

Financial Aid Policy Brief: Investing in College Students, Equity, and Prosperity

“In the arena of financial aid, assistance to those who need it most will boost the national economy. And need-based aid for college helps achieve the separate social goal of greater equity.”

— excerpt from “College Financial Aid: Equity and Efficiency,” *The Region*, Oct. 18, 2018, Federal Reserve Bank of Minneapolis

1 out of 4
share of Minnesota
college students receiving
State Grant awards

92%
share of recipients with family
incomes below \$80,000

\$3,961
average State Grant
award for students earning
bachelor’s degrees

This session we ask Governor Walz and the Legislature to address higher education affordability and attainment gaps by prioritizing investment in the Minnesota State Grant program, which gives college students need-based financial aid.

2019 LEGISLATIVE REQUEST

The Minnesota Private College Council recommends:

An increase of \$92 million in funding for the State Grant program. With this investment state leaders would increase grants by:

- **Reducing the student share** — the portion of college costs that students are expected to pay, and
- **Reducing the family share** — the portion of college costs that families are expected to pay.

Benefits

Tens of thousands of college students and their families would benefit through an increase in:

- the size of students’ awards, and
- the number of Minnesota students receiving the awards.

This investment would have a sizable impact.

- More students would be helped. An additional 9,900 students would receive awards in FY 2020 than would otherwise be the case — an increase of 13%.
- More students would be able to attend college tuition-free.
- More students would receive support to cover living expenses. This would

apply to the highest need students at Minnesota State institutions who already attend tuition-free.

- More middle-class students would be helped. For middle-income students from families with incomes of \$50,000 to \$90,000, average State Grant awards would increase by \$500 or more.
- More students would be able to choose the college that’s right for them — including private nonprofit colleges.

A First Step

The need for investment in the State Grant program is substantial. A recent preliminary analysis released by the Office of Higher Education demonstrated that the program currently asks students and their families to contribute unrealistic and unaffordable amounts. For Minnesota to fully address the financial aid needs of low- and middle-income Minnesotans, more significant reductions in the student share and family share are required.

Our 2019 request to lower the student and family shares is a first step in the right direction — an improvement that will help close affordability and attainment gaps for students from low- and middle-income families.

HOW THE STATE GRANT PROGRAM HELPS STUDENTS

More than 80,000 Minnesota college students — about one in four — receive help paying for college through the Minnesota State Grant program. These students attend part-time and full-time, pursuing both bachelor's and associate degrees. They attend both public and private institutions. And they are both traditional students, between the ages of 18 and 24, and adult learners.

FOCUS

The program targets low- and middle-income Minnesotans. While most recipients have family incomes at or below \$40,000, many recipients have incomes up to \$80,000.

EFFICIENCY

Making grants directly to students is the most effective and efficient way that state government helps reduce college costs. It also works with the federal Pell Grant, which focuses support on the highest-need students.

INCENTIVE

The program provides an incentive for students to stay in Minnesota; this is important, given we are a net exporter of students going to college.

IMPACT

Here's how the State Grant and Pell Grant make college affordable for the highest-need students:

- At public two-year colleges, the maximum awards cover 100 percent of the average tuition with more than \$2,200 remaining for living expenses.
- At Minnesota State universities, the maximum awards cover 100 percent of the average tuition with nearly \$800 remaining for living expenses.
- At the U of M, the maximum awards cover 83 percent of tuition at the Twin Cities campus and up to more than 100 percent of tuition at Crookston.
- At private, nonprofit colleges, the maximum awards cover about 30 percent of the average tuition.

