



Minnesota State Grant and North Star Promise Projections Fiscal Years 2024-2025 and 2026-2027

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About the Office of Higher Education

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to postsecondary education. The agency also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program is the largest financial aid program administered by the Office of Higher Education, awarding more than \$247 million annually in need-based grants to Minnesota residents attending eligible colleges, universities and career schools in Minnesota. The agency oversees other state scholarship programs, tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Plan, licensing and early college awareness programs for youth.

About This Report

This is a legislative-mandated report. As requested by Minnesota Statutes, section 3.197, this report cost approximately \$2,473.77 to prepare, including staff time.

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Executive Summary

This report presents actual spending for the Minnesota State Grant program for the 2024-2025 biennium and projected spending for the 2026-2027 biennium as of November 1, 2025, as required by state law. Projections are the result of a full simulation of the State Grant model. This model projects State Grant spending for fiscal years 2026 and 2027. It uses fiscal year 2025 actual spending data and award parameters in law as of November 1, 2025, along with information on enrollment and tuition and fee changes provided by institutional representatives and the percent change in wages. Discussion of the assumptions used in the spending projections starts on page four of this report.

The results of the projections are:

- Fiscal years 2024-2025: State Grant spending totaled \$243.930 million for fiscal year 2024 and \$222.114 million for fiscal year 2025, for a biennial total of \$466.044 million. This compares to base resources of \$466.045 million for the biennium. The difference between base resources and total spending was positive \$0.001 million, less than one percent below resources.
 - North Star Promise Program: Spending for the North Star Promise program totaled \$109.251 million in fiscal year 2025 (the first year of program implementation). This includes North Star Promise Plus spending and compares to base resources of \$112.186 million for the biennium. The difference between base resources and total spending was positive \$2.935 million. Unspent funds for this program are available for use in future years.
- Fiscal years 2026-2027: The spending projection for fiscal year 2026 is \$280.250 million, and the spending projection for fiscal year 2027 is \$315.988 million. Total spending for the biennium is projected to be \$596.238 million. This compares to base resources of \$494.600 million for the biennium. The projected difference between base resources and total spending is negative \$101.638 million, or 20.6% above available resources.
 - North Star Promise Program: Spending for the North Star Promise program is projected to cost \$46.212 million in fiscal year 2026 and \$49.305 million in fiscal year 2027, for a biennial total of \$95.517 million. This estimate does not include North Star Promise Plus spending because the North Star Promise Plus match is not available in fiscal year 2026 and has not yet been determined for fiscal year 2027. This compares to base resources of an estimated \$101.935 million for the biennium. The projected difference between base resources and total spending is positive \$6.418 million. Unspent funds for this program are available for use in future years.

Fiscal Years 2024 and 2025 - Actual and Projected Spending

This report presents actual Minnesota State Grant program spending for fiscal years 2024 and 2025 and spending projections for fiscal years 2026 and 2027 as of November 1, 2025. State law requires spending projection updates to occur by November 1 and February 15 of each fiscal year. Information on projected enrollment and tuition and fee changes was provided by institutional representatives to the Minnesota Office of Higher Education on October 6, 2025.

The projections contained in this report are the result of a full simulation of the State Grant model. This model projects State Grant spending for fiscal years 2026 and 2027 using fiscal year 2025 actual spending data and award parameters in law as of November 1, 2025; information on enrollment and tuition and fee changes provided by institutional representatives; and the percent change in wages taken from the most recent Employment Cost Index information for the Twin Cities metropolitan area. Discussion of the assumptions used in the spending projections starts on page four.

State Grant spending totaled \$243.930 million for fiscal year 2024 and \$222.114 million for fiscal year 2025, for a biennial total of \$466.044 million. This compares to base resources of \$466.045 million for the biennium. The projected difference between base resources and total spending is positive \$0.001 million or less than one percent below available resources.

Table 1: Spending versus Resources FY2024-2025 (in millions)

	FY2024	FY2025	Biennium
Base resources	\$243.933 ⁱ	\$222.112	\$466.045 ⁱ
Spending	+(243.930)	+(222.114) ⁱⁱ	+(466.044)
Difference between resources and spending	\$0.003	\$(0.002)	\$0.001 <1% below available resources

ⁱ 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. Base resources in fiscal year 2025 includes transfers of \$10M from other financial aid programs.

ⁱⁱ Preliminary.

