients Attend 2-Year Programs

Total State Grant Recipients by Institution Type, 2-Year Programs, FY2024

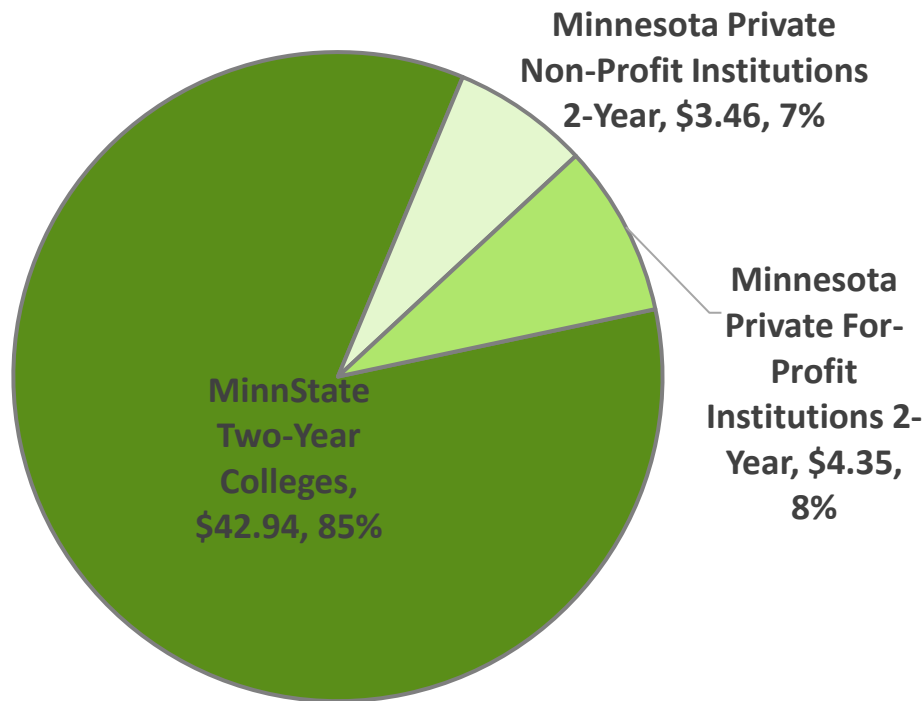


Total State Grant Recipients by Institution Type, 4-Year Programs, FY2024

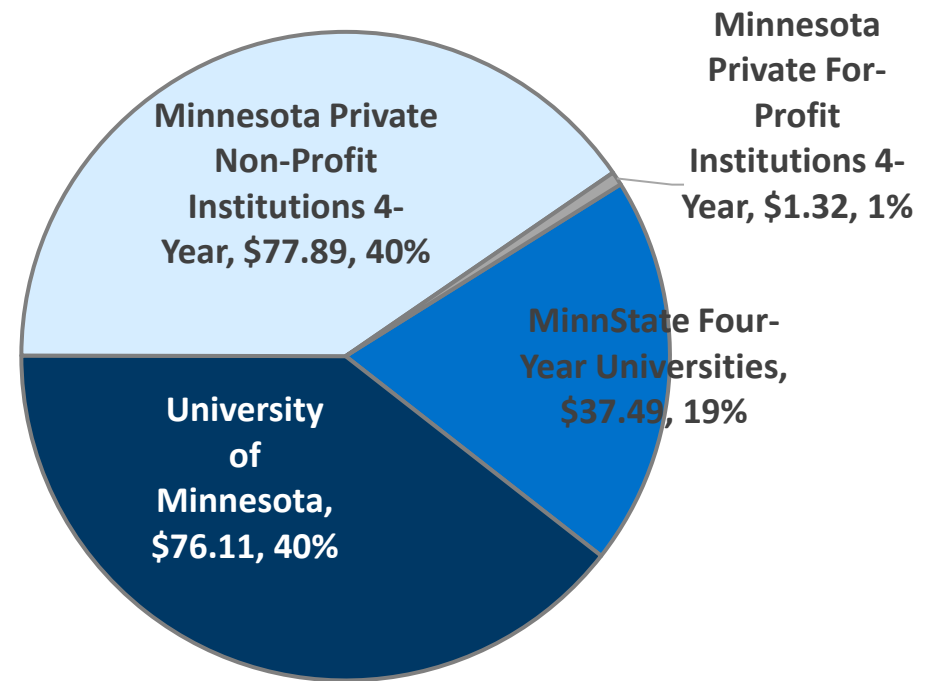


# 80% of State Grant Dollars Awarded to 4-Year Programs

## Total State Grant Awards by Institution Type, 2-Year Programs, FY2024

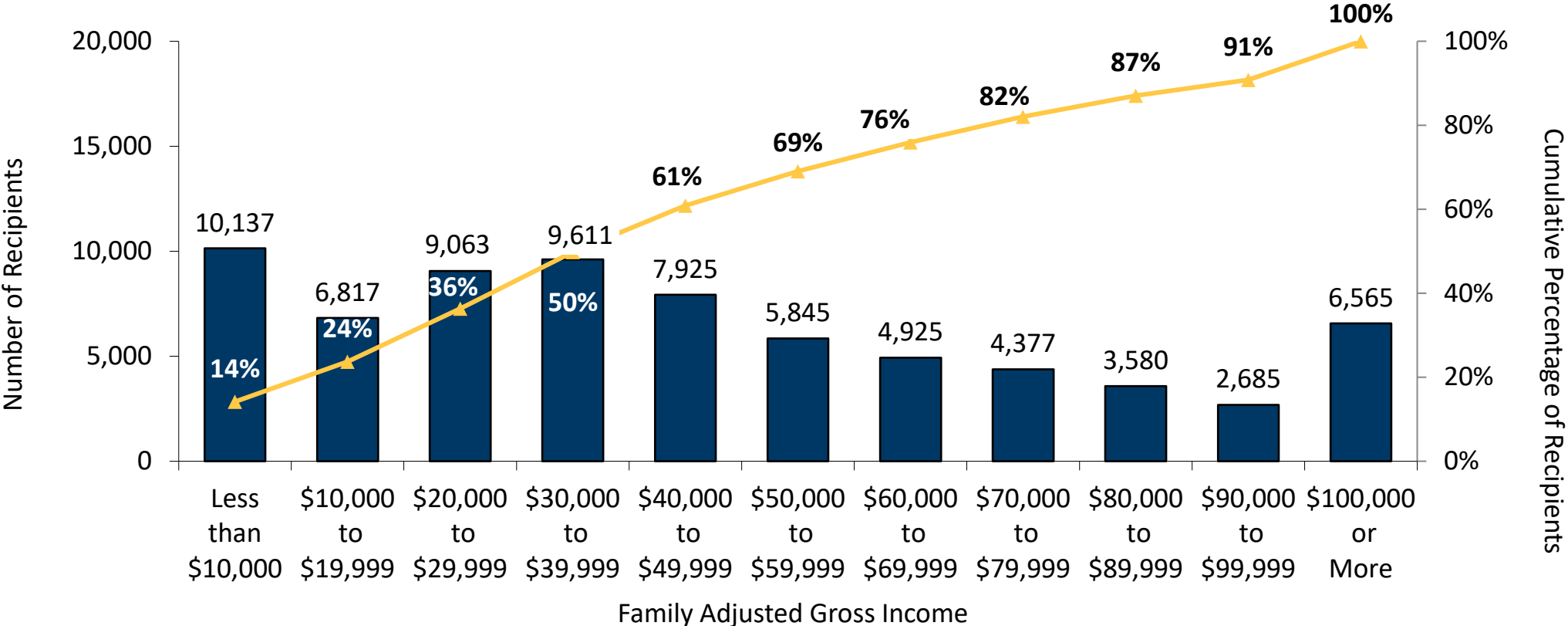


## Total State Grant Awards by Institution Type, 4-Year Programs, FY2024



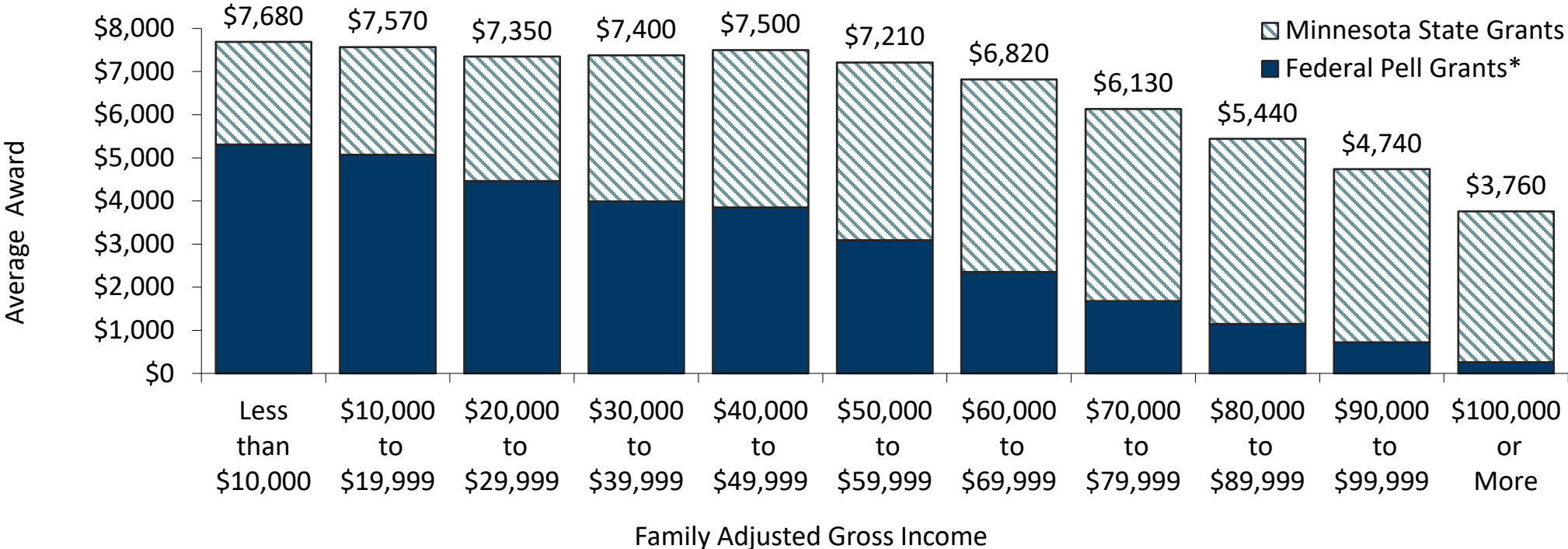
# Half of State Grant Recipients Have Family Income <\$40k

## Number and Cumulative Percentage of Minnesota State Grant Recipients, Fiscal Year 2024



# State Grant Fills in For Pell Above \$50k AGI

## Average Combined Federal Pell and Minnesota State Grant Award Received, by Family Adjusted Gross Income, Fiscal Year 2024



\*Includes only Federal Pell Grants received by Minnesota State Grant recipients



# State Grant Eligibility

- Completion of FAFSA or the state financial aid application
  - Need is based on tuition & mandatory fees + uniform Living & Miscellaneous Expenses allowance
