

Memorandum

To: Campus Financial Aid Administrators

From: Meghan Flores *Meghan Flores*
Minnesota Office of Higher Education
Manager, State Financial Aid Programs

Subject: **Impact of 2025 Legislative Session on State Financial Aid Programs**

Date: June 17, 2025

The 2025 legislative session ended May 19th without a signed Higher Education Omnibus Bill. A Special Session was called by Governor Tim Walz for June 9th. The Senate passed SSSF1 in the morning on a 36-31 vote and that evening the House passed SSHF6 on a 95-36 vote. By the early morning of June 10th, the legislature passed its final bill and adjourned, averting a state government shutdown.

Governor Walz signed the [2025 Higher Education Omnibus bill](#) into law on Saturday, June 14th, 2025. The bill appropriates \$4.01 billion to the four entities it funds: Office of Higher Education (OHE), Minnesota State, University of Minnesota and the Mayo Clinic. Minnesota State will receive \$1.76 billion, an additional \$6.2 million above base. The University of Minnesota will be appropriated \$1.49 billion, the Office of Higher Education \$760 million and the Mayo Clinic zero for the 2026-2027 biennium.

Legislators used a combination of new resources and cuts to existing programs to close a projected \$239 million shortfall in the State Grant program. The goal of the legislature was to find a solution to the State Grant fiscal challenges and protect the North Star Promise Scholarship, while adding additional resources to Fostering Independence Grants to avoid a waitlist for that program.

The bill contains minimal funding increases, many policy provisions, and a reallocation of funds to support students of Minnesota.

Major Highlights Include:

- **Minnesota State Grant awarded via FAFSA and MN Dream Act Application**
 - Additional \$44.468 million funding for the biennium for a total of \$247.3 million for FY 26 and FY27; the base for FY28 and later reduces to \$238.467 million.
 - Lowering the limit on receipt of the grant from the equivalent of 6 full time years/180 credits to the equivalent of 4 full time years/120 credits;
 - changing the deadline for applications from the end of the fiscal year, June 30th, to 30 days after the start of the term;
 - In MNAid the field used is displayed as FAFSA Original Application Date, which corresponds to the 2025-2026 ISIR record field number 8, Application Receipt Date.
 - reducing the Living and Miscellaneous Expense (LME) allowance from 115% of federal poverty guidelines to 106%;
 - the LME for 2025-2026 will be \$12,444.

- changing the Assigned Family Responsibility (AFR)
 - adjusting the state offset to the Parental Contribution (PC) for dependent students from 79% to 95%, while maintaining the state offset to the Student Contribution (SC) for independent students with dependents other than a spouse at 71% and for independent students without dependents other than a spouse at 35%;
 - capping the recognized negative PC or SC at negative \$1,500;
 - if the recognized PC or SC is between \$0 and negative \$1,500 the assigned family responsibility is 50% of the PC or SC;
- no changes to the Student Assigned Responsibility (ASR), therefore maintaining 50% ASR;
- imposing a tuition and fee maximum for four-year programs that is the lesser of:
 - the average tuition and fees charged by the institution; or
 - an amount equal to the highest tuition and fees charged at a public university in the 2024-2025 academic year plus two percent for fiscal year 2026, plus an additional two percent for fiscal year 2027.
 - the four-year cap for 2025-2026 will be \$17,717
 - the four-year cap for 2026-2027 will be \$18,071
- no changes to the two-year cap, thus it remains equal to the highest priced tuition and fees charged at a public two-year institution.
- changing the insufficient appropriation statute to clearly state that the AFR after the addition of a surcharge may exceed 100% of the total PC or SC and that the surcharge cannot be adjusted according to the student's status as a dependent student, an independent student with dependents other than a spouse or an independent student without dependents other than a spouse;
- amending the surplus appropriation language to increase the LME the second year of the biennium, or fully recognize the negative PC or SC, capped at -\$1500, rather than only 50% of the SC or PC.
- **North Star Promise (NSP)**
 - requiring Minnesota State and request the University of Minnesota to charge resident tuition rates for all students eligible for NSP;
 - making ineligible for the North Star Promise scholarship a student who has completed the degree requirements for their first baccalaureate degree;
 - amending tuition and fees to *eligible resident* tuition and mandatory fees charged by an institution, not the actual resident tuition and mandatory fees;
 - eligible tuition includes resident, undergraduate tuition charged to students who begin attendance in aid-eligible courses and still honors differential tuition/tuition surcharges, but not study abroad
 - instituting a deadline to match the State Grant deadline of 30 days after the start of the term.
- **Fostering Independence Grants (FIG)**
 - An additional \$8.4 million in funding and providing \$8.416 per year as the new base appropriation.
- **Child Care Grant**
 - An increase of \$500,000 in funding and providing \$6.944 per year as the new base appropriation.
- **Work Study**
 - A reduction of \$5.5 million in funding and providing \$11.752 per year as the new base appropriation.

