Higher Education Study Committee Notes
Thursday, July 15, 2004

<u>Testimony from David Laird (see handout)</u>
Improve access to low income students. Expand capacity of TRIO programs, competitive bidding through HESO. Make borrowing easier. Award each TRIO graduate with an additional $1,000 dollars for up to four years. Substantial success story in programs that allow high school students to see what college is like.

Retaining students. Reduce the student share to 40 percent from what it is now. This would reduce the amount of borrowing. Minnesota state grant program is thought to be the premier program by many national analysts. Raise state grants according to credit hours earned. State continues to fund students. State restores child care grants. Deal with sons and daughters of undocumented workers in the state. There is pressure on the state to deal with this issue. Congress has done nothing about the issue as of yet. Put pressure on congress to figure this out, so that students can be a healthy part of the state's future. Research must continue, especially at the University. Stand alone research foundation to support research at the Twin Cities campus.

<u>Testimony from Laura King (see handout)</u>
Focus on low income student access is a priority. Focus on high school success and the transition from high school to college is also important. Adjustments need to be made to the state grant programs.

Maintaining access is crucial. Look at handout. Maintain infrastructure so that the economy is strong. Responding to market gaps is a principal objective to MnSCU. There has been a state and federal withdrawal from higher education funding. In 1999, Minnesota was well ahead of average in terms of public support, tuition was about at average. By 2003 we had declined to about the national average. This is a national trend. There are also long-term demographic trends in the hand out. Demographics are changing, and minorities are growing. Students will have more needs from a curriculum (preparedness) standpoint and from a financial standpoint. The number of students receiving financial aid has increased. There has been a shift to loans and away from grants. What is the public's interest, and how do they want to distribute aid to students? State aid should be targeted towards the lowest income students.

<u>Testimony from Peter Zetterberg (see yellow handout)</u>
State does define different missions. Identifying differences. Funding should reflect these differences.

There are two basic public goods: the first is providing the public with well-trained employees. That is why America invested in higher education after WWII. Second is the American Dream. There is a high value to graduates, no matter what their background is economically. You have the opportunity to have success from nothing. What I fear is happening is that we are pitting these public goods against one another. Long-term trends have already been explained to you. State policymakers hope that federal government will bail them out. Minnesota has one of the most generous state aid programs, but even here the federal government plays the biggest part. Federal backlash is possible. Whether or not we are able to maintain this kind of access that we have now in the future is a real question. Accessing higher education for low-income students is harder and harder.

WI is odd example, a lot of property taxes. Policy logic is that they provide a local benefit. MN did that in the past with community and technical colleges.

Many states don't place much emphasis on financial aid at all. There is a federal match, but it is quite small. 16 states meet the minimum to get federal match, two states have no aid.

MN is different because of its eight reciprocity programs. Most states don't have any. We have it with MI, NE, MO, KS, WI, ND, SD, Manitoba.

In the future we will move more toward high tuition-high aid funding models to meet high level of access

We should deliver financial aid in a more sophisticated way. Different kinds of students have different kinds of needs. It has been difficult to make one program work well for different kinds of students. It makes it much more difficult to administer because we try to make it work for everyone. We have more than 50 tuition rates for the U of M. State grant dollars should be appropriated to each higher education sector.

<u>Questions to the testifiers</u>

Q: Regarding assertion that the two public goods are getting pitted against each other, how do they get confused?
A: Zetterberg: It's the way the question is framed as though it is an either/or proposition. Sometimes, we are mainly concerned with low-income students. That doesn't assure that you will have what you need in society, doctors, engineers, etc.

Q: What is basis for separate appropriations?
A: Zetterberg: I would want four different accounts.

Q: Could the panel speak to the non-financial aspects of access to college? To what extent are we facing up to what is going on before college, K-12 and early childhood?
A: King: There are both cultural and financial issues. As financial prospects are lower, the cultural issues increase. But the financial prospect correlation is high.

Q: Don't we have higher, increasing enrollment?
A: King: We think we are seeing the crest of the dynamic. To the extent that the financial aid is going up, we know we are losing people. Enrollment in the last 2-3 years has gone up because the economy has gone down. Last recession, 20 years ago we gained technical college enrollment. This time we saw a loss in that sector.

