AGENDA

Board of Regents Work Session

Agenda Item: How Students Pay for a College Education: Present and Future

☐ review  ☐ review/action  ☐ action  ☑ discussion

Presenters: Senior Vice President/Provost Thomas Sullivan
Vice Provost/Dean of Undergraduate Education Robert McMaster

Purpose:

☐ policy  ☑ background/context  ☐ oversight  ☑ strategic positioning

To report on how University of Minnesota students pay for their college education today, and to outline the future challenges for students and the institution.

Outline of Key Points/Policy Issues:

The University of Minnesota’s strategic positioning action strategy calls for the University to recruit, educate, challenge, support, and graduate outstanding students. Providing appropriate financial support for students is an important underpinning to student success.

How do University of Minnesota students pay for their college education? Most students use some of their own family resources to pay for their education. Most students also benefit from grants and scholarships, work study and other student employment, loans, and other sources of support. How students pay for their education varies with student level (undergraduate, graduate, or professional student), with level of family income, and with their program of study.

Over the past five years, the University of Minnesota has developed and implemented specific strategies designed to maintain affordability for undergraduate students from all income levels. Central to these efforts are the Founders Free Tuition Program, increases in scholarship funding from endowments, and the 13-credit tuition band. This work session will discuss the relationship among the University of Minnesota’s tuition and financial aid policies and undergraduate student access and success.
How Students Pay for a College Education: Present and Future

While most University of Minnesota students use some of their own resources and/or those of their parents to pay for their education, most also benefit from the following kinds of financial aid and other resources:

- **Grants and Scholarships**
  - Federal Grants (Pell)
  - State Grants
  - University Scholarships (including waivers)
  - Scholarships from Other Sources

- **Self Help Resources**
  - Student Loans
  - Federal Work Study
  - State Work Study

- **Other Resources**
  - Parent Loans
  - University Employment and Tuition Benefits
  - Tax Credits/Deductions

In 2007-08, 72% of the University's degree-seeking students on all campuses at all student levels received some form of financial aid, including $370 million in student and parent loans and $190 million in grants and scholarships from all sources.

**Student Level**

How students pay for their education varies by student level:

- **Most undergraduate students** rely on their parents and on income from non-University jobs to help finance their education. In addition, many undergraduate students from all income levels use loan programs. In 2007-08, for all campuses combined, 56.8% used student loan programs, and the average amount borrowed that year was $7,740. In 2007-08, 62.9% of undergraduate students received a grant or scholarship, and the average award was $5,621. Low-income undergraduate students benefit greatly from federal and state grants and
University scholarships. Merit-based scholarships are important in recruiting high-ability undergraduate students to choose the University of Minnesota.

• How graduate students pay for their education depends on their program of study. Most Ph.D. students are employed as graduate Teaching Assistants or Research Assistants, and receive salary and the associated graduate tuition benefits. In 2007-08 the University payroll for graduate students, including tuition and other benefits, was $220 million. Master’s degree students in professional programs such as business administration, education, or social work seldom have graduate assistantships and more often will rely on their own resources or loans, although employers pay the educational cost for some. Note that most working professionals benefit from new federal tax deductions.

• Students in law, medicine, dentistry, pharmacy, and veterinary medicine (i.e., students in the University’s five first-professional programs) rely most heavily on loans. These students are enrolled in very highly structured programs that require students to attend full-time, without exception, and these students have much less opportunity to work than do other students. Students in medicine and dentistry attend school year-round. In 2007-08, 69% of the University’s first professional students used loan programs, and the average amount borrowed was $34,534.

Grant and Scholarship Assistance: Over $200 million in 2008-09

In 2008-09, the total amount of grant and scholarship assistance that University of Minnesota students receive will exceed $200 million for the first time (double the $104 million in 2000-01). About $75 million of that will come from federal grant programs, state grant programs, and external agencies. More than $130 million will come from University resources, including from scholarship endowments in the University of Minnesota Foundation and the Minnesota Medical Foundation.

Undergraduate students on the University’s four campuses will be the main beneficiaries, receiving about $145 million, with more than half of that amount coming from University resources. The University’s graduate students and first professional students will receive about $55 million.

Nearly all of the increases in University grant and scholarship assistance for undergraduate students in 2008-09 will be targeted to Minnesota residents, as the University finishes the final implementation of its Founders Free Tuition Program for low-income students. The Founders Program guarantees grant and scholarship assistance in an amount at least equal to tuition and required fees for Pell-eligible students from Minnesota, and it will benefit 4,700 students in 2008-09. (Students who are eligible for federal Pell grants typically come from families with incomes of $40,000 of less.)
In 2008-09, more than 40,000 students on all campuses at all student levels will receive some form of grant or scholarship assistance, including tuition waivers.

**Student Employment: Over $250 million in 2008-09**

In addition to the $200 million of grants and scholarships, the University’s student payroll will be more than $250 million in 2008-09. Each year the University employs more than 12,500 undergraduate students and more than 8,500 graduate and professional students. Graduate students with appointments as teaching assistants or research assistants are the major beneficiaries of the University’s student employee programs, but thousands of undergraduate students also benefit from employment on campus. Undergraduate student employment on campus is correlated with increased levels of retention, timely graduation, and student satisfaction.

**Maintaining Affordability: Increasing Aid**

The University of Minnesota has maintained affordability for undergraduate students from all income levels by developing and implementing specific strategies to increase aid to students. These efforts intensified beginning in 2001-02, the first year of consecutive tuition increases in the 13-14% range to help offset significant shortfalls in state funding.

The centerpiece of this aid effort is the Founders Program, which guarantees all Pell-eligible students from Minnesota a package of federal, state, and University grants and scholarships in an amount at least equal to tuition and required fees during their first four years of study. In 2007-08, 21.2% of our undergraduate students on all campuses were Pell-eligible. On the Twin Cities campus 20.8% of all undergraduate students were Pell-eligible.

Over this same time period the University has increased the value of its scholarship endowments by more than $250 million, providing an increased income stream to fund scholarships. The University is committed to continued fundraising for scholarships.

As part of its tuition strategy for undergraduates, in 2002-03 the University adopted a 13-credit tuition band for undergraduates on the Twin Cities campus. The banded tuition rate structure provides a strong financial incentive for students to enroll in higher credit loads each semester, as all credits over 13 are at no extra charge. If students are to graduate in 8 semesters, with 120 credits, then students need to enroll in an average of 15 credits per semester. The 13-credit tuition band was adopted on all University campuses last year.

**Future Challenges**

In general, the University’s current tuition and financial aid policies work well for most students, but there are challenges for the future:
• **Maintaining access** for students of all income levels. This challenge is heightened by recent declines in employment and in the overall economy.

• Continuing to **attract high-ability students** from Minnesota to stay in Minnesota, and attracting students from other states to come to Minnesota for college and to remain in Minnesota. Merit-based scholarships and awards are necessary to compete for the very top students.

• **Improving the four-year graduation rate.** Each additional year in college costs the undergraduate student nearly $21,000 (the annual cost of attendance), plus the forgone income from employment.

• **Making the best use of limited resources** – the students’ resources and the institution’s resources – by focusing on student success as defined by timely graduation. Even with enhanced financial aid and other resources, some students drop out of college with significant loan indebtedness.