  - Tuition and fees maximum equal to the highest average tuition & fees by a public institution
- High school graduates (or equivalent) or at least 17 years old
- Minnesota resident attending an eligible Minnesota institution
- Have not earned a bachelor's degree
- Not in student loan default or more than 30 days behind on child support
- Can receive a State Grant for the equivalent of 12 semesters
- Factors that are not considered for State Grant eligibility:
  - Academic merit
  - Race/ethnicity
  - Gender identity

# How are State Grants Calculated?

- Factors that influence award level:
  - Family income and assets
    - Students Assigned Student Responsibility (ASR),
    - Families Assigned Family Responsibility (AFR)
    - Dependency status
  - Choice of institution
  - Enrollment level (based on credit hours)
  - Amount of Pell Grant award

# State Grant Projections

- Per state law, OHE runs a full simulation of the State Grant funding model at least twice a year and publicly releases a projections report
  - November 1, February 15
- Projections based on external and internal data
  - External:
    - Enrollment projections from institutions based on application trends
      - Process of making a projection varies by institution but may include current application activity, use of historical benchmarks, and current student registration behavior.
    - Tuition and fees at public institutions
    - Wage estimates from MMB for state tax filers
  - Internal:
    - Full simulation model using last year of applicant data
    - Monthly spending comparisons – actual cash flow vs. projections
    - Analysis of FAFSA filers

# What Happens After Projections

- Projections can shift when:
  - Enrollment increases or decreases more than expected
  - Demonstrated financial needs of students change
  - Tuition and fees increase
  - FAFSA formulas change
- If program is projected to underspend budget:
  - Funds can be shifted to other financial aid programs to meet unmet demand
    - In FY19, the Office projected a small deficit in the program. Other programs had unexpended funds totaling \$8.3M, which were transferred to State Grant to fill the shortfall.
  - Funds can be returned to the state's general fund
  - State Grant currently does not have a special revenue fund

