OFFICE OF HIGHER EDUCATION



Minnesota State Grant and North Star Promise Projections Fiscal Years 2026-2027 and 2028-2029

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Author

Nicole Whelan

State Grant Research Manager
Tel: 651-259-3967
nicole.whelan@state.mn.us

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 $2,673.13 to prepare, including staff time.

Minnesota Office of Higher Education

1450 Energy Park Drive, Suite 350
Saint Paul, MN 55108-5227
Tel: 651.642.0567 or 800.657.3866
TTY Relay: 800.627.3529
Fax: 651.642.0675
Email**:** info.ohe@state.mn.us

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Executive Summary

This report presents actual spending for the Minnesota State Grant and North Star Promise programs for fiscal year 2026 and projected spending for fiscal years 2027, 2028, and 2029, as required by state law. The model used in projecting State Grant and North Star Promise program spending for fiscal years 2027, 2028, and 2029 is based on:

- fiscal year 2026 actual spending data;
- award parameters in law as of November 1, 2026;
- information on enrollment and tuition and fee changes provided by institutional representatives;
- estimated changes to the federal poverty guideline for fiscal years 2028 and 2029 using most the recent CPI data;
- mandatory parameters for the State Grant program for fiscal year 2027, which modify State Grant awards and institute a priority deadline of June 1, 2026 for the North Star Promise program to reduce program spending and ration available resources;
- the percent change in actual State Grant applications from October of fiscal year 2026 to October of fiscal year 2027; and
- an analysis of fiscal year 2027 cashflow to date.

The results of the projections are:

Fiscal Years 2026-2027: State Grant spending totaled $303.340 million for fiscal year 2026 and is projected to total $192.272 million for fiscal year 2027, for a biennial total of $495.612 million. This compares to base resources of $494.989 million for the biennium. The projected difference between base resources and total spending is negative $0.622 million or less than one percent above available resources. Unspent funds in the 2026-2027 biennium for this program are available for use until June 30, 2029[1].

- North Star Promise Program: Spending for the North Star Promise program totaled $46.644 million in fiscal year 2026 and is projected to total $60.697 million for fiscal year 2027. This compares to base resources of $101.935 million for the biennium. Base resources for fiscal year 2026 also included $2.935 million in unspent funds carried forward from the 2024-2025 biennium. The difference between base resources and total spending for the 2026-2027 biennium is expected to be negative $5.406 million. The Office has not issued guidance regarding how schools should reconcile high levels of demand exceeding available resources. It is the Office's opinion that, if enrollment and need rates perform as anticipated, funding will most likely not cover awards for the fiscal year 2027 trailing summer term.

Fiscal years 2028-2029: The spending projection for the State Grant program for fiscal year 2028 is $364.138 million, and the spending projection for fiscal year 2029 is $396.496 million. Total spending for the biennium is projected to be $760.634 million. This compares to base resources of $476.934 million for the biennium. The

[1]Higher Education Omnibus, Laws of Minnesota 2026, 1st Spec. Sess., chapter 5, article 1, section 2, Subd. 2 a.

projected difference between base resources and total spending is negative $283.700 million, or 59% above available resources.

- North Star Promise Program: Spending for the North Star Promise program is projected to total $46.842 million in fiscal year 2028 and $47.888 million in fiscal year 2029, for a biennial total of $97.730 million. This compares to base resources of an estimated $99 million for the biennium. The projected difference between base resources and total spending is positive $4.270 million. Unspent funds for this program are available for use in future years.

Fiscal Years 2026 and 2027 — Actual and Projected Spending

This report presents actual Minnesota State Grant and North Star Promise program spending for fiscal year 2026 and spending projections for fiscal years 2027, 2028, and 2029 as of November 1, 2026. 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 prior to November 1, 2026.

