

Subject Higher Education: State Grant Program

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Overview

This bill makes changes to the state grant program, the state's largest postsecondary financial aid program, which is administered by the Office of Higher Education (OHE). The bill eliminates the recognition of a federally assigned *negative* student aid index (SAI) within the program, setting a floor of \$0 for purposes of the state grant program.

In 2022, Congress passed the FAFSA Simplification Act, which made significant changes to how federal student aid awards are determined. OHE uses the FAFSA process to determine an eligible student's state grant award, so these federal changes impacted the state grant program. Among other things, the FAFSA Simplification Act replaced the previous "expected family contribution" (EFC) measure with a new measure for determining how much a student's family is expected to pay for higher education. That new measure is called the "student aid index" (SAI). A novel feature of the SAI is that it can be a negative number: as low as -\$1,500 for students with the highest financial needs. Recognizing negative SAI has the effect of increasing financial aid awards for students at the lowest end of the wealth spectrum, as well as increasing the financial demand on aid programs overall.

Two main inputs that the FAFSA uses for determining an SAI are the "parental contribution" (PC) and the "student contribution" (SC) amounts, which are based on income and assets of the parents and student, respectively. The state grant program uses PC and SC for purposes of determining the "assigned family responsibility" (AFR) for a student. Under current law, negative PCs and SCs are partially recognized for purposes of determining AFR under the state grant program. This bill, however, would make \$0 the lowest possible AFR.

For additional background, state law requires state grant awards to be based on a model of shared responsibility for paying for the recognized cost of attendance of a student's chosen postsecondary institution. OHE determines a student's award amount according to the following basic formula:

$$\text{Grant Amount} = \text{Cost of Attendance} - \text{ASR} - \text{AFR} - \text{Pell Grants}$$

The components of this formula are defined as follows. The *cost of attendance* is equal to the amount of tuition and fees (up to any cap set by the legislature) plus an allowance, also set each biennium, for living and miscellaneous expenses (LME). The *assigned student responsibility* (ASR) is at least 50 percent of the cost of attendance. The *assigned family responsibility* (AFR) is the amount the FAFSA determines a student's family should contribute toward the student's education. Finally, *Pell grants* is the federal Pell grant amount for which a student is eligible.

Summary

Section	Description
1	State grant program: Definitions: assigned family responsibility. Removes recognition of federally assigned negative parental or student contributions, setting a minimum recognized assigned family responsibility of \$0.
2	State grant program: Surplus appropriation. Removes OHE's ability to spend down surplus program funds by recognizing negative parental or student contributions that are less than -\$1,500.



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