

## Minnesota's Great Cost Shift

### How Higher Education Cuts Undermine the State's Future Middle Class

ROBERT HILTONSMITH & MARK HUELSMAN

In today's economy, a college education is essential for getting a good job and entering the middle class. Yet, despite this reality, college costs are rising beyond the reach of many Minnesotans. State policy decisions have played a significant role in this rise by shifting costs onto students and families through declining state support. Minnesota's investment in higher education has decreased considerably over the past two decades, and its financial aid programs, though still some of the country's most expansive, fail to reach many students with financial need. Students and their families now pay—or borrow—much more than they can afford to get a higher education, a trend which will have grave consequences for Minnesota's future economy.

*“Minnesota's declining state financial support for its public colleges and universities has translated into higher tuition and fees, making college increasingly unaffordable for the state's students”*

#### **The Great Cost Shift: How Higher Education Cuts Undermine The Future Middle Class.**

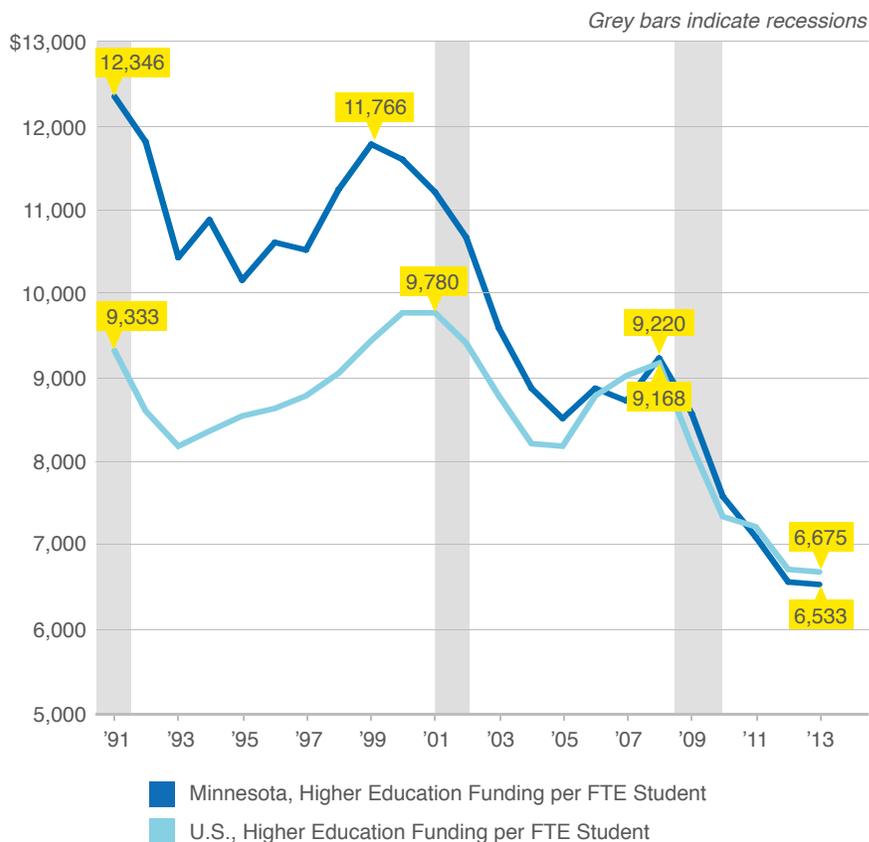
This brief is based on the Dēmos report “[The Great Cost Shift](#)”, which examines how nationwide disinvestment in public higher education over the past two decades has shifted costs to students and their families. The report outlines how such disinvestment is magnified by rapidly rising enrollments, and its effects are felt particularly acutely as student bodies become more economically, racially, and ethnically diverse. This fact sheet focuses on Minnesota, highlighting the trends in the state's higher education funding over the last twenty years.

## State Higher Education Funding Is Dramatically Declining

Minnesota's overall funding for higher education has declined precipitously since its pre-Great Recession peak in 2008.<sup>1</sup> Funding per student in the state, once consistently above the national average, has fallen even more dramatically, since enrollments have risen significantly even as total funding fell. Though state funding for higher education has historically risen and fallen in tune with the business cycle, the post-Great Recession decline appears to be a worrisome departure from the historical pattern.

