



Minnesota State Grant and NSP

Dennis Olson, Commissioner

Meghan Flores, Manager of State Financial Aid Programs

Nicole Whelan, Financial Aid Research Analyst

Thursday, January 23 | Senate Higher Education Committee

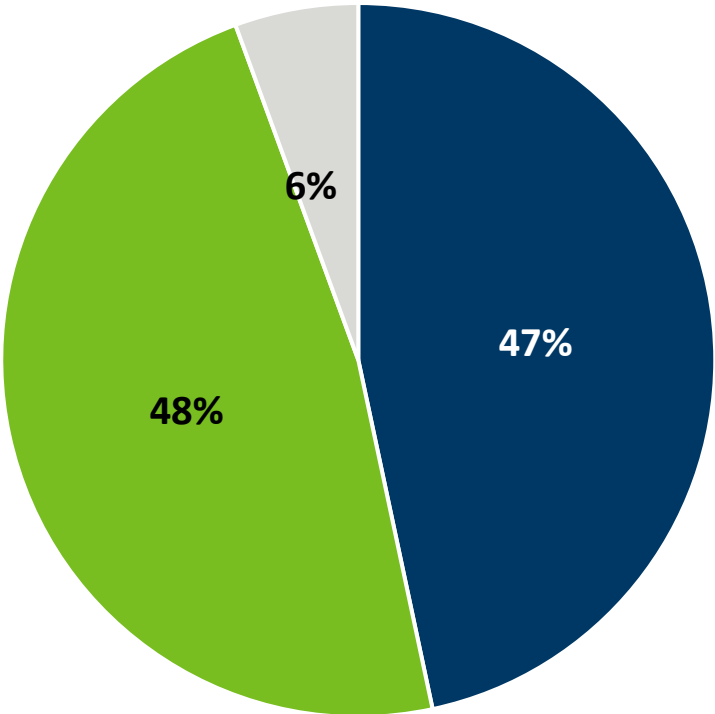
State Grant 101

- Minnesota's largest financial aid program in terms of both budget and students served
- Started in 1969 with the goal of promoting college access and choice
 - "The legislature finds and declares that the identification of men and women of the state who are economically disadvantaged and the encouragement of their educational development in eligible institutions of their choosing are in the best interests of the state and of the students." **136A.095**
 - Grants must be used at eligible Minnesota institutions, which includes public, private non-profit, tribal, and some private career institutions
- "Design for Shared Responsibility" model in place since 1983:
 - students
 - families
 - government
- Designed to work in concert with federal Pell Grant, with neediest students getting most coverage for college costs
- Minnesota is ranked 13th in the nation for financial aid spending per full-time undergraduate

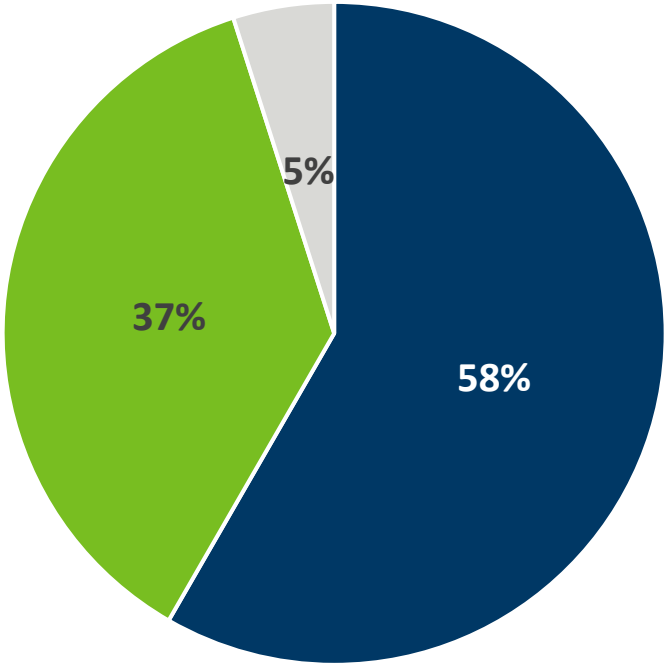
- 71,530 recipients
 - Two-thirds of recipients are dependent students
- Over 75 institutions participate in the State Grant program
- \$225.066M annual budget
- Average award of \$3,406
- 50% of recipients had a family adjusted gross income of less than \$40,000
- Most recipients attend public institutions:
 - 59% at Minnesota State college or universities
 - 17% at the University of Minnesota