Fiscal Years 2026 and 2027 - Spending Projection

The spending projection for fiscal year 2026 is \$280.250 million, and the spending projection for fiscal year 2027 is \$315.988 million. Total spending for the biennium is projected to be \$596.238 million. This compares to base resources of \$494.600 million for the biennium. The projected difference between base resources and total spending is negative \$101.638 million, or 20.6% higher than available resources.

The changes modeled are the Office's best estimates as of November 1, 2025, and are subject to change, based on updated information on enrollment, tuition, family incomes, federal law, federal funding, and changes to the federal need analysis.

Table 2: Projected versus Resources FY2026-2027 (in millions)

	FY2026	FY2027	Biennium
Base resources	\$247.300	\$247.300	\$494.600
Spending projection	<u>+(280.250)</u>	<u>+(315.988)</u>	<u>+(596.238)</u>
Difference between resources and spending	\$(32.950)	\$(68.688)	\$(101.638) 20.6% above available resources

Deficit Projections

When a deficit in resources occurs for the State Grant program, the Office of Higher Education is authorized to reduce awards using the rationing procedure outlined in statute (below). Once the Office has determined needed adjustments to the parameters as outlined in statute, institutions will be notified.

136A.121 Subd. 7. Insufficient appropriation. If the amount appropriated is determined by the office to be insufficient to make full awards to applicants under subdivision 5, awards must be reduced by:

- (1) adding a surcharge to the applicant's assigned family responsibility, as defined in section 136A.101, subdivision 5a; and*
- (2) a percentage increase in the applicant's assigned student responsibility, as defined in subdivision 5b. The reduction under paragraph (a), clauses (1) and (2) must be equal dollar amounts. The total assigned family responsibility after the addition of the surcharge may exceed 100 percent of the parental or student contribution, as applicable, assigned by the federal needs analysis. The commissioner must not adjust the surcharge under paragraph (a), clause (1), 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.*

Assumptions

The Minnesota State Grant spending projection for each fiscal year relies on a series of adjustments and the program parameters shown in Table 3.

Table 3: Minnesota State Grant Award Parameters

	FY2024	FY2025	FY2026	FY2027
	ACTUAL	ACTUAL	ACTUAL	PROJECTED
Living and Miscellaneous Expense Allowance	\$12,576	\$12,990	\$12,444	\$12,830 ⁱⁱ
Assigned Student Responsibility	50%	52.8%	50%	50%
Tuition and Fee Maximums				
Students in Two-Year Programs	\$6,580	\$6,679	\$6,909	\$7,393 ⁱⁱ
Students in Four-Year Programs	\$16,654	\$17,370	\$17,717 ⁱⁱⁱ	\$18,071 ^{ii iii}
Federal Pell Grant Maximum	\$7,395	\$7,395	\$7,395	\$7,395 ⁱⁱ
Rationing Surcharge on Assigned Family Responsibility	0%	Varies	0%	0%
Proration for the Assigned Family Responsibility				
Dependent Students (Parent Contribution)	79%	100% ⁱ	95%	95%
Independent Students with Dependents (Student Contribution)	71%	100% ⁱ	71%	71%
Independent Students without Dependents (Student Contribution)	35%	100% ⁱ	35%	35%

