

HF4266 - 0 - State Grant Awards Family Respons. Amount Modified

Chief Author: **Keith Allen**
 Committee: **Higher Education Finance And Policy**
 Date Completed: **3/24/2026 9:56:17 PM**
 Lead Agency: **Office of Higher Education**
 Other Agencies:
 Minnesota State University Of Minnesota

| State Fiscal Impact | Yes | No |
|---------------------------|-----|----|
| Expenditures | X | |
| Fee/Departmental Earnings | | X |
| Tax Revenue | | X |
| Information Technology | X | |
| Local Fiscal Impact | | X |

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

| State Cost (Savings) | Biennium | | | Biennium | | |
|--------------------------------|----------------------|--------|----------|----------|--------|--------|
| | Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| University Of Minnesota | | | | | | |
| General Fund | - | - | 4 | - | - | - |
| State Total | | | | | | |
| General Fund | - | - | 4 | - | - | - |
| Total | - | - | 4 | - | - | - |
| Biennial Total | | | 4 | | | - |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|------------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| University Of Minnesota | | | | | |
| General Fund | - | - | .01 | - | - |
| Total | - | - | .01 | - | - |

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Kate Schiller **Date:** 3/24/2026 9:56:17 PM
Phone: 651-296-6052 **Email:** kate.schiller@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

| State Cost (Savings) = 1-2 | | Biennium | | | Biennium | |
|--|--|-----------------|---------------|---------------|-----------------|---------------|
| Dollars in Thousands | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| University Of Minnesota | | | | | | |
| General Fund | | - | - | 4 | - | - |
| Total | | - | - | 4 | - | - |
| Biennial Total | | | | 4 | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| University Of Minnesota | | | | | | |
| General Fund | | - | - | 4 | - | - |
| Total | | - | - | 4 | - | - |
| Biennial Total | | | | 4 | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| University Of Minnesota | | | | | | |
| General Fund | | - | - | - | - | - |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

HF4266 - 0 - State Grant Awards Family Respons. Amount Modified

Chief Author: **Keith Allen**
 Committee: **Higher Education Finance And Policy**
 Date Completed: **3/24/2026 9:56:17 PM**
 Agency: **Office of Higher Education**

| State Fiscal Impact | Yes | No |
|---------------------------|-----|----|
| Expenditures | X | |
| Fee/Departmental Earnings | | X |
| Tax Revenue | | X |
| Information Technology | | X |
| Local Fiscal Impact | | X |

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

| State Cost (Savings) | Biennium | | | Biennium | | |
|-----------------------|----------------------|--------|--------|----------|--------|--------|
| | Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | - | - | - | - | - | - |
| Biennial Total | | | | - | | - |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | | |
|--------------------------------------|----------|--------|--------|----------|--------|--------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | - | - | - | - | - | - |

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Kate Schiller **Date:** 3/24/2026 12:51:39 PM
Phone: 651-296-6052 **Email:** kate.schiller@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

| State Cost (Savings) = 1-2 | | Biennium | | | Biennium | |
|--|--------|----------|--------|--------|----------|---|
| Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | |
| Total | - | - | - | - | - | - |
| Biennial Total | | | - | | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Total | - | - | - | - | - | - |
| Biennial Total | | | - | | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| Total | - | - | - | - | - | - |
| Biennial Total | | | - | | | - |

Bill Description

The bill modifies state statute pertaining to the Minnesota State Grant program in two primary ways:

- MS 136A.101 Subd. 5a is modified to set a minimum assigned family responsibility of \$0 when calculating a student's State Grant award;
- MS 136A.121 Subd. 7a is modified to remove language allowing OHE, in the case of a projected program surplus, to allow for negative assigned family responsibilities of as low as -\$1,500 in the award calculation. In practice a negative assigned family responsibility increases the student's State Grant award.

The effective date for these changes is summer term 2026.

Assumptions

To estimate the fiscal impact of this bill on Minnesota State Grant spending, OHE ran a cost simulation of State Grant data projecting fiscal year 2025 actual spending to fiscal years 2026 and 2027 using the parameters outlined in the February 15, 2026, State Grant & NSP projections report. Because this report only projects spending through the end of the current biennium, the cost for fiscal years 2028 and 2029 is held flat.