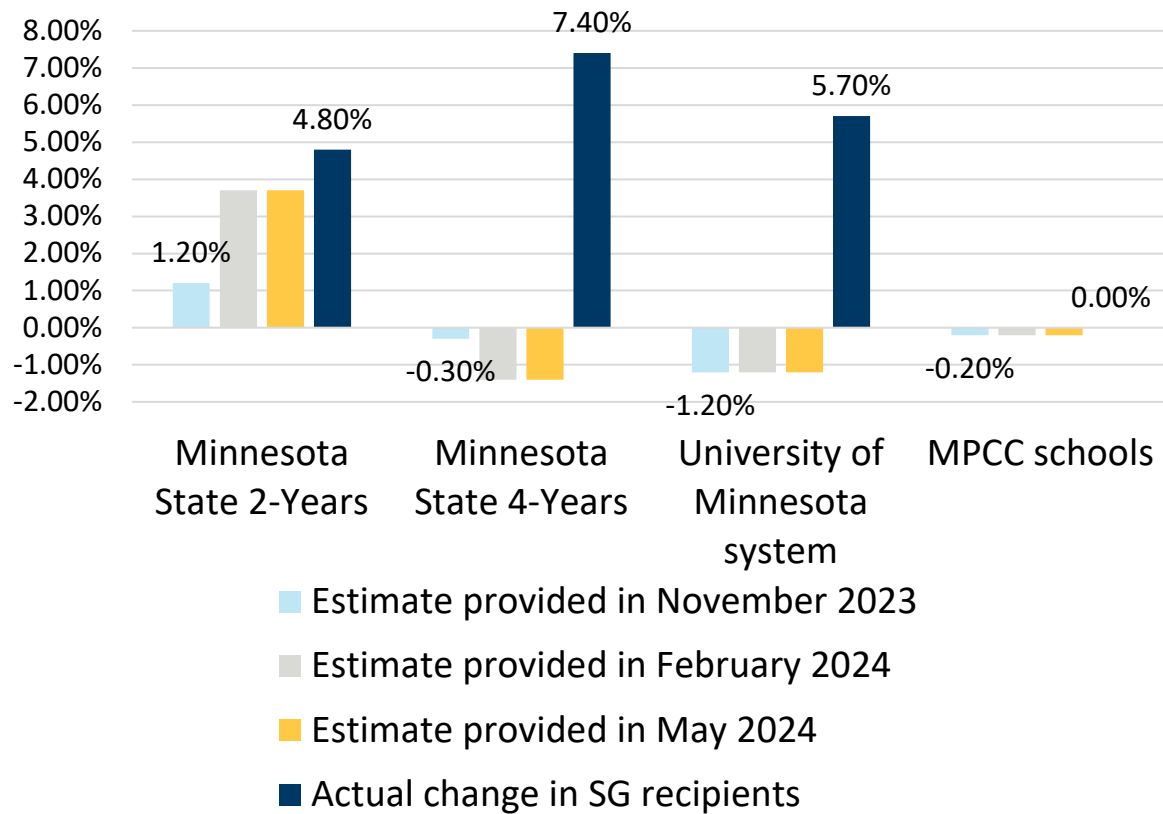
## In the Event of a Projected Deficit

- If program is projected to overspend budget:
  - State Grant cannot operate on a deficit
  - Options available to OHE
    - Reduce size of awards by adding a surcharge to the Assigned Student Responsibility
    - Increasing the Assigned Family Responsibility
  - Legislative options
    - Additional allocations
    - Changes to eligibility criteria
  - Additional options if all other options are exhausted
    - Application deadline
    - Limit to fall and spring terms

