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Higher Education Affordability

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Introduction

In 2004, the Minnesota Legislature and Governor Tim Pawlenty directed the Minnesota Office of Higher Education to provide increased accountability information on Minnesota’s higher education sector and report findings annually (Higher Education Finance Bill, *Laws of Minnesota, 2005-2007*, Chapter 144, Article 1). As a result of this mandate, the Minnesota Office of Higher Education receives an annual appropriation to support higher education accountability research and reports. Stakeholders who participated in an initial series of meetings in 2005 and 2006 identified *affordability* as a key component of accountability. Providing access, affordability and choice is now one of five goals comprising the state’s higher education agenda.

Why is the public concerned about the affordability of higher education?

Tuition and fees have increased consistently in recent years. At the same time, higher education has become increasingly important for individual success in a global, high-technology economy.

Average Annual Full-time Undergraduate Resident Tuition and Fees

Academic Year	University of Minnesota- Twin Cities		MnSCU State Universities		MnSCU Two-Year Colleges		Private 4-Year Colleges	
	Current \$	Constant \$	Current \$	Constant \$	Current \$	Constant \$	Current \$	Constant \$
1993-1994	\$3,421	\$4,870	\$2,521	\$3,589	\$1,950	\$2,776	\$11,890	\$8,352
1994-1995	\$3,583	\$4,967	\$2,641	\$3,661	\$1,954	\$2,709	\$12,412	\$8,954
1995-1996	\$4,113	\$5,541	\$2,721	\$3,666	\$2,066	\$2,783	\$13,031	\$9,673
1996-1997	\$4,410	\$5,790	\$2,730	\$3,584	\$2,079	\$2,729	\$13,663	\$10,407
1997-1998	\$4,503	\$5,800	\$2,810	\$3,619	\$2,126	\$2,738	\$14,450	\$11,218
1998-1999	\$4,621	\$5,842	\$2,944	\$3,722	\$2,233	\$2,823	\$15,381	\$12,166
1999-2000	\$4,650	\$5,719	\$3,064	\$3,768	\$2,343	\$2,882	\$15,883	\$12,914
2000-2001	\$4,877	\$5,818	\$3,258	\$3,887	\$2,480	\$2,958	\$16,624	\$13,935
2001-2002	\$5,536	\$6,462	\$3,604	\$4,207	\$2,757	\$3,218	\$17,569	\$15,052
2002-2003	\$6,430	\$7,363	\$4,088	\$4,681	\$3,026	\$3,465	\$19,014	\$16,605
2003-2004	\$7,344	\$8,206	\$4,636	\$5,180	\$3,382	\$3,779	\$20,043	\$17,937
2004-2005	\$8,263	\$8,962	\$5,242	\$5,685	\$3,769	\$4,088	\$21,467	\$19,793
2005-2006	\$8,855	\$9,297	\$5,521	\$5,796	\$3,984	\$4,183	\$22,782	\$21,700
2006-2007	\$9,410	\$9,588	\$5,895	\$6,007	\$4,255	\$4,336	\$24,400	\$23,946
2007-2008	\$10,084	\$10,084	\$6,175	\$6,175	\$4,432	\$4,432	\$25,237	\$25,237
% Change 1993-94 to 2007-08	195%	107%	145%	72%	127%	60%	112%	202%

Current dollars represent resident undergraduate tuition and fees for 30 semester or 45 quarter credits used by the Minnesota Office of Higher Education in the Minnesota State Grant Program.

MnSCU State University averages are weighted averages based on resident Full-Year Equivalent enrollment. MnSCU two-year averages are straight averages prior to 1996-1997 and weighted averages thereafter. Private four-year averages are straight averages for the 17 Minnesota Private College Council member campuses. Constant Dollars based on Consumer Price Index (All Urban) through 2007, with 2008 estimated and converted to fiscal years to conform to academic years. United States Department of Labor, Bureau of Labor Statistics.

Per Capital Personal Income: United States Department of Commerce, Bureau of Economic Analysis, converted to fiscal years to conform to academic years.