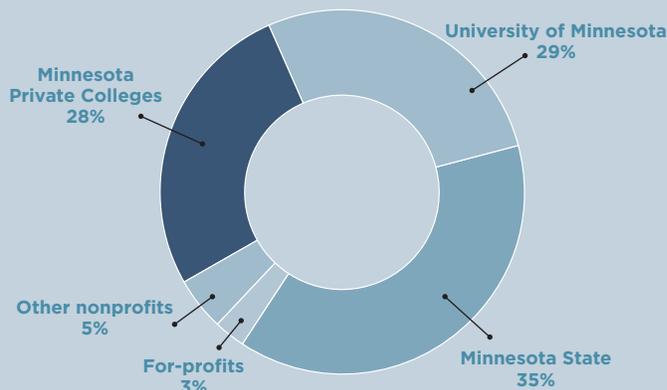
Reducing the Student Share and Family Share

The State Grant program is based on a model of shared responsibility: Students and families are expected to contribute by working, saving, and borrowing. That makes sense. Then State Grant awards help cover costs that students and families can't afford.

The program expects students receiving grants to be able to pay for 50 percent of their higher education costs. That is no longer realistic, given how tuition and living expenses have increased. This can force students to borrow too much, leading to excessive debt at graduation. It can also force students to spend too much time working, resulting in students taking fewer credits than needed to graduate on time. *This request would return the student share to what it was from 2001 to 2013, dropping it from 50 percent to 46 percent.*

The program expects a family to contribute an amount that varies based on the family's income and size. Through the FAFSA, the federal government sets unrealistic expectations for family contributions. *This request would drop the family share by five percentage points, lowering the amount families are expected to pay.*

Majority of State Grant Funds Help Students at Public Institutions



Source: Minnesota Office of Higher Education FY2018 State Grant data

THE CASE FOR STATE GRANT INVESTMENT

Minnesota's economy is healthy and vibrant. Unemployment is at 2.8 percent.¹ Wages are rising: the inflation-adjusted median household income in Minnesota climbed from \$58,951 in 2010 to \$71,920 in 2017.² Our state's education systems — both K-12 and higher education — have played a critical role in making Minnesota's economy strong.

Do our historical educational successes mean we are securely positioned for a future of economic vitality? No — there are significant economic challenges on the horizon. The growth in our workforce is slowing dramatically while at the same time the demand for college-educated employees is increasing. The challenge of a Minnesota workforce shortage is compounded by Minnesota's persistent educational attainment gaps.

To be ready to compete for the jobs in the economy of the future, more Minnesotans than ever must achieve success in post-secondary education. But, as is widely recognized, our State has among the largest education attainment gaps in the nation. These gaps start in early childhood education and persist through college completion.

Minnesota needs a public policy agenda that focuses on closing our higher education attainment gaps.

We need to increase college completion rates for students of color, Native American students, and low-income students so everyone in our state can fulfill their potential, which will build the talented workforce required to power our economy and meet the needs of employers in the decades ahead.

Expanding the Minnesota State Grant program is the best policy tool for closing higher education attainment gaps, keeping college affordable, reducing student debt, and building the workforce talent needed for Minnesota's economy.

I. Our State's Future Workforce Needs

Slowing workforce growth

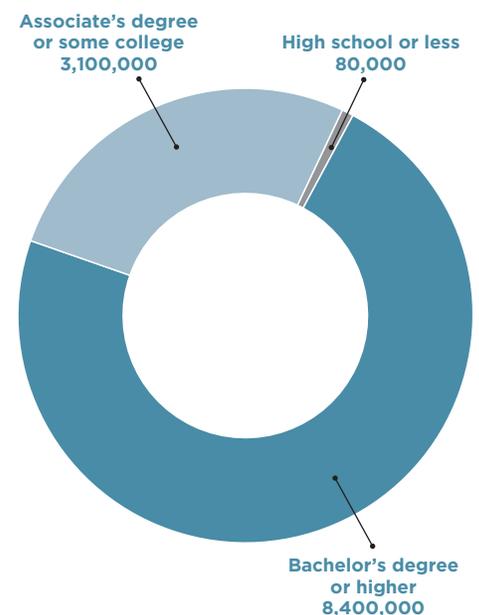
Between the 1980s and the 2000s, Minnesota's workforce grew on average by more than 31,000 workers per year.³ According to Minnesota's state demographer, our labor force growth will dramatically slow in the next three decades, due to a combination of an increasing number of workers reaching retirement age and little to no growth in the number of younger people entering the workforce. The result is an average growth rate of only 8,000 workers per year in the 2010s, dropping to 4,000 per year in the 2020s.