State Grant Demographics

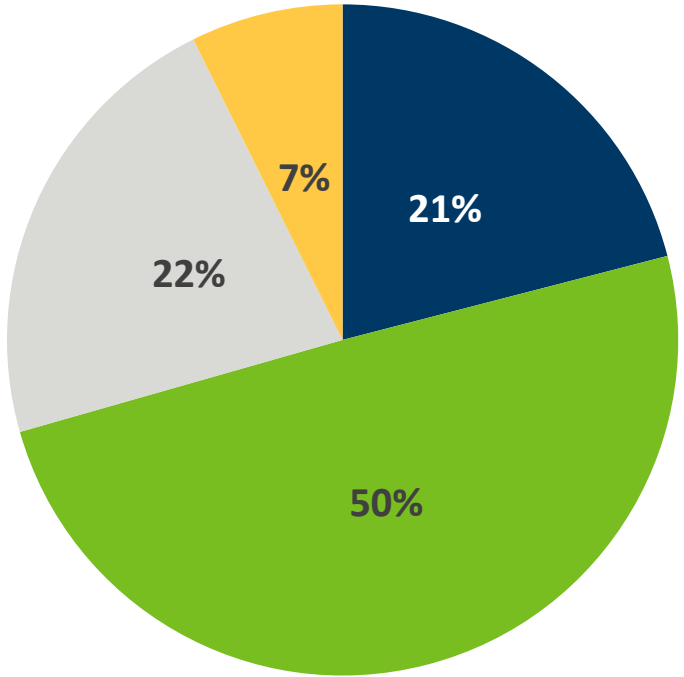
Minnesota State Grant Recipients, Fiscal Year 2024



■ White Students ■ BIPOC Students
■ Not Available



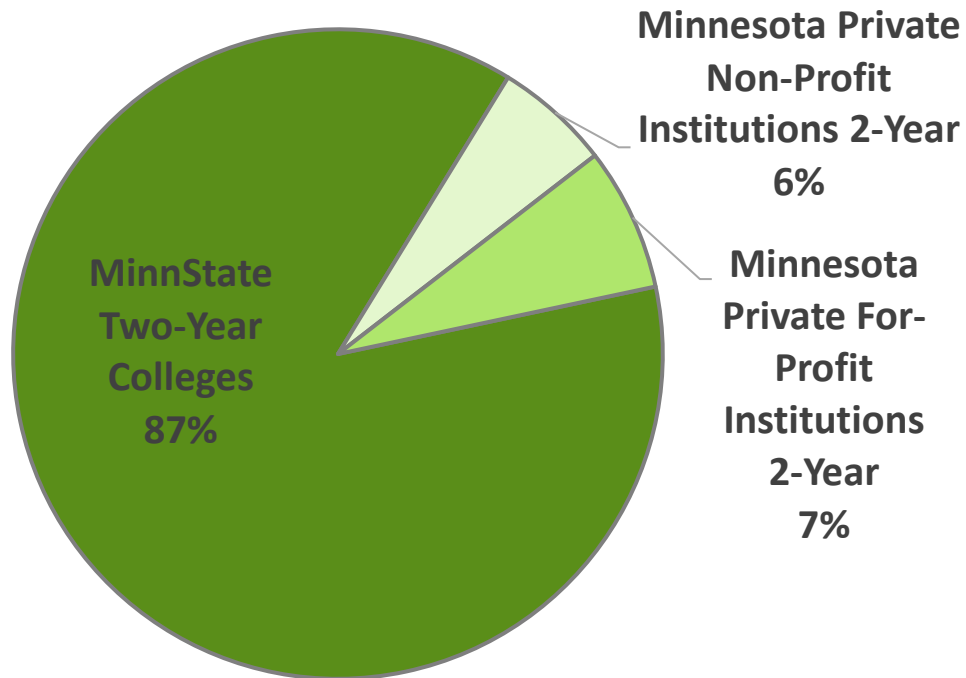
■ Female
■ Male
■ Unavailable or Another Option Not Listed



