



## 2026-27 Supplemental Budget Recommendations for Minnesota State Grant

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# Minnesota State Grant Program

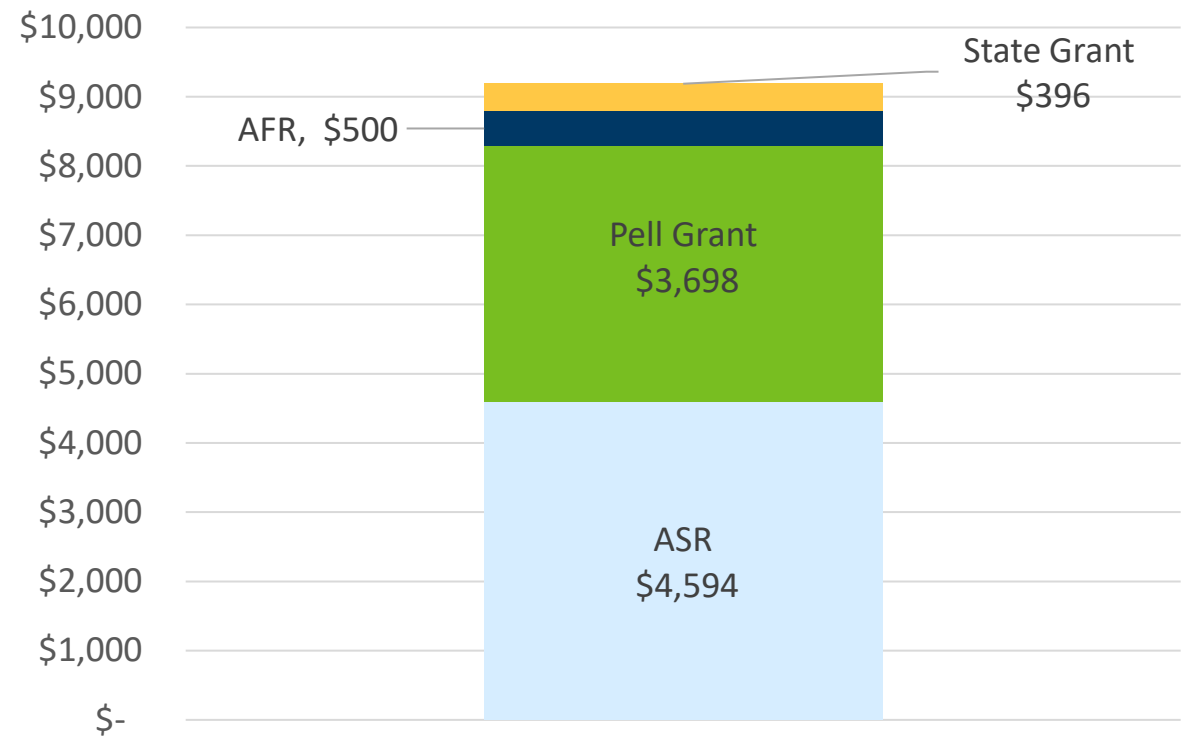
Nicole Whelan | State Grant Research Manager

# Minnesota State Grant Program Overview

- Minnesota's largest financial aid program in terms of both budget and students served
  - FY25: 75,742 recipients
  - Nearly 60% of recipients are dependent students
  - Over 75 institutions participate in the State Grant program
  - \$247.3M annual budget
  - Average award of \$2,927
  - 57% of recipients had a family adjusted gross income of less than \$40,000
  - Most recipients attend public institutions:
    - 61% at Minnesota State college or universities
    - 17% at the University of Minnesota

1. Set the budget (Living and Miscellaneous Expense Allowance + Tuition and Fees)
2. Calculate the Assigned Student Responsibility (50% of the budget)
3. Subtract the family's contribution (calculated on the FAFSA, and modified according to state law)
4. Subtract the student's Pell Grant
5. Any remainder is awarded as a State Grant

