

CITIZENS LEAGUE REPORT

**DECLINING
ENROLLMENTS IN
HIGHER EDUCATION:
LET CONSUMERS
MAKE THE CHOICES!**

Proposals to help the Minnesota Legislature set priorities by increasing student aids and decreasing direct funding to post-secondary institutions.

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Proposals to help the Minnesota Legislature set priorities
by increasing student aids and decreasing direct funding
to post-secondary institutions

Prepared by
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Post-Secondary Education
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Approved by
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February 23, 1977

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INTRODUCTION

As this report is issued, the 1977 Legislature is struggling with the effects of population decline in the elementary/secondary school systems. This is an issue Minnesota did not face early and squarely, when there was time to prepare for it. We could have planned more adequately, and more in advance of the actual declines. Today, we look ahead, and can foresee the population decline carried through to the post-secondary systems. Once again we have lead-time that gives us the opportunity to prepare for a decline in enrollment before it becomes widespread in the 1980s.

A major alternative favored by institutions is the expansion of their offerings from traditional academic and technical courses for pre-career persons to community services, and recreational, enrichment, and career-enhancing programs for those who have already completed a post-secondary education. But such an expansion, even if it were supported by substantial public funds (and this raises a host of other issues), would not be sufficient to completely offset the decline in the pool of the more traditional 18-21 year old students.

The dramatic increase in post-secondary enrollment (nearly tripled in 14 years, between 1960 and 1974) and the accompanying growth in the post-secondary 'plant' (which, in the most intense period of growth, added a new public campus on the average of one every 13 weeks) will leave the Legislature with difficult questions to face over the coming period of decline---

*Should the post-secondary 'plant' be partially taken down? If so, how...
...differentially by geographic location in the state?
...differentially, between and among different kinds of institutions?
...a building at a time...program at a time...campus at a time?
...on whose decisions: state government's...students'...communities'...
educational systems'?

*If the post-secondary 'plant' is to be retained at its current level, how should the excess capacity be financed?...
...through higher per/pupil payments from the state?
...through higher user fees?
...through rental of extra space to other agencies?

The issues raised by the approaching decline are real, and serious. Our recommendations may well be controversial. But whatever disagreement may arise over them, the most important point we want to stress is the urgency of coming to grips with declining enrollment...of formulating some plan, now, before we are faced with all the problems currently manifested in the elementary/secondary systems.

SUMMARY OF MAJOR IDEAS

1. Minnesota must do a better job in handling the enrollment declines in its post-secondary institutions than it did in its elementary/secondary systems. This will require that two key policy decisions be made, soon:
 - * How will the state reduce the post-secondary 'plant' to fit a smaller pool of students age 18-21? The state responded to a growing enrollment pool by adding classrooms and campuses (roughly 40 of them) over the past 15 years.
 - * How far should the public support the current effort by institutions to offset the enrollment decline in part by expanding their offerings to older, mid-career persons?
2. The enrollment decline will hit especially hard in sparsely populated areas, and among private colleges.
 - * Public institutions located in sparsely populated out-state regions will suffer earlier and more severe declines than metro-area institutions. The experience at Southwest State University is symptomatic of what will occur at other public institutions, particularly those in the southwest, northwest and northeast corners of the state, which will all experience declines in their 18-21 year old populations of 40-45% between 1980 and 1995.
 - * The private institutions will be affected disproportionately because they charge more of the real cost of providing education to users than do the public institutions.
 - * The actual *cost* of providing education is not that different in public and private 4 year institutions--an average of \$2,400 in the State Universities, and \$2,800 in the average private college. But the *price* to the consumer is substantially different--\$545 in the State Universities, \$2,500 for a middle-price private college. The low price in the public institutions is made possible by high direct state subsidy to the institutions, which is unrelated to the financial need of students.
3. Public policy with respect to pricing differentials has relatively little to do with the enrollment declines expected on a geographic basis. But such policy is at the heart of the likely enrollment decline in private institutions. A critical choice must therefore be made:
 - * Minnesota can choose to leave the differential in price. It will then risk a substantial reduction in opportunities for education in institutions offering a combination of small classes and a 'teaching' faculty for those students who desire and can benefit from them. Currently these opportunities are concentrated in the private colleges.
 - * Or, Minnesota can choose to narrow the differential among institutions, and bring prices more in line with actual cost. This will require difficult and controversial adjustments in the ways state funds are channeled into public and private institutions.

4. The way in which institutions are now marketing their services to the much larger pool of older, mid-career persons raises policy questions of the most serious nature:

- * Currently the programs offered are primarily recreational or job-related. Prices are low: Some institutions have gone so far as to open their doors to adults for free, on a space-available basis.

Should the state finance programs regardless of the public benefit or of consumers' ability to pay? Or, should the state finance programs based on some public purpose or financial need of consumers?

- * Institutions which we have traditionally thought of as providing 'higher education' are in intense competition with the elementary/secondary institutions, AVTIIs, and private for-profit sector for the mid-career market. The roles and missions of different institutions in this area have not yet been sorted out.

5. We are especially distressed that these critical issues remain unresolved today, even though the Legislature created the Higher Education Coordinating Board (HECB) in 1965 to address precisely these kinds of problems.

In our view, the HECB has failed for the following reasons:

- * The institutional and regional interests built into the Board's discussions have prevented it from coming to grips with difficult issues.
- * Lack of support from the Governor's Office or the Legislature, both of which rely on their own staffs, has weakened the Board's voice, even when it has tackled tough issues.
- * The budgeting process now used by the Legislature, which considers appropriations on a system-by-system basis, makes it impossible to address the serious, statewide and inter-system issues.

6. In order for Minnesota to move rapidly toward adequate consideration of these issues, we recommend that the Legislature:

- * Shift the emphasis in financing post-secondary education from direct appropriations for institutions, to an arrangement in which institutions 'earn' more of the revenues they get; and in which students, and especially those in mid-career programs, pay more of the real cost of their education. This will help remove some of the problems the current Legislature has when it tries to deal with these issues, by giving legislators a better idea of which institutions and programs are really needed, and desired, by consumers.
- * Expand the state's financial aid program to assure that, even with fuller pricing, students will be able to attend the institutions of their choice, regardless of income.
- * Replace the HECB with an executive department headed by a commissioner; and retain the citizens board in an advisory capacity. This will strengthen the policy mechanism by removing institutional and regional interests to a lobbying posture, and by tying it closely with the Governor's Office.
- * Require that the new commissioner present a consolidated post-secondary budget to the Governor which includes appropriations to the four public systems and the private colleges; and a policy on tuition and financial aid. This will enhance the commissioner's authority, and will properly focus the budget on the statewide inter-system issues.

FINDINGS

I. AFTER TWO DECADES OF GROWTH IN ENROLLMENT, POST-SECONDARY EDUCATION IN MINNESOTA IS NEAR A PLATEAU. ASSUMING A CONTINUATION OF THE CURRENT PARTICIPATION RATES, WE EXPECT ENROLLMENT IN THE TRADITIONAL 18-21 AGE GROUP TO DECLINE OVER THE NEXT TWO DECADES, STARTING IN THE EARLY 1980s.

A. The expected enrollment decline is related directly to the numbers of 18-21 year olds living in the state.

According to the State Demographer, the number of 18-21 year olds in Minnesota will decrease 29.7% between 1980 and 1995 -- from 329,000 to 231,600.

** The projected decrease in the 18-21 year old population varies by region. Planning Region 6W (Big Stone, Swift, Chippewa, Lac Qui Parle, and Yellow Medicine Counties), located in the west-central part of the state, is expected to have the severest decrease -- a 49.9% reduction of the 18-21 year old population between 1980 and 1995. Region 7E (Pine, Kanabec, Mille Lacs, Isanti, and Chisago Counties), located in the mid-eastern part of the state, is expected to have the least decrease -- a 14.9% reduction between 1980 and 1995. The Twin Cities Metropolitan Area (Region 11) is expected to experience a decrease of 24.6% between 1980 and 1995. (See map, page 65, for trends in other regions of the state.)

B. The decline is not expected to affect all institutions proportionately.

1. Public institutions in some outstate areas are expected to experience more severe declines than those located within the metropolitan area. The Higher Education Coordinating Board (HECB)* projects that Full Time Equivalent (FTE) enrollment* in the metropolitan area public post-secondary institutions--Community Colleges, Area Vocational-Technical Institutes (AVTIs), and campuses of the University of Minnesota--will decrease 18% between 1980 and 1995 -- from 65,015 to 53,158¹. FTE enrollment projections for outstate Community Colleges, State Universities², AVTIs¹, and campuses of the University of Minnesota show a decrease of 36% between 1980 and 1995 -- from 70,252 to 44,707².

¹ Projections for AVTI enrollment have not been carried through to 1995. Therefore, 1995 enrollment for the AVTIs was estimated by applying the percentage decrease experienced in the other systems to the AVTI enrollment.

² State Universities do not appear in projections of metropolitan area enrollment because all of the State University campuses are outstate, with the exception of Metropolitan State University, for which enrollment projections have not been done.

2. No projections have been made for enrollments in private colleges. The colleges, which now have an FTE enrollment of about 33,000, expect that they will experience decline also, as they depend so heavily on the 18-21 year old enrollment. However, those with strong religious affiliations or national reputations may fare better than others.
3. Enrollment projections for the private vocational schools are not available. The private vocational schools have students from a variety of areas: Some are basically local institutions, others have more national draw. Approximately 30-40% of the students do not enroll directly after high school; the average age of students at Dunwoody Institute is 23-25.
4. The severity of enrollment declines in all institutions will be affected by the participation of adults in post-secondary education. However, we really cannot predict the trends in adult participation or the impact it will have on overall post-secondary education enrollment over the next 20 years.

71. FUNDING AND PRICING POLICY WILL DETERMINE HOW DIFFERENT INSTITUTIONS ARE AFFECTED BY A SMALLER OVERALL ENROLLMENT POOL.

State appropriations for post-secondary institution operating budgets, plus bonding authority (see chart below) have increased from \$95,862,335 in 1957/59 to \$728,568,962 in 1975/77, or an increase of 660%, while total state appropriations for operating budgets and bonding authority (including post-secondary education) increased from \$675,473,130 in 1957/59 to \$5,630,535,140 in 1975/77, or an increase of 734%.

It should be noted that the number of items funded through *state* appropriations over the last 20 years has increased: In the post-secondary systems, the state took over financing of community colleges and some funding for AVTIs. Changes in the school aid and municipal aid formulas, and the assumption of many welfare costs formerly borne by counties and municipalities have had a substantial effect on the size of the state budget.

EDUCATION APPROPRIATIONS FOR OPERATING BUDGETS AND BONDING AUTHORITY FOR NEW CONSTRUCTION AS A PER CENT OF ALL APPROPRIATIONS AND BONDING AUTHORITY 1957/59 - 1975/77¹

	Operating Budget ² Appropriations			Bonding Authority for Construction ⁴			Grand Total, Operating Budget Plus Bonding Authority		
	State	Post-Sec. Ed. \$	% State	State	Post-Sec. Ed. \$	% State	State	Post-Sec. Ed. \$	% State
1957/59	\$ 616,351,191	\$ 67,603,911	11.0%	\$ 59,121,939	\$ 28,258,424	47.7%	\$ 675,473,130	\$ 95,862,335	14.1%
1967/69	\$1,634,526,483	\$196,317,627	12.0%	\$ 55,371,933	\$ 63,793,239	86.7%	\$1,689,898,416	\$260,110,866	15.3%
1969/71 ³	\$2,220,687,734	\$308,262,770	13.8%	\$139,989,134	\$123,398,784	88.1%	\$2,360,676,868	\$411,661,554	18.2%
1975/77	\$5,543,736,311	\$699,018,962	12.6%	\$ 86,798,829	\$ 29,550,000	34.0%	\$5,630,535,140	\$728,568,962	12.9%

¹ Not included in these figures are appropriations for repairs and betterments of existing facilities.

² Figures for 1975/77 include an open appropriation of \$100 million for state salary increases. The Department of Finance estimated that the higher education share of this total would be approximately \$37 million. An estimate for the AVTIs' share was not available.

³ 1969/71 is the first biennium in which AVTIs came under the post-secondary budget for operating expenditures. This means that the operating budget figures for 1957/59 and 1967/69 are low, as are the percentages of state appropriations attributed to post-secondary education for those years.

⁴ The AVTIs are not included in these figures, except for the 1975/77 biennium. Figures for the AVTIs in other years were unavailable. However, if we make some assumptions, we can make a very rough guess at what has been spent by the state for construction of AVTIs. If we assume that each new building cost \$5 million, and that the federal government paid half the bill, this would leave local school districts with a \$2.5 million bill for each new AVTI. Between 1957 and 1973, 24 new AVTIs were built. State reimbursement for these buildings was based on the number of students from outside the school district. If we assume that 70% of the students in any school came from outside the district, this would mean that the state paid 70% of the local share (\$2.5 million) for each of 24 new schools, or \$42 million.

Source: Operating Budget Appropriations--RECB
Open Appropriations for Salaries--State Department of Finance
Bonding Authority for Construction--Senate Finance

Prepared by the Citizens League 12/20/78

- A. The income profile of families of students in Minnesota post-secondary education institutions corresponds with tuition levels: the lower the tuition, the lower the median family income of students. The 1972 median family incomes of students in five systems of post-secondary education, by residence in the state, showed:

System	1972 Median Family Income by Residence of Family ¹	
	Metropolitan Area	Outstate
Private 4-year colleges	\$21,000	\$16,000
University of Minnesota	21,000	14,000
State Universities	20,000	15,000
Community Colleges	19,000	13,904
All vocational students	17,000	13,000

¹ Source: Minnesota Scholastic Aptitude Test* data

1. While assertions have been made that the price of post-secondary education to the student has increased to such an extent that middle-income families can no longer afford it, public institution tuition as a per cent of Minnesota median family income has not increased substantially in the last 20 years. Increases in the private colleges vary.

MINNESOTA RESIDENT TUITION AND FEES AS A PER CENT OF MEDIAN FAMILY INCOME¹ IN MINNESOTA, BY SYSTEM, 1949/50 - 1976/77

	Median Family Income	State Universities		Community Colleges		University of Minn. College of Lib. Arts		Selected Private Colleges					
		Tuition & Fees	% of Income	Tuition & Fees	% of Income	Tuition & Fees	% of Income	Augsburg		Hamline		Carleton	
								Tuition & Fees	% of Income	Tuition Only	% of Income	Tuition Only	% of Income
1949/50	\$ 3,113	\$ 60.00	1.9%	NA	NA	\$126.85	4.0%	\$ 208	9.2%	\$ 350	11.2%	\$ 540	17%
1959/60	6,547	157.50	2.4	\$127.00 ²	1.9%	264.00	4.0	530	8.0	600	9.1	1,000	15
1969/70	11,866	378.75	3.1	\$285.00	2.4% ('68/69)	405.00	3.4	1,430	12.0	1,500	12.6	1,775	14
1974/75 ³	18,014	513.00	2.8	461.25	2.5 ('75/76)	812.25	4.5	2,115	11.7	2,450	13.6	2,935	16
1976/77 ³	19,369	545.25	2.8	495.00	2.5	817.50	4.2	2,550	13.1	2,900	14.9	3,235	16

¹ Census data on Minnesota median family income for families with heads aged 35-44 was used for 1949/50 - 1969/70.

² \$127 is an average of tuition and fees in 9 Community Colleges, Tuition and fees were not uniform at this time.

³ The Market Guide, published by the Editor and Publisher Co., Inc., 850 Third Avenue, New York City, N.Y. 10022, estimated income per household for Minnesota was used for 1974/75 and 1976/77. These estimates were found to be quite close to the census group used for the earlier years, when figures for the same year were examined.

Information on tuition and fees supplied by the systems.
Chart prepared by the Citizens League November 17, 1976.

2. Tuition and fee revenue is a significant source of funds for private colleges. Figures from the HECB (published in the 1975 Minnesota Pocket Data Book) show tuition and fee revenue increasing from 44.4% of *all* private college revenue, including gifts, grants and endowments and federal monies in 1969/70, to 49.7% of all revenue in 1973/74. More recent figures were not available.

Because the private colleges rely so heavily on revenue from students, and because the majority of those students are in the 18-21 year old age group, the private colleges fear that enrollment declines will hit them especially hard: Any decline in enrollment creates a significant decrease in revenue, which then requires either higher prices to students or a cut in services.

3. Tuition revenue is not the major source of funding for public post-secondary institutions. Enrollment shifts also have a substantial impact on public institution revenue. There is a direct relation between enrollment in public institutions and the level of state appropriations to those institutions. The following two charts show tuition and fee revenue as a per cent of state expenditures over the past 20 years for three public systems of post-secondary education:

TUITION AND FEE REVENUE¹ AS A PER CENT OF STATE
APPROPRIATIONS FOR OPERATING BUDGETS, 1957/59-1975/77

	<u>University of Minnesota</u>	<u>State Universities</u>	<u>Community Colleges</u>
1957/59	19.1%	NA	NA
1967/69	22.8%	43.6%	39.8%
1969/71	24.5%	41.6%	40.0%
1975/77 ²	25.5%	32.9%	38.5%

The above chart shows gross tuition and fee revenues, but does not take account of the fact that a portion of those revenues comes from state, federal and private financial aid dollars. Data is not available to show the impact of all these sources of aid, but we do know what portion of the Minnesota State Scholarship and Grant Program* and the Foreign Student Assistance Program* was allocated to each system. The chart on page 11 shows *net* tuition and fee revenue (i.e., tuition and fee revenue minus the two aid programs) as a per cent of net tuition and fee revenue plus state appropriations for operating budgets and the two financial aid programs.

¹ The federal government, private sources, and earned income provide other sources of revenue. Outlined below are all sources of revenue for the three systems in 1974/75:

University of Minnesota --	Tuition and Fees \$34 million (9.9%). Federal Appropriations \$63.5 million (18.5%). Other (includes endowment and earned income) \$82.8 million (24.1%). State Appropriations (including special appropriations) \$163.6 million (47.6%).
State Universities --	Federal Appropriations \$1.5 million (1.6%). Tuition and Fees \$19.2 million (20.6%). Other (includes endowment and earned income) \$27.8 million (29.8%). State Appropriations \$44.9 million (48.1%).
Community Colleges --	Federal Appropriations \$3.4 million (9.8%). Other (includes endowment and earned income) \$4.2 million (12.1%). Tuition and Fees \$6.3 million (18.1%). State Appropriations \$20.9 million (60.1%).

(Percentages may not equal 100%, due to rounding)

Source: Higher Education Coordinating Board, reproduced in
1975 Minnesota Pocket Data Book

² 1976/77 tuition and fee revenue is estimated.

*Tuition and fee revenue provided by State Finance Department;
state appropriations provided by Higher Education Coordinating
Board. Chart prepared by Citizens League 12/14/76.*

NET TUITION AND FEE REVENUE¹ AS A PER CENT OF
COMBINED NET TUITION AND FEE REVENUE PLUS
STATE APPROPRIATIONS FOR OPERATING BUDGETS AND SCHOLARSHIPS AND GRANTS²

	<u>University of Minnesota</u>	<u>State Universities</u>	<u>Community Colleges</u>
1957/59 ³	16.0%	NA	NA
1967/69 ³	18.5%	30.3%	28.4%
1969/71	19.4%	28.9%	28.3%
1975/77 ⁴	18.5%	20.0%	24.1%

¹ Net tuition and fee revenue is that revenue minus scholarships and grants.

² Scholarships and grants include the Minnesota State Scholarship and Grant Program* and Foreign Student Assistance*.

³ No financial aid dollars are included, but aid was negligible in those years.

⁴ 1976/77 estimated tuition revenue.

Tuition and fee revenue provided by State Finance Department, State Appropriations for Operating Budgets and Scholarships and Grants provided by HEGB. Chart prepared by Citizens League 12/14/76.

B. State financial aid programs have grown as a portion of all state post-secondary appropriations in the last 20 years.

State financial aid appropriations which appear as separate line items in the budget increased from .2% of all post-secondary appropriations for operating budgets and financial aid combined in 1957/59 to .8% in 1969/71 and 5.2% in 1975/77.¹

1. In fiscal year 1976, state financial aid programs, excluding loans, represented roughly 10.3% or \$18,731,000 of total state, private and federal aid dollars combined, excluding loans,² (\$180,108,672). When loans are included, state programs represented 18.7% or \$43,731,000 of the total (\$233,089,063).

Private dollars³ represented 30.3% of the total, excluding loans, and 32.4% including loans.

Federal programs³ represented 59.2% of the total, excluding loans, and 48.7% including loans.

¹ Included in financial aid are:

Minnesota State Scholarships and Grants*, Minnesota Work/Study Program*, POW/MIA grants*, Foreign Student Loan Program*, Reciprocity* with Wisconsin, Nursing Scholarships*, and the Loan Reserve Fund*. The Private College Contract Program*, which gives un-designated funds to colleges, was counted as part of institutional appropriations.