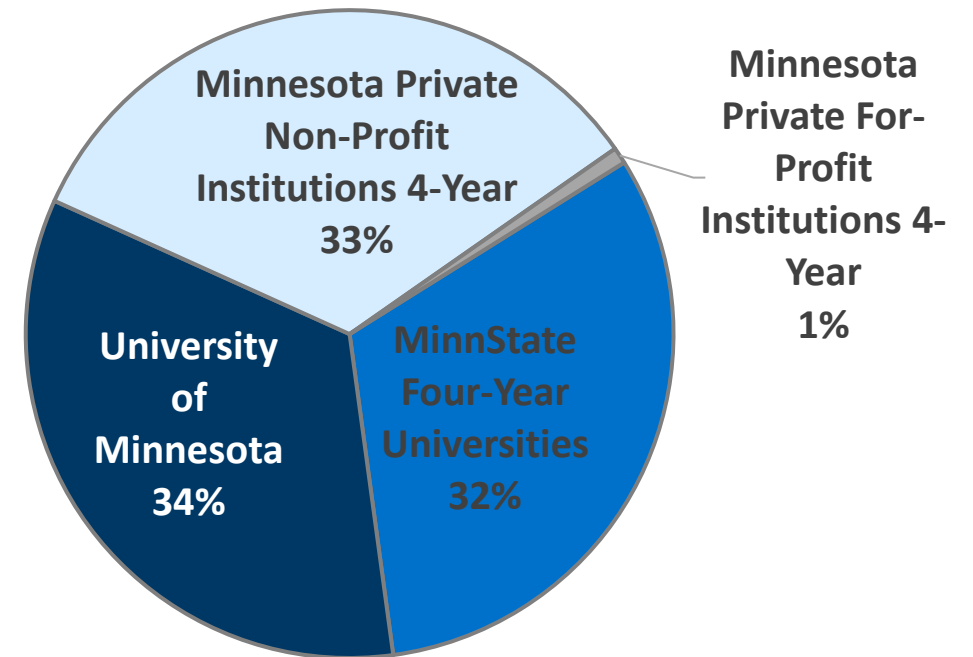
■ 19 or Younger ■ 20 to 23
■ 24 to 34 ■ 35 or older