- Overall, Minnesota's higher education funding fell from its peak of \$1.73 billion in 2008 to \$1.29 billion in 2013, a 26 percent decline.<sup>2</sup>
- Funding per full-time equivalent (FTE) student has fallen 29 percent since 2008, and 45 percent since 2001.
- Because of this decline, Minnesota's funding per FTE student—\$6,533 in 2013—now ranks 26<sup>th</sup> in the nation, below the national average.

**Figure 1. Minnesota's Higher Education Funding Has Plummeted Over the Past Decade**



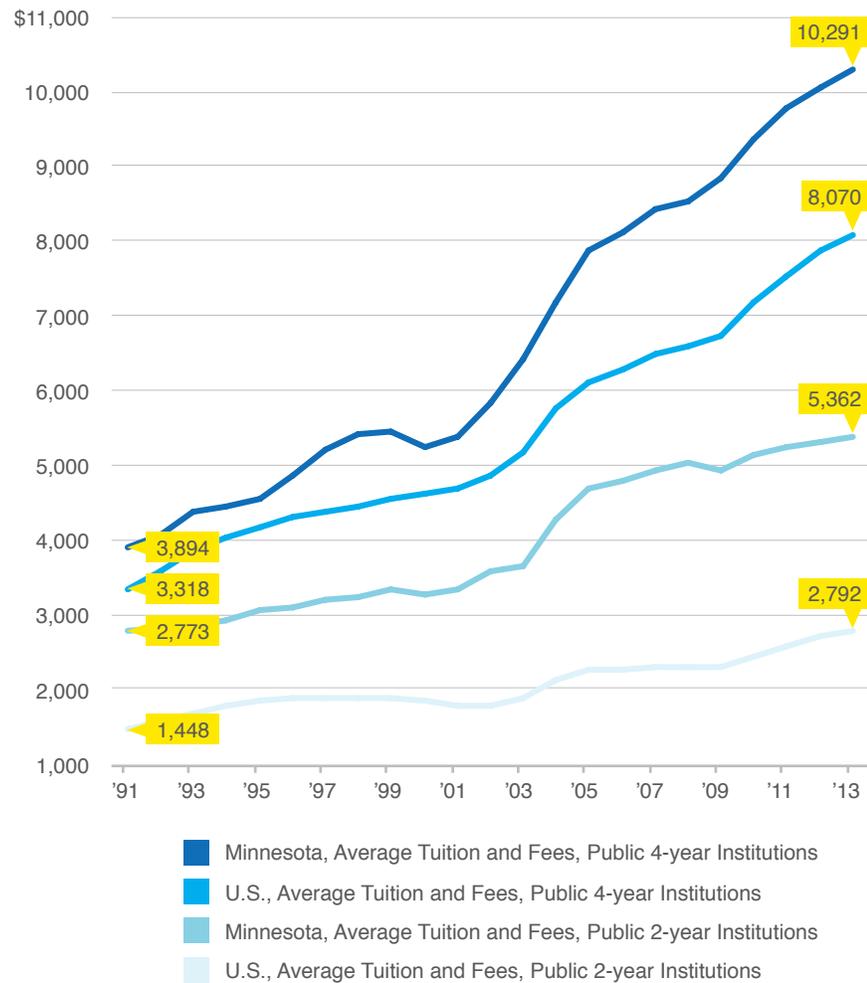
Source: Demos analysis of Grapevine and Integrated Postsecondary Education Data System (IPEDS) data.

## Skyrocketing Tuitions

Minnesota's declining state financial support for its public colleges and universities has translated into higher tuition and fees, making college increasingly unaffordable for the state's students.

- Over the past two decades, average yearly tuition and fees at public four-year institutions in Minnesota have risen by \$6,396, a 164 percent increase.
- Tuition and fees have risen more slowly at 2-year institutions, climbing 93 percent, or \$2,588, over the same period.
- Tuition prices at both 4- and 2-year institutions in Minnesota have been generally higher than the national average for the past two decades, a gap which has widened significantly over the past decade in particular.