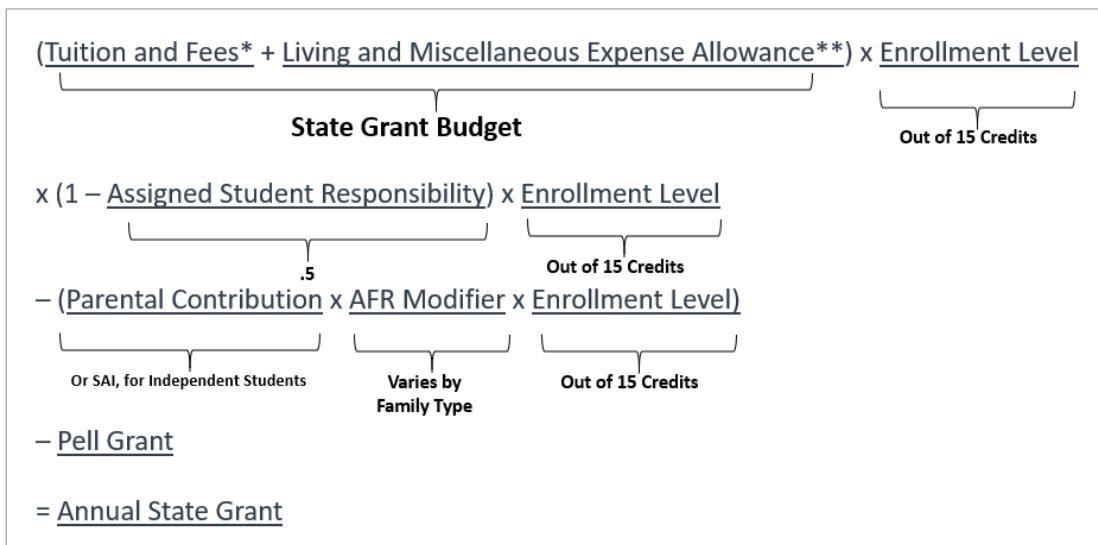
ⁱ Increased under OHE authority in statute; ⁱⁱ Estimated; ⁱⁱⁱ Increases to the tuition and fee maximum for four-year programs capped in state law at 2% per year for fiscal years 2026 and 2027.

To calculate a student's State Grant award, the financial aid administrator must first define the student's State Grant budget, which is defined as recognized tuition and fees plus the living and miscellaneous expense allowance (LME). The LME is set to 106% of the federal poverty guideline, and tuition and fees are capped at the highest-cost two-year public institution, for programs of less than four years. For four-year programs, the tuition and fee maximum is capped at the highest tuition and fees charged at a four-year public institution in the 2024-2025 academic year plus two percent for fiscal year 2026, plus an additional two percent for fiscal year 2027. This budget is then prorated by the student's enrollment level out of 15 credits.

Of the remaining expenses, a portion is assigned to the student as the Assigned Student Responsibility (currently set to 50% of the total budget). The remainder is paid by either the student's family or taxpayers. The family contribution is calculated by taking the Student Aid Index (for independent students) or the Parental Contribution (for dependent students) obtained from the student's FAFSA and moderating downward by a percentage set in state law. The family contribution is then prorated by the student's enrollment level out of 15 credits.

Any remaining expenses left over after subtracting the student and family responsibilities is covered by a combination of Federal Pell Grants and the Minnesota State Grant.

Figure 1: Minnesota State Grant Budget in State Statute



*Tuition and fees capped at maximum in state law **106% of the federal poverty guideline

Federal Poverty Guidelines – Living and Miscellaneous Expense Allowance

The Living and Miscellaneous Expense allowance (LME) is benchmarked to an amount equal to the Federal Poverty Guidelines for a single person household living in the contiguous 48 states for a nine-month period. The U.S. Department of Health and Human Services issues Federal Poverty Guidelines annually on January 31. Under Minnesota law, the LME is equal to the Federal Poverty Guidelines plus six percent. Table 5 displays the annual figures for the Living and Miscellaneous Expense Allowance.

The Office projects the LME to continue to increase by 3.3% annually for fiscal year 2027, based on recent changes to the Federal Poverty Guidelines. LME estimates will be updated in the February 15, 2025 projections report following updates to the Federal Poverty Guidelines.

Table 4: Federal Poverty Guidelines

	FY2024	FY2025	FY2026	FY2027
Poverty Guidelines Year	2023	2024	2025	2026
	ACTUAL	ACTUAL	ACTUAL	PROJECTED
Federal Poverty Guidelines – 1 person in family/household, 48 contiguous states	\$14,580	\$15,060	\$15,557	\$16,070 ⁱ
Poverty Guideline Increase %	7.28%	3.29%	3.92%	3.1% ⁱ
Multiplier for 9-month time period	0.75	0.75	0.75	0.75
Inflator in Minnesota law	0.15	0.15	0.06	0.06
Living and Miscellaneous Expense Allowance	\$12,576	\$12,990	\$12,444	\$12,830

ⁱ Estimated

Change in Wages

The State Grant spending projection incorporates data about changes in wages of Minnesota workers. Estimated changes in wages are derived from year-over-year changes in the Employment Cost Index. Current assumptions appear in Table 5.