Minnesota and the federal government are committed to providing higher education opportunities for all citizens.¹ Taxpayer-funded need-based state and federal financial aid have been available for the past forty years; however, there is growing concern about the rapidly increasing price of a college education. Students, parents, policy makers and higher education leaders have expressed concern that even with available financial aid, college may be unaffordable for some students.

Some indicators of the problem include the following:

- “Over the last 25 years, average tuition and fees have increased at a faster rate than inflation, per capita personal income, consumer prices, prescription drugs, and health insurance. Since 1981-1982 the national rate of tuition and fee increases has been more than twice that of the CPI.” (Wellman, 2006)
- “Low and moderate family incomes have had modest increases during the same period.” (College Board, 2002-06)
- “Families have paid recent price increases partly with a substantial amount of student and family debt.” (College Board, 2002-2006) Over half of Minnesota undergraduates in 2003-2004 took out loans to finance part of their college expenses. (Minnesota Office of Higher Education, 2007)
- “Stagnation in family incomes during a period of rapid escalation in college prices has increased reliance on grants and loans to finance higher education.” (The College Board, 2007)
- “The average increases in grant dollars between 1996-1997 and 2006-2007 covered an average of about a third of the increase in private college tuition and fees, and half of the increase in average public four-year college tuition and fees.” (The College Board, 2007)
- “Public opinion polls show growing concern about college costs and accountability, threatening to erode otherwise generally favorable views about higher education.” (Winston and Associates, 2006)
- In Minnesota, enrollments continue to rise even during this period of substantial increases in postsecondary prices; thus, students are paying the price in some manner. The concern is that some students will not be able to continue to do so.

¹ Minnesota Statutes 2007, 136A.095.

Causes of Increasing Prices and Costs: National studies, reports and trends

A number of national studies and reports document the increases in higher education costs and prices during the past 20 years. The studies have identified the following as causes of these increases:

- “The single biggest trend affecting higher education finance has been the incremental shifting of the responsibility for financing higher education from taxpayers to students and families, driven by changing state and federal spending priorities.” (Johnstone, 2003, 2005).
- “If enrollment grows over the next decade, the additional students will come predominantly from low-income families who are the first in their family to go to college. These families tend to be in the lowest income quartile.” (Desouchers, 2005, NCPPHE 2005) In Minnesota the number of high school graduates is declining. Thus, postsecondary enrollment is likely to decline unless the enrollment of students from the lowest income quartile increases.
- Student need-based financial aid has increased, but not nearly enough to keep pace with the increases in tuition and fees. The primary increase in financial aid has been in the form of subsidized student loans. (College Board, 2006; Johnstone 2005)
- “Data from the Integrated Postsecondary Education Data System (IPEDS) indicate that institutional increases in cost are driven mainly by institutional spending on administration, research and merit-based institutional grants² to students to improve competitive position.” (Wellman 2006, Winston 2002, Clotfelter, 1996)
- There are questions about productivity. “Per student costs in higher education generally rise faster than unit costs in the general economy owing to the traditional resistance on the part of academia (institutions and faculty alike) to measures that would increase productivity by substituting capital for labor or by shedding existing, but lower priority, programs and their associated labor costs.” (Johnstone, d. 2003)

² The word “grants” is used to include grants-in-aid, scholarships and other gift aid to students.

Previous Minnesota Reports

The issue of affordability for Minnesota students has been addressed in a number of previous studies.

In 1992 The Minnesota Commission on Postsecondary Education issued a report, *At the Crossroads: Higher Education in Minnesota*, which recommends that “financial access should be maintained with cost containment strategies, tuition levels and financial aid that will keep postsecondary education affordable for students and their parents.”

In 1994 the *Report of the Minnesota Financial Aid Task Force* expressed concern about affordability and access for low-income students and families, and stated that “the single most important statement from the Task Force, therefore, is that changes should be made in the operation of the State Grant program which will improve grant stipend treatment for qualified students of very low income... Postsecondary attendance costs as a percentage of family income in Minnesota are highest for low-income students, even after considering grant aid received from all sources. This holds true for all types of public and private colleges. ...Even for the very lowest income students, grants from all sources do not on average meet more than 40 percent of the cost of attendance at four-year colleges.”