**Figure 2. Minnesota State Tuition Has Risen Sharply Over the Past Two Decades**



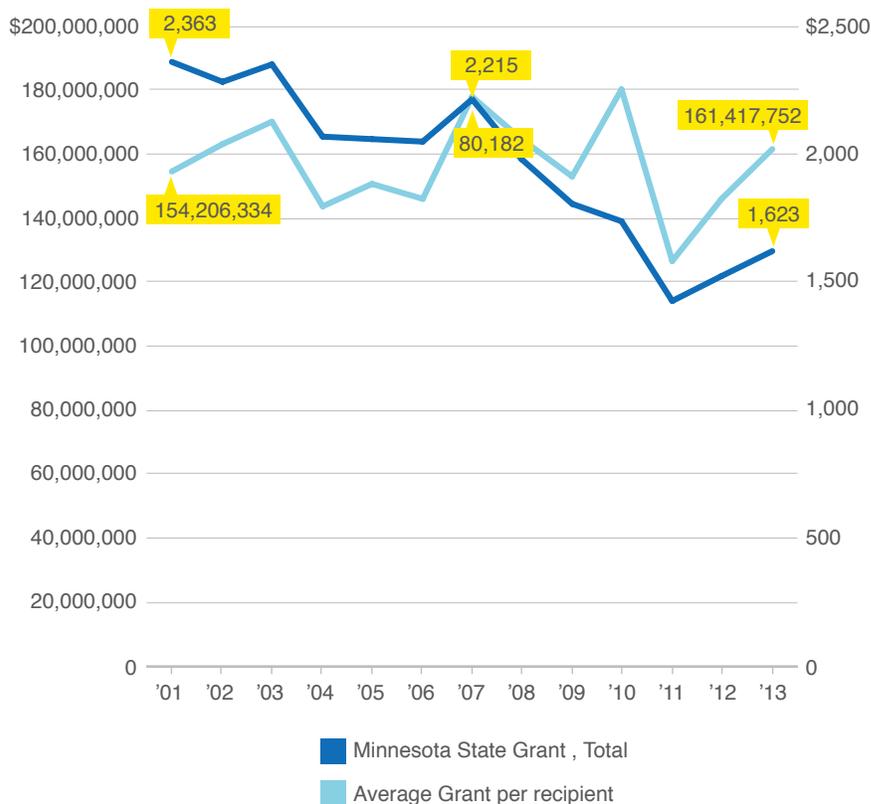
Source: U.S. Department of Education IPEDS data, Digest of Education Statistics, Table 330.20

## Grant Aid Has Become Somewhat More Generous

Despite the decline in overall higher education appropriations, funding for Minnesota's main grant financial aid program, the Minnesota State Grant program has risen substantially in the past two years, but has yet to return to peak levels. The average grant has fallen even more precipitously, decreasing its buying power for the 51% of Minnesota students who receive the grants.

- Total Minnesota grant aid has risen by 1.4% since 2001, but fallen by 11% since its 2010 peak.<sup>3</sup>
- The average award rose to \$1,623 in 2013 from its trough two years prior, but has fallen by 31% since 2001.
- Because average grants have fallen as tuition has risen, the grants are paying for a sharply declining share of tuition costs: the average State Grant covered just 16 percent of average tuition at a 4-year school in Minnesota in 2013, down from 44 percent in 2001.
- The State Grant program benefits approximately 51% of all students, one of the highest shares in the nation.

**Figure 3. Average Minnesota State Grants Have Plummeted Over the Past Decade**



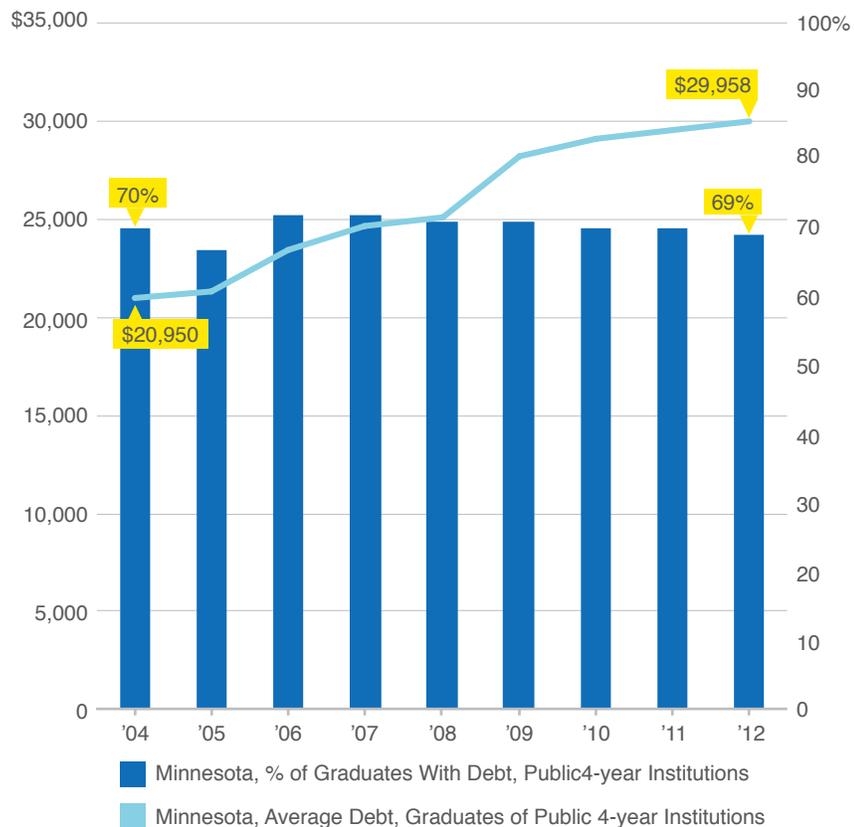
Source: National Association of State Student Grant & Aid Programs (NASSGAP), Annual Survey, <http://www.nassgap.org/>