Ex: Student with \$500 AFR enrolled for five credits at Lake Superior College



# How the State Grant Program Operates

- Program philosophy: award as many eligible Minnesota resident students as possible within the constraints of the available budget.
- Program cannot operate on a deficit, so State Grant spending is carefully monitored in real time and through projections for the next fiscal year
  - State grant projections are made at a minimum of twice a year (November and February) and shared with key stakeholders
  - Projections based on internal and external data:
    - Internal:
      - Full simulation model of last year of applicant data
      - Monthly spending comparisons – actual cash flow vs. projections
      - Analysis of FAFSA filers
    - External:
      - Enrollment projections from institutions
      - Tuition and fees projections from public institutions
      - Wage estimates from MMB for state tax filers

# State Grant Projections

- Projections can change due to a variety of factors outside of agency control, including:
  - Enrollment changes (changes in head count, changes in levels of student need, changes in credit taking behavior, etc.)
  - Tuition and fee increases
  - FAFSA formula changes
- Based on projections, OHE will determine if changes to State Grant parameters are required to either compensate for underspending or adjust for projected deficits
  - In the event of projected deficits (which have historically been rare), OHE can:
    - Request additional funds from Legislature
    - Make adjustments to current formulas as allowed under statute
    - Request to make parameter changes that require Legislative approval
- Changes to State Grant formulas and/or parameters are communicated to campus financial aid staff as soon as possible

# State Grant Deficit: FY26-27

Projected State Grant spending without rationing:

	FY2026	FY2027	Biennium
Base resources	\$307.300	\$187.300	\$494.600
Spending	<u>+\$ (292.475)</u>	<u>+\$ (332.978)</u>	<u>+\$ (625.453)</u>
Difference	\$14.825	\$(145.678)	\$(130.853)

Projected State Grant spending with rationing:

	FY2026	FY2027	Biennium
Base resources	\$307.300	\$187.300	\$494.600
Spending	<u>+\$ (292.475)</u>	<u>+\$ (193.988)</u>	<u>+\$ (486.463)</u>
Difference	\$14.825	\$(6.688)	\$8.137 1.6% below available resources

# North Star Promise Deficit

As a result of State Grant rationing, the North Star Promise program is now projected to run a deficit.

Projected North Star Promise spending without a priority deadline:

	FY2026	FY2027	Biennium
Base resources	\$52.435	\$49.500	\$101.935
Spending	\$(47.756)	\$(77.405)	\$(125.161)
Difference	\$4.679	\$(27.905)	\$(23.23)

Projected North Star Promise spending with a priority deadline of June 1, 2026:

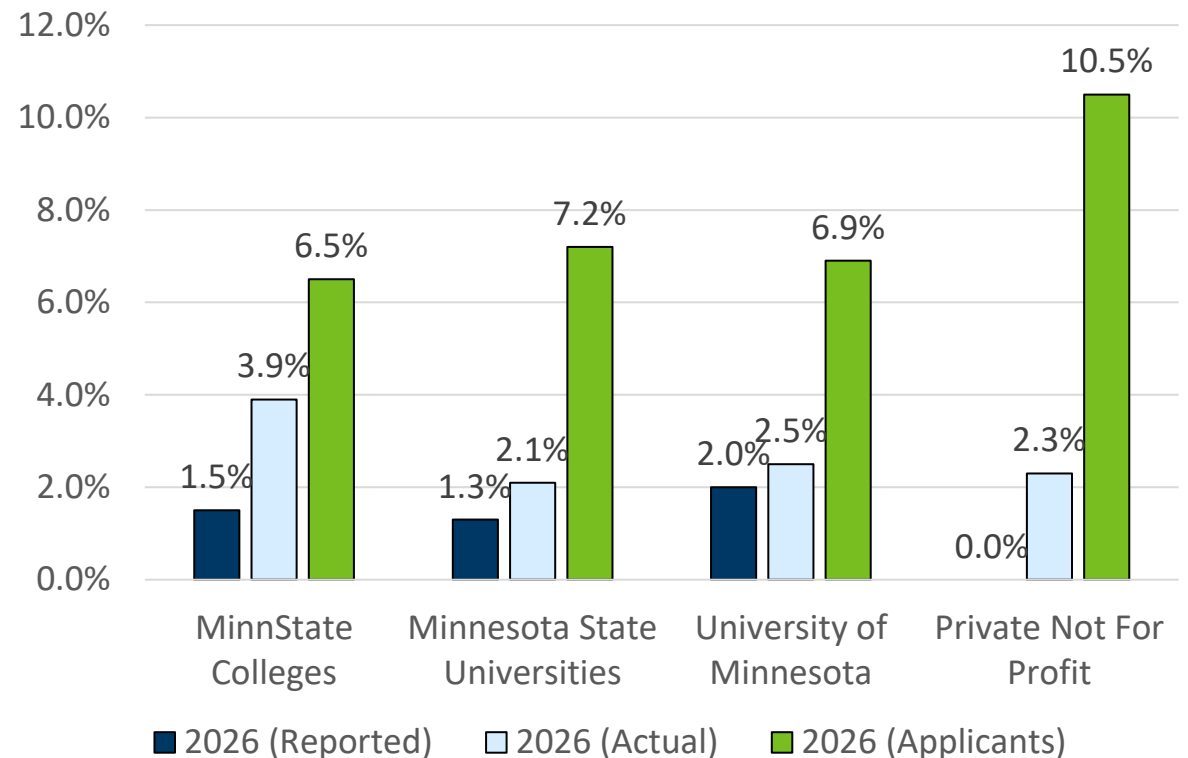
	FY2026	FY2027	Biennium
Base resources	\$52.435	\$49.500	\$101.935
Spending	\$(47.756)	\$(43.237)	\$(90.993)
Difference	\$4.679	\$6.263	\$10.942