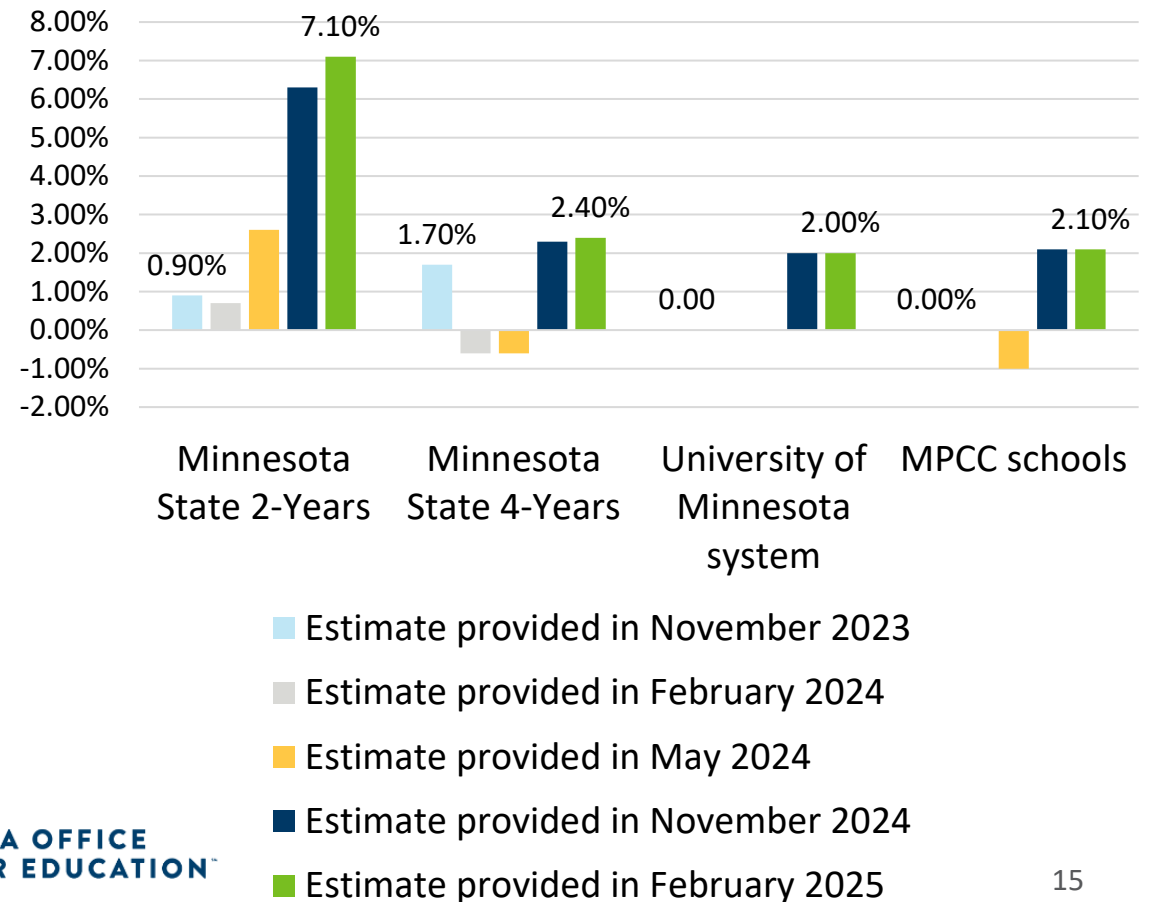
Minnesota State Grant  
Current State: Fiscal Years 2024-2025  
Projections: Fiscal Years 2026-2027

# Increases in Enrollment Increasing State Grant Spending

## Projected Enrollment Changes vs. Actual Change in SG Recipients, FY2024



## Projected Enrollment Changes November 2023 vs. February 2025, FY2025



- National Student Clearing House Term Enrollment Estimates released 1/2025
- Minnesota UG growth surged in fall 2024 (compared to fall 2023)
  - Headcount grew from 238,000 to 256,000; MN had a net gain of 18k students
  - Undergraduate enrollment
    - National average + 4.5%
    - Midwest average + 3.5%
    - In Minnesota, statewide + 7.4%
    - MN non-profit +4.2%, Public 4 yr +4.8%, Public 2 yr +11.5%
  - Minnesota's growth was 5<sup>th</sup> highest of any state nationwide & the highest in the Midwest; we also saw an 11% overall increase in FAFSA filing from FY24 to FY25