## Shifting Costs To Students And Families

Tuitions have been rising far more rapidly than family incomes, causing the tuition costs to take an increasingly large bite out of family budgets. The increasing unaffordability of a college education in the state combined with the decreasing share of tuition covered by Commonwealth grants have forced Minnesota's students to borrow more to pay for school.

- In 2000, average tuition and fees alone at the average public four-year institution in Minnesota cost 8 percent of a median household's income; by 2012 this share had reached 17 percent.
- Sixty-nine percent of students graduating from public four-year colleges in Minnesota in 2012 left with some student debt, a nearly identical percentage to the 70 percent who left indebted in 2004.
- However, the average debt of indebted graduates has risen precipitously. Indebted students graduated with an average of \$29,958 in debt in 2012, a 43% rise since 2004.<sup>4</sup>

**Figure 4. The Student Debt of Minnesota Graduates Has Risen Over the Past Decade**

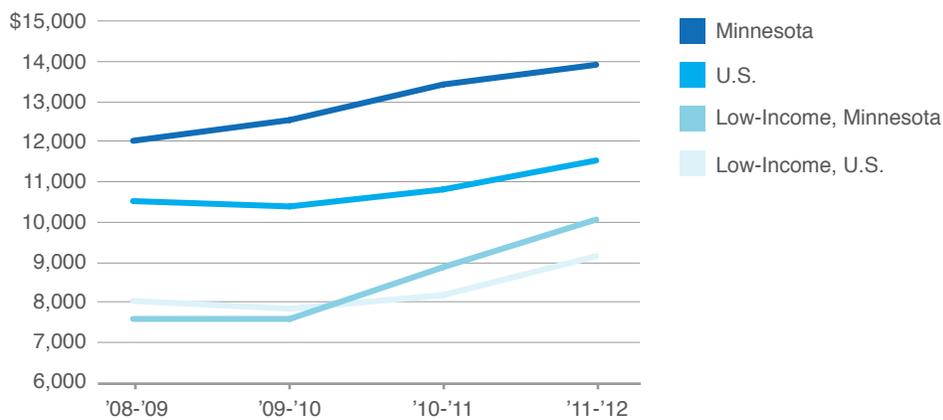


Source: Project on Student Debt, State Data, <http://projectonstudentdebt.org>

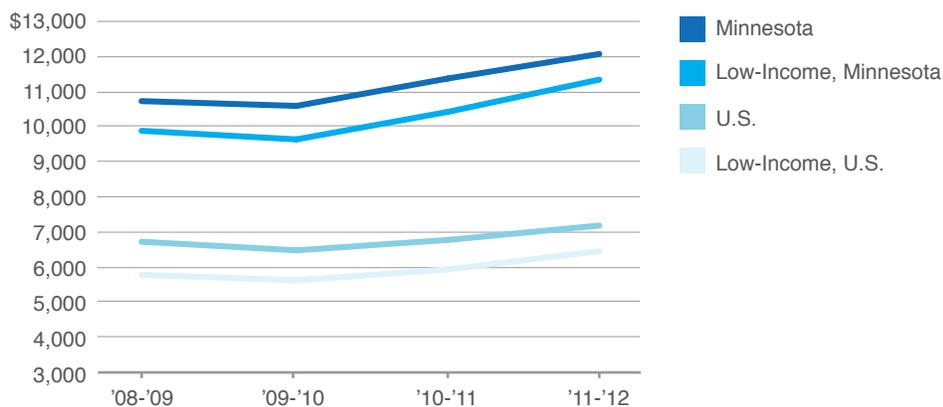
- Even after accounting for federal, state, and institutional grant aid, Minnesota students are expected to pay \$13,919 to attend public 4-year institutions, an increase of 15% since 2008-09, and over \$2,300 more than the national average. Furthermore, low-income students (those from families making between \$0-\$30,000 annually) are expected to pay \$10,092 after all grant and scholarship aid, which is not only almost \$900 a year higher than the national average for low-income students, but approaches than the national average net price for students of all income levels.<sup>5</sup>