Half of All Recipients Attend 2-Year Programs

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

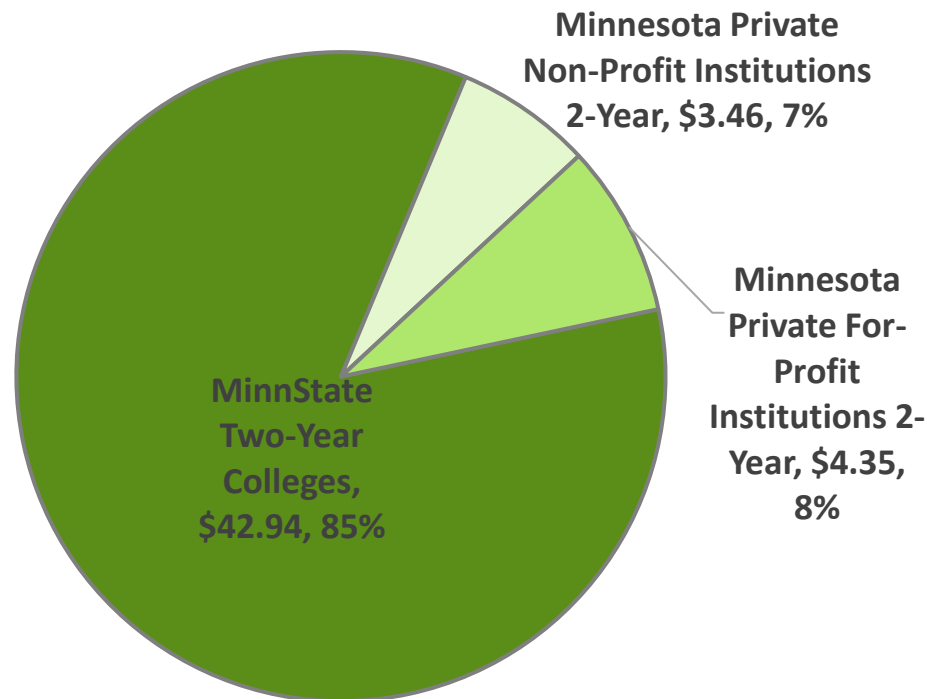


Total State Grant Recipients by Institution Type, 4-Year Programs, FY2024

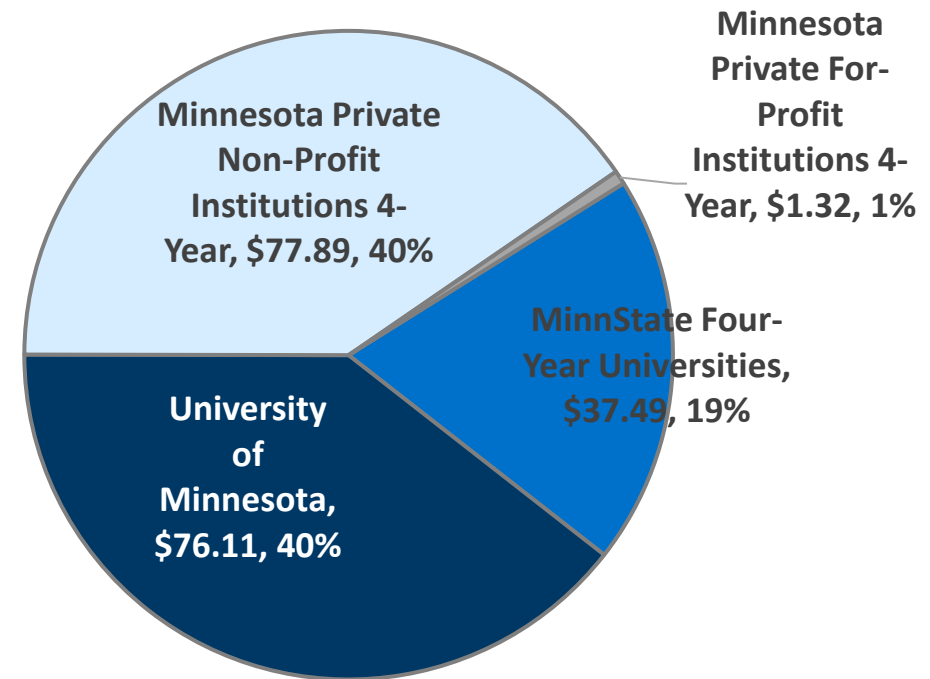


80% of State Grant Dollars Awarded to 4-Year Programs

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

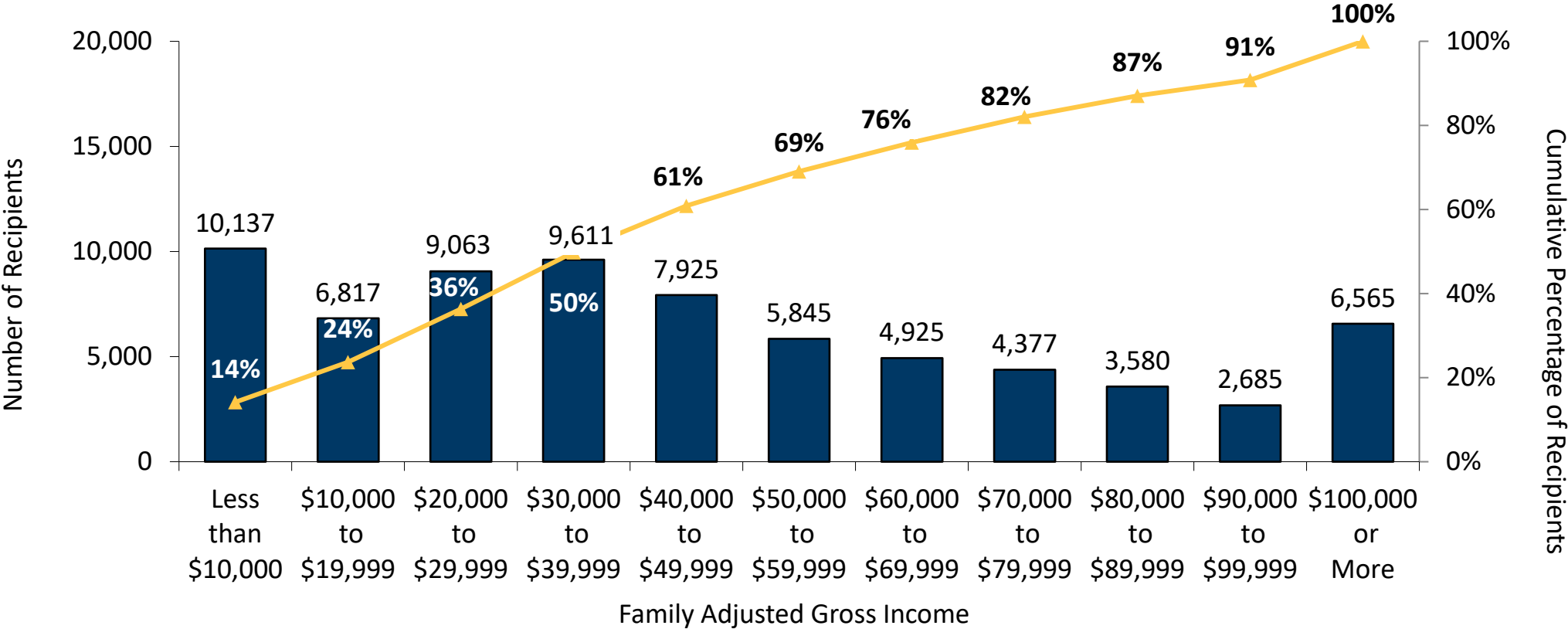


Total State Grant Awards by Institution Type,
4-Year Programs, FY2024