The projections contained in this report are the result of a full simulation of the State Grant model. The model used in projecting State Grant and North Star Promise spending for fiscal years 2027, 2028, and 2029 is based on:

- fiscal year 2026 actual spending data;
- award parameters in law as of November 1, 2026;
- information on enrollment and tuition and fee changes provided by institutional representatives;
- estimated changes to the federal poverty guideline for fiscal years 2028 and 2029 using most the recent CPI data;
- mandatory parameters for the State Grant program for fiscal year 2027, which modify State Grant awards and institute a priority deadline of June 1, 2026 for the North Star Promise program to reduce program spending and ration available resources;
- the percent change in actual State Grant applications from October of fiscal year 2026 to October of fiscal year 2027; and
- an analysis of fiscal year 2027 cashflow to date.

Discussion of the assumptions used in the spending projections starts on page eight.

State Grant Program

State Grant spending totaled $303.340 million for fiscal year 2026 and is projected to total $192.272 million for fiscal year 2027, for a biennial total of $495.612 million. This compares to base resources of $494.989 million for the biennium. The projected difference between base resources and total spending is negative $0.622 million or less than one percent above available resources. Unspent funds in the 2026-2027 biennium for this program are available for use until June 30, 2029[2].

Table 1: Spending versus Resources FY2026-2027 (in millions)

	FY2026	FY2027	Biennium
Base resources	$307.689[i]	$187.300	$494.989
Spending projection	+(303.340)[ii]	+(192.272)[iii]	$495.612
Difference between resources and spending	$4.350	($4.972)	($0.622) <1% above available resources

[i] Base resources for fiscal year 2026 include transfers of $60M from fiscal year 2027 and $0.39M from other programs. [ii] Preliminary.
[iii] Program spending in 2027 is reduced by approximately $131.694M due to rationing. Balance in the 2026-2027 biennium is available in subsequent years.

[2]Higher Education Omnibus, Laws of Minnesota 2026, 1st Spec. Sess., chapter 5, article 1, section 2, Subd. 2 a.

North Star Promise Program

Spending for the North Star Promise program totaled $46.644 million in fiscal year 2026 and is projected to total $60.697 million for fiscal year 2027. This compares to base resources of $101.935 million for the biennium. Base resources for fiscal year 2026 also included $2.935 million in unspent funds carried forward from the 2024-2025 biennium. The difference between base resources and total spending for the 2026-2027 biennium is expected to be negative $5.406 million. The Office has not issued guidance regarding how schools should reconcile high levels of demand exceeding available resources. It is the Office's opinion that, if enrollment and need rates perform as anticipated, funding will most likely not cover awards for the fiscal year 2027 trailing summer term.

Table 2: Spending Forecast versus Resources FY2026-FY2027 (in millions)

	FY2026	FY2027	Biennium
Balance in special revenue account	$2.935[i]	+(0)	$2.935
Ongoing base resources	$49.500	$49.500	$99.000
Total Resources	$52.435	$49.500	$101.935
Projected spending North Star Promise	+(46.644)	+(60.697)	+(107.341)
North Star Promise+ Match	*0%*	*0%*	
Projected spending North Star Promise+	+(0)	+(0)	+(0)
Total Program Spending	$(46.644)	$(60.697)	$(107.341)
Difference between resources and spending	$5.791	$(11.197)	$(5.406)

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

Fiscal Years 2028 and 2029 — Spending Projection

The changes modeled are the Office's best estimates as of November 1, 2026, and are subject to change, based on updated information on enrollment, tuition, family incomes, federal law, changes in federal funding and state appropriations, and changes to the federal need analysis.

State Grant Program

The spending projection for fiscal year 2028 is $364.138 million, and the spending projection for fiscal year 2029 is $396.496 million. Total spending for the biennium is projected to be $760.634 million. This compares to base resources of $476.934 million for the biennium. The projected difference between base resources and total spending is negative $283.700 million, or 59% above available resources.