Minnesota Chamber of Commerce President Doug Loon said recently that "the mounting challenge of filling job vacancies is a common thread in our business benchmarks."⁴ There is already

a worker shortfall, with 5.7 percent of job vacancies unfilled in Greater Minnesota and 4.8 percent unfilled in the seven-county metro area.⁵ The worker shortfall affects both new businesses and those that want to expand. The shortfall between the supply of and demand for our workforce in the broader Twin Cities region alone is expected to reach 100,000 in a few years, according to a Peter Frosch, senior vice president, Greater MSP.⁶ And according to the Center for Rural Policy and Development, this is a big hurdle for employers in greater Minnesota as well.⁷

Bachelor Degree Holders Make Up Large Majority of Who Got Hired

U.S. Jobs Added from 2010 to 2016, by Education Level



Source: Georgetown University Center on Education and the Workforce analysis of Current Population Survey (CPS) data, 2007-2016.

THE HIGH VALUE OF A BACHELOR'S DEGREE

While our state needs greater postsecondary success at all degree levels including associate degrees and vocational certificates, in today's economy, a bachelor's degree remains the surest pathway to economic security and a middle-class income. A bachelor's degree is valued by employers — and it pays off personally to individuals who obtain degrees. Benefits of having a bachelor's degree include improved health, increased civic engagement, wider professional opportunities, more stable employment, and higher wages.^{8, 9}

Consider some of the key facts about bachelor's degrees:

- **A large majority of the new jobs created in the economy are going to those with a bachelor's degree or higher.** Between 2010 and 2016, the U.S. economy created about 11 million new jobs. More than 8 million of those jobs went to people with a four-year degree or higher. Only 3 million of those new jobs went to those with a two-year degree or some college, and there has been virtually no job growth in the economy for those with a high school degree or less. And that trend continues strong: a year-over-year comparison shows that 83 percent of newly created jobs went to those holding a bachelor's degree or higher.¹⁰
- **Americans with a bachelor's degree earn significantly more than those with just a high school degree.** The

median earnings for Minnesotans with a bachelor's degree is 74 percent higher than for those with a high school degree and 43 percent higher than those with an associate's degree or some college.¹¹ And according to national data, the earnings increase with a bachelor's degree over a high school diploma is larger for African-Americans (67 percent) and Latinos (78 percent) than whites (59 percent).¹² Nationally, the earnings premium for a bachelor's degree has been increasing. Median earnings for Americans aged 22-27 between 1990 and 1997 with a bachelor's degree were 42 percent higher than those with just a high school degree. Two decades later, (between 2010 and 2017) that gap grew to 59 percent.¹³ Economic studies have concluded that the investment in a four-year degree yields a better return than investing in the stock market or buying a home.¹⁴

- **Americans with a bachelor's degree are less likely to be unemployed.** That was clear during the Great Recession. In 2010 the unemployment rate for bachelor's degree holders in Minnesota was 4.1 percent, while the unemployment rate for others was more than double that. And by 2016 the unemployment rate for bachelor's degree holders dropped to 1.8 percent.¹⁵

The state's employers need communities with an abundant supply of well-educated citizens who can bring knowledge, talent and creativity to the business challenges of our globalized economy. With a workforce that is growing slowly, it will be increasingly difficult for Minnesota employers to find and hire the employees they need.

The expanding need for critical thinkers and highly skilled workers

In order for Minnesota's economy to prosper, we must *increase* the level of educational attainment of our young people and graduate more individuals with degrees and credentials to capture future employment opportunities and to meet the needs of our business community.