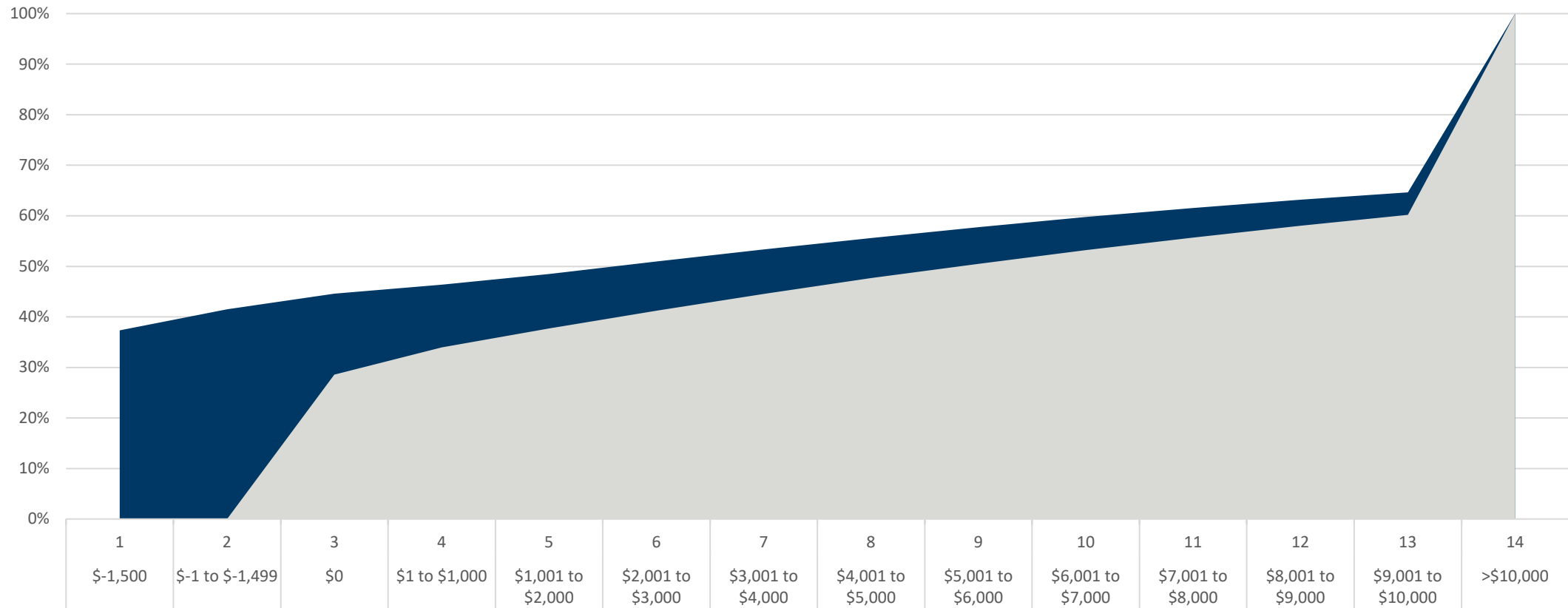
# Significant Increase in \$0 or Less Family Contributions

Incomplete and incorrect data from the federal Department of Education negatively impacted reliability of previous projections

- Original projections for FY 2025 (published November 2022) relied on language from the FAFSA Simplification Act, without any guidance available from the Department of Education
- Guidance from the Department of Education changed several times in the lead up to FY2025, with the latest guidance issued March 21, 2024. These changes were substantial, and final guidance differed from the original bill language in several ways, most notably, how to assign an automatic SAI of \$-1,500

# Significant Increase in \$0 or Less Family Contributions

## Distribution of FAFSA Filers by EFC/SAI Band, FY2024 vs FY2025



\*Preliminary, as of 02/04/2025

# Actual and Projected Spending FY2024-2025

## Spending versus Resources FY2024-2025 (in millions)

Base resources for fiscal years 2024 and 2025 include transfers of \$2.8M to other financial aid programs and transfers of \$12M from fiscal year 2025 to fiscal year 2024.

	FY2024	FY2025	Biennium
<b>Base resources</b>	\$243.933 <sup>i</sup>	\$212.167	\$456.100
<b>Spending</b>	<u>+(243.930)</u>	<u>+(206.415)</u>	<u>+(450.345)</u>
<b>Difference between resources and spending</b>	\$0.003	\$5.752	\$5.755 1.2% above available resources

State grant awards were rationed in FY2025 to offset the projected deficit in the November 1, 2024 State Grant Projections Report.

# Projected Spending FY2026-2027

## Spending versus Resources FY2026-2027 (in millions)

	FY2026	FY2027	Biennium
<b>Base resources</b>	\$225.066	\$225.066	\$450.132
<b>Spending</b>	<u>+(222.482)</u>	<u>+(361.504)</u>	<u>+(583.986)</u>
<b>Difference between resources and spending</b>	\$2.584	\$(136.438)	\$(133.854) 30% above available resources

