

Citizens League Higher Education Committee Meeting Notes – June 17, 2004

Office of the Chancellor – Research and Planning Unit

Susan Heegaard, Executive Director, Minnesota Higher Education Services Office (MHESO)

- State higher education funding was appropriated in FY 2003 in the following manner:
 - ❖ University of Minnesota - \$641 million
 - ❖ Minnesota State Colleges and Universities - \$617 million
 - ❖ MHESO - \$133 million for direct aid to students
 - ❖ Mayo Clinic - \$1.6 million
 - ❖ Other - \$18 million
- Overall, higher education received 9.8 percent of the general fund budget in FY 2003. This is a decrease from 15.5 percent in 1988. This decrease occurred at a time when health and criminal justice's share of state appropriations increased.
- Minnesota's private colleges get 66 percent of the state financial aid distributed to students.
- The bulk of financial aid, which is all distributed based on financial need, goes to families with incomes below \$50,000.
- Minnesota's financial aid distribution is based on the notion of "shared responsibility." This means that students are responsible for 46 percent of their educational cost. Family responsibility is calculated using a sliding scale based on ability-to-pay. Taxpayers pay the remaining cost. Currently the state pays about 52 percent or \$5,280 of the tuition at the University of Minnesota and 41 percent or \$4,144 of the tuition at Minnesota State Colleges and Universities.
- Grants have kept up with rising tuition but have not kept up with increased living and other higher education expenses. In addition, the cap on recognized tuition has not been raised to address higher private college tuitions.
- **Question** – Does the state payment to the University of Minnesota and the Minnesota State Colleges and Universities come from general appropriations? Ms. Heegaard said that the vast majority of funding does. There are a few other minor sources of funding.
- **Question** – What percentage of public higher education funding underwrites college and university infrastructure? Ms. Heegaard said this would be supplied to committee staff.
- **Question** – What is the evolution of overall constant dollar funding to each public system over the last 10 years or so? Ms. Heegaard said this would be supplied to committee staff.
- **Observation** – State grants do not keep up with the absolute dollar amount students have to pay because students must pay the same percentage of a higher tuition rate.

Peter Zetterberg, Director of Institutional Research and Reporting, University of Minnesota

- Both the University of Minnesota and the Minnesota State Colleges and Universities experienced substantial funding reductions in FY 2004.
- Minnesota has the seventh highest per capita income and the second lowest high school drop-out rate in the nation.
- Minnesota's higher educational attainment breaks down as follows:
 - ❖ 40.8 percent have never gone to college,

- ❖ 32 percent have some college or an associates degree,
- ❖ 27 percent have a baccalaureate, graduate or first professional degree.
- Minnesota is at the national average in residents with graduate or first professional degrees.
- Minnesota ranks fifteenth in the nation in the percentage of students in two-year colleges.
- In FY 2004, Minnesota ranked twenty-sixth in the nation in tax-payer support for higher education per \$1,000 of personal income. Some states also use local tax revenues to support higher education. For example, Wisconsin uses \$500 million in local property taxes to fund technical education.
- Minnesota's overall increase in higher education appropriation over the last 10 years is a little less than the rate of inflation. The appropriation to the University of Minnesota in FY 2004 is at the same level as FY 1978.
- The University of Minnesota's tuition and required fees is the seventh highest for state flagship universities in the nation.
- Minnesota is a high tuition state but ranks fifth in providing needs-based financial aid to undergraduate students.
- Minnesota ranks thirteenth in the nation in the percentage of students enrolled in private higher education institutions. The high level of aid and high percentage of students in private institutions makes Minnesota a high tuition/high aid state.

Linda Baer, Senior Vice Chancellor for Academic and Student Affairs, Minnesota State Colleges and Universities

- Minnesota is a high tuition state. The tuition at the state's community colleges is the third highest in the nation.
- The state must continue to provide higher education to create technically proficient, liberally educated citizens that have the skills to continue to learn throughout their lives.
- The state must also fund programs for high need occupations like nursing.
- The Minnesota State Colleges and Universities system educates a wide variety of students who have a wide variety of needs and abilities.
- High cost programs at colleges and universities are underwritten by lower cost programs. For example, it costs about \$10,000 per year to educate a nurse. This cost is underwritten by less expensive general education programs.
- The state needs to decide if higher education provides only private benefits or if it provides a substantial public benefit worth supporting with public funding.
- **Question** – Is there information on the return-on-investment that state receives from its funding to public higher education? Dr. Baer replied that evidence shows a strong return-on-investment through increased income tax revenue at the state and local level as well as community vitality.
- **Question** – If increased tuition leads to enrollment decreases, why has enrollment growth accompanied tuition increases? Dr. Baer replied that overall enrollments did increase but it is not clear what effect higher tuition had on the enrollment of low-income students. Also, institutions are straining because increasing enrollments during decreasing budgets forced institutions to increase class sizes and counselor and other student service loads.

