Future of State Financial Aid: Ideas and Exploration

Dr. Wendy Robinson
Minnesota Office of Higher Education

OFFICE OF HIGHER EDUCATION

Why College Still Matters

- Minnesota needs an educated workforce
  - According to research from Georgetown University's Center on Education and the Workforce, Minnesota ranks **first** among all 50 states for the proportion of future job opportunities requiring a postsecondary degree or training, and **fifth** specifically for jobs requiring a bachelor's degree or higher by 2031.
  - By 2031, experts predict that over 70% of Minnesota jobs will require postsecondary education or training
- Obtaining a college degree continues to be correlated with positive life outcomes, including:
  - Lower rates of unemployment
  - Higher lifetime earnings
  - Lower rates of judicial involvement
  - Higher rates of civic engagement
  - Lower participation in means tested public benefits programs
  - Higher rates of homeownership

The Cost Barrier to College Attainment

- The cost of college education continue to be a primary concern for prospective and current students and families
- Aid offered through federal financial aid programs like the Pell Grant and Direct Loan program has not kept pace with the costs of tuition and fees for many students
- State financial aid programs are a key part of the affordability puzzle for many families
- Strengthening Minnesota's state financial aid model is a key part of making sure Minnesota continues to be one of the top states for college attainment

Current Model and Programs

Program Name	Year it Began	Number of Students Served in 2025	Average Award Size	Annual Budget in 2026
Minnesota State Grant	1969	74,526	$2,974	$247.3M
North Star Promise	2025	60,983	$1,781	$49.5M
Fostering Independence Grant	2023	704	$10,821	$8.146M
Grants for Students with Intellectual and Developmental Disabilities	2018	43	$4,724	$0.200M
Minnesota Indian Scholarship Program	1956	1,055	$3,240	$3.5M
Postsecondary Child Care Grant	1991	1,077	$5,926	$6.944M
State Work Study		6,286	$1,788	$11.752M
Grants to Student Teachers in Shortage Areas	2025	208	$6,102	$0.250M
Underrepresented Student Teacher Grants	2025	117	$6,512	$1.125M
Public Safety Officer's Survivor Grant	1991	10	$13,311	$0.100M