Economists predict that the rapid pace of technological innovation and globalization means that the jobs of the future will require a more highly educated workforce. According to Janet Yellen, former chair of the Federal Reserve, "economists are not certain about many things, but we are quite certain that a college diploma or an advanced degree is a key to economic success."¹⁶

According to the Georgetown University Center for the Study of Education and the Workforce, Minnesota will need 74 percent of its workforce to have at least some college education by 2020, and **more than half of those workers will require a bachelor's degree or higher.**¹⁷ According to data from Greater MSP, the Twin Cities ranks only 6th among 12 peer markets for the percentage of our population holding a bachelor's degree or higher.¹⁸

Against the backdrop of a labor force that is barely growing, it is clear that our economy needs every worker to be fully prepared. **If we are to remain competitive, Minnesota simply cannot afford to waste the potential of anyone in our state.** For all of Minnesota to continue to compete economically in the next decades, we must further boost our level of educational attainment.

That's why in 2013 Minnesota — like many states around the country — established a statewide postsecondary education attainment goal: by 2025, 70 percent of Minnesotans age 25 to 44 should have some form of postsecondary degree or certificate.¹⁹ We are substantially short of and not on track to meet our attainment goal: today only about 60 percent of Minnesotans have some form of postsecondary credential.

II. Minnesota's Persistent Educational Attainment Gaps

At the same time that Minnesota's labor force growth is slowing and the economy needs more skilled workers, too many Minnesotans — particularly those from disadvantaged families — are faced with many barriers to achieving their full educational and economic potential.

Minnesota students from lower-income families tend to have lower academic attainment than their classmates from higher-income families, resulting in increased barriers to college access and degree attainment.²⁰ Nationally, only 11 percent of students from the lowest

income quartile and only 20 percent from the second income quartile earn a four-year degree by age 25, compared to 58 percent of students from the highest income quartile.²¹

And these students are disproportionately students of color and from families where they are the first to go on to college.²² Minnesota's education attainment gaps are among the worst in the nation.²³ An estimated 66 percent of white and Asian Minnesotans ages 25-44 have a certificate or higher credential, while other racial and ethnic groups have far lower attainment rates. (See chart.) All colleges need to do better, both public and private.

In Minnesota only 20 percent of high school graduates eligible for free or reduced price lunch earned a bachelor's degree within eight years, compared to 46 percent of students not eligible for these programs.²⁴

These attainment gaps represent a major challenge to preparing students to enter the workforce with the skills necessary to meet the state's current and future needs.

The educational success of all students is essential to meeting Minnesota's future workforce needs. It's simply not possible for Minnesota to meet its 70 percent attainment goal without closing these attainment gaps.

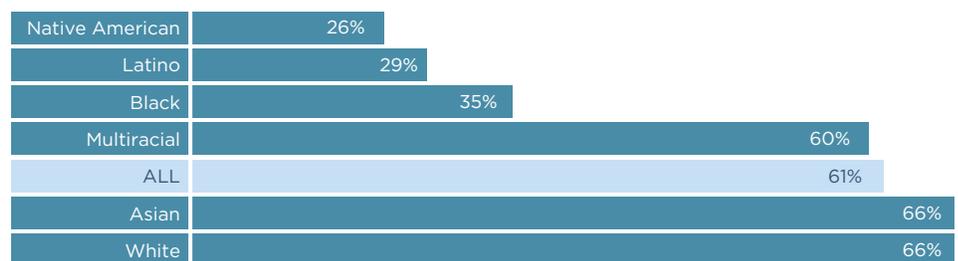
III. Increasing College Success with State Grant Investment

Meeting our postsecondary degree attainment goal requires public policy that focuses more of the state's higher education investment on closing our college attainment gaps. Rather than sprinkling scarce resources across many students, including many who have little or no need, state policy should focus on those students with the greatest financial need, who are also disproportionately students of color and first-generation students.

This can best be done by significantly increasing the State's investment in the Minnesota State Grant program.

Share of Minnesota Adults with Certificates or Higher Ed Degrees Varies by Race/Ethnicity

All Groups Fall Below State Goal of 70%; Data for 25- to 44-Year-Olds



Source: Minnesota Office of Higher Education analysis of IPUMS U.S. Census Bureau 2011-2015 ACS data. Note: Analysis results in a predicted range of educational attainment.

Minnesota must reduce economic barriers to educational success for lower- and middle-income Minnesotans. When more students succeed, Minnesota will have a stronger economy and stronger communities.