Table 5: Change in Annual Wages, Minnesota

	FY2024 tax year 2021	FY2025 tax year 2022	FY2026 tax year 2023	FY2027 tax year 2024
One-Year Change in Average Wages	2.4%	5.8%	4.1%	4.3%

Enrollment Assumptions

The State Grant spending projection also incorporates estimated changes in the number of Minnesota resident undergraduates enrolling at each institution. Table 6 shows information about year-to-year percent change in undergraduate students for fiscal years 2024 to 2027. Overall enrollment changes serve to estimate changes in the number of Minnesota-resident aid applicants. The Office revises enrollment assumptions as new enrollment data provided by the institutions becomes available. A change in total enrollment of plus or minus one percentage point annually changes projected State Grant spending by an estimated \$2.0 million. Enrollment increased significantly at most institutions in fall 2024 and is expected to continue to increase in subsequent years.

Table 6: Enrollment Assumptions

	FY2024	FY2025	FY2026	FY2026	FY2027
	Fall 2023	Fall 2024	Fall 2025	Fall 2025	Fall 2026
System	Actual	Actual	Projected	Actual	Projected
Minnesota State Colleges	3.7%	6.3%	1.7%	3.3%	1.4%
Minnesota State Universities	-1.4%	2.3%	1.1%	1.4%	0.7%
University of Minnesota Twin Cities	-0.5%	3.1%	0% to 2%	2.5%	0% to 3%
University of Minnesota Crookston, Duluth, Morris, and Rochester	-2.6%	-1.2%	0% to 2%	-1% to +30.3%	0% to 3%
Private Not-for-Profit Institutions	-0.2%	1.9%	0.0%	2.3%	1.5%
Private For-Profit Institutions	-27.4%	1.0%	4.0%	0.0%	4%

Changes in Financial Aid Applicants

For the third year in a row, the State Grant program saw an increase in applicants in fall 2025 (fiscal year 2026). Beginning in fiscal year 2025, the need profile of applicants also saw a sharp shift, with a much higher percentage of applicants assigned a family contribution of \$0 or less, as determined by their FAFSA application. These changes have an outsize impact on financial aid spending and continue to inform spending projections for the Minnesota State Grant program and North Star Promise.

Year-over-year percent change in applicants is shown in the table below.

Table 7: Year-Over-Year Change in State Grant Applicants, FY25 to FY26ⁱ

Applicant SAI Band	Count of Applicants, FY25	SAI Band as a Percent of All Applicants, FY25	Count of Applicants, FY26	SAI Band as a Percent of All Applicants, FY25	Percent Change in Applicant Count from Prior Year
-\$1,500	42,143	36.9%	38,221	32.8%	-9.3%
-\$1 to -\$1,499	4,744	4.1%	5,190	4.5%	9.4%
\$0	2,883	2.5%	5,590	4.8%	93.9%
\$1 to \$1,000	2,070	1.8%	1,265	1.1%	-38.9%
\$1,001 to \$2,000	2,406	2.1%	1,668	1.4%	-30.7%
\$2,001 to \$3,000	2,823	2.5%	2,475	2.1%	-12.3%
\$3,001 to \$4,000	2,682	2.3%	2,907	2.5%	8.4%
\$4,001 to \$5,000	2,557	2.2%	2,795	2.4%	9.3%
\$5,001 to \$6,000	2,453	2.1%	2,708	2.3%	10.4%
\$6,001 to \$7,000	2,339	2.0%	2,397	2.1%	2.5%
\$7,001 to \$8,000	2,072	1.8%	2,276	2.0%	9.8%
\$8,001 to \$9,000	1,861	1.6%	2,127	1.8%	14.3%
\$9,001 to \$10,000	1,670	1.5%	1,940	1.7%	16.2%
>\$10,000	41,659	36.4%	45,033	38.6%	8.1%
Total	114,362		116,592		2.0%

ⁱ As of October 20, 2025.

In both fiscal years 2025 (figure 2) and 2026 (figure 3), the percent increase in State Grant applicants when compared to the prior year exceeded both projected and actual fall enrollment increases at most institution types. As a result, actual spending in 2025 was much higher than anticipated earlier in the year. A much larger applicant pool in 2025, which resulted in a larger count of State Grant recipients, also passed on increases in spending to the next biennium.

