

SENATE COMMITTEE ON STUDENT AFFAIRS
MINUTES OF MEETING
MARCH 5, 2003

[In these minutes: Minnesota Private College Council (MPCC) High Tuition/High Aid Proposal]

[These minutes reflect discussion and debate at a meeting of a committee of the University Senate or Twin Cities Assembly; none of the comments, conclusions, or actions reported in these minutes represent the view of, nor are they binding on the Senate or Assembly, the Administration, or the Board of Regents.]

PRESENT: Cheryl Meyers, chair, David Lenander, Jim Turman, Jean-Marie Del-Santo, Yasemin Kaygisiz, Gerald Rinehart, Janet Schottel,

REGRETS: Nick Ceconi, Kari Lindeman, Jason Peterson

ABSENT: Amy Lee, Clarence Peterson

OTHER(S): Tina Falkner, Gabriele Schmiegel, Kris Wright

GUEST(S): Peter Zetterberg, Director, Institutional Research & Reporting

I). Professor Meyers called the meeting to order and welcomed all those present.

II). Peter Zetterberg, Director, Institutional Research & Reporting shared his professional opinion with the committee concerning the Minnesota Private College Council's (MPCC) high tuition/high aid proposal. To begin, Mr. Zetterberg stated, "that the proposal will not happen." According to Mr. Zetterberg, Governor Pawlenty's budget proposal does not support what the MPCC has been advocating.

One aspect of Mr. Zetterberg's job is to carefully monitor tuition and financial aid issues. The committee was given some background information on the proposal. To summarize, the Minnesota Private College Council (MPCC) is proposing that the state put 30% of its higher education budget into the state grant program rather than the current 10%. While the MPCC did not explicitly say that money should be taken away from public institutions in order to do this, in fact, this would be the only conceivable way to accomplish such a feat.

Mr. Zetterberg distributed a handout that contained the following information:

- A brief analysis of the MPCC proposal.
- The full text of Dr. David Laird's opinion piece on this subject.
- A response to Dr. Laird's article by Dr. Ken Keller, Professor, HHH Institute of Public Affairs, University of Minnesota.

- Excerpt from a campaign flier that the Coalition of Minnesota Businesses was circulating among legislative candidates last fall prior to the election.
- Issue statement from the Citizen's League that advocated higher education funding proposals similar to what the MPCC is advocating.

Nationwide, financial aid and tuition tends to be highest in the upper Midwest and northeast as compared to institutions in the south and west. Additionally, it was noted that there are more private institutions in the northeast and upper Midwest and this is not coincidental. Rather it represents the fact that private institutions have always played a bigger part in higher education in this part of the country. In fact, in some northeastern states it is fairly common for the legislature to give state appropriations to private institutions. These institutions are then called state-assisted rather than public institutions. Pennsylvania is an example of a state that uses this type of funding mechanism. In Mr. Zetterberg's opinion, Dr. Laird would regard Pennsylvania as a model for the State of Minnesota to follow.

In the early 1970s, the State of Minnesota began its financial aid program by giving money directly to private institutions. Then, the issue of whether this was constitutional arose. As a result, the initial financial aid program of the 1970s became a grant program for students attending private colleges. Concurrently, a grant program was initiated for students attending public institutions as well. The state grant program was completely revamped in 1983 and has not been changed since that time. Unlike the Federal Pell Grant Program, the Minnesota State Grant Program recognizes cost of attendance. So, students that attend higher cost institutions receive larger grants than those that attend lower cost institutions. The Minnesota State University Student Association (MSUSA) continues to lobby the legislature to change the Minnesota State Grant Program so it works like the Pell Grant Program and students receive state grants based on their economic circumstances and not on where they attend school. The MPCC, on the other hand, believes that the current program works fine but it could be made better by recognizing the cost of attendance to an even greater degree.

The current state grant program recognizes actual tuition and fees when determining grant amounts. Additionally, it is important to note that the current program has tuition maximums in place that put a cap on the grant amount a student is eligible to receive. Mr. Zetterberg believes that Dr. Laird, during this legislative session, is optimistic that the state will put more money into financial aid. Governor Pawlenty has significantly reduced state appropriations for public institutions (\$100 million for the University of Minnesota and \$100 million for MnSCU) and stated that this was done, in part, to put money in the state grant program. In reality, however, the state grant program is not adequately funded to handle the University's anticipated tuition increases. There is no money allotted under Governor Pawlenty's proposal that would be able to be earmarked for students in private colleges even though his rhetoric makes it appear as if he is sympathetic to the MPCC proposal.

MnSCU and the MPCC have always disagreed about the state grant program. The University, however, has always been in the middle. The University benefits from the

fact that the state grant program recognizes cost of attendance. This means that students on the University campuses receive larger state grants. The University has never taken the MnSCU/MSUSA position described at the February 20th SCSA meeting. The University has, however, quietly yet vigorously tried to counter the political efforts of the MPCC.

Mr. Zetterberg noted that people often wonder why the state provides any assistance whatsoever to students attending private colleges. The state's primary interest in higher education is college graduates. A college graduate is a benefit to the state whether that individual graduated from a public or private institution. It makes sense for the state to help low income students in both the public and private sectors. The difficult issue for the legislature is the balance between keeping public campuses strong and providing financial aid to those that need it most.

In closing, Mr. Zetterberg noted that a significant amount of time remains in this legislative session. He predicts that the University's budget will be cut even more than what has already been proposed. A problem with the higher education budget is that Governor Pawlenty has failed to allocate enough money into financial aid to fund the programs as they are currently set up. There are two ways to resolve this problem:

1. Change how the programs are structured. For example, make the state grant program less expensive by moving the students' share from 46% back up to 50%. Or, permanently eliminating state grants in the summer.
2. Put more money into the state grant program. If more money is allotted to the program, however, this money will be taken from the University and MnSCU.