² Our "totals" are very rough, and incomplete. No one has yet made a comprehensive count of all financial aid dollars available to students in the state. Although we made some efforts, our figures contain many assumptions and are not complete. We do not have a comprehensive count of all aid dollars available to University of Minnesota and private college students.

³ We could not trace the source of funds in all cases for those we have categorized as "private". For example, some of the funds used by private colleges for financial aid come from the Minnesota Private College Contract Program*, which involves state dollars. Other funds come from private or federal sources. Because we could not trace the source of all funds expended by private and public institutions for financial aid programs, we have simply counted these funds as "private" dollars. (Excepted from this count are those funds which are clearly identified as state or federal dollars, such as the institutionally administered College Work/Study Program* and Supplementary Education Opportunity Grant Program*.) For a detailed listing of how we have counted the various programs, see page 63.

2. The single largest program, more than twice as large as any other single program in fiscal year 1976, was the GI Bill, which brought \$61.6 million into the state.

This program, which pays an average of \$270/month/veteran, will be changed for those entering the armed services after January 1, 1977. Under the old program, veterans who had served more than 18 months on active duty were eligible for benefits for up to 45 months, any time within 10 years after they were discharged. Benefits paid \$292/month for full time students with no dependents and \$347/month for full time students with one dependent.

The new program, for those entering the armed services after January 1, 1977, will start operation on an initial 5-year experimental basis. Persons serving more than 180 days on active duty who have contributed \$50-\$75 per month for 12 consecutive months to an "education pension plan" would receive a maximum of \$225/month (including the money they had contributed) for a period of time equal to the number of months they had contributed to the fund, with a maximum of 36 months, within 10 years after they have been discharged. For every dollar contributed by veterans to the fund, the Veterans Administration will contribute \$2. Additional contributions may come from the Department of Defense.

Because the old program is available to all veterans who enlisted prior to January 1, 1977, for up to 10 years after they leave the armed services, it is difficult to estimate when the old program will run out. If we assumed that persons stayed in the armed services at least 4 years, this would leave persons entering the armed services in December, 1976, eligible for the old benefits through 1990.

However, there is some reason to believe that the numbers of persons eligible for the old program will decrease more quickly: According to the Veterans Administration, benefits for 3.3 million veterans ran out in June, 1976. 6.2 million are still eligible for the old program, but it appears that only 1 out of 8 are enrolled this fall.

The enrollment of veterans declined severely this fall. Nationwide, 2-year colleges, which enroll 60% of undergraduate veterans, lost more than 1/3 of their veteran enrollment this fall -- a decrease of about 222,000.

The old program has had some trouble with abuse--persons enrolling and collecting benefits without intending to complete the courses for which they registered. As a result, the Veterans Administration has required more stringent reporting by schools on veteran attendance. Some believe that the more stringent regulations have contributed to the decline in veteran enrollment.

In any case, it is clear that money coming into the state's post-secondary education institutions through the GI Bill is significant. The alteration of that bill to require more financial commitment from the veteran interested in a post-secondary education may result in further declines in the veteran enrollment in future years.

3. Our rough tally of state, federal and private financial aid dollars in fiscal year 1976 shows that gifts accounted for 59.5% (\$138,782,106) of all dollars, loans accounted for 22.7% (\$52,980,391) of all dollars, and work accounted for 17.7% (\$41,326,566) of all dollars. (See page 64 for itemized dollars.)

Gifts may be grants or scholarships, or "waivers" that, for example, give a student free room and board.

Federally insured loans may be made by the State of Minnesota, the school or a bank. The loans are insured against default by the federal government, and have low interest rates.

There are few sanctions against students for defaulting on loans or for declaring bankruptcy on student loans. Default on student loans does not appear to greatly harm a person's future credit rating.

Because the Minnesota loan program is so new, default is not now a problem. The HECB staff note that the most common cause of default is that the lender (a private institution, bank or the state) loses track of the student after graduation. Lenders have little incentive to keep track of students, because the loans are 100% guaranteed by the federal government. However, effective October, 1977, the federal government will only guarantee 80% of any loan, and a private guarantee agency will have to be established in the state to insure the other 20%. The new law also provides that, effective October, 1977, student loans will be exempt from bankruptcy proceedings while the student is enrolled and for five years thereafter. However, the Congressional Judiciary Committee, which has jurisdiction over bankruptcy laws, is expected to eliminate that provision before it goes into effect.

Income-contingent loans are now in use on an experimental basis at Yale and Duke Universities. Under this plan, students pay back their loans over a period of 20-30 years, paying back a set proportion of their income. This allows persons with large debts and small earnings to pay back their loans as they are able. At the end of the pay-back period, an individual may have paid back more or less than his actual debt, depending on his earnings during that period.

Work may be through a "work/study" program, in which the state or federal government pays part of the student's wages, and eligibility for the job is based on financial need, or may be provided by the school, regardless of student financial need, and the wages paid for entirely by the school. In addition, many students find jobs on their own. These students' wages would not appear in our count of financial aid dollars.

The post-secondary systems have not used all available Minnesota Work/Study* funds. \$500,000 was allocated for the Minnesota Work/Study program for 1976. At the end of 1976, usage rates of the funds allocated to each system were:

- University of Minnesota: 99%
- Private Institutions (collegiate and vocational): 69%
- Community Colleges: 56%
- AVTIs: 53%
- State Universities: 48%

4. Some financial aid awards are made on the basis of need; others are not.

Some of the major non-need-based programs are:

- The GI Bill
- Social Security Benefits*
- Federally Insured Student Loans* (loans equal to $\frac{1}{2}$ the cost of education may be made to any person, regardless of need, but the government pays interest for students whose family incomes are below \$25,000)
- Reciprocity*

Some of the major need-based programs are:

- Basic Education Opportunity Grant*
- Supplemental Education Opportunity Grant*
- Minnesota State Scholarship and Grant Programs*
- College Work/Study Program*
- National Direct Student Loan Program*

5. The calculation of student financial need includes an allowance for room and board and miscellaneous items. Currently the allowance for a student living at home, or on his own off campus, would be \$1,500 (\$1,100 for room and board, and \$400 for miscellaneous items). The allowance for a student living on campus would be the average price for room and board at the institution, plus \$400 for miscellaneous expenses. The state and individual institutions contract with one of two private companies, the American College Testing Service or the College Scholastic Service, to do needs analyses for all need-based financial aid programs with the exception of the federal Basic Education Opportunity Grant (BEOG)*, which has its own needs analysis. In Minnesota the American College Testing Service is most commonly used. At one time, needs analyses performed by the two companies on the same person for the same school would have yielded different results, but now the two formulas give uniform results.

Financial need is determined by subtracting the expected contribution from the student and his family from the expenses for tuition and fees, room and board, and miscellaneous items such as books, laundry, and travel.

The expenses of an education are calculated by the individual school. The family and student's ability to pay are calculated by the private companies. There are several significant factors which determine how much will be expected from the student and his family:

- a) If the student is a dependent, then the resources of his family will be examined. The needs analysis guidelines provide that anyone who has (1) lived with his parents for more than two weeks; or (2) been taken as a tax deduction by his parents; or (3) received more than \$599 in support from his parents in the year previous to application for aid, or the year in which application is made, or the following year, is *dependent*.

Using these guidelines, most students are determined to be *dependents*. The needs analysis will then examine his and his family's resources and other relevant information, as described below. If the student were determined to be *independent* of his parents, then only his income, assets and family situation would be examined.

The needs analysis requires a much higher portion of an independent student's income for education than it does of a parent's income, and therefore makes it much more difficult for the independent student to qualify for need-based assistance.

- b) Family adjusted gross income, as reported on the federal tax return, is an important factor in determining family contribution. After an allowance for basic living costs (based on family size) and a retirement allowance (related to the age of the wage earner or earners), the following percentages of *remaining* income are expected to pay for education:
- 22% of the first \$4,000, 29% of the second \$1,000, 34% of the third \$1,000, 40% of the fourth \$1,000, and 47% of anything over \$8,000 in remaining income.
- c) Assets, including family and student savings, home equity and stocks and bonds are also part of the expected family contribution. The "tax" on parents' assets ranges from 2.6 - 5.6%. The analysis expects 35% of a student's savings for post-secondary education.
- d) Unusual expenses such as medical care not covered by insurance reduce the expected family contribution.
- e) The number of children enrolled in post-secondary education affects expected family contribution as follows: If two children are in post-secondary education, 70% of the expected contribution for one child will be expected for *each* of the two; if three children are enrolled in post-secondary education, 50% of the contribution for one child will be expected for *each* of the three.
- f) As an example, we can examine a family with \$15,000 annual gross income. The needs analysis for a family with gross income of \$15,000 and \$21,000 in assets including home equity, and one child enrolled in post-secondary education, would expect that family to contribute approximately \$1,000 towards the education of the student for one year. If two children were enrolled, the analysis would expect \$700 for each child; if three children were enrolled, \$500 would be expected for each child.
- g) If we compare the expected family contribution for the student in the foregoing example with "student budgets" (tuition and fees, room and board, and miscellaneous items) at various institutions, we will find his financial need: the difference between family contribution and student budget. As the budget increases for any given student, then, his need will increase also. Following are examples of the financial need this student would show when enrolled in different institutions. (See chart, page 67, for further discussion.)

**In fiscal year 1976 the budget for a student enrolled in an AVTI and living at home would be \$25 for tuition and fees and \$1,500 for room and board and miscellaneous items. Subtracting the \$1,000 expected family contribution from the total budget (\$1,525), we find a need of \$525.

**The same student enrolled in a State University would have a budget of approximately \$2,000. This would represent a need of \$1,000 (\$2,000 minus the \$1,000 expected family contribution).

**The same student enrolled in the University of Minnesota as an undergraduate on the Twin Cities campus would have a budget of approximately \$2,500, and therefore a need of \$1,500. If that student had a sibling enrolled at the same campus, each student would show a need of \$1,800 (\$2,500 minus a \$700 contribution for each student).

**The same student (with no siblings in post-secondary education) enrolled in one of the highest-priced private colleges in the state would have a student budget of \$5,000, and therefore a need of \$4,000.

h) Calculation of student financial need assumes that the family will contribute the amount stipulated by the needs analysis. Students whose parents will not contribute that amount may receive special consideration from school financial aid officers, but will be treated as if their parents had contributed the stipulated amount, when considered for the Minnesota Scholarship and Grant Program* or the federal Basic Education Grant.*

6. Eligibility for financial aid does not guarantee that a student will receive a financial aid award.

The grant programs have yet to be given funding sufficient to provide all eligible applicants with awards. In fiscal year 1976, awards for the federal Basic Grant program were limited to students with family contributions under \$1,200, while the Minnesota Grant program funded only persons with \$0 family contributions, and the Minnesota Scholarship program funded only those in the top 12% of their class, although those in the top 25% who showed need were eligible.¹

Eligible students who do not receive funding from these two grant programs may take out federally insured loans, receive other grants administered by institutions, or participate in work/study programs.

¹As this report goes to press, we have learned that, for the first time, all eligible applicants were funded by the Minnesota Scholarship and Grant Program for the current academic year.

- a) The overall financial aid "package" that students receive is somewhat controlled by financial aid officers in the post-secondary institutions. Of the aids that we have tallied for fiscal year 1976, 38.4% (\$69,192,672) were controlled by institutions, not including loans. When loans are included, institutions controlled 41.6% (\$97,173,063) of all aid dollars.

Federally insured loans up to \$1,500/year for freshmen, and up to \$2,500/year for sophomores, juniors and seniors, with a maximum of \$7,500 for all four years, are available from the state loan program for all students who desire them. Work opportunities may also be obtained by students on their own. But much of the grant money, the "work/study" jobs which use federal and state money, and the very low interest National Direct Student Loan funds are controlled by financial aid officers. Students are generally interested in getting as much scholarship and grant money as possible, and after the federal Basic Grant and Minnesota Grant and Scholarship programs have been exhausted, the decision on how much gift money a student will receive rests with the financial aid officer.

Institutional policies on how much and what type of aid students receive vary widely. For example:

- Private colleges tend to require that students work during the school year and the summer, and take out loans, before gift assistance from the school will be provided. However, when these three sources of aid are added together, they generally equal 100% of the financial need.
- Community College policy is generally to provide grants, work opportunities, and loans equal to no more than 80% of financial need.
- Some institutions emphasize gift assistance in the first few years and work and loans in later years of post-secondary education, especially for the culturally disadvantaged.

- b) Currently there is no coordination between the Minnesota Scholarship and Grant program and the Federal Basic Grant program in the distribution of awards. Applicants to the state program are not required to apply to the federal program, and state awards to students are made without consideration of federal dollars for which students may be eligible. However, award limits in both programs of 50% of need prevent students from receiving more than 100% of need in grants.

The lack of coordination, combined with the priorities in distribution of limited funds in the two programs, results in some persons' receiving 100% of their financial need from the two programs combined while others receive none of their need. The HECB has proposed that the two programs be coordinated so that no person will receive more than 75% of his financial need from the two programs combined. Coordination of the programs is possible because the HECB has the ability to estimate the awards eligible applicants will receive from the federal program, and can then gear the state awards to the 75%.

- c) The February 1 application deadline and certain eligibility criteria prevent some needy persons from receiving Minnesota Scholarship and Grant Program funds. Persons are required to apply for State Scholarship and Grant dollars by February 1 prior to the date of entrance into a post-secondary institution. Persons unable to meet this deadline are ineligible for assistance from this source.

Also not included in the program are persons attending school less than full time and those who have been turned down from the scholarship and grant program before, whether because of ineligibility, or simply lack of funds.

- C. Accounting procedures vary to such an extent that it is difficult to determine what it costs to educate a student in a given institution, or exactly what items are being funded with state appropriations. Students said to be paying "full cost"* tuition are actually paying only the "marginal"* costs of instruction -- generally teacher salary for the hours in class. Overhead costs such as administration, fringe benefits and maintenance costs are not counted.
1. Although the HECB has developed budget categories which are to apply to all institutions, there is at this time no agreement on use of those categories. As we asked the questions, "what does it cost to educate a student in different institutions, how much of that cost do students pay, and what are we paying for?" we received no single agreed-upon answer.
 2. There are at least three ways of calculating expenditures for students by institutions. The differences vary by what items are included in the cost analysis: Some choose to include a very limited selection of items, others are more comprehensive in their selection. Following are three definitions of "expenditure" and the figures which apply.
 - a) *"Direct instructional expenditures"* include faculty salaries, assigned support staff, and related supplies and expenses such as paper, mimeograph machine and laboratory equipment. HECB calculations of FY 1976 direct instructional expenditure per Full Time Equivalent (FTE)* student, by system, follow:

* See Glossary

FY 1976 Average Direct Instructional Expenditure/FTE¹ (Range)²

Community Colleges	\$ 902	(\$723-1532)
State Universities (excludes Metro State)	\$1308	(\$1155-1616)
University of Minnesota Undergraduates ³	\$1536	(\$919-2645)
Private 4 Year Colleges ⁴	\$1366	(\$801-2057)
AVTIs		Not Available

- b) "*Total instructional expenditure*" includes the items listed in (a) above, *plus* institutional administrative staff salaries, libraries, and physical plant operation and maintenance. These figures *exclude* sponsored research, public service, student grants, auxiliary enterprises, independent operations, and hospitals. The HECB prefers these figures as the most accurate representation of "what it costs to educate a student for one year. The HECB calculations of FY 1976 total instructional expenditure per FTE student, by system, follow:

FY 1976 Average Total Instructional Expenditure/FTE¹ (Range)²

Community Colleges	\$1795	(\$1377-3102)
State Universities (excludes Metro State)	\$2391	(\$2086-3677)
University of Minnesota Undergraduates ³	\$2142	(\$1400-3421)
Private 4 Year Colleges ⁴	\$2791	(\$2004-4350)
AVTIs	\$4586	(Not available)

¹ Average expenditure figures for the Community Colleges, State Universities, and Private 4 Year Colleges are from the U.S. Office of Education, Higher Education General Information Survey (HEGIS), FY 1976.

² The range of expenditure figures were obtained by the HECB from system boards' reports of expenditures by institution.

³ Figures for the University of Minnesota were obtained from its annual unit cost analysis for FY 1975. These were inflated by 6% for a rough comparability to the other systems' FY 1976 figures. Full Year Equivalent student figures were used, rather than Full Time Equivalent.

⁴ Figures pertain only to the colleges which are members of the Private College Council.

c) *Total* operating expenditure per FTE, by system, with the College of Liberal Arts broken out from the University of Minnesota totals, follow. Figures for the University of Minnesota, State Universities, Community Colleges, and Private 4-Year Colleges were prepared by the State Planning Agency with figures from the HECB, and are published in the 1975 Minnesota Pocket Data Book. Figures for the AVTIs and College of Liberal Arts were supplied directly to us by the HECB.

1973/74 OPERATING EXPENDITURES PER FULL TIME EQUIVALENT STUDENT *

	University of Minnesota (entire system)	University of Minnesota College Liberal Arts	State Universities	Community Colleges	AVTIs	Private 4-Year Colleges
Instruction and departmental research	\$ 2,313	\$ 1,227 ¹	\$ 973	\$ 664	\$ 1,056	\$ 1,067
Extension and public-service	366	NA ²	3	31	150	36
Sponsored research	1,240	NA	58	0	19	34
Libraries	248	114	109	72	280	166 ³
Physical plant operation and maintenance	506	127	226	169	199	782 ⁴
All other educational and general expenditures	<u>1,891</u>	<u>255</u>	<u>574</u>	<u>482</u>	<u>423</u>	<u>184</u>
TOTAL	\$ 6,564	NA	\$ 1,942	\$ 1,418	\$ 2,127	\$ 2,279
Student aids and grants	272	NA	204	157	62	522
Auxiliary expenditures	<u>796</u>	<u>NA</u>	<u>567</u>	<u>127</u>	<u>80</u>	<u>810</u>
GRAND TOTAL	\$ 7,632	NA	\$ 2,713	\$ 1,702	\$ 2,269	\$ 3,611

¹ This figure represents courses taught both at the graduate and at the undergraduate level in the College of Liberal Arts. Broken down by course level, the FTE expenditure in the College of Liberal Arts for instruction and departmental research would be: lower division--\$978; upper division--\$1,357; and graduate courses--\$1,691.

² Not Available.

³ Educational support.

⁴ Institutional Management.

* See Glossary

III. POST-SECONDARY EDUCATION HAS PREPARED FOR AND ADJUSTED TO GROWTH IN ENROLLMENTS WITH EXPANSION OF EXISTING FACILITIES AND CREATION OF MANY NEW ONES. POST-SECONDARY EDUCATION INSTITUTIONS ARE JUST BEGINNING TO FIND WAYS OF DEALING WITH A REDUCTION IN ENROLLMENT.

- A. The growth in the 1960s¹ resulted in the addition of a new public campus every 13 weeks on the average. From 1960 through 1974, headcount enrollment* in the State Universities, Community Colleges, AVTIs, and University of Minnesota increased 186% - from 46,311 to 132,368.

Growth was accomplished by adding facilities to existing campuses and by creating new campuses. Between 1960 and 1974 the state increased the number of public post-secondary education campuses from 26 to 63. During that time, University of Minnesota campuses increased from 3 to 5; State University campuses increased from 5 to 7; Community College campuses increased from 8 to 18; and AVTI campuses increased from 10 to 33.

The increased number of campuses resulted in the establishment of post-secondary education institutions within 35 miles of approximately 80% of the state's residents.

- B. Institutions are taking incremental steps to deal with enrollment declines. The state has not yet prepared policy guidelines on this matter.
1. The HECB's biennial reports to the Minnesota Legislature, while taking cognizance of the enrollment projections, have not recommended state policy on how to cope with the changing enrollments.
 2. The HECB study on post-secondary education in southwestern Minnesota offers little guidance on how state policy should meet the declining enrollments in that part of the state.

The Board's report on post-secondary education in southwestern Minnesota calls for no substantial change: It acknowledges that the population in that area of the state will probably never support the number of institutions in the area at full enrollment capacity, but does not suggest a response other than slight modification of the Southwest State University curriculum, and recommended full usage of the facility by a combination of post-secondary education classes and rental to other state agencies. The question of expenditures on faculty, which represent approximately 80% of any post-secondary education budget, is not addressed. Expenditures per pupil at Southwest State University have increased to approximately \$3,700 per year because of decreased enrollment and the resulting decreased ratio between students and faculty.

3. In 1975 a request by the Governor's Commission on Minnesota's Future that the Governor initiate a study on consolidation of post-secondary education institutions was rejected. The HECB also criticized the recommendation, commenting: "At best, recommendations from such a (study) would represent unnecessary effort, and worse, they could be dysfunctional."

¹ The growth occurred from 1960 through 1971.

* See Glossary

4. Some institutions already facing declines are doing so by reducing faculty and renting facilities to other organizations. Southwest State University has already rented a part of its facility to the State Department of Health and the State Highway Department, and the Chancellor of the State University System is recommending that the faculty be cut from 130 to 105 in order to reach a student/faculty ratio more in line with other State Universities.