Figure 2: Estimated Year-to-Year Increases in Enrollment Compared to Increases in SG Applicants, FY2025

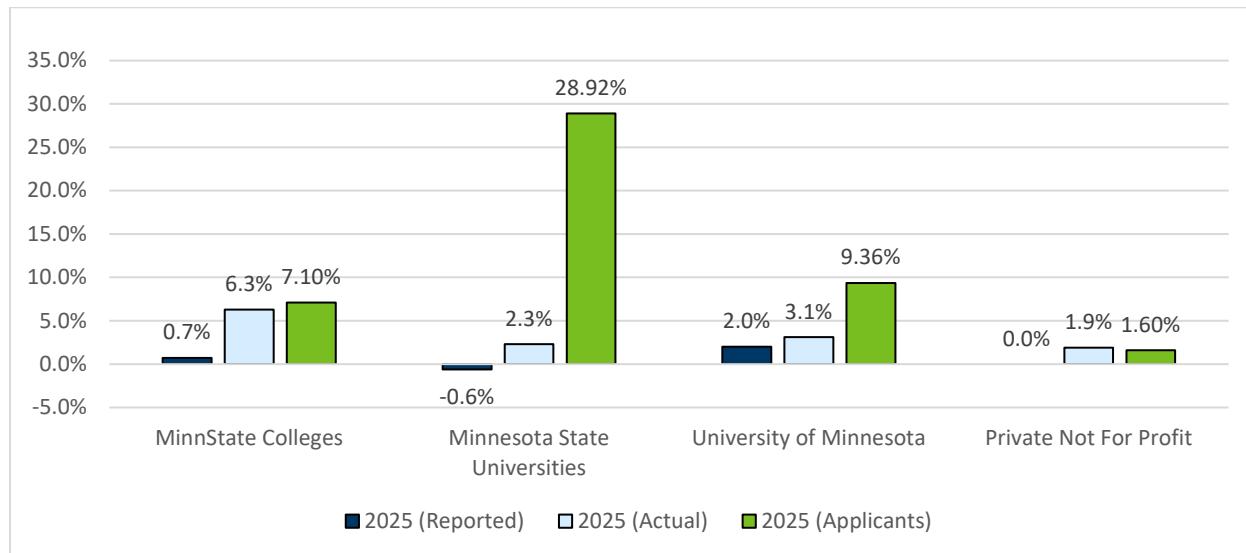


Table 8: Estimated Year-to-Year Increases in Enrollment Compared to Increases in SG Applicants, FY2025

	2025 (Enrollment Reported)	2025 (Actual Enrollment)	2025 (SG Applicants)
Minnesota State Colleges	0.7%	6.3%	7.10%
Minnesota State Universities	-0.6%	2.3%	28.92%
University of Minnesota	2.0%	3.1%	9.36%
Private Not-for-Profit Institutions	0.0%	1.9%	1.60%

Figure 3: Estimated Year-to-Year Increases in Enrollment Compared to Increases in SG Applicants, FY2026 (YTD)

