



Need-based state aid for college students

How Minnesota helps keep higher education affordable

During the 2007 legislative session, state policymakers should recommit to need-based aid for college students by expanding eligibility and increasing awards. This is the most efficient way to target limited state dollars and help keep higher education affordable.

PROPOSAL

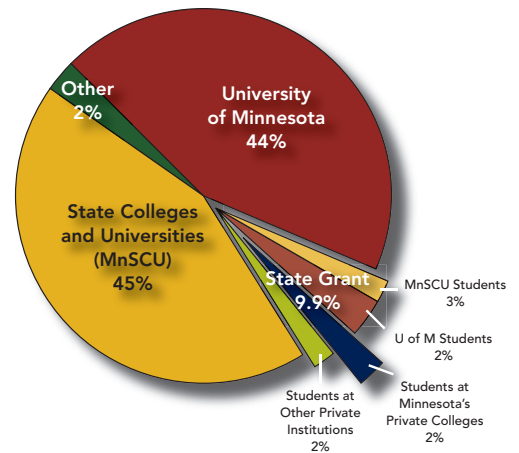
To best help low- and middle-income college students afford their education, the state should increase the aid that goes directly to students, through the State Grant Program. With a new investment of \$191 million over the biennium, as recommended by the Minnesota Private College Council, policymakers would be able to significantly:

- Expand the reach of the state grant program, allowing thousands more middle-income families to be eligible;
- Increase average grant size, which is especially important for the lowest income students; and
- Increase average grants for part-time students, assisting the many students who cannot afford to attend full-time.

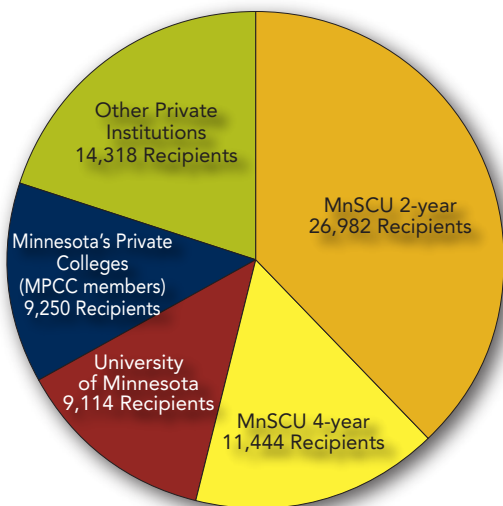
The increase in the size of awards would be significant. Consider a family with income of \$20,000. Under this proposal a full-time student's grant would increase up to 14 percent and a part-time student's average grant would increase up to 50 percent, depending on the institution the student attends.

Under this proposal, the state would lower the share of college costs that students will cover, from the current 46 percent to 40 percent. In addition, the state would change the formula for how the aid is calculated for students attending less than full-time and increase the cap on four-year tuition and fees to correspond with current levels at the University of Minnesota.

State Spending for Higher Education
Fiscal Year 2006 (\$1.35 Billion)



Where do State Grant Recipients Enroll?
Fiscal Year 2006



BENEFITS TO STUDENTS

Who receives State Grant aid?

- Every year 71,000 college students receive aid that allows them to afford to continue their education.
- Most recipient students attend public colleges and universities; only 13 percent attend the 17 private, nonprofit colleges that are represented by the Minnesota Private College Council (MPCC) (see chart at left).
- Three-quarters of the students receiving aid are from families having incomes below \$40,000.

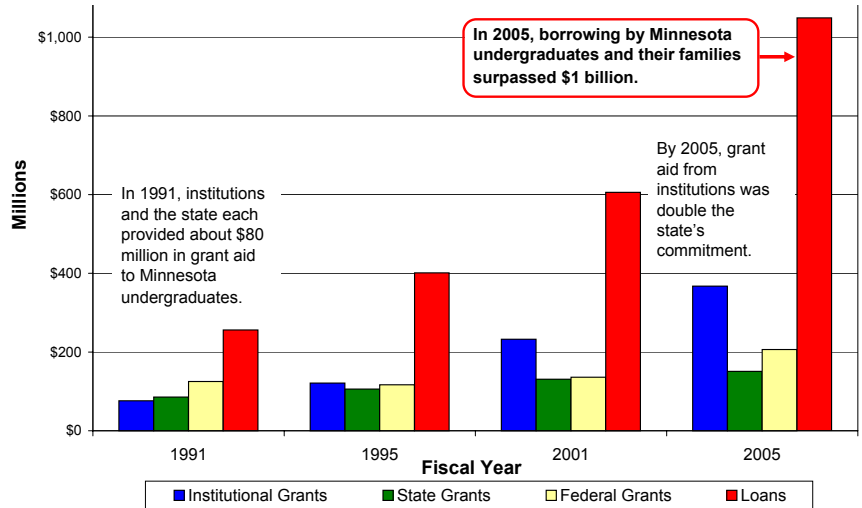
Why should State Grant aid be increased?

- The proposal would reverse the recent trend of shrinking State Grant support for students at all of Minnesota's colleges and universities. The value of the average State Grant award has fallen 14 percent, in inflation-adjusted dollars, in just five years, between fiscal year 2001 and 2005. One factor has been the eligibility cuts that policymakers made in fiscal year 2004 in an effort to balance the state budget.



- State and federal aid have not kept up with need. In 1991 state and federal grants made up more than one-third of undergraduate financial aid; 15 years later they provided less than one-fifth of undergraduate financial aid. The slack has been taken up by greater reliance on grants from institutions and students loans (see graph at right). With borrowing by Minnesota undergraduates and their families surpassing \$1 billion in 2005, this trend cannot continue.

15 Years of Financial Aid to Minnesota Undergraduates



Source: Minnesota Office of Higher Education

BENEFITS TO THE STATE

Increasing need-based aid for college students targets a looming demographic challenge: the number of high school and college graduates in Minnesota will soon fall by more than 10 percent. Meanwhile, the state's economy will require nearly twice as many college graduates — not fewer. Increasing the number of college graduates is critical to the state's economy and quality of life.

This proposal is the most efficient way for state policymakers to use limited state funds to address college costs. The State Grant Program gives support directly to students and it targets low- and middle-income students who have the greatest need — enhancing their ability to choose the institutions that are right for them.

SUPPORT GROWS

The Minnesota Private College Council has offered this proposal as part of the broader *Education Agenda for the Common Good*, which was developed in consultation with many community groups. The agenda aims to increase the number of high school students who are ready and able to move into college and succeed.

Here are some examples of the support that has been shown for the proposal to increase need-based aid:

- The Minnesota Chamber of Commerce has come out strongly in favor of increasing funding for need-based aid; the chamber sees this program as the best way to increase accessibility for the emerging workforce.
- In November a *Star Tribune* editorial observed that the “program is due for a boost. Government-funded student aid has not been growing apace with college costs.”
- Other early supporters of the full agenda include the State of Minnesota Council on Black Minnesotans and the Hispanic Chamber of Commerce.
- In January a *Minnesota Spokesman-Recorder* editorial called on readers to “think of thousands more of our children better prepared for college and better able to afford it without piling up debt, and you’ll see why we must pay close attention to how the Council’s recommendations fare in our newly Democratic Legislature.”

“Given our state's demographics and the competitiveness of today's economy, investing in the State Grant Program is the best way to increase accessibility for the emerging workforce.”

— Minnesota Chamber of Commerce, January 2007

For more information about improving the state's need-based aid for college students, visit www.mnprivatecolleges.org.