# Overview of Current State Grant Challenge

Currently facing a projected deficit caused by:

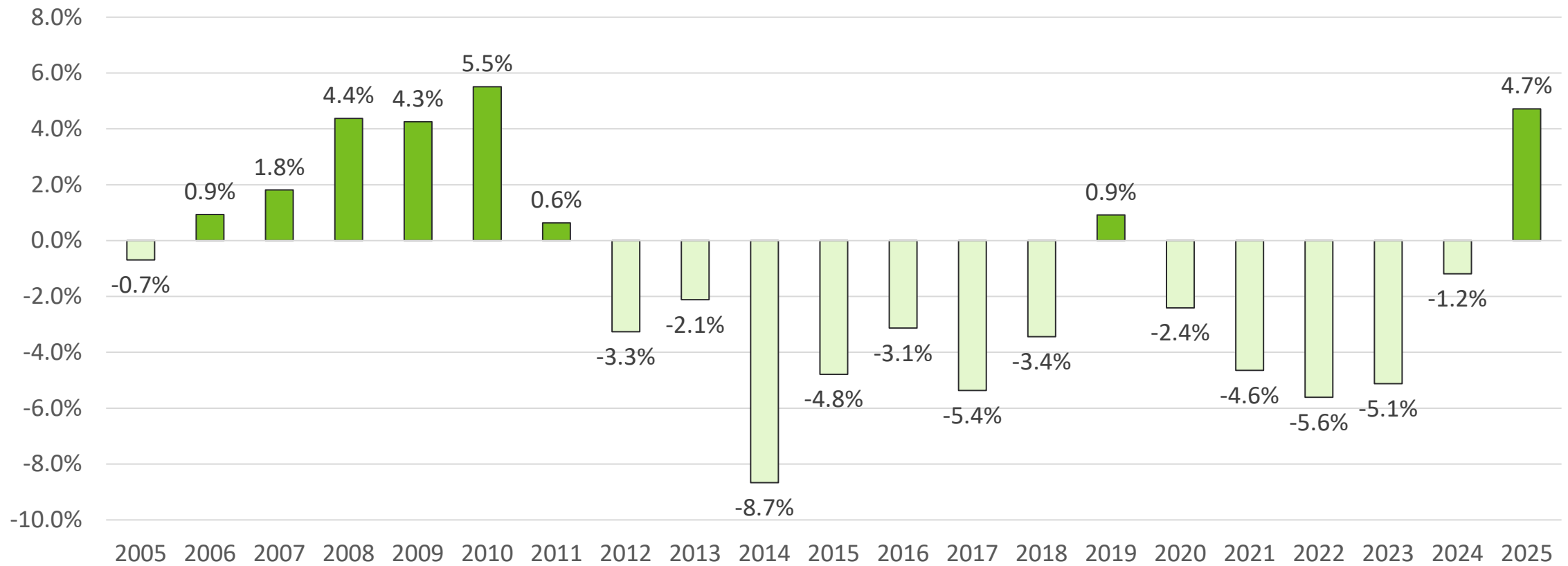
- Increased enrollment (a good thing!) and the number of eligible recipients
  - Overall, the number of students applying for aid increased by 3% in FY24, 16% in FY25, and is currently up 8% in FY26 over the same date last year
  - The number of recipients has also increased annually since FY24.
- Higher need (as assessed by the FAFSA)
  - 43% of students had an SAI of \$0 or less in FY25, compared with 29% in FY24, and that trend is holding steady this year.