David Laird, Executive Director, Minnesota Private College Council

- State leaders want Minnesota to behave economically and politically like a small country.
- Higher education is in the middle of period of changing demographics and state and federal funding. In addition, there will be increased competition among institutions.
- Institutions that only chase white upper-class students will face a shrinking pool of candidates because Minnesota's high school graduates will get increasingly diverse with each passing year.
- College participation rates correlate highly with family income.
- In Minnesota, only half of the minority students in high school took the ACT college entrance examination.
- Minnesota needs to dramatically increase the number of students of color who graduate from high school and go to college. Future projections suggest there will be gap between the number of college graduates and the number needed in the workforce.
- Public willingness to underwrite the costs of higher education has decreased as student ability-to-pay for higher education has increased. Public funding needs to be focused on those students least able to pay. There is a fuzzy boundary between the public and private benefits of higher education.
- Minnesota's current process of providing 90 percent of public higher education funding to institutions is inefficient and inequitable. The state wants to access to higher education but segregates students with lower socio-economic status to certain institutions.
- The state needs to fund basic research and keep the University of Minnesota as its primary research institution.
- Policy makers should focus on the net cost of higher education to students not tuition rates.
- The state needs better strategies to improve the transition from high school into college.
- The state needs to create incentives that improve degree completion at higher education institutions.
- The state needs improved value and quality for its higher education investment.
- The state needs improved transfer from two-year to four-year colleges.
- **Question** – Should funding shift its from supporting need to supporting merit and from supporting enrollment to supporting completion? Mr. Laird stressed that need must be the key factor for determining who receives public higher education support. He added that England bases its funding on the number of students who complete a term instead of the number of students who enroll. In addition, New York State provides students with incentives to graduate.
- **Questions** – What percentage of funding goes to students of color and what are their graduation rates? Mr. Laird said that a 2002 study at Minnesota's private colleges found that low-income students graduate at the same rate as high income students and were as satisfied with their education as their high income peers. Low income students did have to borrow a little more to complete school but believed it was worth it even though they had some anxiety about re-paying their student loans.
- **Question** – Why do students at Minnesota's private colleges do better than students at public schools? Mr. Laird stressed that private colleges focus on undergraduate education, are smaller and give the students greater personal attention.
- **Question** – Have comparisons been made on the entrance exam scores of private college students versus the entrance exam scores of public university students? Mr. Laird said that the entrance profile of students going to private colleges is similar to students going to the University of

Minnesota. Private college students are similar to some state universities, Minnesota State University – Moorhead and Bemidji State University for example, but not others.

Overall Committee Discussion

- A discussion of funding higher education ultimately comes down to deciding if it is best to fund students or institutions or how to best blend the two funding processes.
- Minnesota must ask itself if rising tuition rates will cause students to pursue higher education in other states leading to a “brain drain.”
- It is unclear how Minnesota funds non-traditional students like adult and part-time students. A MHESO representative responded that the Minnesota State Grant program will support students taking as few as three credits and will fund students of all ages. In addition, students can apply for state grants through the fourteenth day of the semester. This is much more generous than most other states.
- Students stay in Minnesota because of good job opportunities and a high quality of life, not just low tuition rates. This is also a reason that students who come to Minnesota to pursue higher education stay after graduation.
- Higher education funding does follow the student because funding is driven by enrollment. The Minnesota State Colleges and Universities funds its institutions based on enrollment and the University of Minnesota funds colleges and departments based on enrollment.
- Higher education buildings and infrastructure cost money over the short- and long-terms.
- The Committee needs to hear how the Minnesota State Colleges and Universities and the University of Minnesota will address the shifting demographics in Minnesota.
- State funding is not distributed to the public systems based on student need; it is distributed based simply on the number of students who enroll.
- Maybe the Minnesota State Colleges and Universities and the University of Minnesota can develop and present a common set of recommendations to address funding, demographics and other key issues facing public higher education.
- The committee needs to address at least two funding questions:
 - ❖ How can funding be increased to recognize the public benefit of higher education?
 - ❖ Given finite resources, how can be funding be distributed so that the state achieves its desired future?
- The University of Minnesota used to be the only Minnesota institution offering doctorate degrees. Many private universities now also offer these degrees. Has this increased public expense to fund doctorate degrees?
- The committee needs to think about how performance can be used to drive funding.
- The committee should learn more about how online learning can reduce the costs of higher education while increasing access.
- The committee needs to analyze how a percentage shift from institutional funding to student aid funding would affect systems, institutions and students.
- The committee should evaluate how successful Minnesota has been in attracting out-of-state undergraduate and graduate students who then stay in Minnesota to live and work and how this has affected Minnesota’s competitiveness.

*Leo Christenson
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