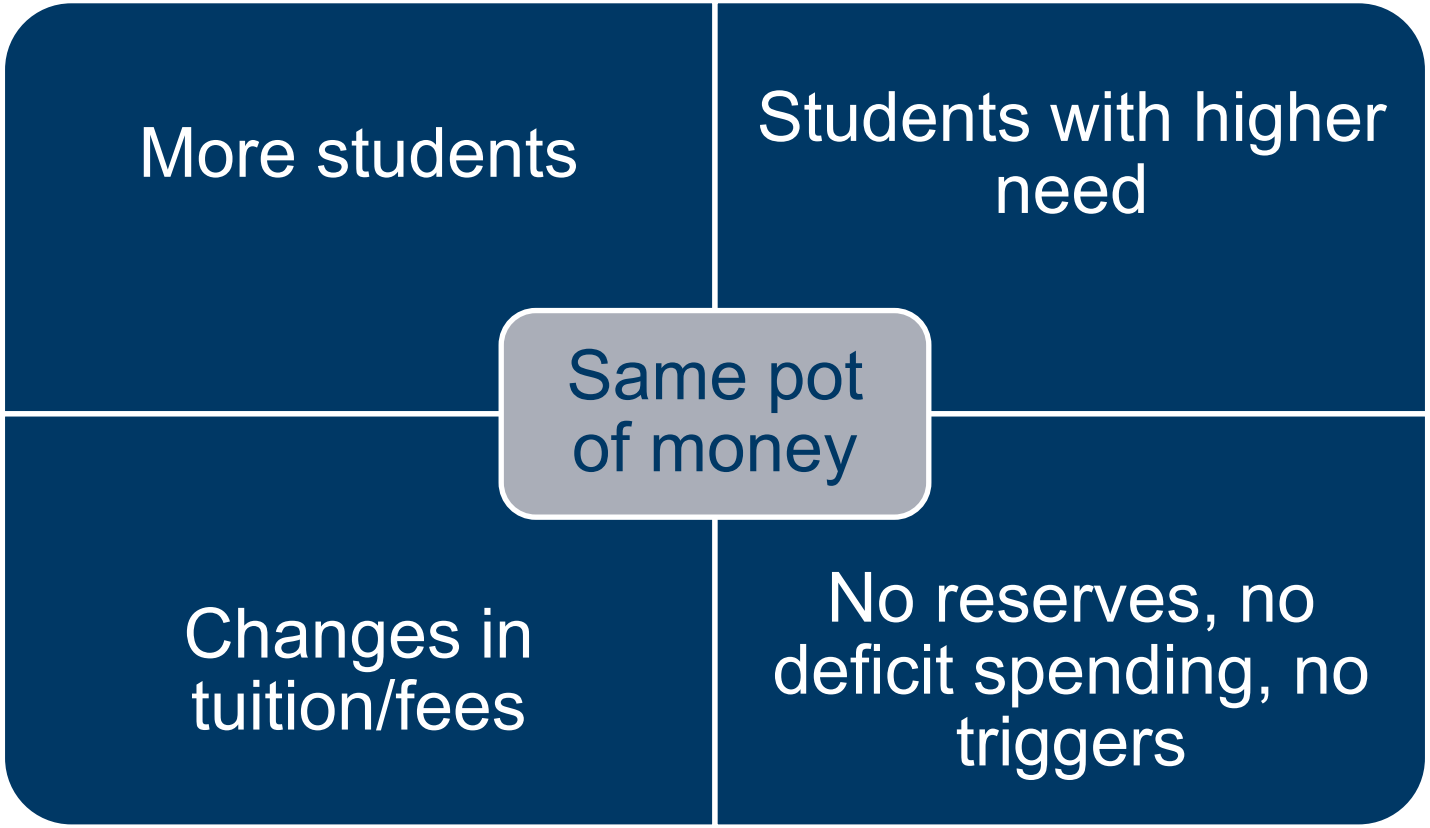
Strengths of Our Current Model

- No separate application needed for our largest programs for students who complete the FAFSA
- Supports student choice in terms of type of undergraduate credential and institution they wish to attend
- Offers a tuition and fee free pathway to a bachelor's degree for many students attending public or tribal institutions
- Renewable and portable as students work toward completing a degree
- Leverages the Pell Grant for eligible students
- Maximizes aid for the neediest students

Challenges of Our Current Model

- Lack of awareness: Too many prospective students aren't aware of state financial aid programs and/or don't know if they'll qualify
- The State Grant formula is complicated and it isn't easy for students/families to predict how much they'll qualify for prior to getting financial aid offer letters
- The State Grant's relationship to the Pell Grant program is a potential vulnerability
- Lack of stability in award amounts due to shifts in enrollment and tuition/fees
- Lack of ability to have a reserve fund for most programs
- Overlapping program eligibility can be confusing for students/families
- Overlapping program eligibility means that changes in State Grant impact NSP

How Do Financial Aid Shortfalls Happen?



Financial Aid Redesign: What Problems Are We Trying to Solve?

- How can we maximize the positive impact of state financial aid for students and the state?
- Is there a model that would meet the following goals?
  - Be more transparent for students/parents (in terms of eligibility and award sizes, prior to completing a FAFSA)
  - Be more stable (e.g. awards amounts that don't fluctuate from year to year, students would be better able to consider costs for their whole education, not just the current year)
  - Continue to be need based, but more inclusive
  - Continue to be accessible via FAFSA, but less vulnerable to potential changes at the federal level
- What are the pros/cons to sticking with our current model? Are there smaller modifications that could be made to address some of the current challenges?

OHE's Role in a Redesign

- OHE does not have the authority to make sweeping changes to the state's financial aid model
  - Ultimately the future of the state financial aid model rests with the Minnesota Legislature
- OHE is well positioned to:
  - Connect with stakeholders, students, families, and others to hear their concerns, hopes, and goals for state financial aid
  - Use existing financial aid data to develop and test potential new models and/or the impact to making changes to our current model
  - Research, interview, and get information from other subject matter experts about financial aid models in other states to look for promising practices

Financial Aid Redesign Work So Far

- Secured funding through the Lumina Foundation's Great Admissions Redesign grant to do stakeholder consultation and modeling work
- Hired Bellwether Consulting to assist with stakeholder consultation to ensure participants can give candid feedback
- Partnered with Education Strategy Group to conduct research on 11 other states and their financial aid models (work funded through Lumina Foundation grant)
- Beginning internal work to develop multiple testable models, which will be informed by stakeholder feedback

BELLWETHER CONSULTING

"Partners for the Public Good"

- Helping mission-driven organizations adapt to rapid change
- Research, engagement, and capacity-building
- Deep expertise across Minnesota state government, local government, and nonprofits, including:
  - **Community Considerations Funding Criteria**, Metropolitan Council (2026)
  - **Gaps Analysis for New American Students**, Minnesota Department of Education (2025)
  - **Senior Leaders Institute**, Minnesota Management and Budget (2020-present)



Allison Bell, CEO



Mike Bell, COO

Stakeholder Engagement: Higher Education Professionals

- First round of focus groups completed in August 2026
- Professionals survey: Open until TOMORROW
- Financial aid staff and administrators
  - College access professionals who work directly with students
  - High school counselors
  - Non-financial aid staff who work closely with students (advisors, counselors, TRIO, etc.)
- In addition to the surveys, Bellwether is currently developing an approach and schedule for interviews, focus groups and other engagements. Email allison@bellwethermn.com if you are interested in participating.

Stakeholder Engagement: Students and Families

- Focus groups and interviews for current college students and prospective students and parents/guardians
- Student survey open until Friday, Oct. 23
  - Current high school students
  - Parents of current high school students
  - Current college students
  - Parents of current college students

Why Financial Aid Redesign is Challenging

- Engaging in this work (and assuming the state doesn't make substantial new investments in state financial aid) requires wrestling with hard questions and tough trade-offs:
  - Is it better to serve more students (even if that lowers the average award size) or to maximize the amount of funding for students with the highest levels of financial need?
  - Should the state work toward having a financial aid reserve fund to promote stability in award sizes or to fully spend down the biannual appropriation to make sure current students get as much funding as possible?
  - Should the state prioritize stability (e.g. having a set or banded award amount) or having a dynamic model that adjusts award sizes based on enrollment shifts?
  - Should we try to increase transparency by reducing overlapping program eligibility and/or streamlining programs?
- We do this work recognizing that there isn't a perfect model and that consensus won't always be possible
- OHE commits to doing this work as transparently as possible, informed by data and stakeholder feedback

What Comes Next?

- Getting the student/parent survey out to as wide an audience as we can
- Bellwether to continue stakeholder engagement and analysis of findings through fall 2026
- OHE will develop and test multiple models or proposed changes until late fall 2026
- OHE will submit recommendations to the Governor's Office by late fall 2026
- OHE will be prepared to testify about this process and proposed models or changes to financial aid as requested by the Legislature during the 2027 session

Questions

- Please enter questions in the chat if you haven’t already done so!