In 1998 the Minnesota State Planning Agency published *Balancing the Books: Affording College in Minnesota*. The study found that:

- “Responsibility for funding higher education is divided between students, families and taxpayers. The taxpayer share is decreasing, and the student and family shares are increasing.”
- “As tuition and fees increase faster than family income, families and students, especially middle income families, are having an increasingly difficult time paying for higher education.”
- “There is increased use of student and family loans to pay for higher education.”

In 2006, the Minnesota Office of Higher Education published the *Minnesota State Grant Review 2006* in which the following questions were addressed:

Are the financial expectations placed on dependent students appropriate?

- The State Grant framework assigns 46 percent of the price of attendance to students. While dependent students in the lowest income category are typically assigned no additional share of the recognized price beyond the 46 percent student share, questions have been raised about the capacity of these students to pay the expected student share. These students often face multiple barriers to enrollment and may benefit from additional support.

- The State Grant framework assigns a portion of the price of attendance to the families of dependent students. Current data suggest that families whose incomes are at or just below the mean income for the state are paying the highest percentage of their adjusted gross incomes (about 11 percent) to cover the assigned family responsibility. Families in the lowest income category (below \$25,000) are typically assigned no additional share of the price of attendance beyond the 46 percent student share assigned to all students. Families with annual incomes over \$100,000 are typically expected to pay an amount equal to six percent of their adjusted gross income toward the cost of education.

Are the financial expectations placed on independent and part-time students appropriate?

- While the treatment of independent and part-time students is grounded in sound policy, the financial expectations placed on these older, non-traditional students may discourage some from enrolling in college due to financial concerns. The typical full-time independent student earning more than \$25,000 to \$35,000 receives no Pell or State Grants. (The threshold depends on the institution attended.)

Data and Methodology

The prices students encounter depend upon a number of variables, including:

- **Student characteristics.** Is the student dependent or independent? What is the student's annual income? If relevant, what is the spouse and/or parents' annual income? Is the student attending full-time or part-time? How many hours/week is the student working? This report examines the issue of affordability separately for dependent and independent students, and for full-time and part-time students. It will also consider the family income distribution of Minnesota undergraduates.
- **Institutional type and price.** What is the official, posted, tuition and fees "sticker" price of attending a particular type of postsecondary institution?
- **Other Educational Expenses.** What expenses other than tuition and fees are included in the student's price of attending a postsecondary institution? Books? Equipment and Supplies? Housing? Food? Transportation? Clothes? This report uses U.S. Census data from the Consumer Expenditure Survey for expenses for books, equipment and supplies, housing, food, transportation and other expenses of attending postsecondary education. The survey analyzed interview data on expenditures of college students aged 18 to 22 who were enrolled on a full-time basis. The data was for the 1996-1998 period. The data included expenses for food; shelter and utilities, apparel and services, transportation, health care, entertainment and travel. Average total expenses for students were \$2,584 per quarter (three calendar months). This figure was multiplied by three to arrive at an estimate for the nine-month academic year. The result was adjusted from 1997 dollars to 2007 dollars using the consumer price index. The final estimate was \$10,000 for all non-tuition expenses of attending postsecondary education in the 2006-2007 academic year.³
- **Grants and Other Direct Financial Support:** How much financial aid has the student received that directly reduces the "sticker price" for the student? Federal grants? State grants? Institutional grants? Private grants? Tax benefits?
- **Student preparation.** Students who have demonstrated strong academic success or specific talent in high school may be eligible for significantly more institutional aid.

The following pages present net price in a variety of ways. The methodology and assumptions for arriving at these analyses include the following:

- **Need-based aid.** This report uses a simulation of Pell and State Grants for dependent students and single independent students for the 2006-2007 aid year. The measure of institution grants uses the average dollar amount (including zeroes) for all U.S. undergraduates in 2003-2004 by \$5,000 income bands by sector, and actual national data

³ In contrast, the current LME used for financial aid calculations in FY 2007 was \$6,065. More recent student expenditure data were compiled and analyzed after this report was done. The data from 2000-2005 indicate that the \$10,000 estimate is still good.

on distribution of institutional grants by income. This understates the percent receiving grants and average amount of grants for students at Minnesota not-for-profit four-year institutions. Therefore the average grant amount for each income category was adjusted to reflect differences between average institution, private and employer grants to Minnesota undergraduates and national averages.