Table 3: Projected versus Resources FY2028-2029 (in millions)

	FY2028	FY2029	Biennium
Base resources	$238.467	$238.467	$476.934
Spending projection	($364.138)	($396.496)	$(760.634)
Difference between resources and spending	($125.671)	($158.029)	($283.700) 59% above available resources

Insufficient Appropriation

When demand for the State Grant program is projected to exceed available resources, the Office of Higher Education is authorized to reduce awards using the rationing procedure outlined in statute. 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*
>
> *(b) 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.*

North Star Promise Program

Spending for the North Star Promise program is projected to total $46.842 million in fiscal year 2028 and $47.888 million in fiscal year 2029, for a biennial total of $97.730 million. This compares to base resources of an estimated $99 million for the biennium. The projected difference between base resources and total spending is positive $4.270 million. Unspent funds for this program are available for use in future years.

Table 4: Spending Forecast versus Resources FY2028-FY2029 (in millions)

	FY2028	FY2029	Biennium
Balance in special revenue account	$(0)[i]	+(0)	$(0)
Ongoing base resources	$49.500	$49.500	$99.000
Total Resources	$49.500	$49.500	$99.000
Projected spending North Star Promise	+(46.842)	+(47.888)	+(94.730)
Difference between resources and spending	$2.658	$1.612	$4.270

[i] Base resources for FY2028-2029 assume no balance carried forward from FY2026 and FY2027 in addition to base funding of $49.5M per year.

Insufficient Appropriation

When demand for the North Star Promise program is projected to exceed available resources, the Office of Higher Education is authorized to reduce awards using the rationing procedure outlined in statute. 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.*

Assumptions

The Minnesota State Grant spending projection for each fiscal year relies on a series of adjustments and the program parameters shown in Table 5.

Table 5: Minnesota State Grant Award Parameters

	FY2026	FY2027	FY2028	FY2029
	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Living and Miscellaneous Expense Allowance	$12,444	$12,690	$13,110 [ii]	$13,540 [ii]
Assigned Student Responsibility	50%	54.5% [i]	50%	50%
Tuition and Fee Maximums				
Students in Two-Year Programs	$6,909	$7,340	$7,597 [ii]	$7,863 [ii]
Students in Four-Year Programs	$17,717	$18,071	$19,833 [ii]	$20,527 [ii]
Federal Pell Grant Maximum	$7,395	$7,395	$7,395	$7,395
Rationing Surcharge on Assigned Family Responsibility	0%	95% [i]	0%	0%
Proration for the Assigned Family Responsibility				
Dependent Students (Parent Contribution)	95%	185% [i]	95%	95%
Independent Students with Dependents (Student Contribution)	71%	138% [i]	71%	71%
Independent Students without Dependents (Student Contribution)	35%	68% [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. These maximums revert back to law beginning in fiscal year 2028.

State Grant and North Star Promise Award Calculations

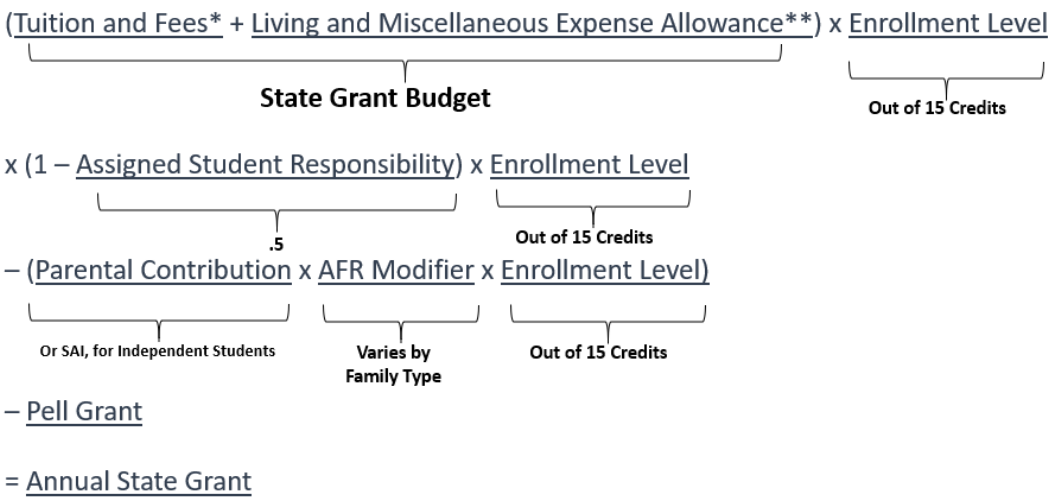
To calculate a student's State Grant award, the financial aid administrator must first define the student's State Grant budget, which is defined as recognized tuition and fees plus the living and miscellaneous expense allowance (LME). Each student's State Grant award is calculated based on recognized tuition and fee levels plus the living and miscellaneous expense allowance (LME). State statute sets LME to 106% of the federal poverty guideline. Tuition and fee levels for students in programs leading to a certificate or associate degree are capped at the tuition and fee level for the highest-cost two-year public institution. For students in Bachelor's degree programs, the tuition and fee maximum is capped at the highest tuition and fees charged at Bachelor's degree-conferring public institution. Tuition and fee maximums for the State Grant budget for the 2026-2027 biennium are based on the tuition and fees rates from the 2024-2025 academic year plus two percent for fiscal year 2026 and an additional two percent for fiscal year 2027. Tuition and fee maximums for the 2028 and 2029 biennium revert to maximums in law. This budget is then prorated by the student's enrollment level out of 15 credits.