When enrollment in the State Universities dropped off in the early 1970s, faculty was cut back to retain a fairly constant teacher/pupil ratio.

5. Pricing policy is one mechanism not being used currently to consciously combat or compensate for enrollment declines. Pricing policy could be adjusted to attract students to institutions with low enrollments. This was tried in Wisconsin, and succeeded in boosting enrollments at a failing institution by reducing tuition sufficiently to draw new students into that institution. Results of the study conclude that the increase in enrollment came from the entrance of new persons into post-secondary education, not from the transfer of students previously enrolled in other post-secondary education institutions in the state.

IV. INSTITUTIONS HAVE SHOWN INTEREST IN COPING WITH THE DECLINE BY EXPANDING PARTICIPATION OF THE TRADITIONAL 18-21 YEAR OLD RECENT HIGH SCHOOL GRADUATES AND BY EXPANSION INTO NEW KINDS OF PROGRAMMING.

A. Unlike the elementary/secondary education system, where attendance is mandatory through the 10th grade, and the age group is limited, the post-secondary system has opportunities to expand its clientele.

1. The participation rate of recent high school graduates in post-secondary education, and the portion of persons graduating from high school, affect post-secondary enrollment. The fall 1975 participation rate of Minnesota high school graduates in Minnesota post-secondary education was 44.7% in college and 27.8% in vocational schools. (Source: The HECB.) In June 1973, 87% of first graders 12 years earlier graduated from high school in Minnesota. Approximately 90% of the tenth graders 2 years earlier graduated, leaving 10% who did not complete high school. (Source: The HECB.)
2. The retention rate of post-secondary education students also has an impact on enrollment. Currently, approximately 40% of those who enter college will graduate four years later, and another 20% will graduate within 10 years of entering college. (Source: "Tertiary Education".) This leaves 40% who enter college but do not complete a four-year degree within 10 years.
3. Participation of adults who have not completed a post-secondary education would have a heavy impact on enrollments. In 1970, approximately 11% of the Minnesota population aged 25 or older had 4 or more years of college. Median years of schooling completed by Minnesota persons aged 25 or older was a little over 12. This is very close to the U.S. average. (Source: National Education Association, printed in Minnesota Pocket Data Book, 1975.)

4. The reentrance into post-secondary education of those who have already attained their basic 2-4 year training would alter the enrollment picture considerably. Persons currently in the labor force who have already attained a basic post-secondary education may seek additional post-secondary education for any of several reasons:

- remedial education;
- retraining for a new job or enhancement of current job;
- enjoyment or leisure-time activity;
- instruction in skills such as automobile and bicycle repair, filling out tax returns, etc.;
- enhancement of other leisure activities such as learning a foreign language before going abroad, or studying literature or music in order to enhance appreciation of cultural events;
- graduate studies.

- B. The job market may have an effect on post-secondary enrollments.

In a severely depressed economy, such as America's in the 1930s, enrollment dropped. A less dramatic tightening of the job market may have the opposite effect. Some persons suggest that recent enrollment increases are partially due to the return to post-secondary education of persons unable to find jobs with the degrees they hold. Others suggest that the saturation of the job market with college graduates will discourage college attendance in the future, because of poor job prospects.

1. The Bureau of Labor Statistics estimates that the economy's need for college-trained persons will hold fairly steady at 20-25% over the next several years. More than 20-25% of the persons currently entering the labor force hold college degrees. If the estimate of labor force needs holds true, and more college-trained persons continue to be produced, many college graduates will have to take jobs which do not require college training.
2. Some types of institutions tie their programs to the job market, while others do not. State Board of Education regulations require that AVTI programs have a 51% placement rate if they are to be continued. Academic programs, on the other hand, are not so closely tied to the job market. Controversy has been growing over whether academic professional programs should be more closely tied to labor force needs. Such things as the lack of jobs for many persons trained as teachers are cited as reasons for better coordination with the economy's needs.
3. The advantage of college graduates over other persons in starting salaries has been declining since 1969. In 1954 college graduates had an advantage of 10% in starting salary over other workers. This rose to 19% in 1958, to a high of 24% in 1969. The estimated advantage in 1976 has dropped to 6%. (Source: Richard Freeman, "The Overeducated American", New York: Academic Press 1976.)
4. The growth in professional jobs taken by persons with four or more years of college has decreased in the time between 1965-70 and 1970-75. Between 1970 and 1975, men with four or more years of college took 32% fewer professional jobs and women took 45% fewer professional jobs than they did between 1965 and 1975. Between 1970 and 1975, men with four or more years of college took 6% more craft jobs, while women took 19% more clerical jobs; men took 5% more managerial, sales, clerical and service worker jobs, and women took 6% more service worker jobs, 11% more managerial jobs, and 4% more sales jobs than they did between 1965 and 1970. Women's growing participation in the labor force and in professional jobs is reflected in these figures.

PER CENT OF JOBS TAKEN BY COLLEGE GRADUATES WITH FOUR
OR MORE YEARS OF POST-SECONDARY EDUCATION, ENTERING THE LABOR
FORCE BETWEEN 1965 & 1970 and 1970 & 1975, U.S.

	<u>1965-1970</u>		<u>1970-1975</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
Professional	69%	91%	37%	46%
Manager	22	2	27	13
Salesman	7	2	12	6
Clerk	0	6	5	25
Craftsman	0	0	6	1
Operative	1	0	1	2
Transporter	0	0	2	0
Laborer	0	0	2	0
Service Worker	0	0	6	6
Farmer	1	0	2	1
TOTAL	100%	101% ¹	100%	100%

Source: Bureau of Labor Statistics
"Educational Attainment of Workers"

¹ Does not equal 100%, due to rounding.

C. Both the elementary/secondary and post-secondary education systems are competing for expanded enrollments with recreational, career-enhancement, and elementary/secondary level education for adults.

1. Career-enhancement programs, which may provide continuing education for professionals (now required for lawyers by the Minnesota Supreme Court) or new skills for persons seeking promotions or a change of jobs, are offered by professional associations, extension programs of colleges and universities, and by private for-profit organizations.

Two examples of career-enhancement programs are those offered by the Bar Association, and those offered for the medical profession by the University of Minnesota Medical School and the Department of Extension. Students in the Bar Association programs, which are not affiliated with a college or university, would pay full cost* of the programs, including teacher salary and overhead expenses. Students enrolled in programs offered through the University would pay marginal cost* (generally teacher salary and some administrative costs, but not overhead such as maintenance, rent, light or heating). However, students over age 62 pay \$0 if they take the classes not for credit, or \$2/credit, by legislative mandate.

2. Recreational programs are currently being offered by elementary/secondary and post-secondary schools and by private for-profit institutions. The State Universities, Community Colleges, AVTIs, private colleges, University of Minnesota, and elementary/secondary schools all have some offerings in this area. We do not know how large enrollments are, except that they are in the tens of thousands at least. In addition to the program offerings by education institutions, arts institutions and private companies have offerings.

* See Glossary

The Creative Learning Center run by Control Data Corp. is one of many private enterprises offering recreational courses which range from "Care and Feeding of House Plants" for \$9 to "12 Sessions in Overcoming Shyness" for \$120.

Similar courses are offered by the elementary/secondary schools in their Community Education programs, and by colleges and universities through their Extension divisions. Fees for courses offered by the educational institutions tend to be "marginal"* cost, as is the case with the career-enhancement programs.

Although we have no count of the activity for all post-secondary institutions in career-enhancement and recreational programs, we do have a count of total registrations in all University of Minnesota Continuing Education and Extension Division programs, which increased from 56,679 in 1964/65 to 120,962 in 1975/76, or an increase of 113%. These enrollment figures include many persons enrolled in credit courses for their basic undergraduate education, as well as persons enrolled in career enhancement and recreational programs. In 1974/75, enrollments in this Division ranked 7th in the country for Extension schools.

The current University of Minnesota Continuing Education and Extension Division annual budget is \$12 million. Of this, \$1-2 million comes from legislative appropriation for salaries and activities, and the remainder comes from tuition revenue.

In 1976/77 the Division has \$184,000 at its disposal for financial aid. \$80,000 of this is a direct appropriation from the Legislature, and the remainder comes from the Division's budget. The funds are used to pay for tuition and books for needy students.

Enrollments in Minneapolis school programs for adults through the Community Education Program increased from 3,000 in 1968 to 23,000 in 1976, or an increase of 667%. These classes are generally "recreational". Funding for the Community Education Program comes from a \$1 per capita levy by the school districts in the state, which is currently matched 25¢ to the dollar by the state. In 1977 this will increase to 50¢ on the dollar.

3. Programs in basic reading, writing and mathematical skills are offered by the elementary/secondary schools in their Basic Education Programs for adults, and by the post-secondary schools in their remedial programs.

The elementary/secondary programs are traditionally geared to the adult who has not become literate in English. The post-secondary programs generally are offered in the freshman year for those who have not mastered the basic skills in high school. AVTIs also offer remedial programs. They have a budget of approximately \$2 million in 1976 for the teaching of remedial skills. Controversy has been growing over the poor preparation of high school graduates in the basic skills, as evidenced by falling aptitude test scores and inability to do college-level work. One outcome is that an essay question will be included in the Scholastic Aptitude Test, which is used by many colleges to judge the qualifications of applicants.

* See Glossary

V. THE FUTURE OF MINNESOTA'S POST-SECONDARY EDUCATION SYSTEMS RELATES TO TWO BASIC PUBLIC POLICY DECISIONS:

- The pricing policy to different kinds of students enrolled in different kinds of programs, from the recent high school graduate enrolled in a vocational or academic institutions, to the adult enrolled in career-enhancement or recreational programs; and
- The funding policy to institutions.

The Higher Education Coordinating Board (HECB) was created in 1965 to coordinate, plan and recommend policy for post-secondary education in the state, and to administer federal dollars and state financial aid programs.

- A. The structure of the board has changed several times since its inception. Originally, representatives of post-secondary institutions sat as members of the board. In 1971 they were removed from the board, and the Higher Education Advisory Council, consisting of the Chancellors of the State University and Community College systems, the President of the University of Minnesota, the Commissioner of Education, and the Executive Director of the Private College Council, was formed. In 1973, the Higher Education Advisory Council was directed by the Legislature to meet at regular intervals and to "sit with the Higher Education Coordinating (Board) in the deliberations and discussions of the (Board)". The institutional representatives now sit at the table with board members and participate fully in board discussions.

The HECB is responsible to both the Governor and the Legislature. The Governor appoints board members, and the board's duties are written in legislative statute.

- B. The HECB is responsible for planning the state's post-secondary education needs. The statute giving the HECB planning responsibility reads:

"Continuously study and analyze all phases and aspects of higher education, both public and private, and develop necessary plans and programs to meet present and future needs of the people of the state...

"Continuously engage in long-range planning of the needs of higher education and, if necessary, cooperatively engage in such planning with neighboring states and agencies of the federal government..."

The HECB has developed data such as enrollment projections which are significant for future planning, but has not developed a specific plan on how to provide and finance post-secondary education in Minnesota over the next two decades, given the coming change in enrollment.

- C. The HECB has responsibility for review of new and existing programs of instruction in both public and private institutions. The statute outlining this authority reads:

"...Review, make recommendations and identify priorities with respect to all plans and proposals for new or additional programs of instruction or substantial changes in existing programs to be established in or offered by, the University of Minnesota, the

State Colleges, the Community Colleges, and the AVTIs, and private collegiate and non-collegiate institutions offering post-secondary education, and periodically review existing programs offered in or by the above institutions and recommend discontinuing or modifying any existing program, the continuation of which is judged by the commission (board) as being unnecessary or a needless duplication of existing programs."

The HECB has exercised the program review responsibility with respect to the establishment of new programs in post-secondary institutions, but has not initiated study or recommendations on closing or modifying programs now in existence, or on the establishment of programs by private organizations such as corporations or other "non-collegiate" organizations.

- D. As part of its "coordinating" function, the HECB is coordinating three consortia-- in Rochester, Wadena, and on the Iron Range. These are voluntary organizations that provide educational services in local areas which do not have actual institutions of post-secondary education. The consortia include both public and private institutions. Other informal coordinating areas, not run by the HECB, exist in Moorhead, Duluth, and among five private colleges in the Twin Cities.
- E. Responsibility for the budget includes developing comparable budget formats and reviewing budget requests. The statute reads:

"Review budget requests, including plans for construction or acquisition of facilities, of the University of Minnesota, State Colleges, State Community Colleges, and AVTIs, for the purpose of relating present resources and higher educational programs to the state's present and long-range needs; and conduct a continuous analysis of the financing of post-secondary institutions and systems, including assessments as to the extent to which the expenditures and accomplishments are consistent with legislative intent.

"Develop in cooperation with the post-secondary education system, House Appropriations Committee, Senate Finance Committee, and Departments of Administration and Finance, a compatible budgetary reporting format designed to provide data of a nature to facilitate systematic review of the budget submissions of the University of Minnesota, State College System, Community Colleges, and AVTIs; and which includes the relating of dollars to program output..."

The HECB has developed a single budget format, which is being used for the first time by systems in their 1977-79 biennial requests, but has not made comment on system budget requests.

- F. The HECB administers the state's financial aid programs. The financial aid programs administered by the HECB include the State Scholarship and Grant Program*, a new State Work/Study Program*, the Minnesota State Student Loan Program*, the Medical Student Loan Program*, and several other smaller programs. The HECB also administers the Private College Contract Program*, which awards a per capita payment to eligible 2- and 4- year colleges, based on the number of Minnesota residents enrolled. Finally, the HECB has initiated and established "Reciprocity" agreements with Wisconsin and North Dakota, whereby residents of those states and Minnesota residents may attend public institutions in the other states, at in-state tuition rates. The difference between in-state and out-of-state tuition is paid by the states. Currently the HECB is discussing reciprocity agreements with South Dakota and Iowa.

* See Glossary

CONCLUSIONS

- I. THE TIME HAS COME FOR A SHIFT FROM THE EMPHASIS NOW GIVEN TO DIRECT APPROPRIATIONS FOR POST-SECONDARY INSTITUTIONS, TO AN INCREASED EMPHASIS ON DIRECT FUNDING FOR STUDENTS.

As we approach a period of changing enrollments, it is important that policy-makers have the strongest possible base on which to make difficult and possibly unpopular decisions, and that individuals have the most knowledge and flexibility in making choices about whether, and where to undertake post-secondary studies. This will involve an increase in individual responsibility for financing post-secondary education when the resources are available, strong financial aid programs to help those without sufficient resources, and a lessening of the wide disparity that now exists between pricing of different kinds of post-secondary programs in different kinds of institutions.

- A. Increased emphasis on funding for students is required in order to give a firm base on which to make difficult decisions on possible reduction of the post-secondary plant in a time of declining enrollments. Without a strong indication of student preference, based on the education provided, and not its low price, the Legislature will be left to make difficult political decisions which may be based solely on the ability of some institutions to maintain very low prices with the help of large state subsidies. Pricing policy which reflects more closely the costs of providing education will help legislators in deciding how to make reductions among different systems and among the institutions of a particular system.
1. The variety of educational opportunities currently provided by the diversity in our post-secondary system is valuable, and should be maintained throughout a period of declining enrollment. Vocational, academic, private and public schools all have different educational experiences to offer. If reduction of the plant becomes necessary, it should be done in such a way as to reduce duplications in types of offerings, leaving the variety we now have intact.
 2. Current pricing policy, with its large differentials by students and institutions, runs the danger of channeling students, and particularly low-income students, into the highly subsidized, low-priced institutions, thus distorting student preference. Tuition in private institutions always has been higher--and usually substantially higher--than tuition in public institutions. The differential has been widening, and we see nothing on the horizon that would tend to alter this trend.

As enrollments decline and institutions find themselves competing for an ever-decreasing supply of students, public institutions may have an advantage in holding tuition increases to a minimum because legislative appropriations can absorb a large part of the increased costs. If the relative difference in tuition between public and private institutions widens further, students may be attracted to public institutions for reasons other than the actual costs of providing education, institutional efficiency, or quality of education.

- B. Until the need to subsidize recreational and mid-career re-training programs has been demonstrated, "full-cost"* pricing should be used for these programs. Given limited state dollars, we must recognize that any dollar used to fund these new kinds of programs is a dollar taken away from funding a basic 2-4 year post-secondary education for all who desire it.

Continued subsidy to students enrolled in these programs, if their numbers grow dramatically, could offset the decline in "traditional" students, and result in a fairly stabilized enrollment. However, we know so little about the new kind of students and programs, and the state's interest in subsidizing them, that we think the Legislature should hold off on any significant subsidy until the subject has been studied thoroughly, and an intelligent policy developed.

It is possible that the state could have a very strong interest in subsidizing the continued education of some persons who have been through 2-4 years already. For example, it might be quite advantageous for Minnesota to aggressively pursue re-training of its current work force in order to get an advantage over other states in keeping and attracting business and industry. On the other hand, many career-enhancement and recreational program offerings may clearly have almost exclusive benefit to the individuals involved or their employers. Failure to distinguish between the two kinds of programs and automatic subsidy or lack of subsidy to both, without study and clear policy development, would be a mistake.

- C. Increased emphasis on individual choice based on understanding of the expenses involved in providing post-secondary education, and the benefit of such an education, will help both individuals and policy-makers make better decisions on how much and what kind of education should be provided to whom.

Although the liberal arts degree has value for many reasons, controversy is growing over the relative urgency of producing large numbers of college graduates when the labor market's need for college-educated persons does not appear to be expanding, and new graduates are becoming part of a growing "surplus" of BA's in the market place. Better information to potential post-secondary students, coupled with an increased individual responsibility for finance will encourage careful and thoughtful decisions about post-secondary attendance and will in turn give policy makers an indication of where priorities for state expenditures should be.

** As individual responsibility for financing education increases, it is especially important that students be provided adequate information on which to base decisions about post-secondary enrollment. This information, required by the regulations of the U.S. Department of Health, Education and Welfare (HEW), is not readily available from academic institutions at this time.

- D. Student financial aid based on need should rise to deal adequately with the expanded need of some persons that will result from tuition increases. No matter what the tuition is, it will always be easier for the very wealthy to send their children to school than it will be for the very poor. A change in emphasis in the financing structure will not alter this fact. We cannot

* See Glossary

make it equally easy for all persons to attend, but we can and should make the grants and other financing aids available so that anyone desiring a post-secondary education can pursue that education, regardless of income.

- E. Institutions located in sparsely populated remote areas of the state should, when enrollment declines become a problem, seek a wider base of support, including alumni, private citizens, and businesses in the region. There is some potential here, for contributions, special scholarship funds, work/study opportunities for students and similar supportive measures, which is not now fully utilized.

Should the cost of maintaining an institution become inordinately high as a result of declining enrollments, it is important that affected regions, which will lobby to keep such institutions open, show their willingness to offer, within their financial abilities, some support for the institutions and the students that attend them. We do not expect such regions to provide substantial funds for institutions, nor do we favor regional or local taxing authority for regional post-secondary institutions. However, the cultural and economic contributions of institutions to their regions should be recognized, and the citizens who benefit from these institutions should be willing to give some financial support, especially when requesting financing from the state at levels which may be significantly higher than the average post-secondary institution.

II. BECAUSE IT IS IMPORTANT THAT STUDENTS TAKE SOME OF THE RESPONSIBILITY FOR FINANCING THE EDUCATION THEY ENJOY, SEVERAL CHANGES IN THE CURRENT FINANCIAL AID PROGRAMS ARE NECESSARY.

- A. The Minnesota State Scholarship and Grant Program is basically a good program, but we conclude that some changes should be made, and that it should be kept in balance with work/study and loan financing.

1. Financial aid policy should make all individuals responsible for a part of the costs of their education by providing work/study and loan opportunities to students who, together with their families, cannot provide out-of-pocket funds equal to the costs of education. Under the current financial aid system, it is possible for some students to receive 100% gift assistance (scholarships and grants) while assuming no responsibility for any of the costs of education. With the exception of students who may need special tutoring during the first year, all students should be required to take some responsibility for contributing to the finance of their education.
2. The state should begin taking full advantage of available federal Basic Education Opportunity Grant (BEOG) program dollars. Failure to do so is a disservice to the state and to needy students.

Currently students are not required to apply to the BEOG program, and state scholarship and grant awards are distributed without regard to federal dollars for which students may be eligible. The size of necessary state expenditures on the scholarship and grant program may be reduced if the available federal program is fully utilized.