With targeted investments in the Minnesota State Grant program, higher education institutions across the state — both public and private — can significantly contribute to closing attainment gaps and strengthening our future workforce.

Investments that expand and improve need-based financial aid provided through the Minnesota State Grant program are critical for moving our state forward. The State Grant program focuses on the students at two-year and four-year institutions, public and private, who have the greatest financial need. For these students, the financial, academic, and social barriers to college success are greater than for other students.

Need-based financial aid provided through the State Grant program will help close our attainment gaps and increase our statewide levels of degree attainment. Numerous research studies have documented that direct need-based aid to students:²⁵

- Increases college enrollment among lower-income students;
- Increases retention and persistence of students;
- Increases on-time (i.e., two-year and four-year) graduation rates;
- Improves learning by allowing more time for study and increases in credit loads by reducing the need for excessive student work hours during the school year; and
- Reduces reliance on student debt to pay for college.

Students are more likely to succeed in and complete college when they pursue a degree at the college that best fits their interests, aspirations, and academic potential. Giving lower-income students, who are disproportionately students of color and Native American students, a full range of choices in the college they

attend — including institutions that award bachelor's degrees and private nonprofit institutions in particular — will help them succeed at higher rates, thereby closing attainment gaps and building a stronger future workforce.

There are other ideas out there for helping keep college affordable. Some focus only on the public sector, offering tuition freezes or free tuition for all. These ideas leave out all the students who have found a private nonprofit college education to be their best option. These proposals also scatter scarce resources too broadly — giving benefits to higher-income families who don't face significant challenges paying for college. That's an inefficient and costly way to address affordability concerns.

Expanding the impact and reach of Minnesota's need-based grants is the best option for our state.

Challenges

Over time State Grant awards have not kept up with the costs students face. Too many students cannot afford to pay what is expected of them. The Office of Higher Education recently released a preliminary analysis that addressed these concerns; the agency's analysis concludes that the program asks students and their families to contribute amounts that are unrealistic and unaffordable.²⁶

Meanwhile the share of students receiving these grants has dropped. While a few years ago one in three Minnesota college students received State Grant awards, now only one in four receive them.

PRIVATE NONPROFIT COLLEGES MEET MINNESOTA'S NEEDS

Each of the 17 institutions that are represented by Minnesota Private College Council is unique. Yet there is a lot to say about our collective impact.

We educate tomorrow's workforce

The knowledge and skills gained at our colleges and universities are exactly what employers seek. A liberal arts education that emphasizes critical thinking skills and real-world experiences is more relevant than ever in our global economy. Overall, our contribution is significant: our institutions award 30 percent of all bachelor's degrees in the state. This share is higher in specific areas, including physical sciences (49 percent), nursing (44 percent), mathematics and statistics (35 percent), and business (33 percent).²⁷ We also award significant numbers of graduate and professional degrees.²⁸

We reflect Minnesota's diversity

Our students reflect Minnesota, which is where two-thirds of our students are from. Consider in particular that:

- 25 percent of our domestic undergrads are students of color and Native American,

- 20 percent of our students are “first-generation,” meaning that neither of their parents completed a degree, and
- 25 percent of our undergrads receive federal Pell Grants, which serve students from the lowest-income families.

It's important to note that our undergrads aren't all starting straight from high school. Twenty-two percent of our new students are transfer students, many from Minnesota community colleges, and 13 percent are independent students, meaning they're age 25 or older. (Six of our colleges offer evening and weekend degree completion programs designed for adult learners.)