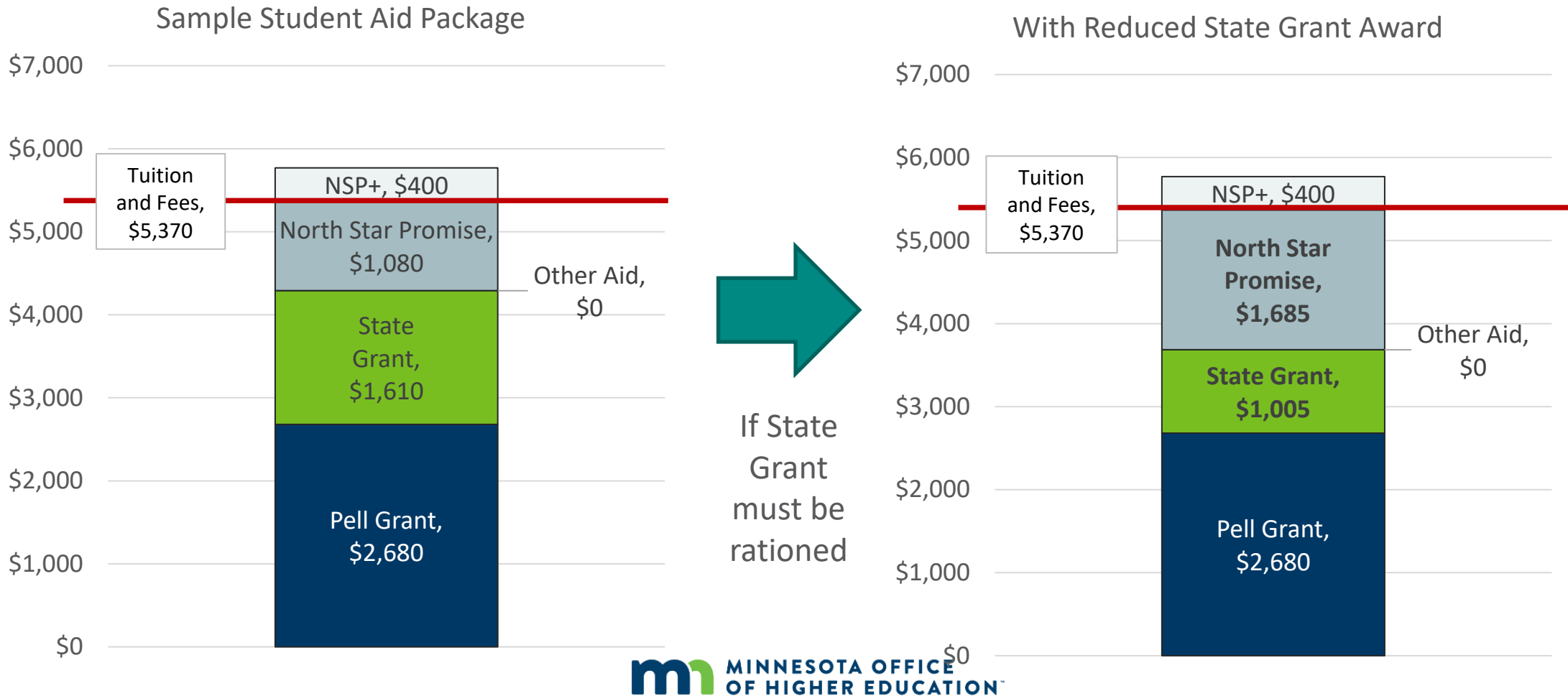
- Estimates for FY2026 reflect State Grant estimated parameters for FY2026 released December 16, 2024. This includes the 7/31/2025 deadline
- Estimates for FY2027 revert to State Grant parameters in statute.

## Planning Ahead for Fiscal Years 2026 & 2027

- State Grant awards were rationed dramatically in FY25 to offset the projected deficit.
- State Grant estimated award parameters for FY26 include rationing to offset the projected deficit.
- Award parameters revert to statute next biennium, meaning we should expect to see a dramatic increase in projected spending for FY27.
- Systems have reported ongoing projected increases to enrollment and tuition and fees for FY26 and FY27
- In order to maintain spending within available resources, the State Grant program will require modifications to award parameters or an added investment to program resources for the next biennium.

# Relationship Between State Grant and North Star Promise Program

Single independent student with no children, earning \$30k AGI, attending a Minnesota State College full time



# Relationship Between State Grant and Federal Pell Grant

- Predicted \$2.7 billion shortfall for the Pell Grant program by the end of the 2025 federal fiscal year
- At current appropriation levels, the Pell Grant is projected to have a \$71 billion to \$111 billion shortfall over the next ten years
- Shortfall caused by the same factors that are impacting the Minnesota State Grant budget: increased enrollment and formula changes from the FAFSA Simplification Act
- Congress has several options for addressing this shortfall
- Without specifics on how Congress will address the shortfall, we cannot model the cost of the impact for Minnesota's financial aid programs
  - Reduction in Pell Grant will increase State Grant spending
  - Reduction in Pell Grant will likely increase demand on North Star Promise

## Governor's Recommended Changes for State Grant

- Allow the agency to set a minimum parental contribution (PC) or student contribution (SC) of \$0 when calculating State Grant awards unless resources are projected to exceed spending;
- Decrease the Living and Miscellaneous Expense allowance to 110% of the federal poverty guideline;
- Increase the Assigned Student Responsibility to 51%, beginning in fiscal year 2027;
- Increase the Assigned Family Responsibility to 100% of the federal need analysis for all families with a positive PC or SC, beginning in fiscal year 2026;
- Revert the deadline for State Grant receipt to the 30th day of the term in which the student applies for aid;
- Modify language that governs how the agency rations awards for the program when a program spending deficit is projected; and
- Increase the appropriation for the Minnesota State Grant program by \$7.5M in fiscal year 2026 and subsequent years.