Because there was no State Grant spending in the trailing summer term of fiscal year 2025, estimates are used to approximate this data in two primary ways:

- For students who applied to the North Star Promise program in fiscal year 2025, enrollment data for the trailing summer term is used as a proxy to calculate estimated State Grant awards;
- At private institutions, a global modifier was applied to approximate State Grant spending, based on historical trends.

There is no net fiscal impact for the modifications to 136A.121 Subd. 7a.

The proposed effective date of this change could present challenges as some summer 2026 terms begin before the end of the legislative session and others within days of session ending.

Expenditure and/or Revenue Formula

The changes to the Minnesota State Grant award formula would result in a \$4.523M reduction in spending in FY2026, and a \$36.733M reduction in spending in FY2027.

An estimated 500 students would lose State Grant awards in FY2027 due to this change. This change also decreases the average State Grant award by \$400 in FY2027 as compared to base awards for these changes.

Additionally, changes to the State Grant program have a direct impact on North Star Promise spending. These changes increase NSP spending by \$0.422M in fiscal year 2026 and \$1.523M in fiscal year 2027.

An additional 575 students would receive NSP grants, and the average grant would decrease by \$20.

Projected spending differences between current law and the changes proposed in this bill are shown in Table 1 below.

These cost estimates assume use of assumptions outlined in the February 2026 State Grant and North Star Promise projections report, but without rationing applied to awards in 2027. Without rationing, the projected deficit in fiscal year 2027 is approximately \$131M. Adoption of this change will not eliminate the deficit, but it would allow OHE to ease rationing in fiscal year 2027 when releasing final award parameters for the year.

Table 1: Projected Spending

| | Total Spending, FY2026 (in thousands) | Total Spending, FY2027 (in thousands) | Total Spending, Biennium (in thousands) | Est. # of Recipients (estimated) | Average Award (estimated) |
|--|---|---|--|--|------------------------------|
| State Grant | | | | | |
| Base Resources | \$307,300 | \$187,300 | \$494,600 | | |
| February Spending Projection Without Rationing | \$292,475 | \$332,978 | \$626,453 | 88,440 | \$3,765 |
| Spending Projection, HF4266 | \$287,952 | \$296,245 | \$584,197 | 87,940 | \$3,370 |
| Change in projected spending per proposed changes | (\$4,523) | (\$36,733) | (\$38,021) | -500 | (\$395) |
| Difference between resources and spending, HF4266 Without Rationing | \$19,348 | \$(108,945) | \$(89,597) | | |
| North Star Promise | | | | | |
| Base Resources | \$52,435 | \$49,500 | \$101,935 | | |
| February Spending Projection Without Rationing | \$47,756 | \$38,374 | \$86,130 | 14,250 | \$3,050 |
| Spending Projection, HF4266 | \$48,178 | \$39,898 | \$88,076 | 14,820 | \$3,030 |
| Change in projected spending per proposed changes | \$422 | \$1,523 | \$1,945 | +570 | (\$20) |
| Difference between resources and spending, HF4266 | \$4,257 | \$9,602 | \$13,859 ¹ | | |

¹This total assumes no rationing in the State Grant program and no priority deadline for the North Star Promise program. This figure will change when rationing is applied to State Grant following the conclusion of the 2026 Legislative session, and a priority deadline will be applied to North Star Promise.

The North Star Promise program currently has a priority deadline of June 1, 2026, for students to receive grants under the program. This bill increases spending in NSP, but based on projections, the increase keeps spending within resources.

Long-Term Fiscal Considerations

Local Fiscal Impact

The cost estimate is based on several assumptions that may change, including tuition and fee increases adopted by the

public governing boards, and enrollment changes

References/Sources

OHE utilized financial aid application and enrollment data for fiscal year 2025 in estimating State Grant costs for this fiscal note and a cost simulation of the State Grant program projecting fiscal year 2025 actual spending to fiscal years 2026-2027.