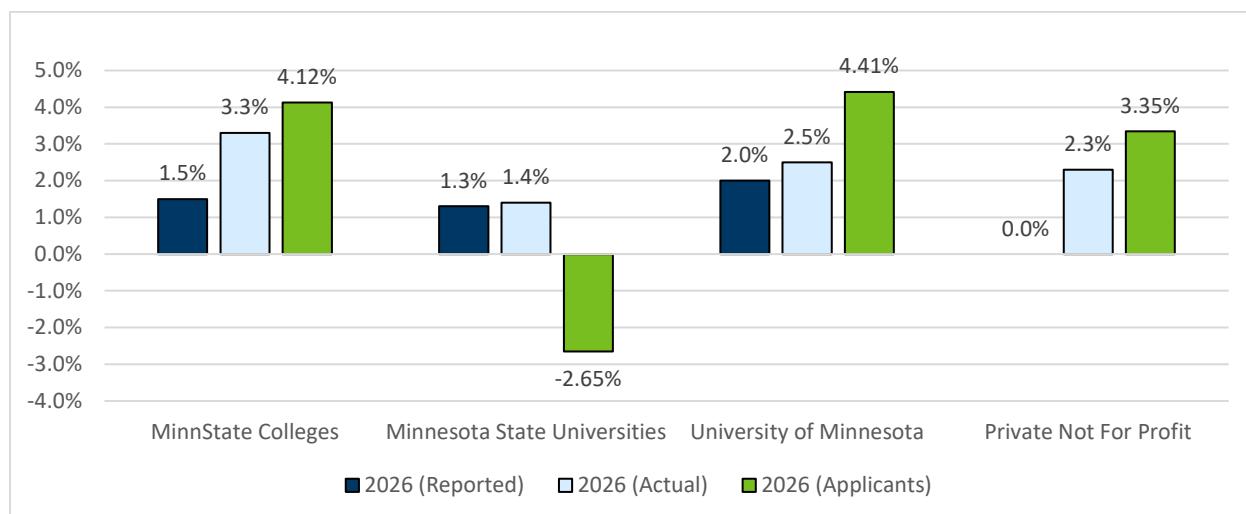


Table 9: Estimated Year-to-Year Increases in Enrollment Compared to Increases in SG Applicants, FY2026 (YTD)

	2026 (Enrollment Reported)	2026 (Actual Enrollment)	2026 (SG Applicants)
Minnesota State Colleges	1.5%	3.3%	4.12%
Minnesota State Universities	1.3%	1.4%	-2.65%
University of Minnesota	2.0%	2.5%	4.41%
Private Not-for-Profit Institutions	0.0%	2.3%	3.35%

Pell Grant Changes in Law

The FAFSA Simplification Act enacted in December 2021 authorized significant changes to the Pell Grant award formula, which has a direct impact on State Grant spending. These changes went into effect in fiscal year 2025. Currently, there is no change authorized to the maximum Pell Grant award. The Office will continue to monitor Congressional activity regarding funding of the federal Pell Grant program, and future projections will include updated Pell Grant amounts.

The State Grant award formula maintains a dollar-for-dollar relationship with the student's Pell Grant, and increases or reductions in the federal Pell Grant amounts will impact State Grant spending. Table 10A lists the current federal Pell Grant parameters.

Table 10: Federal Pell Grant Award Parameters

	FY2024	FY2025	FY2026	FY2027
	ACTUAL	ACTUAL	ACTUAL	PROJECTED
Pell Grant Minimum Award	\$740	\$740	\$740	\$740
Pell Grant Maximum Award	\$7,395	\$7,395	\$7,395	\$7,395
Award Formula: Expected Family Contribution (EFC)	Maximum Pell - EFC	See Table 10A	See Table 10A	See Table 10A
Qualifying EFC	\$0-\$6,206	Varies	Varies	Varies

Table 10a. FY2025 Pell Grant Thresholds for Award Amounts Under the FAFSA Simplification Act

Dependency Status	Single Parent Status	Receives Maximum Pell Grant	Receives Greater of Minimum Pell Grant or Maximum Pell Grant-SAI	IF SAI<=90% of Maximum Pell Grant, Receives Maximum Pell Grant - SAI
Dependent	Single Parent	AGI Less than 225% of FPG ⁱ	226%-325%	326%+

Dependency Status	Single Parent Status	Receives Maximum Pell Grant	Receives Greater of Minimum Pell Grant or Maximum Pell Grant-SAI	IF SAI<=90% of Maximum Pell Grant, Receives Maximum Pell Grant - SAI
Dependent	Not a Single Parent	Less than 175%	176%-275%	276%+
Independent	No Dependents	Less than 175%	176%-275%	276%+
Independent	With Dependents, Single Parent	Less than 225%	226%-400%	400%+
Independent	With Dependents, Not a Single Parent	Less than 175%	176%-350%	350%+

ⁱPell funding level eligibility is determined using Adjusted Gross Income (AGI) as a Percentage of Federal Poverty Guidelines (FPG)

Tuition and Fee Increases

The Office gathered information about tuition and fee increases for fiscal years 2026 and 2027 from institutional and system representatives. Table 11 details actual and estimated tuition and fee increases for State Grant calculations as reported by institutions for use in spending projections.

Table 11: Annual Changes in Minnesota Resident Undergraduate Tuition and Fee Rates

	FY2024	FY2025	FY2026	FY2027
System	Actual	Actual	Actual	Projected
Minnesota State Colleges	0.8%	0.3%	4.2%	7.00%
Minnesota State Universities	0.5%	0.9%	6.2%	7.00%
University of Minnesota	3.4%	3.7%	5.9%	3.0%
Private Not-for-Profit Institutions	3.7%	4.3%	3.7%	3.0%
Private For-Profit Institutions	4.2%	-0.7%	7.6%	7.00%

Federal Need Analysis

The forecasted spending model for the Minnesota State Grant incorporates all changes passed by Congress or made by the U.S. Department of Education to the federal need analysis as of November 1, 2025. The U.S. Department of Education releases annual updates to the tables in the statutory “Federal Methodology Need Analysis” used to determine a student’s SAI (previously EFC).