A portion of the student's total State Grant budget 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

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 Alternative State Financial Aid 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 a percentage of the Pell Grant they

are calculated to receive, based on household size, family AGI, and/or Student Aid Index. The Office has determined that there will be no Pell Grant match in fiscal year 2027.

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 6 displays the annual figures for the Living and Miscellaneous Expense Allowance.

Table 6: Federal Poverty Guidelines

	FY2026	FY2027	FY2028	FY2029
Poverty Guidelines Year	2025	2026	2027	2028
	Actual	Actual	Projected	Projected
Federal Poverty Guidelines – 1 person in family/household, 48 contiguous states	$15,650	$15,960	$16,487 [i]	$17,031 [i]
Poverty Guideline Increase %	3.92%	1.98%	3.30% [i]	3.30% [i]
Multiplier for 9-month time period	0.75	0.75	0.75	0.75
Inflator in Minnesota law	0.06	0.06	0.06	0.06
Living and Miscellaneous Expense Allowance	$12,444	$12,690	$13,110	$13,540

[i] Estimated

Enrollment Assumptions

The State Grant spending projection also incorporates estimated changes in the number of Minnesota resident undergraduates enrolling at each institution. Table 7 shows information about year-to-year percent change in undergraduate students for fiscal years 2026 to 2029. 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 changes in fall 2026 (fiscal year 2027) were mostly flat or declined, and this trend is expected to continue in subsequent years.

Table 7: Enrollment Assumptions

	FY2026	FY2027	FY2027	FY2028	FY2029
	Fall 2025	Fall 2026	Fall 2026	Fall 2027	Fall 2028
System	Actual	Projected	Actual	Projected	Projected
Minnesota State Colleges	3.3%	1.4%	0.5%	1.1%	0.8%
Minnesota State Universities	1.4%	0.7%	-3.5%	-0.6%	-0.4%
University of Minnesota Twin Cities	2.5%	0% to 3%	0.5%	0% to 2%	0% to 2%
University of Minnesota Crookston, Duluth, Morris, and Rochester	-1% to +30.3%	0% to 3%	-3.5% to +17%	0% to 2%	0% to 2%
Private Not-for-Profit Institutions	2.3%	1.5%	0.1%	0.0%	0.0%
Private For-Profit Institutions	0.0%	4.0%	-0.07%	1.9%	1.9%

Changes in State Grant Applicants

After three years of sustained increases in State Grant applicants, fall of fiscal year 2027 saw a decrease overall in applicants to the program (Table 8). State Grant applicants refers to students who completed the FAFSA or state aid application and met eligibility requirements outlined in state statute to receive a Minnesota State Grant[3]. Beginning in fiscal year 2025, the need profile of applicants also saw a sharp shift, with a much higher percentage of applicants having an assigned family contribution of $0 or less, as determined by their application. These changes have an outsized 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.