3. The current policy of giving priority to funding all expenses of the neediest does not accomplish fair and effective usage of state gift dollars. 1975 available State Scholarship and Grant dollars were distributed so that students whose families could contribute \$0 to their education received maximum awards, while 3,000 other eligible persons received no awards. No person whose family could contribute as much as \$5 received any assistance from the State Scholarship and Grant Program. It seems clear that, with the abundance of other financial aid programs available to students, state funds should be distributed on a broad basis, in order to give as many persons as possible a "foot in the door" to post-secondary education.
4. The current \$1,100 limit on Minnesota Scholarship and Grant awards does not fully respond to the needs of students who would like to attend the higher-priced, less fully subsidized institution. Although the total cost of providing education in these institutions is not necessarily higher, in every case, than the cost in more fully subsidized institutions, the student must pay roughly 60% of that cost, as opposed to 20-30% of the cost in the more heavily subsidized institutions. While the needs analysis would show a financial "need" of anywhere from \$3,500-\$5,000 for the student with \$0 family contribution attending institutions with less subsidy, such a student would receive a maximum of \$1,100 from the state program and a total of \$2,500 from the state and federal basic grants combined. More fully subsidized institutions are a more viable choice for such students, who are likely to have 100% of their need funded through grants if they attend such institutions.
5. Current incentives for students receiving state financial assistance to complete the studies for which they are receiving funds are inadequate. Currently students may register for courses, not complete them, and continue to receive financial assistance at some institutions. In the future, when the pool of 18-21 year old students decreases, institutions may have incentives to relax standards and allow students doing unsatisfactory work to continue. This practice would be a clear waste of public dollars and should be avoided.
6. The use of "merit" as an eligibility factor in distributing financial aids is desirable, and should be continued. However, the current definition of "merit" needs modification. The scholarship program uses high school performance as a measure of merit throughout the post-secondary education: Those who did not show merit in high school, but earn high grades in the post-secondary institution, cannot apply to the scholarship program; and those who won scholarships in their first year, but do not continue to show merit, are not discontinued from the program. The continued use of high school performance as a measure of merit after the freshman year is inappropriate, and does not reward students' achievement in post-secondary education.

The portion of State Scholarship and Grant dollars going to the scholarship program has been decreasing. The HECB's request to the 1971 Minnesota Legislature for funding the State Scholarship and Grant Program called for 51.6% of the funds for the scholarship program, and 48.3% of the funds for the grant program. The HECB's request for the next biennium would give the scholarship program only 29% of the \$63 million request for the Scholarship and Grant Program. This would provide money sufficient to fund only the top 12% of high school seniors that show need, rather than the top 25% of needy seniors who would be eligible if full funding for the program were provided.

7. The continuing ineligibility of less-than-full-time students, and students found eligible in previous years but turned down for lack of funds, is unfair. We understand that funding of the state scholarship and grant program has not yet been sufficient to meet all eligible persons' needs, but wholesale elimination of any group from eligibility is arbitrary, and does not accomplish fair distribution of available dollars.
8. Priority in the distribution of state gift assistance should be for needy students who have the least amount of post-secondary education experience. The more advanced students are likely to be able to find other means to finance their remaining education, and have had the benefits of more education. Moreover, students' personal interest in continuing their education is likely to increase as they advance and the course offerings become increasingly career-oriented.
9. The rigid February 1 application deadline for the Minnesota scholarship and grant program deprives needy students of assistance. While administrative procedures will be more complex, some attempt at a looser deadline or a variety of deadlines is necessary.

Students enrolled in programs at the AVTIs, which have starting dates throughout the year, have particular problems in utilizing the state scholarship and grant program with its current deadline. Any establishment of tuition in that system will require an especially sensitive deadline procedure for the scholarship and grant program.

10. Distribution of state money for gift assistance to some public systems and not to others gives some systems an unfair advantage in their ability to meet student needs. The use of any state money for this purpose is unnecessary, because both federal grant dollars and private funds are available to institutions. Currently the University of Minnesota is the only public system that receives substantial state funds for an institutionally based gift assistance program for students.

State gift dollars for financial aid should be concentrated in a flexible state-run program that makes funds available to students on the basis of need, regardless of the institutions they attend. Allocation of some of those dollars directly to institutions deprives needy students attending other institutions from a fair chance at receiving gift assistance.

Again, we must emphasize the importance of the state's program being flexible and responsive to student needs. These comments do not pertain to special programs designed to improve access of low-income, handicapped, or other disadvantaged groups which may receive special funding from the state or national legislatures.

- B. Work/study is a desirable way to finance education, but available funds for the state's program have not been fully utilized by institutions. The poor job market, the newness of the program and cumbersome administrative requirements are all possible causes for under-utilization of the program. Institutions should make every effort to fully utilize the funds in the next biennium, making more aggressive efforts at identifying off-campus jobs for students that could be of benefit to the students in their areas of study.

- C. Current policy on loan repayment does not provide strong enough disincentives against student default. Because Minnesota's loan program is so new, and so few students are due for repayment, default is not now a problem in Minnesota. But it is a problem elsewhere, and, because the loans are insured by the federal government, defaults are a burden on all taxpayers. The federal insurance against defaults gives lenders little incentive to make strong efforts at locating students and collecting payments from them.

Students suffer little personal hurt by default on loans: They generally have few personal possessions to be repossessed in a bankruptcy proceeding, their future credit rating does not seem to be endangered, nor do they suffer other consequences. The burden is on the taxpayer, who picks up the tab for defaulted loans.

- D. The needs analysis performed by the American College Testing Service is widely used, but has some flaws:

1. The \$1,500 living "expense" currently assigned by the needs analysis to the student living at home is far too high, and should be reduced to reflect only cash expenses of the student such as food, travel and books. The student's presence at home does not "cost" anything in rent, unless we assume that his room might otherwise be rented to a boarder. Other added expenses aside from food and travel are negligible and, in any case, are certainly not substantially higher than they were when the student was a senior in high school.
2. It fails to distinguish between students' needs for "education" expenses and needs for "living" expenses. As a consequence, the Legislature, when told, for instance, that there was an "unmet student need" of \$8.5 million in the last biennium, cannot easily distinguish how much of that "need" was for living expenses and how much was for actual educational expenses. We think that the state's most pressing interest in providing financial aid is to assure that the educational expenses of students are paid. This should take priority over funding for students' living expenses, over which students have more control, and for which the individual's responsibility should be greater.
3. By building the costs of a dormitory room and food service into the expenses of students living on campus, the needs analysis fails to encourage students to live as cheaply as possible. It would be more desirable for the needs analysis to calculate a uniform minimal living expense for all students living away from home, which would then allow students desiring a more comfortable life style to support the extra expense by working or taking out loans.
4. The needs analysis discriminates against the student who is a head-of-household. It requires a much greater part of his/her earnings for paying educational expenses than it would if that person were a dependent child living with parents having the same earnings.
5. The requirement that students not live at home for more than two weeks of the year in order to be considered "independent" of their parents is a poor definition of independence. The provisions that parents not contribute substantial funds to students' support or take them as tax deductions are good measures.

6. The question of financing for students whose parents have the ability to pay but who refuse to pay for post-secondary education, has not been adequately treated. Currently those students whose parents are found able to pay the full costs of education, but refuse to do so, are found ineligible for state and federal grant programs. While we see the necessity of drawing on family resources first in financing education, we also believe the student in this situation should be enabled to attend post-secondary education without his parents' support. Institutionally administered aid¹ could be available to this student, and this may be sufficient. If tuition increases in the public sector, we will have to be especially sensitive to the needs of students in this situation.
7. By expecting family assets, including savings and home equity, to pay for post-secondary education, the needs analysis seems to penalize people who save and invest. The use of "home equity" as a measure of a family's ability to finance education is in particular need of study for two reasons:
 - a) Market values of homes have become increasingly inflated; and
 - b) The use of "home equity" in the calculation implies that families borrow money against their homes in order to finance the education of their children, which we think is an unfair expectation.

III. THE HECB HAS RESPONSIBILITY FOR PLANNING FOR POST-SECONDARY EDUCATION IN THE STATE, BUT HAS NOT YET TAKEN ADEQUATE INITIATIVE IN ANTICIPATING THE COMING CHANGE IN ENROLLMENTS AND OFFERING POLICY OPTIONS ON HOW TO MEET THAT CHANGE.

- A. Part of the reason the HECB has not fully responded to its general charge to chart a policy direction for post-secondary education may lie in the structure of the board and vague statutory language outlining HECB's duties.
 1. The full participation of institutional representatives in board discussion inhibits the board's ability to exercise independent judgment on difficult questions of policy for post-secondary education. The structure of the board has been altered several times: It started out with institutional members sitting on the board. In 1971 they were removed. The board now consists completely of lay members, but, as directed by statute, institutional representatives sit at the table with board members and fully participate in discussions on a par with board members.
 2. The relationship of the HECB to the Governor and the Legislature is unclear. The Governor uses the Finance Department and a special aide as staff on post-secondary education matters, and the Legislature relies on its own staff. The HECB is rarely given a specific direction on what either the Governor or the Legislature would like it to do. Often there are ambiguities in how much is requested from the HECB. The budget review is a typical example: Some legislators would like to see the HECB's efforts limited to developing comparable

¹ See Findings, page 18, for a discussion of institutionally administered aid.

budget data for the post-secondary institutions; others would like to see the HECB develop a precise cost analysis for each institution; and still others would like to give the HECB responsibility for making a single budget proposal for all post-secondary education.

3. The statutory language outlining the HECB's planning duties does not specify particular questions to be researched. Vague statutory language, combined with the many responsibilities assigned to the HECB, have resulted in a concentration of board and staff energies on administrative tasks, leaving little time for policy formulation and study.
4. The HECB's most recent study of post-secondary education in southwestern Minnesota did not come to grips with declining enrollments, and failed to recommend any substantial policy change that would be appropriate to meet that decline. The lobby groups, which included institutional representatives and residents of southwestern Minnesota, appear to have influenced the Board sufficiently so that it could not make difficult, possibly unpopular recommendations. We need an organization that can analyze coming changes in post-secondary education, and make difficult policy recommendations.

B. More than ever before, the state will require leadership in how to respond to the coming decline, in terms of:

- how to reduce the 'plant' size if it becomes necessary, and guidelines for determination of when the 'plant' should come down;
- how to maintain the current variety of post-secondary opportunities available, while taking down the post-secondary 'plant', should it become necessary. Particular attention should be given to the vulnerability of the private institutions, given current pricing structure in post-secondary education and a declining enrollment;
- definition of institutional mission regarding provision of basic skills education, recreational courses, and mid-career retraining or refresher courses, and other continuing education programs;
- the state's obligation to fund the students who have already received a post-secondary degree;
- pricing and financial aid policies for students in a time of changing enrollments;
- an appropriate level of state expenditure on post-secondary education as enrollments change; and
- new ways to provide educational opportunities in areas of the state not served by post-secondary education.

The HECB has not taken up this task. The decline in the number of 18-21 year olds will sharpen beginning in the early 1980s; we must not fall into that situation with no idea of how to maintain educational opportunities within reasonable state expenditures. The crisis now faced by the elementary/secondary system is indicative of what can happen if no prior planning is done.

- C. As financing policy for post-secondary education begins to recognize the changing nature of post-secondary enrollments, more detail in budget data will become essential. Current budgets, even as modified by the HECB's "budget review", do not show clearly:

--"full"* versus "marginal"* costs of educating students;

--the components of costs: teacher time in and out of class, pensions and fringe benefits, maintenance and overhead, financial aid, and research;

--total state expenditures on post-secondary education, including expenditures for operating budgets, capital expenditures, and open appropriations for state employee salary increases.

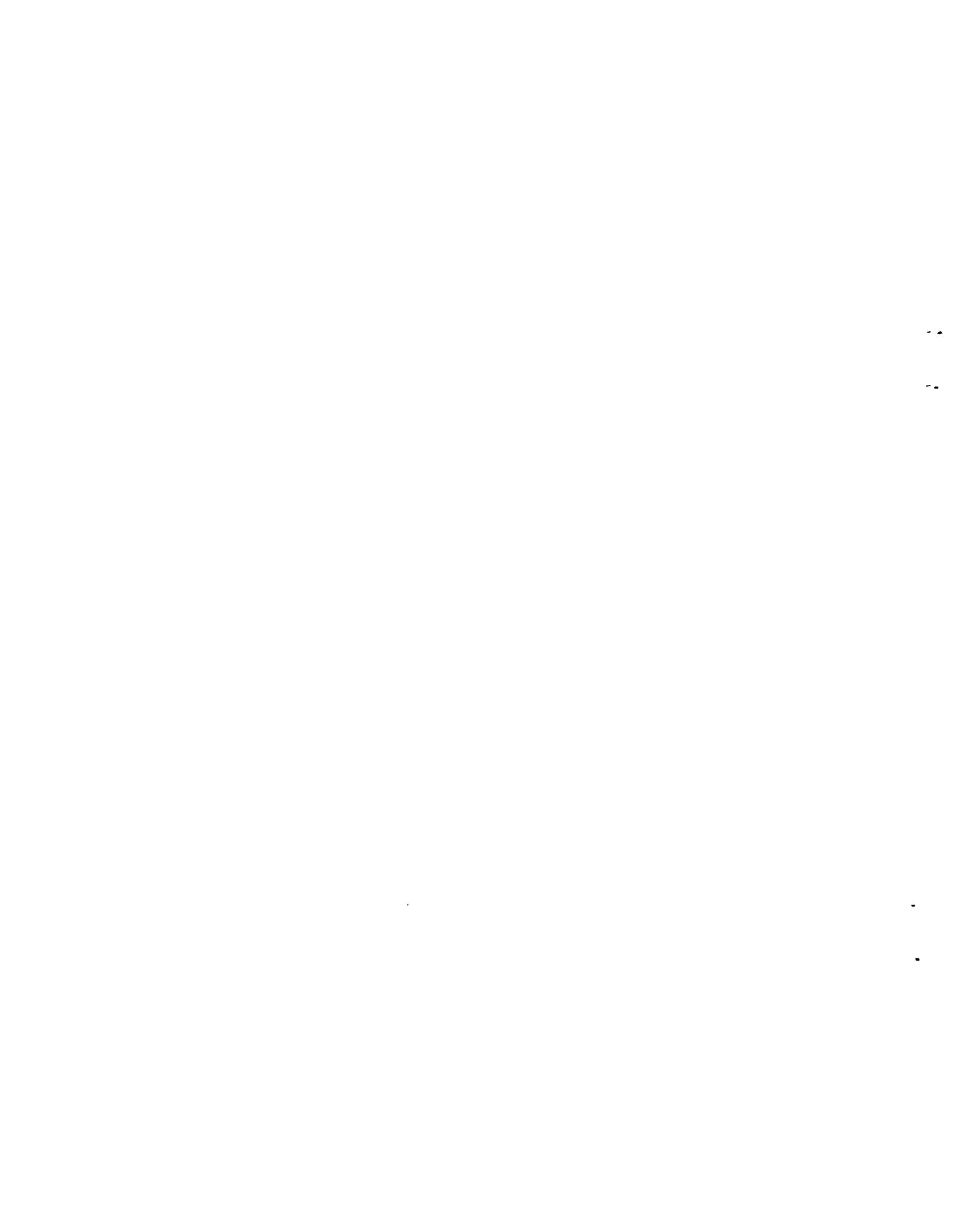
** It is difficult to assess the magnitude of need for state financial aid efforts when the sum total of all state, federal and private aids available to students in the state is not known. No compilation of aids has been done. Information on the total number of students receiving aid, and average awards per student also is unavailable for the public institutions.

- D. The ability to make difficult policy decisions is hindered by the lack of a single financing proposal for post-secondary education.

The HECB has developed a standard form for system budget proposals but has not developed a unified budget proposal for the Governor or the Legislature which encompasses the entire post-secondary education function in the state. As enrollments change and the number of "traditional" students declines, it will be especially important to have an overall view of post-secondary finance as a tool in making decisions on how to fund the changing enrollments all over the state while maintaining a variety of post-secondary options for students at reasonable cost to the state and to the student.

- E. Current efforts at regional coordination and cooperation are important and should be continued.

The regional consortia coordinated by the HECB and other consortia in Moorhead, Duluth, and the Twin Cities are one way to provide new educational opportunities to students without establishment of new post-secondary secondary education institutions. As enrollment declines have their effect, possibly necessitating the elimination or reduction in plant size of some facilities, especially in out-state areas, the continued exploration of the consortium concept will be desirable.



RECOMMENDATIONS

I. INCREASE THE ROLE OF THE CONSUMER IN FINANCING POST-SECONDARY EDUCATION.

In order to increase access to educational opportunities, we recommend that financial aid become a larger portion of state appropriations for post-secondary education. In order to pay for a larger financial aid program, direct appropriations to public and private institutions for operating budgets will have to decrease as a portion of total post-secondary education appropriations. This in turn will result in a need for more tuition revenues.

We recommend specifically that the 1977 Legislature fully fund the Minnesota Scholarship and Grant Program to meet 75% of all eligible persons' needs, when used in combination with federal basic grants for which persons qualify. At a minimum, the Legislature should increase the state's financial aid effort to 11% of state appropriations to the University of Minnesota, State Universities, Community Colleges, AVTIs, and private colleges. The 11% figure would correlate roughly with the HECB's \$67.5 million request for 1977-79 funding of the State Scholarship and Grant Program, State Work/Study Program, and Part-Time Student Grant Program.

(For a discussion of the impact this might have on tuition and fees in the public systems, see Discussion of Recommendations section, page 55.)

1. Priority in tuition increases should be to reduce the inequities that are created by charging no tuition to students under age 21 enrolled in Area Vocational Technical Institutes (AVTIs) or in Community College vocational/technical education programs and by failure to distinguish between students enrolled in recreational and mid-career training programs and those enrolled for their basic pre-career preparation.

Specifically, tuition charges comparable to Community College tuition for academic programs would be appropriate for students under age 21 enrolled in AVTI and Community College vocational programs. An approach towards "full cost" pricing for the mid-career and recreational programs in all institutions would be appropriate.

2. Second priority should be to increase tuition revenue overall, once more equity has been established. While we do not suggest that overall tuition revenue in the public systems should become equal to direct state appropriations to institutions, we do recommend that the Legislature allow tuition revenue to continue increasing gradually over time and evaluate the impact of any increases made.

II. IMPROVE STATE FINANCIAL AID PROGRAMS

A. Modify the ACT Needs Analysis to reflect minimum basic living expenses for students attending post-secondary education.

Currently the needs analysis assumes \$1,500 (\$1,100 for room and board and \$400 for miscellaneous expenses) for students living at home, or away from home, but not on campus. Average charges for room and board on campus are assumed for those living on campus, plus an additional \$400 for miscellaneous expenses.

We recommend that the needs analysis count only out-of-pocket expenses for students living at home, when calculating "living expense". In-kind services such as rent and cooking should not be included. This might give a figure close to \$500 for a 9-month school year.

We recommend that the needs analysis count one basic living expense for those living away from home (regardless of whether students choose to live in a dorm or off-campus). This allowance should represent a minimum, basic living cost. This might be on the order of the \$1,500 currently applied to expenses of students living off-campus. Students with expenses above that can work or take out loans to support the more expensive life style.

B. Maximize the use of available federal grant dollars.

In order to maximize the use of available federal grant dollars, we support the HECB's proposal that state scholarship and grant awards be distributed assuming receipt of federal grant dollars for which a student is eligible. The HECB's ability to determine approximate awards students will receive from the federal Basic Grant program if they apply makes this possible.

Specifically, we recommend that the HECB¹ mail applications for the federal Basic Education Opportunity Grant Program* (herein referred to as "federal Basic Grants") with applications to the Minnesota Scholarship and Grant Program*, and notify students that all state scholarship and grant awards will assume that students have applied to the federal program. Institutions should require needy students to apply to both the state and federal programs before institutional funds will be tapped.

¹ On page 44, we recommend that the HECB be replaced by an executive agency. All recommendations referring to the HECB, therefore, are intended to apply to the executive agency, should it be established.

C. Provide financial aid from a variety of sources to meet student needs.

In order to assure that students take some responsibility for the financing of their expenses, we support the HECB's recommendation that State Scholarship and Grant awards be limited so that the combination of those awards and federal Basic Grants will equal no more than 75% of any student's need. This will represent a commitment from two basic grant programs that will still leave 25% of need to be funded from other sources, including work, loan, and other grant and scholarship programs. Funding for 100% of students' needs will still be available, but a broader variety of financial aid sources will be used to meet that need than is now the case.

D. Provide more adequate support for student choice.

In order to more fully support student choice of institution, we recommend that the \$1,100 limit on State Scholarship and Grant awards be eliminated, and that the maximum award limit be set at the difference between federal Basic Grant awards and 75% of need, as determined by the ACT Needs Analysis.

This will require small increases in State Scholarship and Grant awards to persons with some ability to pay for their education, choosing the more fully priced institution, and more substantial increases in awards to those with no ability to pay who make the same choice. Funding for the full 75% of need will enhance the ability of students to make the choice for a more fully priced institution, and addresses our concern that, while we endorse a move towards more fully priced education in *all* institutions, financial aids should rise in significant enough measure to make educational options available to all, regardless of income. (See pages 57-58 for further discussion.)

E. In the event that the Minnesota Grant Program is not fully funded to meet 75% of all eligible persons' needs when combined with federal Basic Grants, give priority in funding to those who have the least post-secondary education.

Currently, priority in state grant awards is given to those with the least ability to pay for their education. We recommend that this policy be changed so that the entire freshman class receives first priority, next the sophomore class, etc., through the senior class. Within each class, students with the least ability to pay should be given first priority. This will give the underclassmen, who have benefited from fewer years of post-secondary education, a better chance at receiving grants than upper-classmen who have benefited from more years of education.