# North Star Promise and North Star Promise Plus

## North Star Promise

**2023 Budget Appropriation (Program) - FY24: \$0 | FY25: \$117,226,000**

**2023 Budget Appropriation (Admin) - FY24: \$496,000 | FY25: \$202,000**

- North Star Promise (NSP) and North Star Promise Plus (NSP+) were established in 2023 and awards started in fall 2024.
- Ongoing Appropriation starting in FY26: \$49.5M
- NSP is a last-dollar program that covers tuition and fees.
- Available to Minnesotans who are attending a public college in the state and have an AGI of less than \$80,000 a year.
- NSP+ is an additional award for students with the greatest financial need.
  - Awards are calculated as 15% of the student's Pell for 2024-2025.
- In 2024, \$5M in NSP funds were transferred to cover costs for the Fostering Independence Higher Education Grant program (\$112.186 available).

# North Star Promise

- Total number of Students Awarded North Star Promise and North Star Promise Plus in fall 2024:
  - North Star Promise: 14,516 students
  - North Star Promise Plus: 40,610 students
    - 5,700 students received both awards (included in those numbers)
- Total amount awarded in fall 2024: \$44M
  - North Star Promise Base: \$26.43M
    - Average award amount: \$1,820
  - North Star Promise Plus: \$17.57M
    - Average award amount: \$376

## What flexibility do we have?

- We have limited funding transfer ability between programs, based on available funds
- We can set the award level for NSP Plus (currently 15% of a student's Pell)
- We can adapt guidance on “mandatory fees” for North Star Promise
- We can review guidance on which courses are considered

## What flexibility do we not have?

- There is not a special revenue fund for all financial aid programs
- We cannot change NSP to cover more than resident tuition and fees
- There is no funding transfer ability language around NSP funds
- We do not play a role in tuition, fee, and enrollment projections (these come from the systems.)
- We do not have a role in any Federal financial aid decisions/parameters (e.g. – Pell, FAFSA simplification)

# Preliminary North Star Promise Spending - FY25

	Fiscal Year 2024	Fiscal Year 2025	Biennium
<b>Base Resources</b>	\$0.000	\$112.186	\$112.186
<b>Projected North Star Promise Base</b>	\$0.000	\$63.567	\$63.567
<i>North Star Promise+ Match Level</i>	N/A	15%	
<b>Projected Spending North Star Promise+</b>	\$0.00	\$41.815	\$41.815
<b>Total Program Spending</b>	\$0.00	\$105.382	\$105.382
<b>Differences Between Resources and Spending</b>	\$0.00	\$6.804	\$6.804

# North Star Promise Projections FY26 and FY27

	Fiscal Year 2026*	Fiscal Year 2027	Biennium
<b>Balance Forward From FY25</b>	\$6.804	\$0.000	\$6.804
<b>Base Resources</b>	\$49.500	\$49.500	\$99.000
<b>Total Available Resources</b>	\$56.304	\$49.500	\$105.804
<b>Projected North Star Promise Base</b>	\$63.650	\$37.351	\$101.001
<i>North Star Promise+ Match Level</i>	0%	0%	
<b>Projected Spending North Star Promise+</b>	\$0.00	\$0.00	\$0.000
<b>Total Program Spending</b>	\$63.650	\$37.351	\$101.001
<b>Differences Between Resources and Spending</b>	-\$7.346	\$12.149	\$4.803

\*Estimates for Fiscal Year 2026 reflect State Grant estimated parameters released 12/16/2024

## Key Takeaways

- Our financial aid programs and efforts to increase access to higher education are working (availability, breaking down financial barriers, initiatives like Direct Admissions, communications and public engagement).
- We're in an environment of rising tuition and fees, record enrollment (especially among financial aid-eligible populations), and technical changes at the Federal level.
- Together, all of these factors drive up demand for, and cost of, state financial aid programs.

Questions?