We help students succeed

Our four-year graduation rate is the best in the state.²⁹ And when compared to other states' graduation rates — for both public and private institutions — our rate is the best in the Midwest and ranks third nationally. We also stand out when looking at the average graduation rate for students of color and Native American students — as well as the

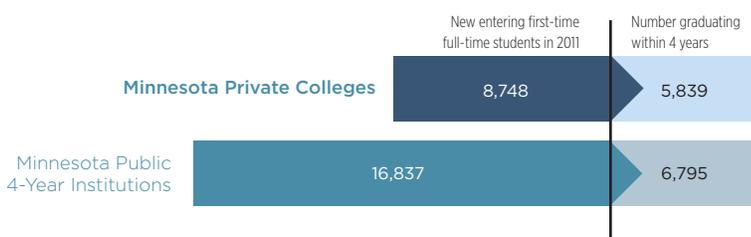
graduation rate for low-income students who receive Pell Grants: In both cases our rate is the highest in the state and higher than the averages for public and private colleges nationwide.³⁰ What makes the difference? Credit personalized attention and strong student support. The result is that our students are able to stop paying tuition and move on to start their careers.

We serve a public purpose

While our institutions are private, as nonprofits they serve a public purpose — meeting the educational needs of our state and its residents.

Productivity within Higher Education

(Number of students entering public and private institutions — and how many graduate 4 years later)



Source: NCES IPEDS data, 2011 first-time, full-time cohort

Please Contact

Minnesota Private College Council staff welcome conversation about our institutions and these proposals. If you have any questions or feedback, please let us know.

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Hamline University
Macalester College
Minneapolis College of Art and Design
Saint John's University
Saint Mary's University of Minnesota
St. Catherine University
St. Olaf College
University of St. Thomas

Endnotes

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- 2 [Federal Reserve Bank of St. Louis, Median Household Income in Minnesota](#)
- 3 U.S. Census Bureau, Minnesota State Demographic Center Projections
- 4 "Minnesota Chamber of Commerce survey: Hiring woes threaten state's business growth," *Star Tribune*, Nov. 15, 2018
- 5 [Minnesota Department of Employment and Economic Development, Job Vacancy Survey 2018 Second Quarter](#)
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- 8 [Education Pays 2016, CollegeBoard](#)
- 9 [It's not just about the money: The benefits of college education to individuals and society, The Lumina Foundation](#)
- 10 Minnesota Private College Council analysis of data from Georgetown University Center on Education and the Workforce analysis of Current Population Survey (CPS) data, 2007-2016
- 11 Minnesota Department of Employment and Economic Development
- 12 [Our Separate and Unequal Public Colleges: How Public Colleges Reinforce White Racial Privilege and Marginalize Black and Latino Students, Georgetown University Center on Education and the Workforce](#)
- 13 "The labor market for recent college graduates," Federal Reserve Bank of New York
- 14 "Where is the best place to invest \$102,000—In stocks, bonds, or a college degree?" Brookings Institute
- 15 U.S. Census Bureau, 2010 and 2017 American Community Survey 1-year estimates
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- 17 [Recovery: Job Growth and Education Requirements through 2020, State Report, Georgetown University Center on Education and the Workforce, 2018](#)
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- 19 [Educational Attainment Goal 2025, Minnesota Office of Higher Education](#)
- 20 [Education Disparities, Income: A cradle to college perspective, Wilder Research, October 2014](#)
- 21 [Indicators of Higher Education Equity in the United States 2018, The Pell Institute for Higher Education](#)
- 22 [2016 State of Students of Color and American Indian Students Report, Minnesota Education Equity Partnership](#)
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- 24 [Minnesota SLEDS, 2008 high school graduates completing college](#)
- 25 [Investing in Higher Education through the Minnesota State Grant Program, Minnesota Private College Council, 2012](#)
- 26 [Preliminary Analysis — Affordability in Minnesota, Minnesota Office of Higher Education, December 2018](#)
- 27 [Bachelor's Degrees Report, Degrees Earned 2016-17, Minnesota Private College Council analysis of NCES, IPEDS data](#)
- 28 [Graduate Degrees Report, Degrees Earned 2016-17, Minnesota Private College Council analysis of NCES, IPEDS data](#)
- 29 [Minnesota Private College Council analysis of NCES, IPEDS data fall 2011 cohort graduation rate data](#)
- 30 [Six-year Graduation Rates by Need, Minnesota Private College Council Analysis of NCES IPEDS fall 2010 cohort data](#)

To be able to use links to see these sources, visit www.mnprivatecolleges.org and search for "Legislative Agenda."