** While the committee agreed on *who* should receive priority in funding, we could not agree, and were evenly split, on the question of how the *amount* of grants to eligible persons should be determined, in the event that the state grant program is not fully funded. We therefore present the two alternatives recommended by the committee:

1. Approximately half of the committee favored funding up to a maximum of 75% of *total* need (includes tuition and fees, room and board, and miscellaneous expenses), with state grants and federal Basic Grants combined, going from freshmen to senior, in order of need.

2. The other half of the committee favored distinguishing between the need represented by tuition and fees and that represented by room and board and miscellaneous items. The portion of need represented by tuition and fees would be funded first, from freshmen to senior, in order of need, to a maximum of 75% of *total* need, using the state and federal Basic Grants combined. If state funds still remained after funding according to these criteria, those who had not yet received up to 75% of *total* need would be funded to that maximum, from freshmen to senior, in order of need.

The philosophical difference in the two approaches is that one takes the view that the education portion of need should take priority over the living and miscellaneous items' portion of need in state grant funding, while the other takes the view that one type of financial need is as urgent as another, and no distinction should be made regarding the source for the need, when awarding state grants.

F. Continue availability of loans.

The state should continue to meet needs of students for loans, within the maximum limits set by the federal government. The Legislature, by statute, should require that lenders inform students of the loan pay-back provisions before students sign for the loans. Information on pay-back provisions should include *when* repayment is to begin, *how much* is to be paid each month, and possibilities for smaller payments if students are in financial difficulty.

We recommend that the HECEB study and evaluate the "income-contingent" loan* experiments now under way, with particular attention to whether it might be desirable to try the "income-contingent" loan with some expensive professional training programs, or on some other limited basis.

G. Enforce U.S. Department of Health, Education and Welfare (HEW) regulations governing provision of career information to students.

We recommend that the 1975 HEW regulations on career information to students be enforced and expanded to cover all students enrolled in programs covered by the regulations. A significant portion of state appropriations to institutions should be conditioned on compliance with the regulations, effective fall, 1977.

The regulations require specifically that all institutions (both "academic" and "vocational") provide students enrolled in programs geared for particular vocations, trades or careers, and receiving Guaranteed Student Loans*, information on percentage of recent graduates from their anticipated programs finding employment in their field and average starting salaries of those graduates. Our recommendation would expand the regulations for this state to cover *all* students enrolled in those programs, not just recipients of Guaranteed Student Loans.

H. Expand public information.

In addition to enforcement of the HEW regulations, we recommend that the Minnesota Legislature require both public and private post-secondary institutions to furnish information to the public regarding their income and

expenditures by category; faculty salaries; admission standards; student/faculty ratio; and attempts at analysis of 'value-added', or improvement of students for which the institutions are responsible. This should further enhance the ability of consumers to make well-informed choices among post-secondary institutions, and also improve the data available for policy discussions.

I. Assure proper use of financial aid dollars.

Institutions should work with the HECB to establish guidelines on requirements for the continued academic progress of students receiving state financial aid. The elimination of the "F" at many institutions makes this difficult, but criteria should require that students successfully complete (i.e. receive passing grades) a certain portion of courses for which they registered each year if they are to continue receiving state assistance.

J. Establish a flexible application deadline for state scholarship and grant program.

In order to meet the needs of students who are unable to plan far in advance, or whose programs do not coincide with the traditional September-May schedule, we recommend that the HECB establish a more flexible deadline for application to the State Scholarship and Grant Program. The available dollars should be portioned out over several deadlines, perhaps coinciding with the commencement of each new term or semester. Particular attention should be given to the needs of AVTI students if tuition is established in those institutions.

K. Expand eligibility for state financial aid.

** We support the HECB's proposal that persons who were found eligible for state grants or scholarships, but received no award because of lack of funds, be made eligible to reapply to the program.

** We support the HECB's recommendation that a grant-in-aid program for part-time students be established by the Legislature. We would recommend that students attending school at least half time (as defined by federal regulations*) be eligible for aid equal to their needs for "education" expenses. After a year of operation, the program should be reviewed and evaluated, noting the backgrounds of students funded and the types of programs in which they enrolled.

L. After the freshman year, award state scholarships on the basis of students' performance in post-secondary institutions.

In order to make the use of "merit" in the award of state scholarships a meaningful distinction, we recommend that the current practice of using high school class rank as the measure of merit throughout the post-secondary education experience be discontinued. Instead the HECB should, in cooperation with post-secondary institutions, develop criteria to identify outstanding students, based on their performance in the post-secondary institutions. This might be determined by "class rank", a certain grade point average, nomination by professors, or any combination of the three.

* See Glossary

M. Give priority to grants and scholarships awarded directly to students.

** In order to maximize the use of state funds for students attending all kinds of institutions, we recommend that the Legislature discontinue state-funded scholarship and grant programs operated by institutions, and channel these funds into the Minnesota State Scholarship and Grant Program.

III. ABOLISH THE HIGHER EDUCATION COORDINATING BOARD (HECB) AND TRANSFER ITS DUTIES TO AN EXECUTIVE DEPARTMENT.

A. We recommend that the Legislature transfer the functions of the HECB to a department headed by a Commissioner appointed by the Governor with the advice and consent of the Senate. The department would take over all the functions of the HECB plus new responsibilities as outlined below. The Commissioner should serve a four-year term which coincides with the Governor's term.

A citizens' board should be maintained in an advisory capacity to the Commissioner. The board should consist of lay persons and should be appointed by the Governor, using the open appointments process.

In order to encourage continued improvement of institutional cooperation, the Higher Education Advisory Council (consisting of representatives from the University of Minnesota, State Universities, Community Colleges, AVTI's, private colleges and private vocational schools) should be retained.

The Legislature should charge institutions to cooperate in providing information requested by the department in the course of its duties.

B. Duties of the department should cover three areas: *policy, budget and administration.*

1. The *policy* development for post-secondary education by the department should receive top priority. The Legislature should charge the department to:

a) Develop a specific plan for the 1979 Legislature which outlines how public policy should respond to changing enrollments and probable limits on state expenditures for post-secondary education. The plan should be presented to the Governor and shared with the Legislature in 1979 and should outline specifically:

--Recommendations on future size of the Minnesota post-secondary education plant: Should it remain stable or decrease? If it should decrease, how should this be accomplished. . .by region, institution, program, department?

--Recommendations on how to retain a mixture of different educational opportunities in the state throughout a period of enrollment decline, including options offered by private and public colleges and vocational schools. The role of private institutions in Minnesota post-secondary education should be examined in this context.

--Recommendations on the desirability of exploring new revenue sources as an alternative to closing or taking down the size of the post-secondary education plan when enrollments decline.

- A financing mechanism for changing enrollments: Tuition and fee revenue from different kinds of students; financial aids for different kinds of students; and the desirability of funding public post-secondary education by *institution* instead of by *system*.
 - A plan for continuing educational services to areas of the state not served by actual institutions of post-secondary education.
 - A plan for maintaining a mix of young and old, new and experienced faculty through a time of declining enrollments.
- b) Do a study with the State Department of Education on the provision of recreational, mid-career retraining, and basic skills programs by elementary/secondary and post-secondary institutions, including public, private non-profit, private for-profit organizations, and professional organizations. A joint report should be made to the Governor and shared with the Legislature in 1979 and should make specific recommendations on:
- What institutions should offer basic skills programs to adults?
(Currently these services are offered by the elementary/secondary schools in their "Basic Education" programs, and by the post-secondary institutions in their "remedial" programs.)
 - What institutions should provide recreational/educational programs?
(Currently these programs are offered by elementary/secondary schools in their "Community Education" courses, by post-secondary institutions in their "Extension" programs and by private for-profit organizations.)
 - What institutions should provide mid-career retraining and refresher courses for professionals and other full-time workers?
(Currently these programs are offered by professional associations and by post-secondary institutions' "Extension" departments.)
 - Who should fund these various students and programs? What is the responsibility and interest of students, business and industry, and the state? Appropriate pricing policy and financial aid policy should be developed accordingly.
2. The Legislature should direct the department to present a unified budget proposal for the State Universities, University of Minnesota, Community Colleges, AVTI's, Private College Contract Program*, Reciprocity*, and all state financial aid programs, commencing with the 1979/81 biennium. The unified proposal will substitute for individual system proposals to the Governor. This will require that the department hold budget hearings with the systems prior to the Governor's budget hearings conducted by the State Finance Department. In making budget proposals to the Governor, the cost of education by *institution*, as well as an average cost by *system*, should be identified for every post-secondary institution requesting direct appropriations from the Legislature.

* See Glossary

The budget recommendations should be consistent with the policy proposal and should include specific recommendations on:

- tuition and fee revenue for the four public systems;
- appropriations to the four public systems; and
- a state financial aid program.

a) The Legislature should direct the department to continue refinement of a detailed budget format for the four public systems (and the private institutions, as possible) which easily identifies:

- "full"* and "marginal"* costs of educating students in each institution; and
- the components of cost: teacher time in and out of class, pensions and other fringe benefits, maintenance and overhead, financial aid, and research.

b) The Legislature should direct the department to present with its budget proposal comprehensive information on all financial aids available to students enrolled in Minnesota institutions, including public and private sources of aid.

3. The department should take over all of the HECB's administrative duties, including administration of state financial aid programs, administration of federal grant dollars, program review, coordination of the regional consortia, and other duties provided for by previous legislation.

** The department should continue the HECB's efforts at regional coordination, in the form of regional consortia, as is now done in three areas of the state, and in other ways it may deem appropriate.

* See Glossary

DISCUSSION OF RECOMMENDATIONS

Recommendations on Structure

1. Consolidation of Structures

***What did the committee say with respect to the possibility of internalizing the decision-making process within systems, by merging whole systems together, as a means of getting difficult decisions on 'plant' size and funding in a time of declining enrollments, faced?*

We discussed the possibility of merging AVTIs and Community Colleges, but felt that such a merger would not assure facing of issues and decisions on funding and pricing in a time of declining enrollment. However, we do not contradict the 1967 Citizens League report which recommended a merger. We did not discuss merging the State Universities and the University of Minnesota extensively.

***What did the committee say regarding the possibility of partially merging systems, by taking especially weak institutions of one system into a stronger system?*

We did not discuss the possibility of merging selected institutions of a weak system into a stronger system. In general, we did not think it desirable for systems to make decisions on 'plant' size, funding policy and pricing policy. These are legislative responsibilities, and the Legislature should be required to make the difficult decisions.

2. Restructuring the HECB

***What did the committee say with respect to strengthening the HECB's leadership as a means to make it a more effective organization?*

We considered measures to strengthen the Board's leadership, such as directing the Governor to appoint the president rather than his being elected from the Board, or the Governor's appointing the executive director, with his duties indicated specifically in statute, and a salary commensurate with post-secondary education system heads. However, we did not think that such changes would have enough impact to make a real difference in the Board's ability to address tough issues and make difficult policy recommendations.

***What did the committee say with respect to restructuring the membership of the HECB, to remove the constraints of regional and institutional interests on Board discussions?*

We did not feel that alterations in the structure of membership would be sufficient to remove institutional interests from participation in Board discussions. This was attempted in 1971, but 1973 legislation put the institutions back around the discussion table. Removal of regional influences on the Board could be achieved by appointing board members as statewide representatives instead of as representatives from each Congressional district, as is done, for example, in the Ohio system, but this would be contrary to how system boards in Minnesota are appointed.

***What did the committee say with respect to the expansion of the HECB's authority as a way to improve its performance?*

We considered expanding the Board's authority by giving it final word on institutions' opening and closing programs, and authority to propose the post-secondary budget, but we felt it unlikely that a board which has not handled limited authority adequately would do a better job with more authority.

3. Regional Coordination

***Many of the problems that institutions will face as enrollments decline will occur more on a regional level, among institutions which belong to different educational systems, than at a system level. What did the committee say with respect to the need for regional coordination?*

We have recommended on page 46 (III, B, 3) that the new department continue the HECB's efforts at regional coordination. While regional relationships are important and should be encouraged, the questions of funding, pricing, and providing of mid-career education throughout a time of declining enrollment are statewide issues, and should be faced by a body concerned with the entire state's interests. The pool of 18-21 year olds is expected to decrease in *every* region of the state, although we expect that it will affect some areas more than others.

***What did the committee say with respect to the possibility of regional advisory groups' making recommendations on how to cope with declining enrollments in their own regions?*

We rejected the idea of regional advisory groups as a means for facing the issues raised by declining enrollments because such groups, without some direct financial responsibility for their institutions, would act as interest groups competing for state revenues, and would not themselves come to difficult recommendations.

***What did the committee say with respect to the possibility of giving regional groups authority to close or consolidate programs and/or institutions, once a central decision were made that this had to be done?*

We felt that, because some institutions have statewide, rather than only regional significance, it would be inappropriate for regional groups to make decisions about the future of such institutions and programs.

***What did the committee say about the possibility of giving regions some taxing authority for support of post-secondary institutions?*

A move towards regional taxing authority for institutions would be contrary to state policy over the past 20 years, which has been to move away from locally funded institutions of post-secondary education to state systems of post-secondary education.

4. Structures Outside of Post-Secondary Education

***What did the committee say with respect to going outside the framework of post-secondary education for issues analysis and proposals relating to declining enrollments? Possibilities might be the State Planning Agency, outside consultants, a Governmental Policy Institute, or a special Legislative study.*

Although we did not consider these possibilities in depth, we felt that the job rightly belongs within post-secondary education, and so should not be given to an outside body whose concerns would be more broad than post-secondary education, or which might not be knowledgeable about post-secondary education in the state.

5. The Executive Department

***How will the reduction of the citizens board to an advisory capacity, and assignment of authority to a commissioner appointed by the Governor, help face difficult issues?*

The focusing of authority and responsibility in a single commissioner working full time will establish accountability that does not exist when responsibility rests with an 11-member lay board that meets once each month. The regional and institutional interests represented in the current board's discussions will be clearly removed to an outside, lobbying posture.

***What basis does the committee have for assurance that the proposed reorganization would not relocate the policy-making responsibilities into a gubernatorial politics which would be as inhibiting as the current board structure?*

Although there is a danger that the Governor may direct the commissioner specifically *not* to investigate certain controversial policy alternatives, the assignment of the budget function to the commissioner, and the necessity of his presenting that budget to the Finance Department, where it will be subject to scrutiny based on considerations of total state spending, should encourage realistic budget and policy proposals.

While we realize that the particular structure we have recommended is by no means a magic formula, we do believe that a major shake-up in the board structure is necessary if the function of the board is to be substantially improved.

***Won't the assignment of authority to a commissioner result in loss of the opportunity which now exists to have the issues debated open to the public view?*

We hope not. Our hope would be that the commissioner would meet on a regular basis with the citizen board, to discuss all items on his agenda, and that such meetings would be open to the public. Because our recommendations did not get very specific on the internal workings of the department, we did not outline this aspect of the operation.

Recommendations on Finance

1. Enhancing Consumer Choice through Reduction of Price Differentials Not Related to the Actual Cost of Providing Education

***What did the committee say with respect to reducing price differentials by increasing need-based aid to students, making a portion of non-need-based aid (flat subsidy) available to students to use at the institutions of their choice, and raising the price in public institutions to more closely reflect the actual cost of providing education?*

We did not give close consideration to this question, as the idea was raised very late in our discussions. We therefore did not explore the impact of such a proposal. However, we did have some concerns that flat subsidies to the private institution students would result in a lessened effort on the part of private institutions to seek private contributions, and a heavier reliance on public funds.

***What did the committee say with respect to the possibility of lowering the price in the private institutions through a major increase in the Private College Contract Program?*

We favor giving more emphasis to funding consumer choice, and so, to increased funding to consumers, rather than to institutions, both in the case of public and private institutions. A large increase in the Private College Contract Program would be a move towards increased institutional funding, and would, therefore, go in the opposite direction of the one we prefer.

2. Helping Institutions Earn More of Their Revenues

***What did the committee say with respect to helping the more fully subsidized institutions earn more of their revenues by directing a portion of non-need-based aid directly to students attending public institutions, and raising the price in public institutions?*

We did not explore this possibility fully, as it was raised late in our discussion. However, we did have some concerns that such a policy would further complicate the funding process for post-secondary education.

***What did the committee say with respect to the possibility of using a 'college contract' program for the public institutions, whereby a portion of the full cost of educating each student at each institution would be held back until enrollment of students was demonstrated, as a means for public institutions to earn a greater part of their revenues? This would necessitate a move from the current policy of funding systems based on the average cost of educating a student, to funding individual institutions, based on their actual full cost of educating students.*

It appears to us that this is a sound idea--it is currently used for all public institutions in Ohio, where the entire institutional appropriation is held until enrollment is demonstrated--but, again, we did not have sufficient time to consider this option fully. Currently, cost by institution in the public sector is obscured by the average cost by system which is used in the appropriations process. We have recommended that the cost by institution become more visible to the public, so that we can see more clearly where our money is going.

3. Funding Needy Students

***The financing recommendations propose that, when the state grant program is not fully funded, we decrease grant awards to the poorest students in order to give some state grant assistance to a higher portion of eligible students than has been funded in the past. A follow-up study showed that virtually all of the 3,000 eligible persons who did not receive state grants this year because of inadequate funding enrolled in the institutions of their choice. This suggests that grants for them were not absolutely necessary. What is the justification for taking some money from the very poor and giving it to the less-poor who don't necessarily need it?*

Funds are available to meet the needs of all students. The question is how much of that need will be met with grants, how much with loans, and how much with work.

It would not seem equitable to allow certain students to work less and take out fewer or smaller loans simply because they have higher needs than others. Those who have so far qualified for grants and not received them are not rich; they are simply less poor than those who received the grants. Furthermore, we think it is meaningless to declare persons "eligible" for grant assistance and then not award them grants. The availability of Supplemental Education Opportunity Grants (\$13 million in fiscal year 1976), which are intended for particularly needy students, assures that those students will receive the assistance they need.

Finally, public support for a generous state grant program would be encouraged if the grants were awarded to all eligible persons, rather than exclusively to the lowest income group, as is the case with so many other income-tested programs in the state.

***How will a 75%-of-need limit on the state and federal basic grants affect needy students?*

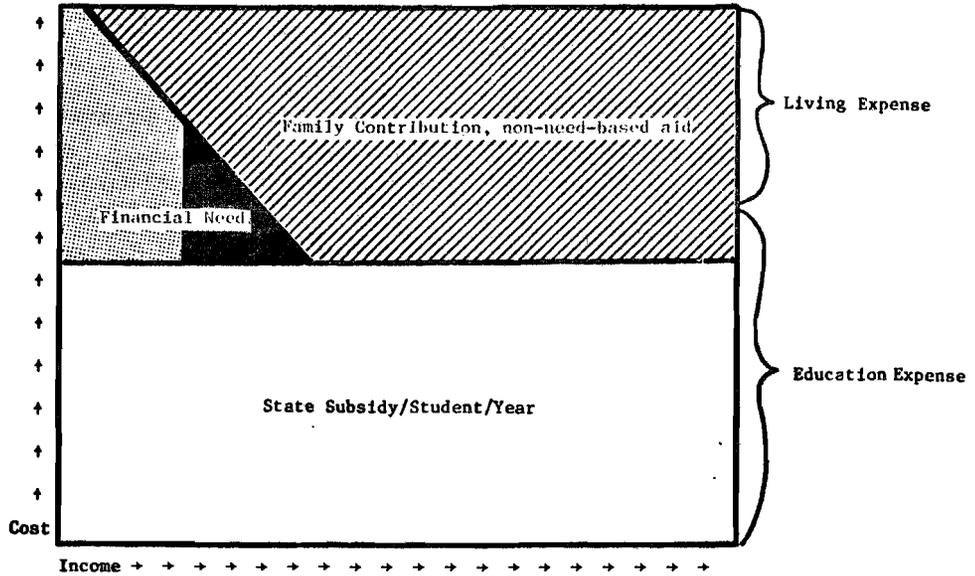
The accompanying graphs show the current and proposed systems for distributing financial aid. Each graph represents the full cost of educating one full-time student for one year in the institution. Costs of education and living expenses are shown on the right-hand side.

The graphs show that in the public institutions, a good portion of the educational expenses are paid by the state, in the form of appropriations to institutions. These payments are, in effect, subsidies to all students, regardless of income. The portion marked "family contribution and non-need-based aid" represents the money expected from the family, by the needs analysis, as well as other sources of income such as Social Security benefits and GI Bill payments.

