

Memorandum: Mandatory Estimated State Grant Parameters

To: Minnesota State Grant Campus Administrators

From: Meghan Flores
State Financial Aid Program Manager

Subject: Mandatory Estimated State Grant Parameters for 2025-2026

Date: December 16, 2024

As reported in the November 1, 2024, [Minnesota State Grant Projections report](https://www.ohe.state.mn.us/mPg.cfm?pageID=1553) (<https://www.ohe.state.mn.us/mPg.cfm?pageID=1553>), the Office of Higher Education (OHE) is projecting a program shortfall for FY2026 and FY2027. The spending projection for fiscal year 2026 is \$316.430million, and the spending projection for fiscal year 2027 is \$344.211 million. Total spending for the biennium is projected to be \$660.641 million. This compares to base resources of \$450.132 million for the biennium. The projected difference between base resources and total spending is negative \$210.509 million, or 47% higher than available resources.

The changes modeled are the Office's best estimates as of November 1, 2024, 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.

Projected versus Resources FY2026-2027 (in millions)

	FY2026	FY2027	Biennium
Base Resources	\$225.066	\$225.066	\$450.132
Spending Projection	<u>+(316.430)</u>	<u>+(344.211)</u>	<u>+(660.641)</u>
Difference between resources and spending	\$(91.364)	\$(119.145)	\$(210.509) 47% above available resources

When a deficit in resources occurs for the State Grant program, OHE is authorized to reduce awards using the rationing procedure outlined in statutes, Minn. Stat. [136A.121 Subd. 7](https://www.revisor.mn.gov/statutes/cite/136A.121) (<https://www.revisor.mn.gov/statutes/cite/136A.121>). The rationing procedures include adding a surcharge to the Assigned Family Responsibility (AFR) and the Assigned Student Responsibility (ASR). The details are outlined in the chart on the next page. Additionally, the allocation section of the law dictates that grants must be awarded on a funds available basis. The Agency projects that for 2025-2026 funds will be available through an original application date of July 31, 2025; therefore, the annual application date for 2025-2026 for the Free Application for Federal Student Aid (FAFSA) or Minnesota Dream Act Application will be 7/31/2025. OHE will monitor this via the ISIR field Application Receipt Date.

The staff at OHE will continue to monitor all levers within the State Grant program and to work collaboratively with the Legislature to work toward solutions for the program. State statute requires that by February 15th the Office provides an updated spending projection. We also anticipate releasing final 2025-2026 State Grant Award Parameters after the legislative session concludes and the University of Minnesota and Minnesota State Colleges and Universities set tuition rates. We anticipate this will occur in June, 2025.

To ensure students receive comparable State Grant award estimates from similarly priced institutions, schools should **use the Mandatory Estimated State Grant Award parameters below for 2025-2026. Schools should also communicate the July 31, 2025 application deadline for the 2025-2026 aid year.** Changes from the current year parameters are shown in red.

Minnesota State Grant Award Parameters	Actual 2024-2025	Mandatory Estimated 2025-2026
Living and Miscellaneous Expense Allowance	\$12,990	\$13,420
Assigned Student Responsibility	52.8% ⁱ	52.7%
Tuition and Fee Maximums:		
Students in Two-Year Programs	\$6,679	\$6,913ⁱⁱ
Students in Four-Year Programs	\$17,370	\$18,065ⁱⁱ
Federal Pell Grant Maximum	\$7,395	\$7,395ⁱⁱ
Rationing Surcharge on Assigned Family Responsibility	Varies	Varies
Proration of Assigned Family Responsibility (AFR):		
Dependent Students (FM Parent Contribution)	100% ⁱ	100%ⁱ
Independent Students with Dependents (FM EFC, FM SAI)	100% ⁱ	100%ⁱ
Independent Students without Dependents (FM EFC, FM SAI)	100% ⁱ	100%ⁱ

ⁱ Increased under OHE authority in statute, ⁱⁱ Estimated

OHE advises schools to exercise caution when providing estimated awards for students with a negative Student Aid Index (SAI). In light of the full implementation of the FAFSA Simplification Act and the significant changes to federal needs analysis, the Agency continues to assess the state's methodology for measuring needs analysis and how that coincides with the final implementation of the SAI under the Act. If you have questions or concerns about use of the mandatory 2025-2026 estimated State Grant award parameters, I encourage you to contact me.