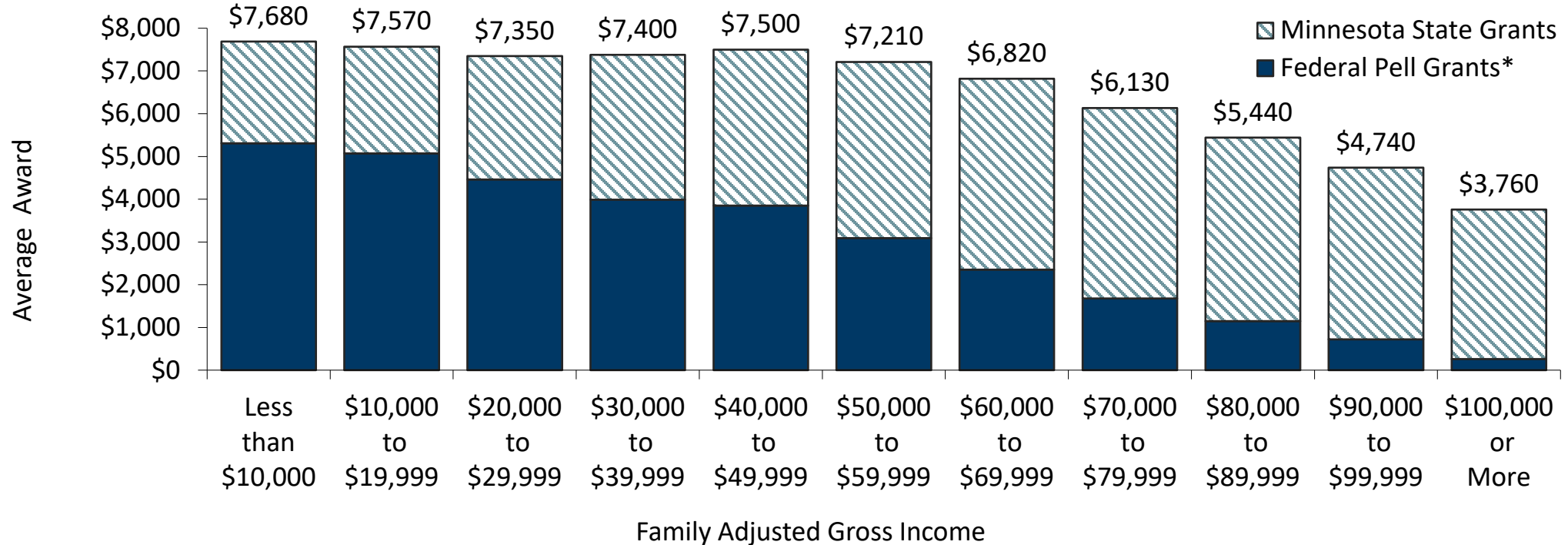
Half of State Grant Recipients Have Family Income <\$40k

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 Minnesota Dream Act application
- Demonstrate financial need after other forms of aid have been applied (“last dollar” program)
 - Need based on tuition & fees + living 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
 - Student demographics shift
 - 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