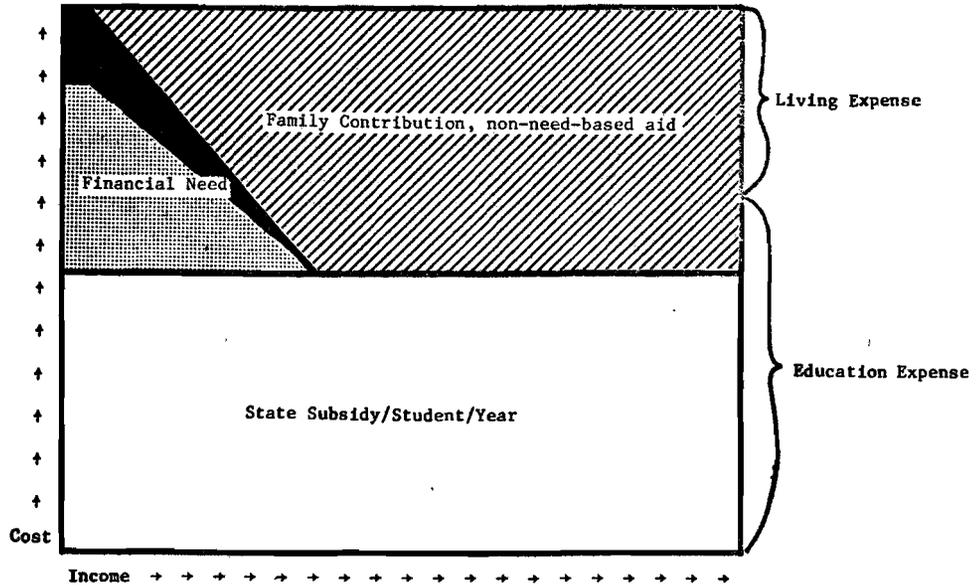
The triangle marked "financial need" represents the portion of total costs of education which students and their families are expected to finance, but cannot afford to pay without financial aids. The graphs show the current method of meeting that financial need, using the two basic grant programs and other need-based aid, and the proposed method of meeting the financial need, using the basic grants for 75% of need, and other need-based aid for the remaining 25% of need.

Currently, students attending the more fully-priced, private institutions receive a smaller portion of their aid in the two basic grants than do students in low-priced, public institutions. Grants are cut off at the \$1,100 limit for state awards, and at \$1,400 for federal awards. A move to the 75% rule would fund an equal portion of need with basic grants for all students, regardless of institution attended, or extent of financial need.

PUBLIC COLLEGES - CURRENT



PUBLIC COLLEGES - PROPOSED:
Small Tuition Increase and
.75% Limit on 2 Basic Grants

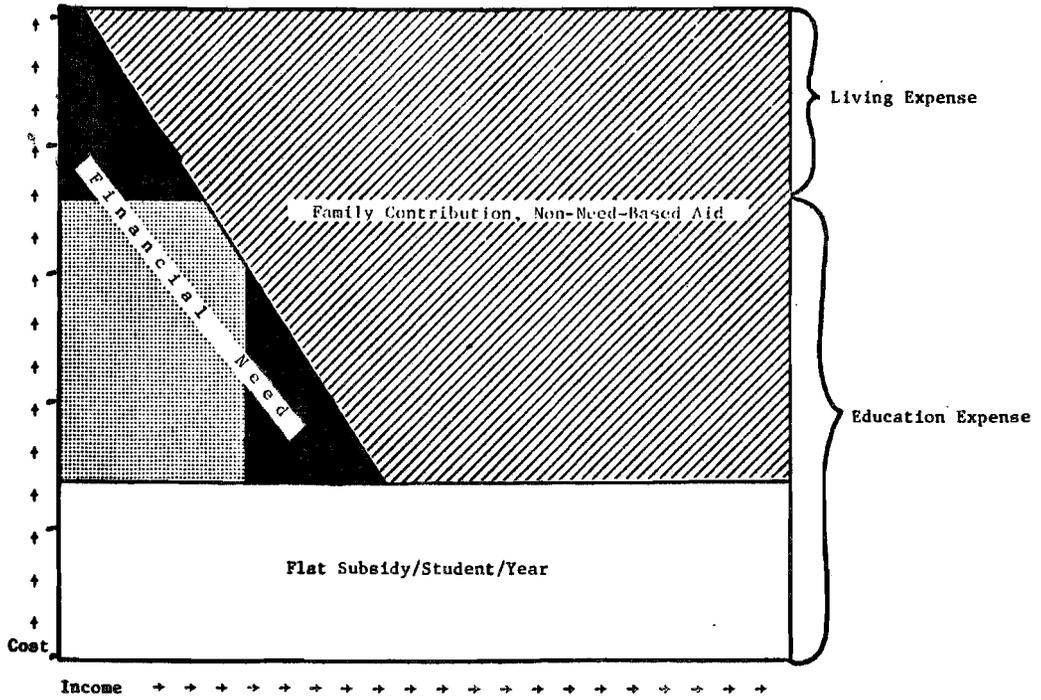


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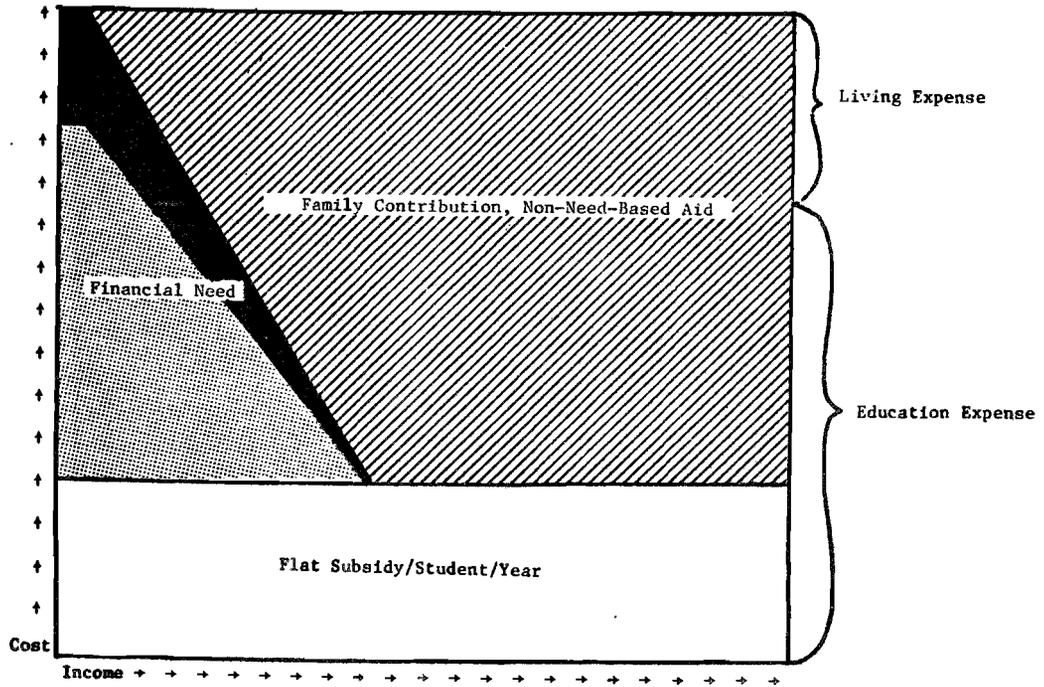
▨ 2 Basic Grants (State Scholarship and Grant Program, and Federal Basic Grants)

■ Other Need-Based Aid

PRIVATE 4 YEAR COLLEGE - CURRENT



PRIVATE 4 YEAR COLLEGE - PROPOSED:
75% Funding from 2 Basic Grants

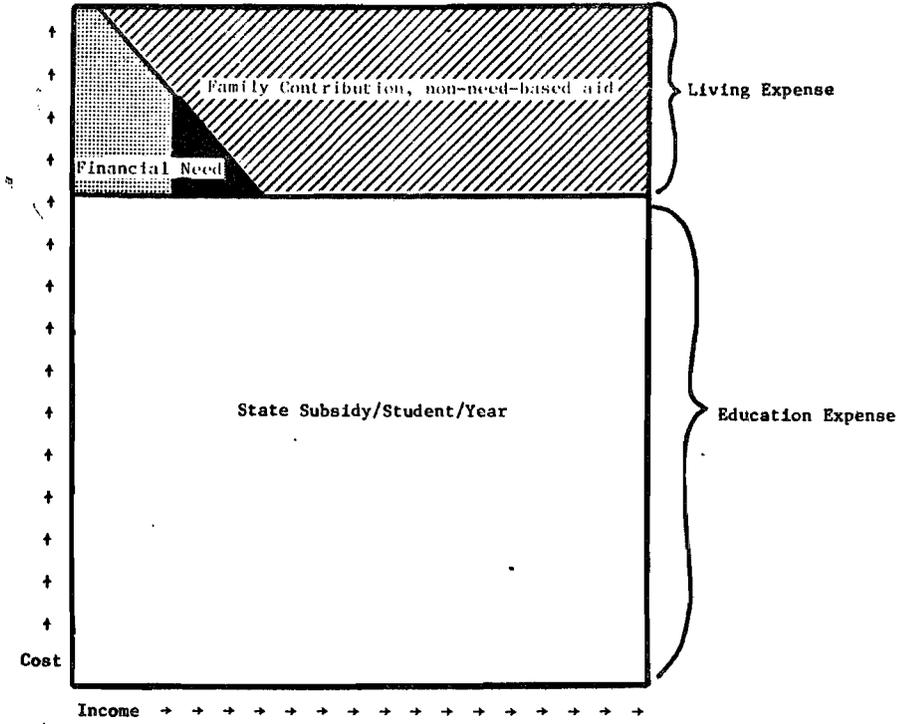


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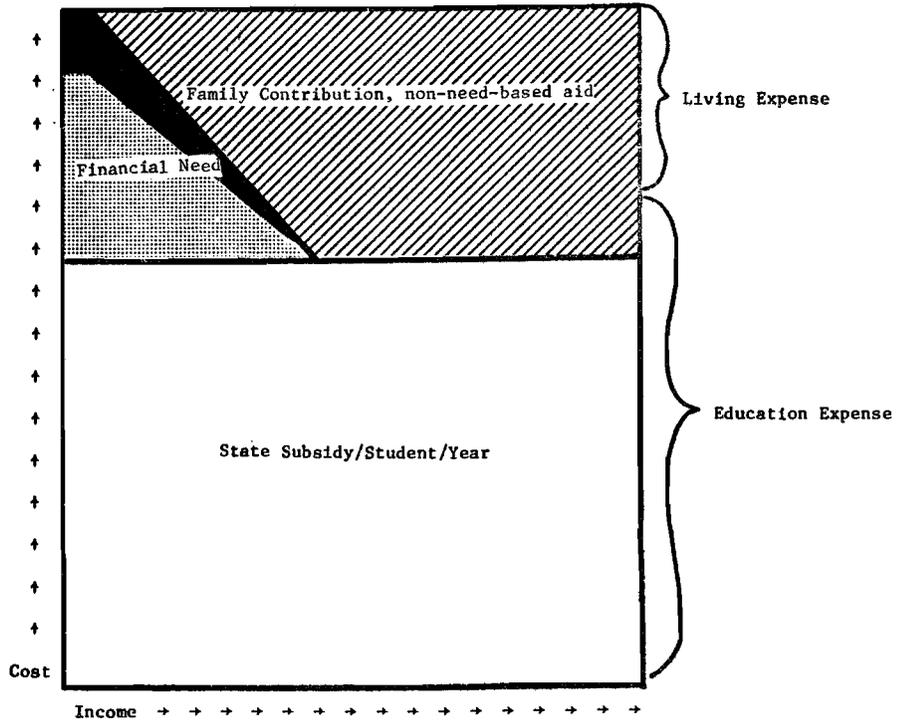
 2 Basic Grants (State Scholarship and Grant Program, and Federal Basic Grants)

 Other Need-Based Aid

PUBLIC VOCATIONAL PROGRAMS - CURRENT



PUBLIC VOCATIONAL PROGRAMS - PROPOSED:
Tuition for Those under Age 21 and
75% Limit on 2 Basic Grants



KEY

 2 Basic Grants (State Scholarship and Grant Program, and Federal Basic Grants)

 Other Need-Based Aid

4. How large a tuition increase in the public institutions would be required to provide financial aid equal to 11% of direct appropriations to institutions?

In 1975/77, state appropriations for institutional operating budgets of the University of Minnesota, State Universities, Community Colleges, AVTI's, and Private Colleges (in the Private College Contract [PCC] Program) equaled \$622,095,171. Appropriations for financial aid equaled \$35,074,850.

Included in "financial aid" are:

State Scholarship	\$10,750,000	<u>Institutional Appropriations</u>	
State Grant	17,900,000	Community Colleges	\$ 48,973,058
Loan Reserve Fund	44,850	State Universities	113,339,648
Work/Study	1,750,000	Univ. of Minnesota	302,482,465
POW/MIA	20,000	PCC	7,200,000
Foreign Student Loan	160,000	AVTI's	<u>150,000,000</u>
Reciprocity	4,200,000		
Nurse Scholarship	<u>250,000</u>		
GRAND TOTAL	\$35,074,850	GRAND TOTAL	\$622,095,171

The financial aid appropriation equals 5.6% of the institutional appropriation. Using the 1975/77 figures for the sake of illustration, we can see that, if the financial aid were increased by \$32.4 million to equal the HECB's request of \$67.5 million, and the institutional appropriation were reduced by that amount, financial aid would equal 11.4% of the institutional appropriation, which would then be \$589.7 million...hence the recommendation that financial aid equal at least 10-11% of institutional appropriation. If we assume that the \$32.4 million lost from the institutional appropriation were made up by an increase by that amount in tuition revenue in the public systems, and that increase were levied equally across all students (contrary to our recommendation), we might see something like this:

- (1) Assuming continued zero tuition at the AVTI's, the extra \$32.4 million needed might be levied equally on all 205,775 Full Time Equivalent (FTE) enrollments* at the University of Minnesota, State Universities, plus Community Colleges, for 1975/77 (1975/76 estimated enrollment). This would require an additional \$157.45/FTE/biennium, or \$78.73/FTE/year.

If selected 1976/77 tuition in the three systems were increased by \$78.73, they would increase as follows:

- Community College tuition and fees would increase from \$495 to \$574/year;
- State University tuition and fees would increase from \$545 to \$624/year;
- and
- University of Minnesota College of Liberal Arts tuition and fees would increase from \$818 to \$897/year.

- (2) If tuition were instituted in the AVTI's, as we have recommended, and, again, for the sake of example, we assume that 1975/77 tuition revenue from the AVTI's equals revenue from the Community Colleges, that would add \$19 million to the tuition revenue, leaving \$13.4 million to be made up. If we assume

*See Glossary

that this is levied equally on the 260,136 FTE enrollments in the University of Minnesota, State Universities, Community Colleges and AVTI systems for 1975/77, this would require an additional \$51.5/FTE/biennium, or \$25.75/FTE/year. If this increase is applied to 1976/77 selected tuition and fees in the four systems, the increases would be as follows:

- Community College tuition and fees would increase from \$495 to \$521/year; (this fails to include the extra revenue that would be obtained from charging Community College vocational students under age 21 tuition also). We might assume that tuition and fees at the AVTIs would be the same as Community College tuition and fees.
- State University tuition and fees would increase from \$545 to \$571/year; and
- University of Minnesota College of Liberal Arts tuition and fees would increase from \$818 to \$843/year.

Again, it must be noted that these crude assumptions about how the additional tuition revenue would be raised do not correlate with our recommendation that increases be levied on students enrolled in recreational and mid-career re-training programs first, along with creation of equitable tuition for the AVTIs. Thus, even the hypothetical example (2) above is an over-estimate of the probable tuition and fee increases on the particular students for which the example is drawn. There are a myriad of ways to increase revenue in addition to the two we have mentioned: graduate students, out-of-state students, and special fees are only a few examples.

5. Will an increase in tuition result in virtually every student's needing financial aid?

Our recommendations for increased financial aid appropriations would require only small tuition increases. However, even a fairly large tuition increase could be sustained without increasing substantially the number of students requiring financial aid. To illustrate, let us examine the median family income of students at the University of Minnesota in relation to their financial need, given various tuition charges. In 1972, median family income of metropolitan residents enrolled in the University of Minnesota was \$21,000. This would equal roughly \$29,000-\$30,000 in 1976, if family earnings had kept up with inflation. Using the American College Testing Service needs analysis (see chart page 67), we can see that a family with earnings of \$30,000 and one child enrolled in post-secondary education is expected to contribute approximately \$4,700 to its child's education per year if assets (including savings, investments and home equity) equal \$21,000; approximately \$5,500 to the child's education if assets equal \$30,000; and approximately \$7,000 to the child's education if assets equal \$50,000. Currently tuition and fees at the University of Minnesota College of Liberal Arts are roughly \$800. Room and board and miscellaneous items equal roughly \$1,500 for the student living off campus, for a total expense of \$2,300. Tuition would have to be increased to roughly \$2,500 before the family with \$30,000 annual income, \$21,000 in assets, and one child in post-secondary education would need financial aid. And, because the \$30,000 income figure is a median for metropolitan students enrolled at the University of Minnesota, this means that half the metropolitan area residents enrolled have even higher incomes, and would certainly not require financial aid.

The same family would be expected to contribute \$3,300 for each of two students enrolled in post-secondary education. For such a family, tuition would have to increase by roughly \$1,100 before the children qualified for financial aid.

Tuition at the AVTIs is another question. If tuition in the AVTIs were to equal Community College tuition, it would be approximately \$500 per year. Adding a room and board/miscellaneous item expense of \$1,500 to this, the total expense would be \$2,000 per year.

In 1972, median family income of metropolitan area residents enrolled in vocational education (included in this are private schools and the military service) was \$17,000 (it was \$19,000 for Community College students). If family income kept up with inflation, median income would be about \$23,000 for 1976 vocational students from the metropolitan area.

Families with one student enrolled in post-secondary education, annual income of \$20,000, and assets of \$21,000 are expected to contribute roughly \$2,000 to the education of the student. Families with \$20,000 income and \$25,000 in assets are expected to contribute roughly \$2,300; families with \$25,000 income and \$21,900 in assets are expected to contribute roughly \$3,600 for the education of the child each year. Though we do not know the exact contribution expected from a family with \$23,000 in income, it is clear that such a family would not require financial assistance to pay \$2,000 for the education of one child.

6. Impact of removing dollar limit from State Grant and Scholarship awards, and funding to 75% of need, in combination with federal Basic Grants.

***What kind of increases in actual state scholarship and grant awards to students will funding to 75% of need, with no dollar limit, result in?*

We examined the impact of this recommendation on awards to students attending the more fully priced institutions: medium-priced private institutions (total expenses \$3,600) and high-priced private institutions (total expenses \$5,000). We sampled three financial situations of students: full need (no family contribution, \$1,000 family contribution (roughly \$15,000 income), and \$2,000 family contribution (roughly \$20,000 income, if assets are low). The amount of increased funds required to fund students to a 75% maximum, instead of to a maximum of \$1,100 from the state, for each case, are shown in the following chart:

State Scholarship and Grant Awards
with \$1,100 Limit, and with 75% Limit

	<u>Full Need</u>		<u>\$1,000 Family Contribution</u>		<u>\$2,000 Family Contribution</u>	
	<u>\$1,100 Limit</u>	<u>75% Limit</u>	<u>\$1,100 Limit</u>	<u>75% Limit</u>	<u>\$1,100 Limit</u>	<u>75% Limit</u>
Student Expenses	\$1,100	\$1,300	\$1,100	\$1,524	\$1,100	\$1,200
\$3,600	\$1,100	\$1,300	\$1,100	\$1,524	\$1,100	\$1,200
\$5,000	\$1,100	\$2,350	\$1,100	\$2,574	\$1,100	\$2,250

***What would it cost the state to finance the committee's recommendation which calls for elimination of a dollar limit on state scholarship and grant awards, and funding to 75% of need for all eligible applicants, using the state grants and scholarships and federal basic grants combined?*

The HECB estimates that it would have cost Minnesota roughly \$42 million in scholarship and grant awards for FY 1977 to fund all eligible applicants to 75% of need, in combination with federal basic grants. This compares with an estimate of \$19.5 million needed under the current rules which have a \$1,100 limit on state grant and scholarship awards, and no percentage limit.

***Won't the elimination of a dollar limit on State Scholarship and Grant awards result in a loss of control over the level of total state expenditures on post-secondary education?*

Some persons contend that lifting the dollar limit, and leaving only the 75% of need limit on state grant and scholarship awards will allow institutions to raise tuition indiscriminately. However, the 50-60% of students who do not qualify for need-based aid provide a strong incentive for institutions to hold down their tuition as much as possible. Even those students who do qualify for aid will still have to find resources to pay the 25% of their financial need that is not covered by the state and federal basic grants combined. We must also point out that funds for state grants and scholarships will always be limited by the appropriations process, unlike some aid programs such as Medicaid, which have open-ended funding.

***Full funding to 75% of need may result in the state's actually paying more for the education of a student in a private institution than in a public institution, even when the flat subsidy to public institution students is accounted for. Is this an acceptable policy?*

We think it is. It is our understanding that state policy is not to pay some set minimal amount for the education of each student, but to provide for a range of educational options, of varying cost. While students in private institutions receive, on the whole, more financial aid dollars than those in public institutions, even with the current \$1,100 limit, they also pay more out of their own pockets.

