

HF 1912

Making College More Affordable through the Minnesota State Grant Program

HF 1912 makes college more affordable for low-income and middle-income Minnesotans through an increase in the State’s investment in need-based financial aid provided through the Minnesota State Grant program.

The bill proposes reducing the Student Share (Assigned Student Responsibility or “ASR”) in the grant formula from 50% of the recognized cost of attendance to 42%. This change is projected by the Office of Higher Education to require \$120.6 million in new, ongoing biennial funding and an investment of \$8.3 million in one time funding for FY24 only.

Impact on Students

Lowering the ASR to 42% will have a significant impact on college affordability for low- and middle-income college students. This investment will:

- Increase the average State Grant award by \$1,100 in FY24 (this includes full-time and part-time students).
- Increase the maximum State Grants for full-time students with the greatest need by \$1,850 to \$2,700.
- Help more than 63,400 Minnesota college students attending Minnesota State, University of Minnesota, and private colleges next fall:
 - 60,600 students would receive substantially larger State Grants.
 - 2,800 more students would receive State Grants because of this change.

Impact of ASR Reduction to 42% by Sector

Sector	Recipients FY24		Total State Grant FY2425	
	N	Change from base	State Grant (in millions)	Change from base
MN State	37,095	6.3%	\$203.70	54.0%
U of M	11,356	1.5%	\$160.73	36.1%
Non-profit	12,554	2.1%	\$171.15	35.9%
For profit	2,364	6.0%	\$13.48	50.8%
Total	63,369	4.6%	\$549.05	42.5%

Source: Office of Higher Education State Grant projection

Why Decrease the Student Share?

The Student Share is currently set at 50% and is not based on any objective measure of a student's ability to pay college costs. The Student Share was set at 50% in 1985, when college costs were markedly different than today. Although the Student Share was lowered to 47% and then 46% for a few years in the late 1990s and 2000s, it was raised back up to 50% in 2014.

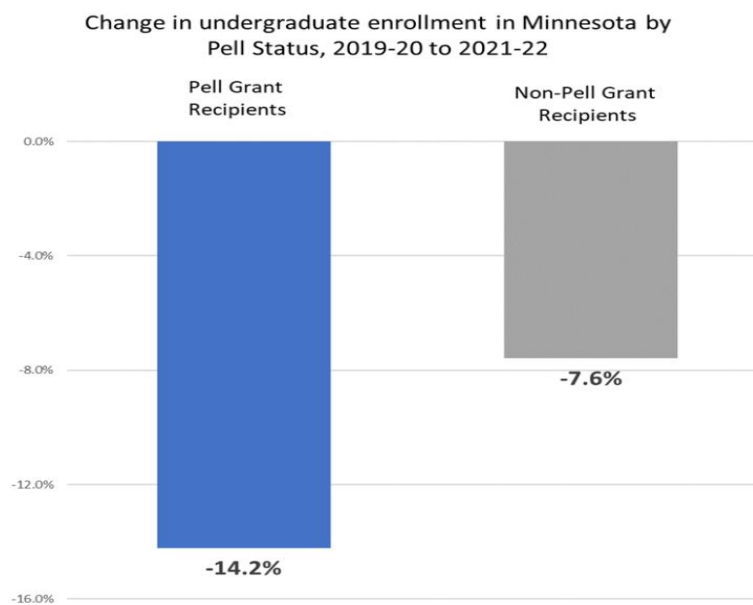
The Student Share is the only parameter of the State Grant program that has not been adjusted to reflect the real costs facing students and families since the program's inception in FY1985. The Student Share is the parameter of the State Grant program that is by far the most out of alignment with the actual costs of attendance faced by students in 2023.

Students cannot cover 50% of their college costs without working or borrowing too much. Research shows that working more than 10 to 15 hours per week lowers the odds that students will stay in college and complete their degree.

A 2018 analysis by the Minnesota Office of Higher Education found that in order to make college affordable, the ASR should be set at 36%. Reducing the ASR to 42% will be a significant step in the direction of meeting this affordability benchmark.

Declining Enrollment is Greatest Among Lower Income Students

Since 2019-20, Minnesota has seen a significant drop in college enrollment across public and private colleges. A substantial share of this declining enrollment is due to a disproportionately large decline in enrollment of low-income college students. Enrollment of Pell grant recipients in Minnesota public and nonprofit colleges and universities has declined at twice the rate of non-Pell Grant recipients.



Source: IPEDS unduplicated headcount data and Federal Student Aid Pell Grant recipient data. Includes all public and nonprofit Minnesota institutions. Excludes for-profit institutions.

Why Invest in the Minnesota State Grant?

Through the Minnesota State Grant, financial aid that makes college more affordable is targeted to the population of students who have seen the largest declines in enrollment. It is the most effective policy and funding tool for addressing Minnesota's enrollment declines and economic and racial disparities in higher education.

Need-based financial aid programs like the Minnesota State Grant have positive effects for students and society that are far-reaching and deeply felt.

Decades of research shows that increases in need-based aid to college students:

- increases college enrollment, retention and completion.
- shortens time to degree completion and decreases students' overall costs.
- helps hold down borrowing.
- decreases the burdens of intensive work schedules, financial stress, and indebtedness.
- closes educational disparities based on race, income, and socio-economic status.

Research also reveals that need-based aid is beneficial for society as a whole. When provided by a state, need-based aid:

- encourages students to stay in-state, and
- provides positive returns on state investment through a more educated and skilled workforce, increased earnings, and larger tax base.

An assessment of the State Grant program by MMB concluded that the program has a \$4.10 return for every dollar invested in the program.

Who Benefits from the State Grant Program?

- 39% of all Minnesota students enrolled in Minnesota colleges receive a State Grant.
- 54% of all Minnesota students of color and Native American students enrolled in Minnesota colleges receive a State Grant.
- 74% of State Grant funds go to students with family incomes below \$60,000, and the remaining grant funds reach into middle class families making between \$60,000 and \$120,000.