[3] Not all eligible students will qualify financially for a State Grant. See MN Statutes Chapter 136A.121 Subd. 2 for full grant eligibility.

Table 8: Year-Over-Year Change in State Grant Applicants, FY26 to FY27[i]

Applicant SAI Band	Count of Applicants, FY26	SAI Band as a Percent of All Applicants, FY26	Count of Applicants, FY27	SAI Band as a Percent of All Applicants, FY27	Percent Change in Applicant Count from Prior Year
-$1,500	39,946	33.5%	37,326	32.6%	-6.6%
-$1 to -$1,499	5,361	38.0%	5,149	37.1%	-4.0%
$0	5,719	42.8%	6,055	42.3%	5.9%
$1 to $1,000	1,312	43.9%	1,081	43.3%	-17.6%
$1,001 to $2,000	1,718	45.3%	1,469	44.6%	-14.5%
$2,001 to $3,000	2,541	47.5%	2,364	46.6%	-7.0%
$3,001 to $4,000	2,979	50.0%	2,764	49.0%	-7.2%
$4,001 to $5,000	2,871	52.4%	2,670	51.4%	-7.0%
$5,001 to $6,000	2,772	54.7%	2,573	53.6%	-7.2%
$6,001 to $7,000	2,469	56.8%	2,369	55.7%	-4.1%
$7,001 to $8,000	2,323	58.7%	2,250	57.6%	-3.1%
$8,001 to $9,000	2,172	60.5%	1,955	59.4%	-10.0%
$9,001 to $10,000	1,956	62.2%	1,862	61.0%	-4.8%
>$10,000	45,129	100.0%	44,719	100.0%	-0.9%
Total	119,268		114,606		-3.9%

[i] As of October 1, 2026.

Pell Grant Changes in Law

The FAFSA Simplification Act enacted in December 2021 authorized significant changes to the Pell Grant award formula, which had a direct impact on State Grant spending. These changes went into effect in fiscal year 2025. The maximum Pell Grant award has been flat since fiscal year 2025, and currently there is no change authorized to the maximum award in subsequent years. 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. As tuition and fees and cost of living increase, flat-funded Pell Grants compound increases in base costs for the State Grant and North Star Promise programs.

Table 9: Federal Pell Grant Award Parameters

	FY2026	FY2027	FY2028	FY2029
	ACTUAL	ACTUAL	PROJECTED	PROJECTED
Pell Grant Minimum Award	$740	$740	$740	$740
Pell Grant Maximum Award	$7,395	$7,395	$7,395	$7,395
Qualifying SAI[i]	$6,655	$6,655	$6,655	$6,655

[i]In addition to having a qualifying SAI, a student may also qualify for an automatic minimum or maximum Pell Grant award based on family adjusted gross income (AGI) relative to the federal poverty guideline. See Federal Student Aid for the full award formula.

Tuition and Fee Increases

The Office gathered information about tuition and fee increases for fiscal years 2028 and 2029 from institutional and system representatives. Table 10 details actual and estimated tuition and fee increases for State Grant calculations as reported by institutions for use in spending projections.

Table 10: Annual Changes in Minnesota Resident Undergraduate Tuition and Fee Rates

	FY2026	FY2027	FY2027	FY2028	FY2029
System	Actual	Projected	Actual	Projected	Projected
Minnesota State Colleges	4.20%	7.00%	5.8%	3.5%	3.5%
Minnesota State Universities	6.20%	7.00%	5.7%	3.5%	3.5%
University of Minnesota	5.9%	3.0%	3.7%	3.5%	3.5%
Private Not-for-Profit Institutions	3.7%	3.0%	1.5%	3.0%	3.0%
Private For-Profit Institutions	7.6%	7.00%	3.7%	7.0%	6.5%

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, 2026. 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).

Next Report

The next report on Minnesota State Grant spending is due to the Legislature by February 15, 2027.



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