**Estimated Year-to-Year Increases in Enrollment Compared to Increases in SG Applicants, FY2026 (YTD)**



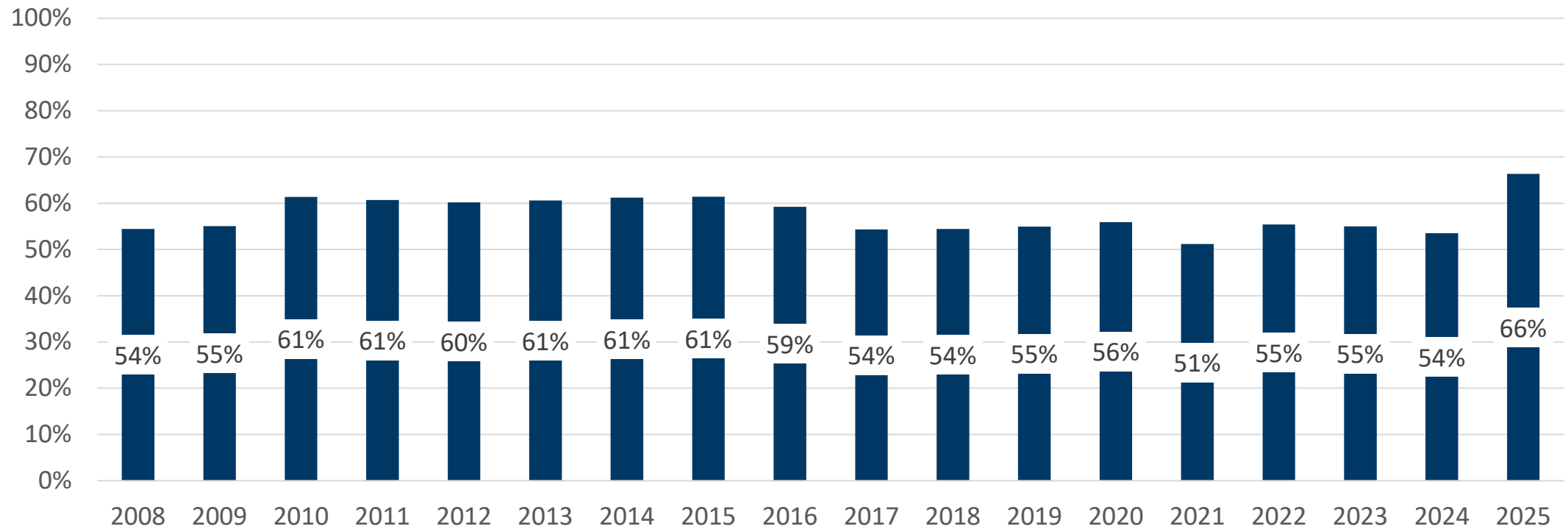
# Enrollment

Percent Change in Enrollment, by Year



# Highest FAFSA Filing Rate in Over a Decade

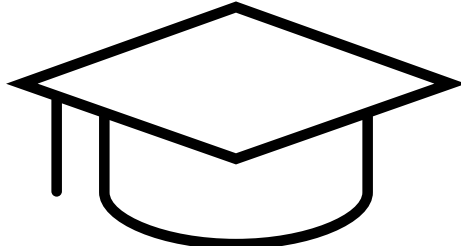
Percent of MN Undergraduates Applying for a State Grant