The same is true for students at two-year institutions. Even after accounting for grant aid, Minnesota students are expected to pay \$12,127 to attend two-year schools, which is almost \$5,000 higher than the national average. Low-income students do not receive much of a break, paying an average of \$11,352 to attend two-year schools. This is almost \$5,000 higher than the national average, and is essentially the same amount that students pay to attend 4-year schools across the country.

**Figure 5. Average Net Price of Public 4-Year Schools, U.S. vs. Minnesota**



**Average Net Price of Public 2-Year Schools, U.S. vs. Minnesota**



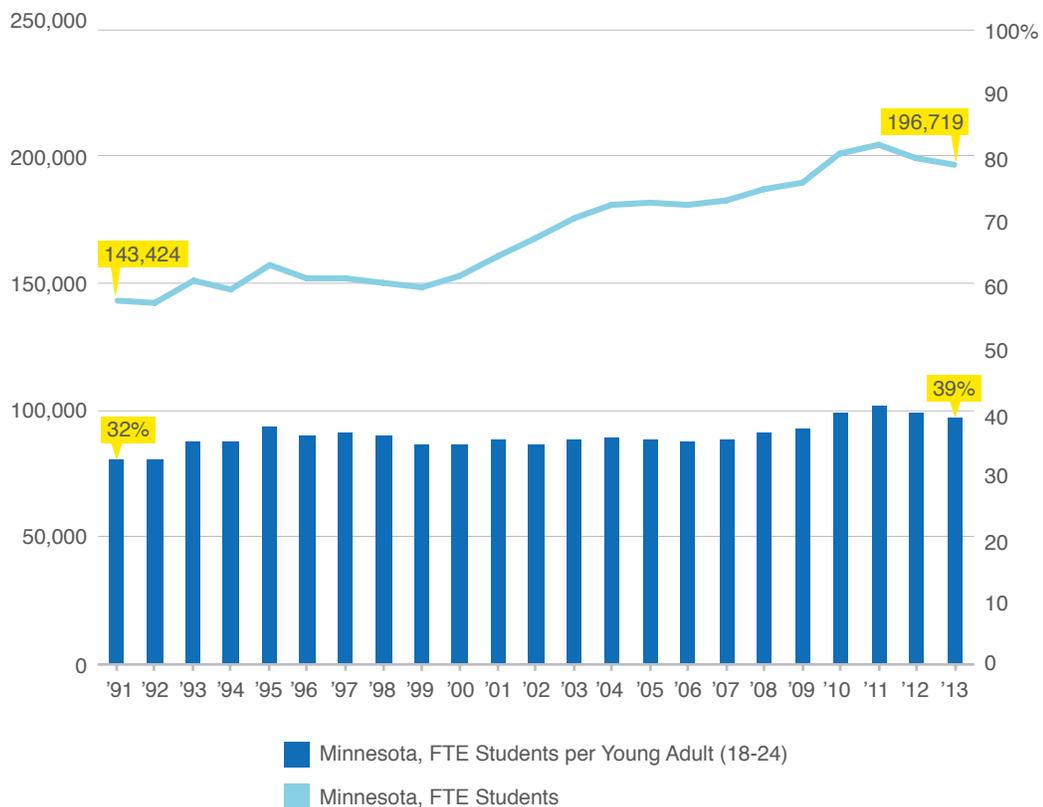
Source: U.S. Department of Education, Integrated Postsecondary Education Data System

## Increasing Enrollments, High Enrollment And Completion Rates

Despite the increasing cost of a higher education, enrollments at Minnesota's colleges and universities have risen steadily over the past two decades, in part due to the high share of Minnesota's high school graduates that enroll in college. Graduation rates at the state's 2-year schools, too, continue to outpace those of the country as a whole. However, one blot on Minnesota's higher education outcomes is its graduation rate from 4-year institutions, which is just below the national average.