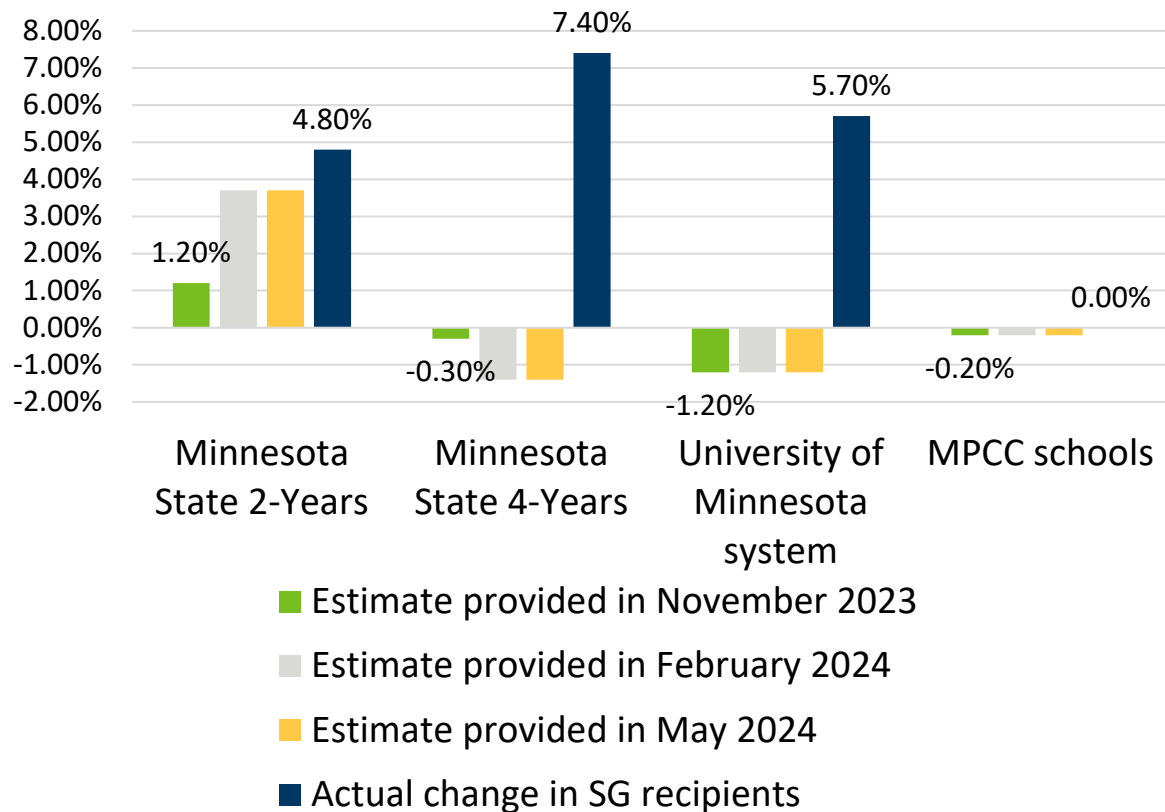
- If program is projected to overspend budget:
 - State Grant cannot operate on a deficit
 - Options available to OHE
 - Reduce size of awards by adding a surcharge to the Assigned Student Responsibility
 - Increasing the Assigned Family Responsibility
- Legislative options
 - Additional allocations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