- **Grants to Student Teachers in Shortage Areas**
 - A reduction of \$2.1 million in funding and providing \$250,000 per year as the new base appropriation.
- **Grants for Underrepresented Student Teachers**
 - A reduction of \$1.6 million in funding and providing \$1.125 per year as the new base appropriation.
- **Other Provisions**
 - The bill establishes 136A.0901 to 136A.0905, the College Financing Literacy Act, which requires all institutions of higher education that receive State Grant aid to use a Standard Financial Aid Offer beginning with the 2028-2029 academic year. The Act mandates the Commissioner to consult with stakeholders in the development of the Standard Financial Aid Offer by September 1, 2025.
 - The following programs are not funded: Aviation Degree Loan Forgiveness, Student Loan Debt Counseling, Teacher Shortage Loan Repayment, Agricultural Educators Loan Forgiveness and Concurrent Enrollment Grants. The statutes establishing these unfunded programs have been repealed.
 - Redirecting Emergency Assistance for Postsecondary Students for public institutions, with \$4.5 million to Minnesota State and \$1.56 million to the University of Minnesota.
 - Redirecting Hunger Free Campus grants for public institutions, with \$1.2 million to Minnesota State and \$400,000 to the University of Minnesota.
 - Changing the annual minimum and maximum SELF Loan amounts.
 - A \$15.26 million grant for ALS research will be directly funded to the University of Minnesota, rather than through OHE.
 - Changing institutional registration fees.
- **Policy Changes**
 - Establishing a last-dollar, full tuition and fee grant program for Minnesota law enforcement officers and their dependents attending public colleges and universities in Minnesota;
 - permitting Minnesota State to offer applied doctoral degrees in cybersecurity;
 - specifying that certificates, diplomas or degrees earned under the Dual Training Grant program must come from accredited postsecondary institutions;
 - amending eligibility requirements for institutions to receive state student financial aid;
 - expanding the Tribal College Supplemental Assistance program to provide financial assistance to tribal colleges based on beneficiary students as well as nonbeneficiary student;
 - removing a requirement that the Office of Higher Education determine whether institutions in another state maintain certain academic standards for SELF loans;
 - removing the Office of Higher Education's "number of late payments in the previous 12 months" from the list of data elements the office may disclose to a consumer credit reporting agency with borrower consent;
 - requiring the Minnesota State system, and request the University of Minnesota, to maintain a supply of nasal opiate antagonist at each campus residential building;
 - changing definitions within the Sexual Violence Prevention and Protection for Pregnant and Parenting Students statutes; and
 - expanding the existing free unlimited access for disabled veterans to also include one guest of the veteran for the Minnesota Landscape Arboretum.

In the coming weeks, OHE Financial Aid Staff will take steps to:

- Distribute 2025-2026 State Grant parameters.
- Update web content, including program eligibility and criteria impacted by the changes to the State Grant and North Star Promise program.
- Edit, distribute and post 2025-2026 state financial aid program manuals.
- Collaborate with the MNAid product support team, State Grant Manager technical support via MNIT, institutional information technology teams at the University of Minnesota and Minnesota State and campus IT staff at Minnesota private and Tribal colleges to adjust packaging for the State Grant and North Star Promise Programs.

If you have questions, concerns or scenarios you would like to talk through, I along with the rest of the Financial Aid division at OHE are ready and available to connect.