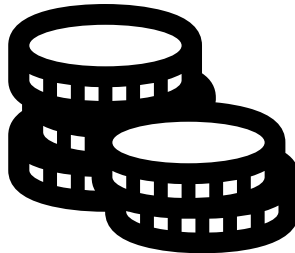
# Nature of the State Grant Deficit



Economic growth decreases



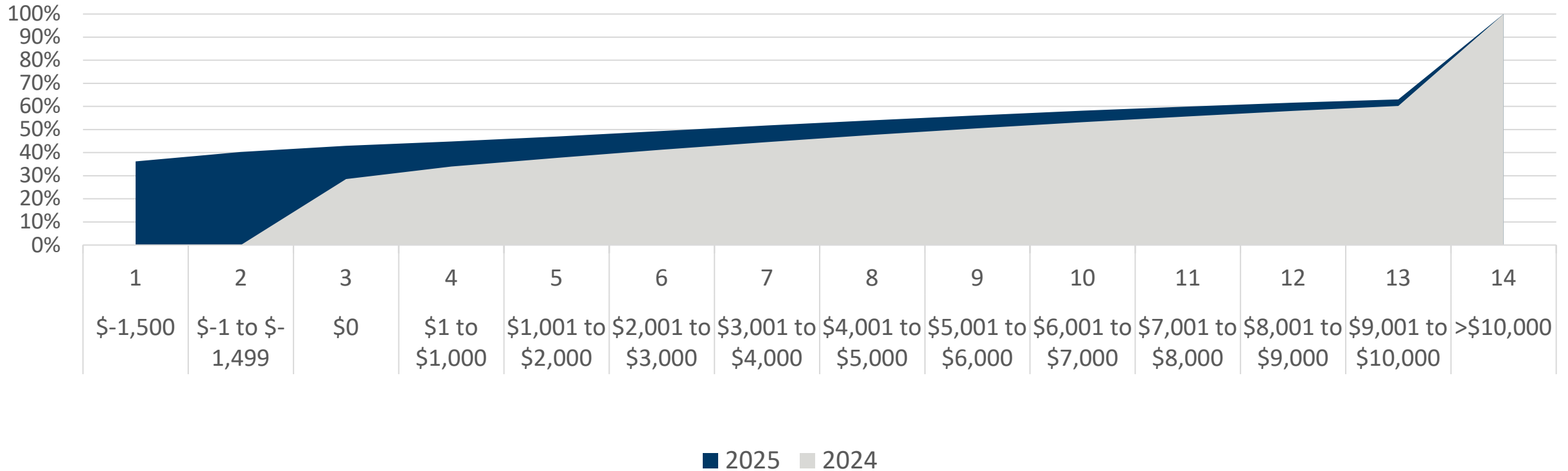
More students enroll



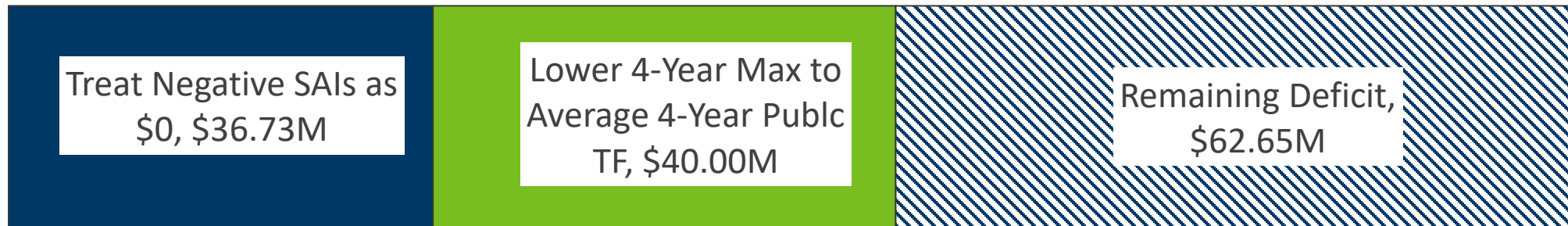
Spending increases

# Significant Increase in \$0 or Less Family Contributions

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



# Governor's Recommended Changes for State Grant



# Questions