Mr. Zetterberg opened up the floor for questions and comments. Highlights from the discussion that followed included:

- Contrary to other states, the Minnesota legislature has never dictated tuition increases to the University. Governor Pawlenty has **requested** that tuition increases be capped at 15%, if possible. Mr. Zetterberg expects that tuition will be forced to increase by approximately 15% each year over the next two years.
- A challenge to the University is how it should treat its graduate and first professional students. As noted earlier, Governor Pawlenty has taken money from the University's budget and put it into financial aid. In turn he wants the University to replace that revenue by raising tuition. Bear in mind, however, that only undergraduates receive financial aid. Should the large tuition increases, therefore, only be assessed to undergraduate students? Why should a non-resident medical student whose tuition is currently over \$40,000 have his/her tuition increased by 30% over the next two years in order to provide need based financial aid for undergraduate students throughout the state? In Minnesota there are no private research colleges, no private colleges with engineering programs, no private colleges with a medical school, etc. Although the University has some room to move with its resident graduate and professional tuition rates, to raise non-resident rates would not make good financial sense nor would it be fair

because these rates are already high. Mr. Zetterberg suggested asking Dr. Laird how graduate and first professional students should be treated in a high tuition/high aid model.

- Non-resident undergraduate students are not eligible for state grants but they are eligible for Federal Pell Grants. Mr. Zetterberg noted there are a few states that allow students to take state financial aid out of state.
- Most private colleges do not want to expand their enrollment. Mr. Zetterberg noted that higher education enrollment just after WWII was 50% in public institutions and 50% in private institutions. Today, however, the enrollment distribution has changed to 75% of students attending public institutions and 25% attending private schools. All of the great expansion of higher education opportunities after WWII occurred because states built public campuses. According to Mr. Zetterberg, despite Dr. Laird's attempts to allocate more money to students attending private colleges, people are given the impression that they will increase their enrollment but that is not true. In reality, some of this money would be used to offset their own institutional aid and, in turn, their institutional aid money would be used for other purposes. The state has no control over this. In Mr. Zetterberg's opinion the only higher education sector that can grow are the two-year for profit schools.
- Approximately 22% of University of Minnesota students are Pell Grant eligible. The amount of money that a student receives from a Pell Grant is decreased based on their contribution or their parent's contribution.
- While 50% of students receive financial aid from the University of Minnesota, the vast majority of this aid is in the form of loans.
- Middle-income families have no choice but to pay the high tuition but, unfortunately, they do not qualify for the high aid. These families are caught in the middle and are forced to rely on loans.
- While undergraduate students borrow, it is a pittance compared to first professional and medical school students. The current average loan indebtedness by first professional students is over \$90,000.
- Studies indicate that undergraduate students rely either on their parents or their own income to pay for school. Graduate students tend to work for the University as a means to pay their tuition but the first professional students, because they have to attend school full time, end up borrowing heavily.
- It was noted that the amount of Pell Grant money the University can give a student will not increase and the amount of SEOG (Supplemental Educational Opportunity Grant) will remain constant. Even if state grant funds increase as a percentage of tuition, the overall student grant money to the University will not keep up with the rate of inflation.
- In order to retain a state grant program, the state has eliminated all of its work-study. Federal work-study remains and provides 75% funding for matching work. Work-study income does not count against the student's income for the next year and typically work is arranged around the student's schedule.
- Mr. Zetterberg noted that at times the Twin Cities campus has experienced a difficult time spending all of its work-study money. Even though the work-study money gets awarded to the University, students who qualify choose to find

employment off campus because it may pay more or be more convenient, etc. The University has, however, spent all of its work-study money over the past two years. To accomplish this, the University will ask approximately 4 students in order to find one that will accept a work-study job. Students are given the choice of which types of financial subsidy they want to accept. Admittedly, the University needs to do a better job of matching up the work-study money with the work-study jobs. Work-study is one of the most difficult types of financial aid to manage and use well.

- Kris Wright, Interim Director, Office of Student Finance Administration, agreed to provide the committee with financial aid scenarios illustrating aid based on different income levels.
- The average undergraduate loan indebtedness is approximately \$18,000. It was stressed that averages, however, can be very misleading. Mr. Zetterberg commented that a lot of money would be saved if a student would graduate in 4 years. Even if the student has to borrow to do this, that student will be ahead in the long run. By not graduating in four years or not starting college immediately after high school, lifetime earnings are deferred by as much as \$200,000. During parent and student orientation, this point is emphasized. The two highest priced institutions in the 'Big 10', Penn State and Michigan, also have the highest graduation rates in the 'Big 10'. Four-year graduation rates at private schools and universities are also high and this too is no accident. It is not only expensive for the student but the institution as well to prolong graduation beyond 4 years. Ironically, it was noted that survey data suggests a 'Minnesota phenomena', where parents that could support their children through college, for whatever reason, are choosing not to do so. Mr. Zetterberg predicts that finances will ultimately drive a change in student behavior. Mr. Zetterberg agreed to provide members with an analysis on the financial advantages of graduating in four years.
- There is a myth that students that attend the University of Minnesota are poorer than students elsewhere. In fact, the University of Minnesota is at the national average in every income level.
- A member commented that students are being encouraged to participate in study abroad programs and all students should be afforded these opportunities and not just students from higher income families. Mr. Zetterberg responded, tongue in cheek, that this member then is a high tuition/high aid advocate.

Professor Meyers thanked Mr. Zetterberg for informing the committee about the University's perspective on the MPCC proposal.

III). Hearing no further business, Professor Meyers adjourned the meeting.

Renee Dempsey
University Senate