Minnesota State Grant

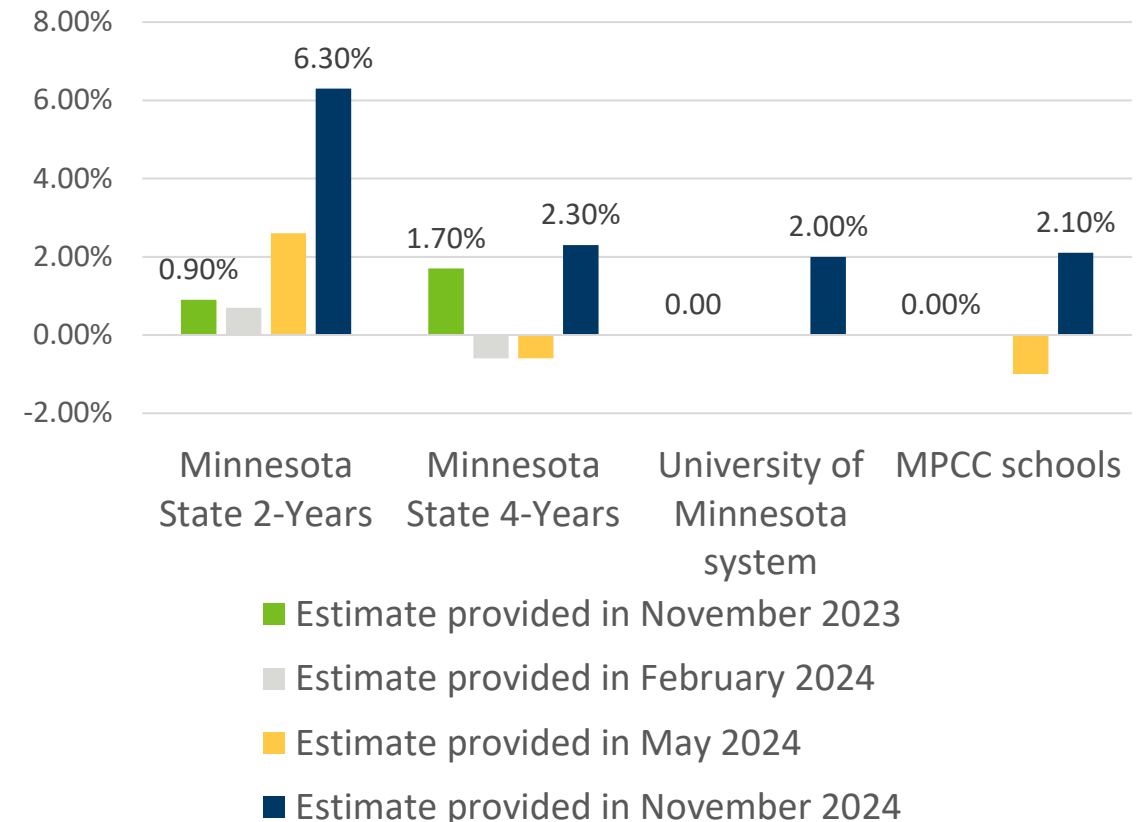
Current State: Fiscal Years 2024-2025

Increases in Enrollment Increasing State Grant Spending

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



Projected Enrollment Changes November 2023 vs. November 2024, FY2025



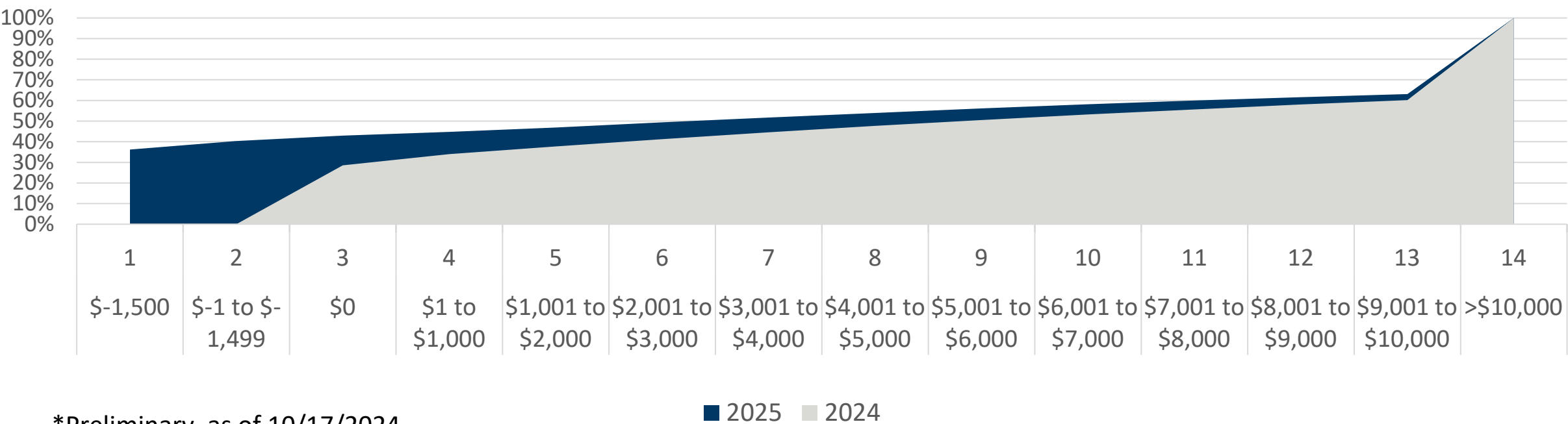
Significant Increase in \$0 or Less Family Contributions

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 10/17/2024

Projected Spending Remains High

OHE engaged in rationing for FY25 to offset the projected deficit, however, projected spending is still anticipated to exceed resources, even after rationing has been applied

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.