BACKGROUND

GLOSSARY

1. Basic Education Opportunity Grant (BEOG)* (also referred to as "basic grant" or "federal basic grant") -- Federal need-based grants awarded to students directly by the federal government.
2. College Work/Study Program (CWS)* -- A federal program that awards funds to institutions which then pay up to 80% of the salary of eligible students working in on-campus jobs or in off-campus non-profit organizations. This is a need-based program.
3. Education Expenses -- Tuition, fees and books.
4. Family Contribution -- The amount of money a family, including the student, is expected to pay for the student's education, as determined by the needs analysis. This figure is used to determine priority for State Scholarship and Grant awards--those with the lowest family contribution receive first priority. A \$1,200 family contribution is the cut-off for receipt of Basic Education Opportunity Grant awards.
5. Federally Insured Student Loan Program (FISL)* -- The federal government insures the loans against default, and pays interest for students with family incomes under \$25,000 while they are in school. Banks or accredited institutions may make the loans. The interest rate is 7%.
6. Foreign Student Assistance -- The state appropriates money to institutions, which loan the money to needy foreign students. If the students return to their native countries after graduation, the loans are forgiven. If the students remain in the U.S., they must repay the loans.
7. Foreign Student Loan Program -- Same as Foreign Student Assistance.
8. Full Cost -- Includes all expenses of providing education, including teacher salaries and fringe benefits, rent, light, heating, equipment, maintenance, and all other expenditures.
9. Full Time Equivalent (FTE) Enrollment -- 15 credits per quarter equals one FTE student. Thus, three students each taking 5 credits in a quarter would equal one full time equivalent student. This measure is used to distinguish how many persons are taking courses ("headcount enrollment") from the number of credits being taught.
10. Full Year Equivalent (FYE) Enrollment -- 45 credits per year equals one full year equivalent student. This is arrived at by multiplying the value for a full time equivalent student (15 credits per term) by three terms.
11. Guaranteed Student Loan Program -- Any accredited institution may make the loan, which is guaranteed by the state, a private non-profit agency, or the federal government. (The Federally Insured Student Loan Program is one form of Guaranteed Student Loan Program.)

* Memorandum available in Citizens League office for more detail.

12. Half Time Student -- Regulations for federal financial aid programs provide that any person enrolled for at least 6 credits per term is a half time student.
13. Headcount Enrollment -- The number of persons enrolled in an institution, regardless of how many credits they are taking.
14. HEW (Department of Health, Education and Welfare) Regulations -- The regulations pertain to institutions enrolling students receiving Guaranteed Student Loans and provide that: "In the case of an institution having a course...of study, the purpose of which is to prepare students for a particular vocation, trade or career field, such statement shall include information regarding the employment of students enrolled in such courses, in such vocation, trade or career field. Such information shall include data regarding the average starting salary for previously enrolled students entering positions of employment for which the courses of study offered by the institutions are intended as preparation and the percentage of such students who obtained employment in such positions. This information shall be based on the most recently available data...."
15. Higher Education Coordinating Board (HECB) -- A lay board consisting of 11 members, one from each of the eight congressional districts, and three at large, appointed by the Governor with the advice and consent of the Senate. Members are to be selected for their "knowledge of and interest in post-secondary education and at least one shall be selected specifically for his knowledge of and interest in vocational education." The HECB has a staff of 60-75 persons, and is charged with various duties, including coordination and planning for post-secondary education, administration of state financial aid programs, and program and budget review.
16. Income Contingent Loan -- A loan program under way in several institutions, including Yale and Duke Universities, which allows students to pay back loans over an extended period of time, usually 20-30 years, and to make payments based on their income. Provisions are such that students pay a certain percentage of their income for a set number of years, based on the size of the loan. This means that at the end of the 20-30 year period, some students will have paid back *more* than they borrowed, and others will have paid back *less* than they borrowed, depending on their income.
17. Living Expenses -- Room and board, laundry, transportation, and other miscellaneous items.
18. Loan Reserve Fund -- The particular reserve fund referred to in the Discussion of Recommendations section (page 55) is used to pay interest for recipients of Medical Student Loans while they are enrolled in school.
19. Marginal Cost -- Does not include all the expenses of providing education. The marginal cost figure often does not include administrative, maintenance, rent, or fringe benefit expenditures.
20. Medical Student Loan Program* -- A non-need-based program for medical students who plan to practice in rural areas of the state that have a shortage of doctors. The loans become gifts if the students practice medicine in rural areas for a minimum of 5 years.

* Memorandum available in Citizens League office for more details.

21. Mid-Career Programs and Students -- In our discussions, we evolved a working definition, although hard, fast lines can not be drawn. In general, we considered that "mid-career" programs are those designed for recreation, persons' personal edification, or those vocationally-oriented programs designed to meet needs of employed persons seeking to enhance employment skills, review skills, or learn new skills. Regarding the students themselves, we generally considered anyone, regardless of age, who had not received a basic 2-4 year post-secondary education, to be "pre-career", and would, in terms of tuition and financial aids, treat that person as a traditional 18-21 year old student. Those who have already attained the 2-4 year degree, and are continuing their education on recreational or vocational lines, would be considered "mid-career" students, and, insofar as they were enrolled in programs that could be clearly identified as "mid-career", would be charged full-cost tuition, and would then be eligible for financial aids based on need, on a par with "pre-career" students.
22. Minnesota Scholastic Aptitude Test (MSAT) -- A standardized test designed to measure verbal abilities, administered to high school seniors.
23. Minnesota State Scholarship and Grant Program* -- Offers scholarships based on merit and need and need-based grants to full-time students who are Minnesota residents and attending non-profit institutions.
24. Minnesota State Student Loan Program* -- The state provides loans to students at accredited institutions, at a 7% interest rate. Money for the loans comes from the sale of revenue bonds. Loans are insured by the federal government. (This is the Minnesota version of the Federally Insured Student Loan Program.)
25. Minnesota Work/Study Program* -- The state awards money to eligible institutions which then pay up to 80% of the wages of eligible students who obtain jobs on campus or in non-profit organizations off-campus, through the program. This is a need-based program which focuses on a higher income group than does the federal College Work/Study program.
26. National Direct Student Loan Program* (formerly National Defense Student Loan program) -- Federal money is given to accredited institutions to loan to their needy students as they see fit. Interest rate on these loans is 3%, compared with 7% interest on the other types of loans available.
27. Nursing Scholarship -- State scholarships for nursing students.
28. POW/MIA Grants -- State grants for children of prisoners of war or men missing in action during the Vietnam war.
29. Private College Contract Program* -- State funds awarded to eligible private colleges, based on the number of Minnesota residents enrolled.
30. Reciprocity* -- Agreements between Minnesota and Wisconsin and North Dakota which provide that residents of Minnesota may attend public post-secondary institutions in the two states, and Wisconsin and North Dakota residents may attend public institutions in Minnesota, paying in-state tuition. Each state pays the difference between in-state and out-of-state tuition for residents attending institutions in the other two states.

* Memorandum available in Citizens League office for more details.

31. Social Security Benefits* -- Available to students attending accredited institutions at least half-time. Benefits cease when a student reaches the age of 22 or marries, whichever comes first.
32. Student Budget -- The expenses of attending a given post-secondary institution, including tuition and fees, room and board, books, laundry, transportation, entertainment, and other miscellaneous items.
33. Supplementary Educational Opportunity Grants (SEOG)* -- Federal money is given to accredited institutions, which then decide who the recipients of the grants should be; and how much, within given limits, each student should receive.
34. Traditional Student -- Someone who enters a post-secondary institution soon after graduation from high school, generally between the ages of 18 and 21, and attending school full time.

* Memorandum available in Citizens League office for more detail.

FISCAL YEAR 1976 FINANCIAL AIDS
BY SOURCE OF FUNDS ¹

<u>Source of Funds</u>	<u>\$</u>	<u>% of Grand Total</u>	
Federal	\$113,675,000	48.7%	
State (Minnesota)	43,731,000	18.7%	
Private	75,683,063	32.4%	
Grand Total	<u>\$233,089,063</u>	<u>99.8%</u>	(does not equal 100% due to rounding)
<u>Federal</u>			
Basic Education Opportunity Grant (BEOG)	\$ 15,000,000		
Supplemental Education Opportunity Grant (SEOG)	6,500,000		
College Work/Study Program	7,275,000		
G.I. Bill	61,600,000		
Social Security Benefits	16,300,000		
National Direct Student Loan Program	7,000,000		
Total	<u>\$113,675,000</u>		(48.7% of Grand Total)
<u>State (Minnesota)</u>			
Minnesota State Scholarship and Grant Program	\$13,500,000		
Minnesota College Work/Study Program	500,000		
Medical Student Loan Program	316,000		
POW/MIA, Foreign Student Assistance, and Nursing Scholarships	215,000		
Reciprocity with Wisconsin	4,200,000		
Minnesota State Student Loan Program	25,000,000		
Total	<u>\$43,731,000</u>		(18.7% of Grand Total)
<u>Private</u>			
Institutional match to Work/Study (20%)	\$ 1,555,000		
Institutional match to SEOG	6,500,000		
Public institutions employment	30,000,000		
Private colleges employment	1,996,566		
Private Colleges Grants and Scholarships	13,957,470		
University of Minnesota Designated Scholarship (1974/75)	693,636		
Federally Insured Student Loans from banks	20,000,000		
Private College Loans	205,931		
University of Minnesota Trust Fund Loans (1974/75)	774,460		
Total	<u>\$75,683,063</u>		(32.4% of Grand Total)

¹ We could not trace the source of funds in all cases for those we have marked "private". For example, funds awarded by private colleges may come from many sources, including federal and state government, foundations and individual contributions. Because we could not trace the source, we simply have counted these funds as "private" dollars.

FISCAL YEAR 1976 FINANCIAL AIDS
BY TYPE OF AID

<u>Type of Aid</u>	<u>\$</u>	<u>% of Grand Total</u>
Work	\$41,326,566	17.7%
Loans	\$52,980,391	22.7%
Gifts	\$138,782,106	59.5%
Grand Total	\$233,089,063	99.9% (does not equal 100%, due to rounding)

Work

College Work/Study Program	\$ 7,275,000	
Minnesota College Work/Study Program	500,000	
Institutional match to above two programs (20%)	1,555,000	
Public institutions employment	30,000,000	
Private college employment	1,996,566	
Total	\$41,326,566	(17.7% of Grand Total)

Loans

Federally Insured Student Loans from banks	\$20,000,000	
National Direct Student Loan Program	7,000,000	
Minnesota State Student Loan Program	25,000,000	
Private College Loans	205,931	
University of Minnesota Trust Fund Loans (1974/75)	774,460	
Total	\$52,980,391	(22.7% of Grand Total)

Gifts

Basic Education Opportunity Grant (BEOG)	\$15,000,000	
Supplemental Education Opportunity Grant (SEOG)	6,500,000	
Institutional match to SEOG	6,500,000	
Minnesota State Scholarship and Grant Program	13,500,000	
G.I. Bill	61,600,000	
Social Security benefits	16,300,000	
Minnesota Medical Student Loan Program	316,000	
Private Colleges grants and scholarships (includes money from Minnesota Private College Contract Program)	13,957,470	
University of Minnesota Designated Scholarship (1974/75)	693,636	
POW/MIA, Foreign Student Loans, and Nursing Scholarships	215,000	
Reciprocity with Wisconsin	4,200,000	
Total	\$138,782,106	(59.5% of Grand Total)

THE AMERICAN COLLEGE TESTING SERVICE (ACT) NEEDS ANALYSIS

In order to better understand the needs analysis and its effect on what families pay for post-secondary education, we went through a series of simulations varying gross income, value of assets, number of children in school, and other factors incorporated into the needs analysis. With each simulation, we calculated the estimated family contribution (i.e. what, given the family's circumstances, it would be expected to pay for a student's post-secondary education for one year, as determined by the ACT needs analysis). These are estimates, as the calculations are rather complicated, and were done by hand rather than through a computer.

Contrasted with these estimated family contributions are the budgets for full-time on-campus resident students in different post-secondary institutions. The difference between the budget for a student at his school, and the family contribution, is the need -- this is the sum of money that is to be made up in a financial aid package consisting of grants, scholarships, work/study, and loans.

ACT Graph - Key

The ACT needs analysis determines what a family can afford to pay to send a student to school, or what that student can afford to pay if he is independent of his parents. Many factors are taken into consideration in the determination of family contribution, and each factor is weighted differently. For example, 35% of a dependent student's earnings and savings will be counted as available for post-secondary education. In most cases, 100% of a student's Social Security benefits will be counted as available.

Formulas for determining the amount of other income and assets to be counted towards payment for post-secondary education are more complicated. A staff member of the Higher Education Coordinating Board was good enough to go through many complicated calculations in order to estimate family contribution as it varies with the many factors in the needs analysis.

We started with a model family, and varied different factors one or two at a time, leaving all other factors constant.

Our Model

- Annual Gross Income \$20,000
- Home equity & \$21,000 (includes savings, stocks, bonds, other
other assets investments and real estate)
- One wage earner, aged 43
- Three children
- One dependent child in post-secondary education
- Student's resources \$0
- No special medical or dental expenses

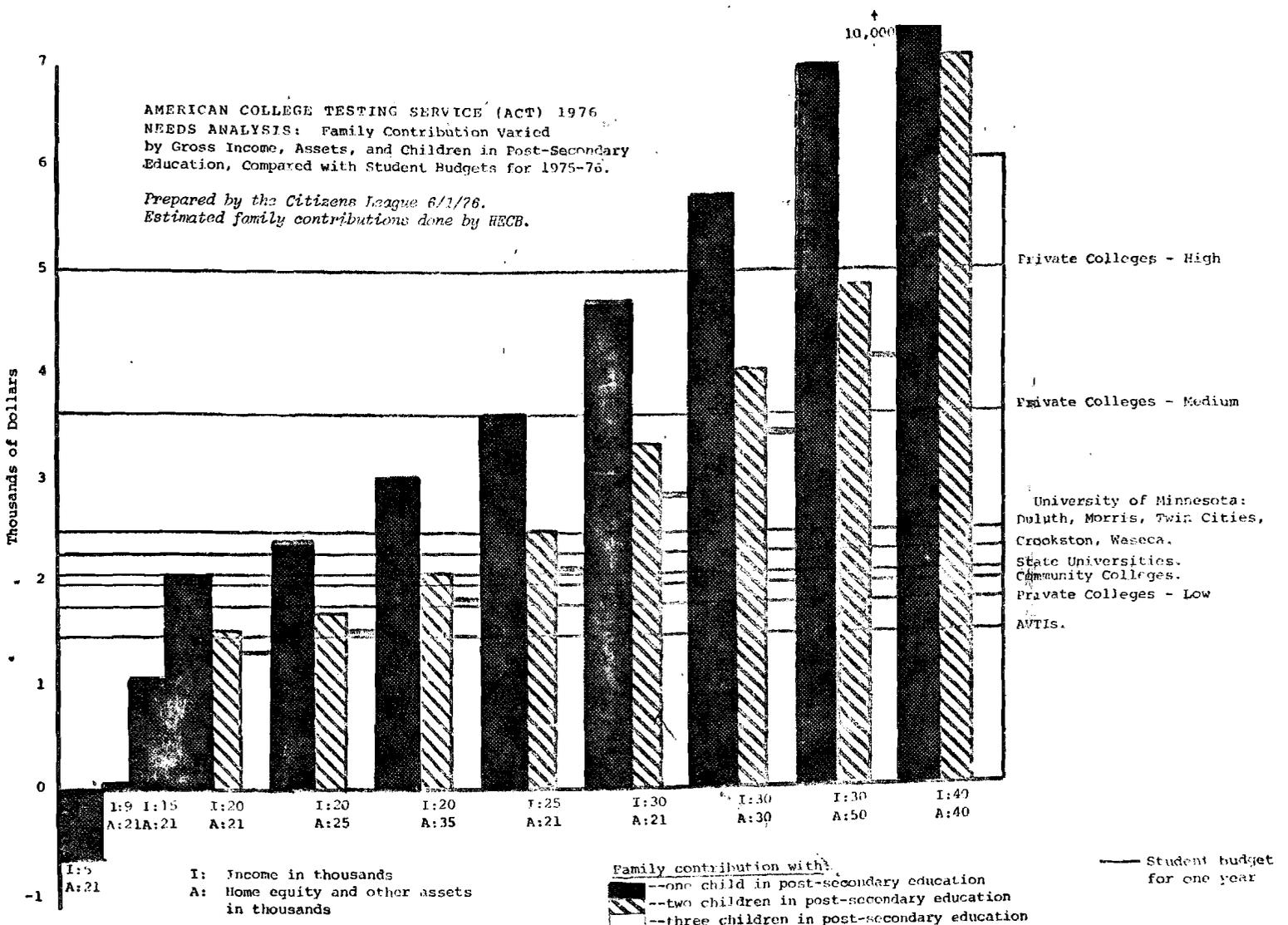
ACT NEEDS ANALYSIS, continued

1975-76 Institutional Budgets

In determining financial need, the estimated family contribution is subtracted from a student's budget. The budget includes:

- Tuition
- Mandatory fees
- Institutional room and board charges for those students living on campus or, in 1975-76, \$1,100 for those living off campus or at home.
- \$400 for miscellaneous items, books, transportation, entertainment, and other.

The lines showing budgets on our graph assume a student living on campus, except in the case of the AVTIs and the Community Colleges, which have no dormitories.



POST-SECONDARY ENROLLMENT

Headcount enrollment* grew from 65,313 in 1960 to 177,047 in 1975¹. 1975 Full Time Equivalent* enrollment in the state was 158,493¹. FTE enrollment for 1960 was not available.

	<u>Headcount Enrollment</u>	
	<u>1960</u>	<u>1975</u>
Private 2 year Colleges	502	1,536
Private 4-year Colleges	18,319	31,541
AVTIs	2,072	26,534
Community Colleges	3,365	26,813
State Universities	12,778	35,509
University of Minnesota	28,277	55,114

Between 1960 and 1975, enrollments in private 4 year colleges and the University of Minnesota almost doubled, enrollments in the private 2 year colleges and State Universities tripled, and enrollments in AVTIs and Community Colleges increased ten-fold.

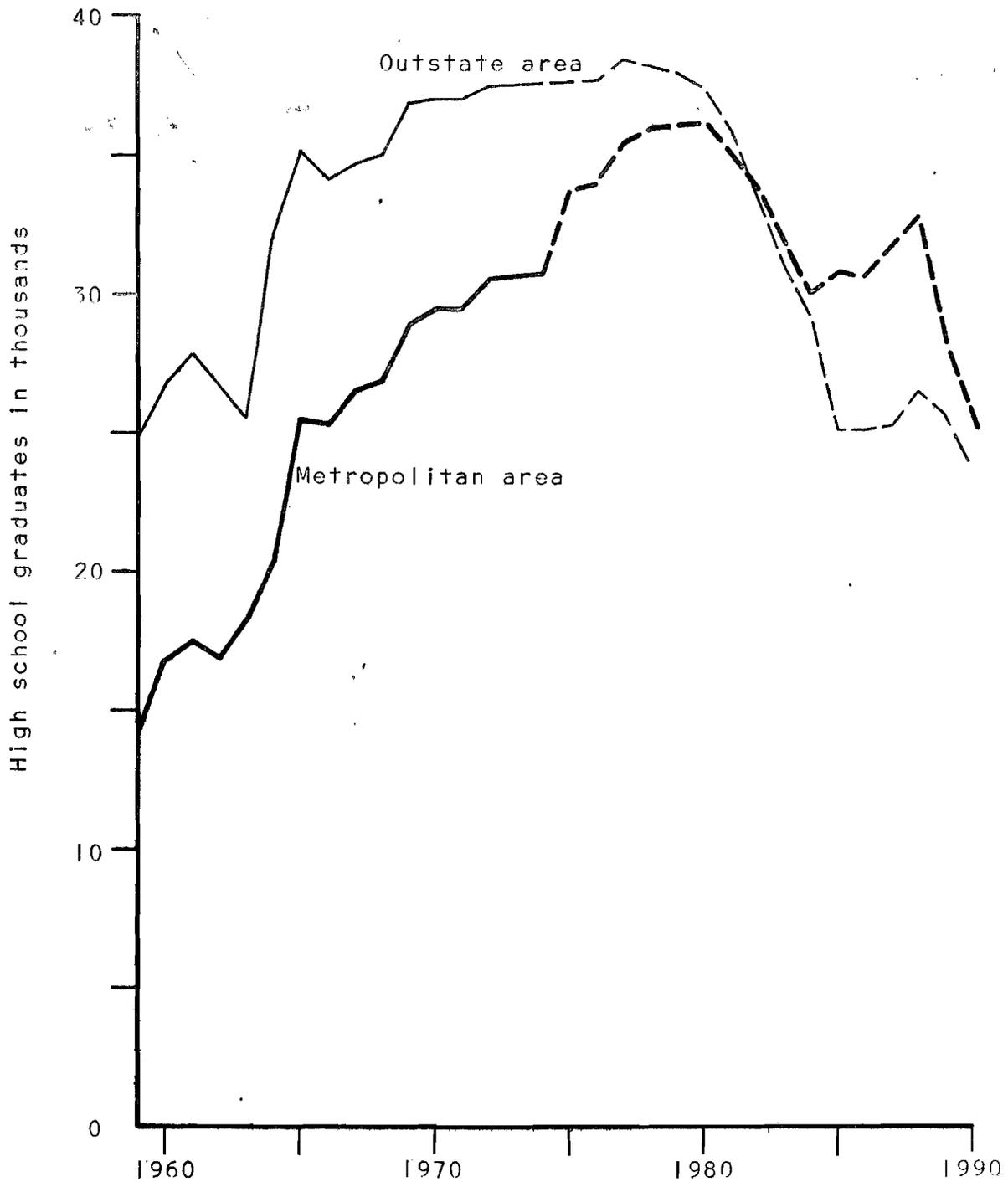
Private 2 and 4 year college enrollment as a percent of all collegiate enrollment in the state decreased from 29.7% in 1960 to 21.9% in 1975.