North Star Promise Program

The 2023 Minnesota State Legislature passed legislation that included the creation of the North Star Promise program. This tuition- and fee-free pathway to higher education for eligible Minnesota residents at eligible institutions is a “last-dollar” program designed to cover the balance of tuition and fees remaining after other scholarships, grants, stipends and tuition waivers have been applied.

To be eligible to participate in the program, the student must:

- Be a Minnesota resident
- Have a family Adjusted Gross Income* (AGI) as reported on the Free Application for Federal Student Aid (FAFSA) or Minnesota Dream Act Application below \$80,000
- Attend a Minnesota public higher education institution or Tribal College
- Not be in default on a state or federal student loan
- Be enrolled taking at least one credit
- Meet Satisfactory Academic Progress (SAP) standards
- Have not already earned a baccalaureate degree
- Be enrolled in a program or course of study that applies to a degree, diploma, or certificate

This program debuted in fiscal year 2025. In addition to the last-dollar grant, students receiving federal Pell Grants are eligible to receive a North Star Promise Plus award equivalent to 15% of the Pell Grant they are calculated to receive, based on household size, family AGI, and/or Student Aid Index. At this time, the Office has determined that there will be no Pell Grant match in fiscal year 2026, and the % Pell Grant match level for fiscal year 2027 has not yet been determined. Table 12 shows actual spending for the program for fiscal years 2024 and 2025. Table 13 shows projected spending for the program for fiscal years 2026 and 2027.

Table 12: Spending Forecast versus Resources FY2024-2025 (in millions)

	FY2024	FY2025	Biennium
Base resources	\$0	\$112.186	\$112.186 ⁱ
Actual and projected spending North Star Promise	+\$(0)	+\$(70.742) ⁱⁱ	+\$(70.742)
<i>North Star Promise+ Match</i>	N/A	15%	Varies
Actual and projected spending North Star Promise+	+\$(0)	+\$(38.009) ⁱⁱ	+\$(38.009)
Total Program Spending	\$(0)	(\$109.251)	(\$109.251)
Difference between resources and spending	\$0.00	\$2.935ⁱⁱⁱ	\$2.935

ⁱ Balance for 2024-2025 biennium is available in subsequent years. ⁱⁱ Preliminary. ⁱⁱⁱ Totals may differ due to the timing of funds returned to the Office.

Table 13: Spending Forecast versus Resources FY2026-FY2027 (in millions)

	FY2026	FY2027	Biennium
Balance in special revenue account from prior biennium	\$2.935 ⁱ	<u>+(0)</u>	\$2.935
Ongoing base resources	\$49.500	\$49.500	\$99.000
Total Resources	\$52.435	\$49.500	\$101.935
Projected spending North Star Promise	<u>+\$(46.212)</u>	<u>+(49.305)</u>	<u>+\$(95.517)</u>
<i>North Star Promise+ Match</i>	0%	0% ⁱⁱ	Varies
Projected spending North Star Promise+	<u>+(0)</u>	<u>+(0)</u>	<u>+(0)</u>
Total Program Spending	<u>\$(46.212)</u>	<u>\$(49.305)</u>	<u>\$(95.517)</u>
Difference between resources and spending	\$6.223	\$0.195	\$6.418

ⁱ Base resources for FY2026 include balance carried forward from FY2024 and FY2025 in addition to base funding of \$49.5M per year.

ⁱⁱ North Star Promise+ match amount not yet determined for FY2027. Will be determined based on available resources.

Deficit Projections

When a deficit in resources occurs for the North Star Promise program, the Office of Higher Education is authorized to reduce awards using the rationing procedure outlined in statute (below). Once the Office has determined needed adjustments to the parameters as outlined in statute, institutions will be notified.

136A.1465 Subd. 9. Office administration.

The office is authorized to administer the program. If funds are insufficient, the office shall determine the scholarship amount or number of scholarships awarded. If a student withdraws or is no longer enrolled during a semester in which a scholarship was awarded, the office may determine how this will affect the scholarship.

Next Report

The next report on Minnesota State Grant spending is due to the Legislature by February 15, 2026.



2025