Laird: We are less than 10 years away of hitting a wall of not providing enough college graduates to meet supply of those retiring from the workforce. Goes back to Art Rolnick ideas about early childhood, or 6th grade, or 10th grade. We need to have a policy discussion about payoff periods, but we need to do it soon. What Rolnick is talking about is a 20-year return.

Comment: If we are going to talk about access, we have to address the pool of the students coming up, not just aid and tuition.

Q: Where is the peak in enrollment?
A: King: Our avg. age is 28 at MNSCU. As the demographic curve of 18-24 year-olds crest, that is going to affect us.

Q: We have the phenomena of tuition aid not going up as much as tuition and we have increasing enrollments. Are their other states that have experienced the same demographic?
A: That is happening certainly everywhere, WI and CO, MN and CA have had the most significant problems with this dynamic. But they have not had problems with enrollments going down. When the economy is down, enrollment goes up.

Q: What is the term TRIO?
A: It is an acronym that describes about 12 different federal funds focused largely at first-generation, low-income students.

Q: All speakers are recommending changes in state aid programs. What does HESO staff think?
A: We don't have any recommendations. We hope that you will, but we will do something in the fall if you don't. The state aid program is 25 years old, so there is openness to changing it.

Q: Where does each of you agree? Where do you disagree? What are the risks?
A: Laird: There are no incentives to agree. There are serious disincentives. When you get into the areas of PT students, it gets more difficult. Is it financial aid or a family income supplement? Financial aid has never been viewed as a family income supplement and has been geared towards FT students. There is the recent dynamic of more short-term efforts for worker training as a part of welfare reform that is not counted as part of higher education financial aid.
A: King: Doesn't agree that there are no incentives. We agree with much of what was said.
A: Zetterberg: Main concern with separate research foundation is that it would replace state aid.

Q: Does TRIO provide the same kind of prep as Get Ready? Could they be the same? There is going to continue to be some disparity between public and private students. Is there a disparity point that becomes unfair?

A: Yes, TRIO does provide options. Students at different levels are getting the same information. Those students cannot be considered a “kept” group. They get info about their options.
A: Certainly you could get tuition too high to be fair. The state has already recognized this by making tuition aid cap the same for public and private. Some publics (U of M, Morris) are reaching the cap.

Q: Should we mention the non-financial barriers in the report?
What about amortization of debt vs. benefits? Do we just have a perception problem?
A: With low-income prospects, they might not have enough experience with borrowing even if you can make the numbers line up.
A: If you correlate debt burden at graduation with household income, that number has tripled in the last 7 years.
A: If we are going to get serious about this, we are going to have to sort which part of their debt is related to their education and which part is to their lifestyle (they have learned lifestyle from their parents, which means more debt).

Q: Isn’t there less retention with PT? If we give more aid for PT and have more PT, will we have less retention?
A: PT persistence is a tough issue. It might be that some of the retention problem with PT, however, is due to aid cliffs.

Q: Is there some obligation or effort we should expect from our students?
A: There is something in federal program. Expected progression, they can lose aid. But we need to apply it to those who are not receiving direct aid, but are subsidized. National service idea in legislation from McCain, etc.

Q: Are there strategies that institutions are serious about in terms of moving from industrial to information age in light of less funding. Industrial costs have been going down. Can we do that in the area of information? If you can’t reduce costs, how can we have a philanthropic corpus to meet these needs?
A: King: We have established a lower per-student cost. We have shown aggressive cost management.
A: Laird: The current governor of Oregon is putting his staff through the exercise of developing that corpus.

Q: Is state grant program to provide choice as it was designed 25 years ago? What is the state buying with its commitment to the state grant program? Choice, access, or ??

Co-Chair Erickson: The early drafts that you have received by email should be challenged etc.

We want to begin recommendation-setting process now. Assumptions and principles will be the agenda for the August 12 meeting. That will be the entire meeting.

Request for volunteers.

We will get people the itinerary for August 19 trip to Alexandria for those who don’t take the bus.

Assumptions and Principles Meeting must include whether or not minority report, consensus, etc.