- Total FTE enrollments at Minnesota's colleges and universities have risen steadily, increasing 37 percent from 143,424 FTE students in 1991 to 196,719 in 2013.
- Enrollments as a share of the young adult population have also risen, from 32 percent of all young adults enrolled in higher education in 1991 to 39 percent in 2013.

**Figure 6. Minnesota's Enrollments Rising Faster Than Young Adult Population**



Source: Demos analysis of ExecuComp, BLS, and BEA data

- Minnesota has a very high enrollment rate: 69.5 percent of Minnesota's high school graduates enrolled in higher education in 2010. This is the 6<sup>th</sup>-highest share of any state in the country, well above the national average of 63 percent.<sup>6</sup>
- The graduation rates at Minnesota's 4-year colleges and universities, however, are just below the national average. As of 2010, 56.4% of students at the state's public 4-year institutions graduated within 6 years, a rate 0.1 percentage points below the national average yet the 21<sup>st</sup> highest in the nation.<sup>7</sup>
- However, the share of students at the state's two-year institutions who graduated within 3 years was 26.3% in 2010, 6 percentage points above the national average and the 14<sup>th</sup> highest in the country

### What Needs To Happen?

Even though Minnesota's graduation rates from its public colleges and universities are near or above the national average, they are still too low to meet the future demands of the state's labor market, which will increasingly require a postsecondary credential. Seventy percent of all jobs in the North Star State are projected to require some sort of postsecondary education by 2018,<sup>8</sup> yet just 52 percent of young Minnesotans (ages 25-34) currently have an associate's degree or higher.<sup>9</sup> This share is not projected to improve much in the near future: by 2018, just 51 percent of all working-age Minnesotans are projected to hold a two-year degree or higher, leaving the state with a significant educational gap in its labor market.<sup>10</sup> Fortunately, Minnesota can still close this projected gap by taking advantage of our state's resources to invest in the current and future generations of Minnesotans aspiring to realize the American Dream through postsecondary education.

With the recent cuts in higher education funding, Minnesota is endangering the quality of its institutions of higher learning, threatening the state's economic competitiveness and the future of its young people. To reverse course, the state will need to commit to bold solutions that can strengthen and stabilize funding for Minnesota's state universities and colleges, and provide greater financial support to deserving students. ■

## Endnotes

1. All years in this brief have been shortened to represent the fiscal year; thus, 2008 represents fiscal 2008, which covers the period between mid 2007 and mid 2008.
2. All dollar figures in this brief have been adjusted for inflation to allow a more accurate comparison between different years.
3. National Association of State Student Grant and Aid Programs, Annual Survey, <http://www.nassgap.org/viewrepository.aspx?categoryID=3#>
4. The Institute for College Access and Success (TICAS), "College Insight" data, <http://college-insight.org/#explore/go&h=af0f0e9a70bf890cdf0d3350e3a0c4b>
5. National Center for Education Statistics, Integrated Postsecondary Education Data System. Net Price data include students who received any grant and scholarship aid. Net price figures include the total cost of attendance (including tuition, fees, and living expenses) minus any grant or scholarship aid, and do not count student loans as financial aid. "Low-Income students" are defined as those from families making between \$0-\$30,000 in annual income.
6. National Center for Education Statistics, "Digest of Education Statistics, 2012", Table 238, [http://nces.ed.gov/programs/digest/d12/tables/dt12\\_238.asp](http://nces.ed.gov/programs/digest/d12/tables/dt12_238.asp)
7. National Center for Education Statistics, Integrated Postsecondary Education Data System, via The Chronicle of Higher Education: <http://collegecompletion.chronicle.com/state/>
8. The Georgetown University Center on Education and the Workforce, "Help Wanted: Projections of Jobs and Education Requirements Through 2018: Minnesota" 2010, <https://georgetown.app.box.com/s/i3d7jg2blzi3wxzb08tb>
9. National Center for Higher Education Management Systems, "State Educational Attainment by Age Group and Degree Level," <http://www.higheredinfo.org/dbrowser/?level=nation&mode=map&state=0&submeasure=239>
10. The Lumina Foundation, "A Stronger Nation Through Higher Education: Minnesota," [http://www.luminafoundation.org/stronger\\_nation/report/#minnesota](http://www.luminafoundation.org/stronger_nation/report/#minnesota)

*Dēmos is a public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy.*

**demos.org**

220 Fifth Avenue, 2nd Fl.

New York, NY 10001

212.633.1405

**demos.org**