¹ Figures are from the Higher Education Coordinating Board (HECB), and include the private 2 and 4 year colleges, University of Minnesota, AVTIs, Community Colleges, and State Universities. Figures for private professional schools and trade schools were not available for 1960. In 1975, private professional schools enrolled 2,999 students and 22 private non-collegiate schools enrolled 3,546 students. (Figures from all private non-collegiate schools were not available.)

More detailed enrollment data showing the percentage of full and part time students enrolled in public and private institutions from 1970-74, and the age of students enrolled in public post-secondary systems in the fall of 1974, is available on request from the Citizens League office.

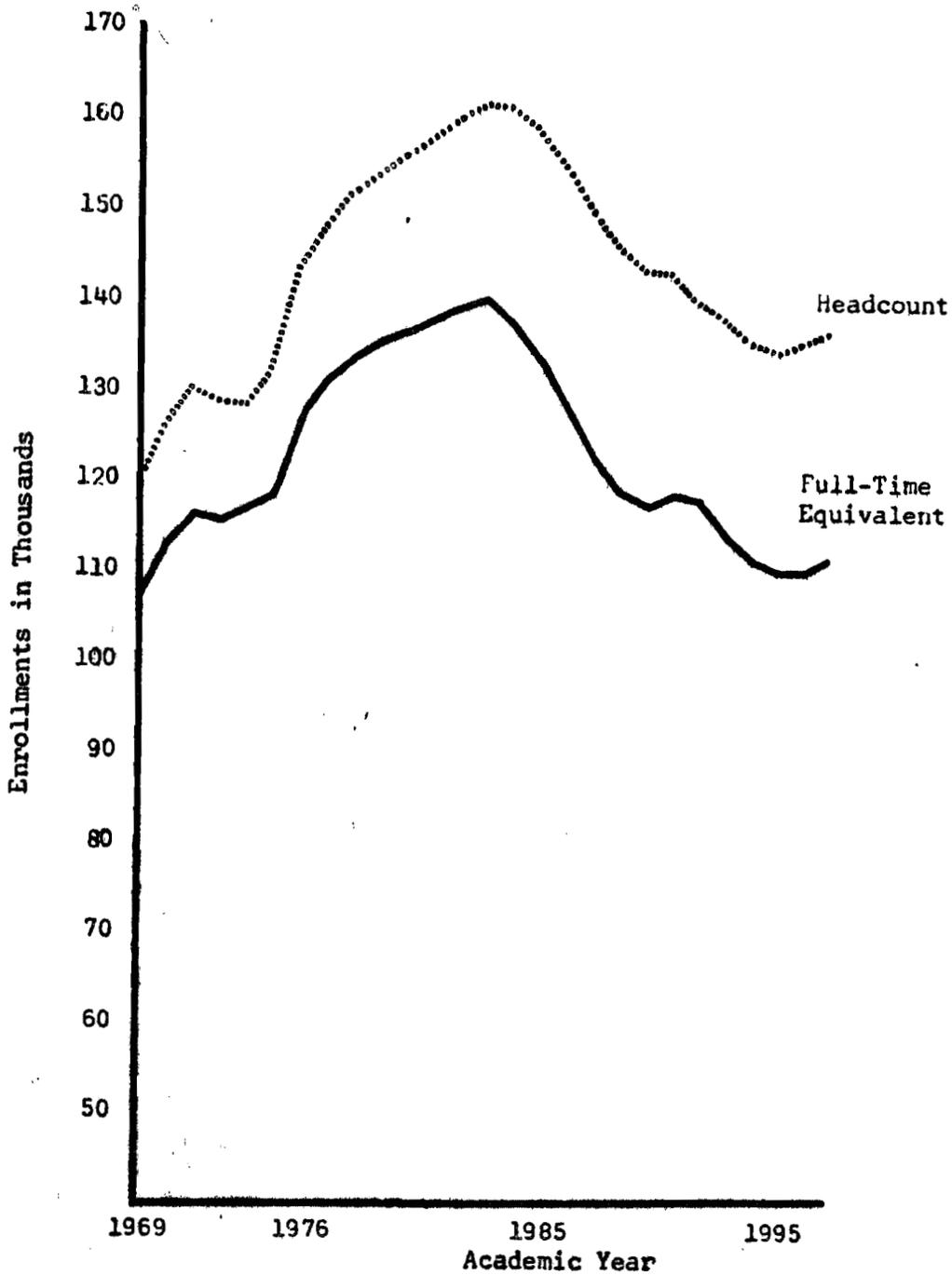
* See Glossary

PUBLIC AND PRIVATE MINNESOTA HIGH SCHOOL GRADUATES, 1959-1990



Sources: 1959-1974 from Department of Education
1975-1990 from Higher Education Coordinating Commission

ACTUAL AND PROJECTED ENROLLMENTS ALL PUBLIC SYSTEMS



Prepared by
Higher Education Coordinating Board
January, 1977

POST-SECONDARY INSTITUTIONS IN MINNESOTA

Post-secondary education, which we have broadly defined as college-level education or education at a high school or lower level offered to adults, is offered by 5 public systems and a variety of private institutions.

The public systems are the Area Vocational-Technical Institutions (AVTIs), Community Colleges, State Universities, University of Minnesota, and the elementary/secondary schools. The four post-high school systems offer the traditional vocational academic career-preparation courses, and additional courses aimed at recreational activity, self-improvement, and career-enhancement. The elementary/secondary schools offer basic education programs to adults, high school equivalent degrees, and recreational programs in the Community Education programs operated in the evenings.

In the private sector, vocational schools, 2 and 4 year colleges, and professional schools offer the traditional vocational and academic career-preparation, plus some recreational and career-enhancement programs. The colleges are non-profit institutions, while the majority of private vocational schools are for-profit organizations. In addition, private corporations offer a variety of self-improvement and recreational programs.

The AVTIs

Currently there are 33 AVTIs in the state. A new AVTI is under construction in Minneapolis. Enrollments in the AVTIs ranged from 274 in the East Grand Forks AVTI to 2,540 in the Suburban Hennepin AVTI in 1975. 1975 AVTI enrollment accounted for 14.4% of all post-secondary enrollments in the state.

AVTIs are owned and operated by local school districts, but are established under regulation of and with the approval of the State Board for Vocational Education, which technically is a different board from the State Board of Education but has the same membership. The State Board of Education is made up of 9 members appointed by the Governor for 4 year terms. 8 of the members represent congressional districts, and one is appointed at-large. 3 of the members must have previous local school board experience. The Board appoints a commissioner of education to a 4 year term. The Commissioner in 1976 was Howard B. Casmeay.

The Community Colleges

Currently there are 18 Community Colleges in the state. In 1975 the headcount enrollment* ranged from 432 at Northland Community College to 4,227 at Normandale Community College. Total 1975 enrollment accounted for 14.6% of all post-secondary enrollments in the state.

The Community College system was established by the Legislature in 1963. Previously, Community Colleges (then called Junior Colleges) were owned and operated by local school boards. The system is now governed by a 7 member board appointed to 4 year terms by the Governor. The board appoints a Chancellor to serve at its pleasure. In 1976 the Chancellor was Philip C. Helland.

The State Universities

Currently there are 7 State Universities in Minnesota. In 1975 the headcount enrollments* ranged from 1,399 at Metropolitan State University, to 9,706 at

* See Glossary

Mankato State University. Total 1975 enrollment accounted for 19.3% of all post-secondary enrollment in the state.

The State University system is governed by a 10 member board appointed by the Governor to 4 year terms. The Commissioner of Education is one of the 10 members. One of the members must also be a current State University student or one who graduated within the year before his appointment. He is appointed to a 2 year term. Only one member of the Board may reside in any given county at the time that members are appointed.

The State University Board appoints a Chancellor to serve at its pleasure. In 1976 Garry Hays replaced G. Theodore Mitau as Chancellor of the system.

The University of Minnesota

The University of Minnesota includes its Minneapolis-St. Paul campus, branches at Morris and Duluth, and technical colleges at Crookston and Waseca. In 1975, headcount enrollments* ranged from 705 at the Waseca campus to 45,676 at the Twin Cities campus. Total 1975 enrollment accounted for 30.0% of all post-secondary enrollments in the state.

The University is governed by a 13-member Board of Regents. 12 members are elected by joint convention of the Legislature to 6 year terms. 8 of the members represent each of the congressional districts, and 4 are at-large. One of the at-large members must be a student or recent graduate. The Regents choose the President of the University, who also serves ex officio as President of the Board of Regents. The President serves at the pleasure of the Regents. In 1976 the President was C. Peter McGrath.

The University was established by the Territorial Legislature in 1851. All territorial laws relating to the University were made part of the constitution when Minnesota became a state. The University, therefore, has attained a unique constitutional autonomy.

Private Colleges

In 1975 there were 36 private colleges in the state, including junior colleges, bible colleges, 4 year colleges, and professional schools. 1975 headcount enrollments* ranged from 24 at Crosier Seminary to 3,206 at St. Thomas. Total 1975 enrollment accounted for 19.6% of all post-secondary enrollments in the state. 16 of the private colleges have formed an association, the Minnesota Private College Council. Members of the Council are Augsburg, Bethel, Carleton, St. Benedict, St. Catherine, St. Scholastica, St. Teresa, St. Thomas, Concordia (Moorhead), Concordia (St. Paul), Gustavus Adolphus, Hamline, Macalester, St. John's, St. Mary's, and St. Olaf. In 1976 the Executive Director of the Private College Council was Harvey Stegemoeller.

Private Vocational Schools

There are some 113 private vocational schools in the state, including 55 hospitals offering technical training programs. 32 of the schools have formed an association, the Minnesota Association of Private Vocational Schools. In 1976 the President of the Association was William Nemitz. In 1975, enrollment figures were available for only 22 of the schools. Enrollments ranged from 21 at St. Cloud Business College and the Arrowhead Beauty College, to 1,198 at Dunwoody Industrial Institute. Total enrollment in the 22 schools accounted for 1.9% of all post-secondary enrollments in 1975.

* See Glossary

-13-

COMMITTEE ACTIVITY

Committee Assignment

The following charge was approved by the Citizens League Board of Directors:

"A large reduction in the traditional 18-21 year old enrollment in post-secondary education, both public and private, is virtually inevitable in Minnesota in coming years. Although adult enrollment is projected to increase, the post-secondary institutions will be competing for enrollments from a smaller pool of traditional applicants, and overall enrollment is expected to decrease. At the same time, costs of post-secondary education are rising fast, with fewer individuals able to afford the total cost themselves. The State Legislature has provided substantial increased scholarship and grant-in-aid funds in recent years to students in both private and public institutions. In coming years the Legislature is likely to be faced with increasing pressures to provide more direct appropriations to the individual public institutions instead of continuing to build on its scholarship and grant-in-aid programs. The question of equitable tuition will always be present. The Legislature also will have to make hard decisions on relative aid to students attending private institutions as against public institutions.

"We will review the growing costs of post-secondary education, why the costs are increasing, the problem of allocating state funds among institutions and students, tuition policy, the desirability of continuing to expand the scholarship/grant-in-aid approach as the state adjusts to declining total enrollment, and the role of the Minnesota Higher Education Coordinating Commission."

Committee Membership

Initially, 63 persons signed up for this committee. A total of 19 persons participated actively in the deliberations. Committee chairman was Rosemary Rockenbach, St. Paul.

Other active members were:

Betty Bayless
Francis M. Boddy
W. Andrew Boss
Lloyd L. Brandt
Jim Bullock
Lynn W. Carlson
H. David Crain
Milda K. Hedblom
Thomas Jacobson

Frank G. Jewett
Phyllis Kahn
James Lynskey
Tom Mortenson
Richard Niemiec
Carol E. Olson
David G. Ordos
Richard L. Ramberg
James H. Werntz, Jr.

The committee was assisted by Margo Stark, research associate, and Jean Bosch, clerical staff.

Committee Procedures

The committee met weekly from its first meeting on January 21, 1976, to its final meeting on February 16, 1977 -- a total of 47 meetings. Beginning in late August, the committee scheduled double sessions, which started in late afternoon and ran into the evening, in order to bring its work to completion. As with other Citizens League committees, meeting locations were alternated each week between Minneapolis and St. Paul, to be as convenient as possible for members, whose residences are widely dispersed throughout the metropolitan area.

Staff members of the Higher Education Coordinating Board provided invaluable assistance in the course of the committee's work. Staff for the Legislature, State Finance Department, public post-secondary systems, and the Private College Council were also extremely helpful.

Detailed minutes of meetings were taken and distributed to committee members and other interested persons following the committee's activities. A few extra copies of minutes are available upon request.

Following is a list of the resource persons who met personally with the committee, showing their titles and positions at the time of their appearance:

John Brandl, director, School of Public Affairs, University of Minnesota.

Dr. James Byrne, dean of New College, College of St. Thomas.

Judy Chadwick, education specialist, Ramsey Action Programs, Inc.

George Copa, associate professor, Minnesota Research Coordinating Unit for Vocational Education, University of Minnesota.

Margaret Dean, coordinator of state grant programs, Higher Education Coordinating Board.

Tom Dewar, professor, School of Public Affairs, University of Minnesota.

Lorraine Evenson, financial aid consultant, Rasmussen Business School.

Ruthena Fink, financial aid director, Macalester College.

Scott Foster, assistant executive director, Higher Education Coordinating Board.

Al Frost, dean of students, Metropolitan Community College.

Bernard Hampton, financial aid officer, AVTI #916.

Richard Hawk, executive director, Higher Education Coordinating Board.

Garry Hays, chancellor, State University System.

Thomas Heaney, regional director, Educational Services Division, A.C.T. Service.

Mark Heffron, director, Program Planning and Administration, Student Assistance Program, A.C.T. Program.

Phillip Helland, chancellor, Community College System.

Major Bernard Hendricks, United States Army.

Donald Imsland, consultant, Northern States Power Company.

Mel Johnson, director of planning and development for AVTIs, State Department of Education.

Stanley Kegler, vice president, University of Minnesota.

William J. Kimbrough, director, Minneapolis Public Library.

Albert Kraft, education coordinator, United States Army.

Tobey Lapakko, metro CETA coordinator, Department of Employment Services.

Cliff Larson, vice president, Northwestern Electronics Institute.

Chuck Leer, Minnesota Public Interest Research Group (MPIRG).

Sam Lewis, director of student financial aid, University of Minnesota.

Gerald Miller, operations manager of Student Loan Servicing Center, First National Bank of Minneapolis.

Phillip Miller, coordinator of state loan programs, Higher Education Coordinating Board.

Theodore Mitau, chancellor, State University System.

R. E. Morris, vice-president for Computer Based Education (CBE) Systems and Services, Control Data Corp.

John Redmond, Governor's Assistant for Education.

Hazel Reinhardt, State Demographer.

Mary Schertler, commissioner, Higher Education Coordinating Board.

Ray Schmidt, personnel director, Honeywell, Inc.

Rodney Searle, State Representative; past chairman of Education Division of House Appropriations Committee.

Susan Seiler, secretary-treasurer, Globe College of Business.

Howard Smith, State Representative; chairman of Education Division, House Appropriations Committee.

Gary Soule, assistant director, Community Education, Minneapolis Public Schools.

Marvin Spears, director of operations, Vocational Rehabilitation Division, State Department of Education.

Gene Steele, manager of recruitment and placement, 3M Company.

Harvey Stegemoeller, executive director, Minnesota Private College Council.

Marilyn Stewart, librarian, Nokomis Community Library, Minneapolis.

Howard Swearer, president, Carleton College.

David Sweet, president, Metropolitan State University.

Robert Tennesen, State Senator; member of Education Division of Senate Finance Committee.

Val Vikmanis, vice-chancellor, State University System.

Robert Van Tries, assistant commissioner, Vocational-Technical Education Division, State Department of Education.

Dr. Janis Weiss, coordinator of institutional research, North Hennepin Community College.

Ralph Whiting, president, Whiting & Associates, Inc.

Donald Woods, associate dean, Continuing Education, University of Minnesota.

John Yngve, president, Nortronics Co., Inc.

CITIZENS LEAGUE POST-SECONDARY EDUCATION COMMITTEE

MINORITY REPORT

We support the study committee's recommendations on governance. We also support the financing recommendations which have as their effect expansion of access to and choice among educational opportunities, individual responsibility for some part of educational cost, and the wise use of public resources.

We dissent from the study committee's recommendation that the present \$1,100 limit on State Scholarship and Grant awards simply be replaced with a limit of 75% of student financial need when used in combination with federal basic grants. In our view, the effects of the removal of the absolute dollar limit could include unfortunate effects such as:

1. Denial of access to needy students. Increasing the scholarship and grant aid to students attending higher-priced institutions while reducing the aid to students in lower-priced institutions may serve fewer students with the same total resources.
2. Removal of an important control on cost increases.

We recommend that there be an absolute dollar limit, as well as the 75% need limit on State Scholarship and Grant awards. The dollar limit should be set to implement public policies for increasing the access to post-secondary education and maintaining an appropriate range of institutional choice.

Our intent is to advise an incremental approach to adjusting the dollar limit in order to be able to monitor and evaluate the effects of the changes on the post-secondary education system.

Committee Members Concurring in this Report:

Betty Bayless
Jim Bullock
David Crain
Frank Jewett
Tom Mortenson
Carol Olson
David Ordos
James Werntz

THE CITIZENS LEAGUE

. . . formed in 1952, is an independent, nonpartisan, non-profit, educational corporation dedicated to improving local government and to providing leadership in solving the complex problems of our metropolitan area.

Volunteer research committees of the CITIZENS LEAGUE develop recommendations for solutions to public problems after months of intensive work.

Over the years, the League's research reports have been among the most helpful and reliable sources of information for governmental and civic leaders, and others concerned with the problems of our area.

The League is supported by membership dues of individual members and membership contributions from businesses, foundations, and other organizations throughout the metropolitan area.

You are invited to join the League or, if already a member, invite a friend to join. An application blank is provided for your convenience on the reverse side.

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What The Citizens League Does

Study Committees

- 6 to 10 major studies are undertaken each year.
- Each committee works 2½ hours per week, normally for 6-9 months.
- In 1974 over 250 resource persons made presentations to an average of 25 members per session.
- A fulltime professional staff of 6 provides direct committee assistance.
- An average in excess of 100 persons follow committee hearings with summary minutes prepared by the staff.
- Full reports (normally 25-50 pages) are distributed to 1,000-3,000 people, in addition to 4,000 summaries provided through the CL NEWS

Citizens League NEWS

- Published twice monthly, except once a month in June, July, August & December.
- Provides reader with general information, original data and League analysis on public affairs issues.

Information Assistance

- The League responds to many requests for information. Substantial amounts of staff time are devoted to explaining local developments to out-of-town visitors, providing background information to the news media, and serving as resource speakers to community groups.

Community Leadership Breakfasts

- Minneapolis Community Leadership Breakfasts are held each Tuesday at the Grain Exchange Cafeteria, 7:30-8:30 a.m., from September to June.
- St. Paul Community Leadership Breakfasts are held on alternate Thursdays at the Pilot House Restaurant in the First National Bank Bldg., 7:30-8:30.
- An average of 35 persons attends the 55 breakfasts each year.
- The breakfast programs attract good news coverage in the daily press, radio and, periodically, television.

Question-and-Answer Luncheons

- Feature national or local authorities, who respond to questions from a panel on key public policy issues.
- Each year several Q & A luncheons are held throughout the metropolitan area.

Public Affairs Directors

- A Public Affairs Directory is prepared following even-year general elections, and distributed to the membership.

Public Affairs

- Members of League study committees have been called on frequently to pursue their work further with governmental or non-governmental agencies.

(clip and return with check)

Application for Membership in the Citizens League

84 S. Sixth Street, Minneapolis, MN 55402 (338-0791)

Please check:

Individual - \$15 Student - \$5 Contributing - \$35 and up
Family - \$25 or \$30 (for two separate C.L. NEWS mailings)

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