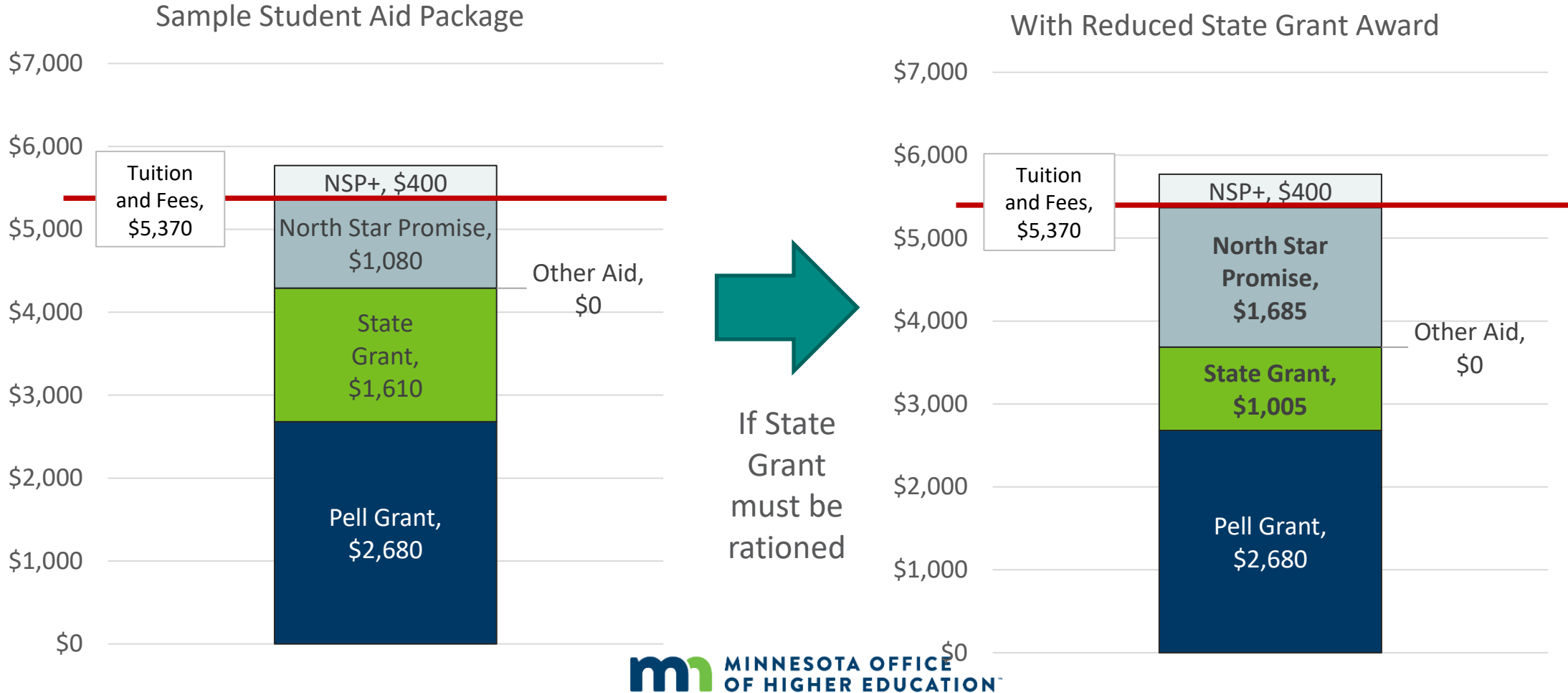
	FY2024	FY2025	Biennium
Base resources	\$243.933 ⁱ	\$212.167	\$456.111
Spending	<u>+(243.930)</u>	<u>+(217.540)</u>	<u>+(461.47)</u>
Difference between resources and spending	\$0.03	\$(5.373)	\$(5.343) 1.2% above available resources

Planning Ahead for Fiscal Years 2026 & 2027

- State Grant awards were rationed dramatically in FY25 to offset a projected deficit.
- Award parameters revert to statute next biennium, meaning we should expect to see a dramatic increase in projected spending.
- 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



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

- North Star Promise (NSP) and North Star Promise Plus (NSP+) were established in 2023 and awards started in fall 2024.
- Total Appropriation:
 - \$112.086M (FY 2025)
 - \$49.5M (ongoing base starting FY 2026)
- 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.

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: \$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

	NSP Base Awards	NSP Plus Awards	Total Awards	Base Resources	Spending Balance
Fall Term	\$26.766	\$17.593	\$44.359		
Spring Term	\$25.877	\$16.682	\$42.559		
Summer Term	\$16.675	\$7.633	\$24.308		
Annual Spending Estimate	\$69.318	\$41.907	\$111.225	\$112.186	\$0.961

- Estimates are current as of State Grant parameters released on November 20, 2024
- Revised State Grant parameters reflect an unprecedented situation in state financial aid. As a result, OHE is unable to fund State Grant for any students for the summer 2025 term, as well as students who file the 2024-2025 Free Application for Federal Student Aid (FAFSA) or Minnesota Dream Act Application on or after 12/01/2024.

North Star Promise Projections FY26 and FY27

	Fiscal Year 2026*	Fiscal Year 2027	Biennium
Balance Forward From FY25	\$0.961	\$0.000	\$0.961
Base Resources	\$49.500	\$49.500	\$99.000
Total Available Resources	\$50.461	\$49.500	\$99.961
Projected North Star Promise Base	\$73.475	\$41.478	\$114.953
<i>North Star Promise+ Match Level</i>	0%	0%	
Projected Spending North Star Promise+	\$0.00	\$0.00	\$0.000
Total Program Spending	\$73.475	\$41.478	\$114.953
Differences Between Resources and Spending	-\$23.014	\$8.022	-\$14.992

*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??