

## Need-based aid for college students: WHY IT MATTERS

Minnesota's economic strength hinges on having a talented workforce. That means our state's approach to education will be a cornerstone of our economic future. While the policy conversation will include everything from preschool readiness to high school testing, *increasing college access and completion* is critical for Minnesota's economy. To advance that goal of college completion, need-based financial aid for college students is the best tool policymakers have.

### The high value of higher education

Completion of some form of education beyond high school has become almost essential for anyone entering the workforce — employers need and demand the skills and experiences that come from post-secondary education, ranging from certificates to advanced degrees.

- Annual earnings for those with bachelor's degrees are 75 percent higher, on average, in Minnesota than for those with only a high school degree.
- Lifetime earnings for those with bachelor's degrees are \$2.8 million higher, on average, nationally than for those with only a high school degree.
- Education beyond high school also greatly improves employment prospects. Unemployment levels for Minnesotans with bachelor's degrees, for example, remained about half the rate of those with just a high school degree in 2012 — 2.9 percent vs. 5.9 percent. (And the rate for those with an associate degree or some college was 5.6 percent.)

“Higher education is critical for the health and prosperity of our Minnesota communities.”

— *Itasca Project's 2012 report on higher education*

Higher education is not just an individual imperative; it is also a critical public good — essential for the economic success of the state overall.

- Our own history demonstrates a direct connection between increased education levels and improved prosperity — the modern Minnesota economy was built on brainpower developed over an extended period of time. During the period between 1940 and 2012, Minnesota moved from 30<sup>th</sup> to 11<sup>th</sup> in the nation in terms of the share of our population with bachelor's degrees. And that increase in education corresponded with a large change in income for the state's population: Minnesota moved from the 25<sup>th</sup> state to the 12<sup>th</sup> in terms of per capita income. Our significant economic growth and prosperity over this time could not have occurred without the state's strong state commitment to education.
- Looking ahead, forecasts for 2018 released by the Georgetown University Center on Education and the Workforce call for 70 percent of the population in Minnesota to have some level of postsecondary education to meet employers' needs — the third highest rate in the nation.

## Minnesota's challenges

Minnesota is changing — the proportion of Minnesota families with low or declining incomes is increasing.

- The share of K-12 students qualifying for the free and reduced school lunch program continues to rise, with 43 percent of today's first graders qualifying, compared to 34 percent of 10<sup>th</sup> graders.
- Stagnant wages and the Great Recession have taken their toll on middle-class families: real median family income in Minnesota declined 13 percent from 2002 to 2012.

Financial challenges are the single most significant barrier to college enrollment and completion. Studies show that students from lower-income families have a lower likelihood of going to college than students from higher income families. National data show a 51-percentage point gap in college enrollment between students from the lowest and highest income families — and a 45-percentage point gap in completion. This gap is not rooted in preparation or ability. Rather, based on the results of 8<sup>th</sup> grade math tests, the College Board has reported that only 29 percent of low-income, high-ability 8<sup>th</sup> graders ended up completing a bachelor's degree, compared to 74 percent of the high-income, high-ability 8<sup>th</sup> grade students.

Minnesota's commitment to investing in higher education opportunity by supporting need-based awards through the State Grant program was stagnant for nearly two decades before improvements to the State Grant were made in the 2014-2015 biennium. Unfortunately, even after the recent increase, the State Grant still has lost ground compared to two decades ago. In 1994-95 the maximum State Grant award for the lowest-income students at Minnesota's private nonprofit colleges was \$3,589, covering 28 percent of tuition and fees. That 1994-95 State Grant, adjusted for inflation, would be equal to \$5,770 in 2014. But the award has not kept up with inflation. In 2014-15 the maximum State Grant for the lowest-income students at Minnesota's Private Colleges is \$5,015, more than \$750 less in real terms, and covers only 14 percent of tuition and fees.

So at the time when we most need support for lower income families, the State Grant isn't as powerful as it could be. Policymakers can change that. The level of investment needed is affordable, and the long-term economic costs of failing to act are huge. Ensuring that more students will be able to succeed in college and contribute to the health of our economy for years to come is a sound investment in a strong future for Minnesota.

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### FOR MORE

For more on the Minnesota Private College Council's priorities or for more details on the research and data in this piece, contact our government relations staff or visit [www.mnprivatecolleges.org](http://www.mnprivatecolleges.org).

## State Grant program background

*The State Grant program provides Minnesota college students with need-based financial aid. The program:*

- *Benefits almost 100,000 students each year — one out of four Minnesota undergraduates.*
- *Targets low- and middle-income families, with 86 percent of recipients' families making less than \$60,000 a year.*
- *Helps students enrolled both part-time and full-time.*
- *Helps students at all kinds of colleges, public and private nonprofits, two- and four-year.*