Agency Contact: Nicole Whelan

Agency Fiscal Note Coordinator Signature: Michelle Scott

Phone: 651-259-3980

Date: 3/24/2026 12:42:16 PM

Email: michelle.scott@state.mn.us

HF4266 - 0 - State Grant Awards Family Respons. Amount Modified

Chief Author: **Keith Allen**
 Committee: **Higher Education Finance And Policy**
 Date Completed: **3/24/2026 9:56:17 PM**
 Agency: **Minnesota State**

| State Fiscal Impact | Yes | No |
|---------------------------|-----|----|
| Expenditures | | X |
| Fee/Departmental Earnings | | X |
| Tax Revenue | | X |
| Information Technology | | X |
| Local Fiscal Impact | | X |

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

| State Cost (Savings) | Biennium | | | Biennium | | |
|-----------------------|----------------------|--------|--------|----------|--------|--------|
| | Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | - | - | - | - | - | - |
| Biennial Total | | | - | | | - |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | | |
|--------------------------------------|----------|--------|--------|----------|--------|--------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | - | - | - | - | - | - |

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Kate Schiller **Date:** 3/24/2026 9:55:29 PM
Phone: 651-296-6052 **Email:** kate.schiller@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

| State Cost (Savings) = 1-2 | | Biennium | | | Biennium | |
|--|--------|----------|--------|--------|----------|---|
| Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | |
| Total | - | - | - | - | - | - |
| Biennial Total | | | - | | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Total | - | - | - | - | - | - |
| Biennial Total | | | - | | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| Total | - | - | - | - | - | - |
| Biennial Total | | | - | | | - |

Bill Description

This bill modifies parameters for calculating state financial aid award amounts, increasing assigned family responsibility amounts for state aid programs by not recognizing negative federal assigned family responsibility amounts.

Assumptions

Changes to calculations would begin with the summer 2026 academic term.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

As a secondary effect of this legislation, the reductions in financial aid in this bill could have impacts on enrollment at Minnesota State institutions, possibly including reductions in revenues for tuition and other payments for education, workforce training, and related activities.

Local Fiscal Impact

References/Sources

Agency Contact: Steve Ernest (651-201-1710)

Agency Fiscal Note Coordinator Signature: Steve Ernest

Phone: 651-201-1710

Date: 3/24/2026 8:18:30 AM

Email: Steve.Ernest@minnstate.edu

HF4266 - 0 - State Grant Awards Family Respons. Amount Modified

Chief Author: **Keith Allen**
 Committee: **Higher Education Finance And Policy**
 Date Completed: **3/24/2026 9:56:17 PM**
 Agency: **University Of Minnesota**

| State Fiscal Impact | Yes | No |
|---------------------------|-----|----|
| Expenditures | X | |
| Fee/Departmental Earnings | | X |
| Tax Revenue | | X |
| Information Technology | X | |
| Local Fiscal Impact | | X |

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

| State Cost (Savings) | Biennium | | | Biennium | | |
|-----------------------|----------------------|--------|----------|----------|--------|--------|
| | Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | - | 4 | - | - | - |
| Total | - | - | 4 | - | - | - |
| Biennial Total | | | 4 | | | - |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|------------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | - | .01 | - | - |
| Total | - | - | .01 | - | - |

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Adam Bolling **Date:** 3/23/2026 2:20:57 PM
Phone: 651-296-6053 **Email:** adam.bolling@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

| State Cost (Savings) = 1-2 | | Biennium | | | Biennium | |
|--|--------|----------|-----------------------|--------|----------|----------|
| Dollars in Thousands | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | |
| General Fund | - | - | 4 | - | - | - |
| Total | - | - | 4 | - | - | - |
| | | | Biennial Total | | | 4 |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| General Fund | - | - | 4 | - | - | - |
| Total | - | - | 4 | - | - | - |
| | | | Biennial Total | | | 4 |
| 2 - Revenues, Transfers In* | | | | | | |
| General Fund | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| | | | Biennial Total | | | - |

Bill Description

The bill eliminates the recognition of a federally assigned negative student aid index within the state grant program, setting a floor of \$0.

Assumptions

The bill will require the following one-time implementation costs:

OIT Developer 1: 20 hours of time to implement changes to formula within hardcoded PeopleSoft functionality.

Business Analyst 3: 10 hours of time to test and migrate changes to production environments.

Expenditure and/or Revenue Formula

OIT Developer 1: 20 hours x \$120 per hour x 1.385 fringe = \$3324.00

Business Analyst 3: 10 x \$45 per hour x 1.385 fringe = \$623.25

Total estimated cost to implement: \$3947.25

Long-Term Fiscal Considerations

None

Local Fiscal Impact

References/Sources

Nate Peterson, Executive Director, Office of Student Finance, University of Minnesota

Agency Contact: Keeya Steel

Agency Fiscal Note Coordinator Signature: Keeya Steel
Phone: 612-625-5512

Date: 3/23/2026 12:17:19 PM
Email: keeya@umn.edu