For example, grants from private not-for-profit postsecondary institutions to undergraduates were 16 percent higher in Minnesota, on average, than the national average, so the national average institution grant to students in the private not-for-profit sector for each income category was multiplied by 1.16.

- **Affordability index.** The affordability index shown on pages 16-18 shows the net price of attendance as a percentage of income. For dependent students, the parent's income is used. For independent students, the student's income is used.
- **Net price of attendance.** This report uses a net price of attendance as one indicator of affordability. The net price of attendance equals the institutional "sticker price" plus \$10,000, a measure of non-tuition expenses related to attending, less all grants and tax benefits.

Net price is calculated in several steps:

1. It begins with the gross price which is the sum of tuition and fees and an allowance for all non-tuition expenses associated with attending postsecondary education.
 - a. Tuition and fees are the average actual tuition and fees charged by the institutions.⁴
 - b. Non-tuition expenses are a standard \$10,000 based on an analysis of Consumer Expenditure Survey interview data on expenditures of 18 to 24 year old students. The \$10,000 amount is intended to include expenses for books, food, shelter, transportation and other expenses and is calculated as described in the methodology section above.
2. Several discounts to the gross price were then subtracted:
 - c. Federal Pell and Minnesota State Grants were calculated for each income group, using standard Office of Higher Education protocols.
 - d. Institution grants, employer grants, and private grants were based on data from the 2004 cycle of the National Postsecondary Student Aid Study, adjusted as described in the methodology section above.
 - e. Federal Hope Tax Credits were estimated and subtracted for each income group.

⁴ The tuition and fee amount for private not-for-profit institutions is the weighted average tuition and fee amount, \$25,869, for example.

3. The *Net Price of Attendance* does not include loans. Loans enable many students to pay for college expenses.⁵ Students perceive loans differently than grants, discounts, scholarships, waivers and tax benefits.

Definitions and Background

Before drawing any conclusions regarding the affordability index data, it is useful to look at how Minnesota undergraduate student enrollment and income are distributed across the student types, full-time/part-time, and dependent/independent. IPEDS defines full-time and part-time students as follows:

Full-time undergraduate is a student enrolled for 12 or more semester credits, or 12 or more quarter credits, or 24 or more contact hours a week each term.

Part-time undergraduate is a student enrolled for either 11 or fewer semester credits, or 11 or fewer quarter credits, or fewer than 24 contact hours per week each term.

Dependent undergraduate is less than 24 years old and is considered dependent for financial aid purposes unless the student meets one of the criteria for independence described below.

Independent undergraduate is 24 years or older and is considered financially independent of their parents for financial aid purposes, regardless of their parents' incomes and whether or not their parents provide them with any financial assistance. Undergraduates with dependents of their own are considered financially independent of their parents regardless of their age. Spouses count as dependents. For purposes of determining eligibility for financial aid, a married independent student's family income includes the student's and his or her spouse's income.

Undergraduate Enrollments and Income Distribution

Figure 4 below illustrates the distribution of Minnesota undergraduates across the student categories of full-time/part time, and Figure 5 shows how full time/part time are distributed across the independent/dependent student types (NCES 2003-2004 data).

- Full-time dependent students comprise one third (35.3 percent) of Minnesota undergraduates. These students are concentrated in the upper end of the income scale; 47.5 percent have family incomes of \$80,000 and above.
- Two thirds of undergraduates are either part-time or independent or both.
- Students who attend part time or for only part of the year outnumber full-time students 54.2 percent to 45.8 percent.

⁵ The percentage of students who borrow and the average amount borrowed are important policy considerations. However, they will not be included in this analysis. For more information on borrowing by Minnesota students, please see the agency publications [Undergraduate Borrowing in Minnesota (January 2006) and Factors Related to Undergraduate Borrowing (September 2007).]

Figure 1

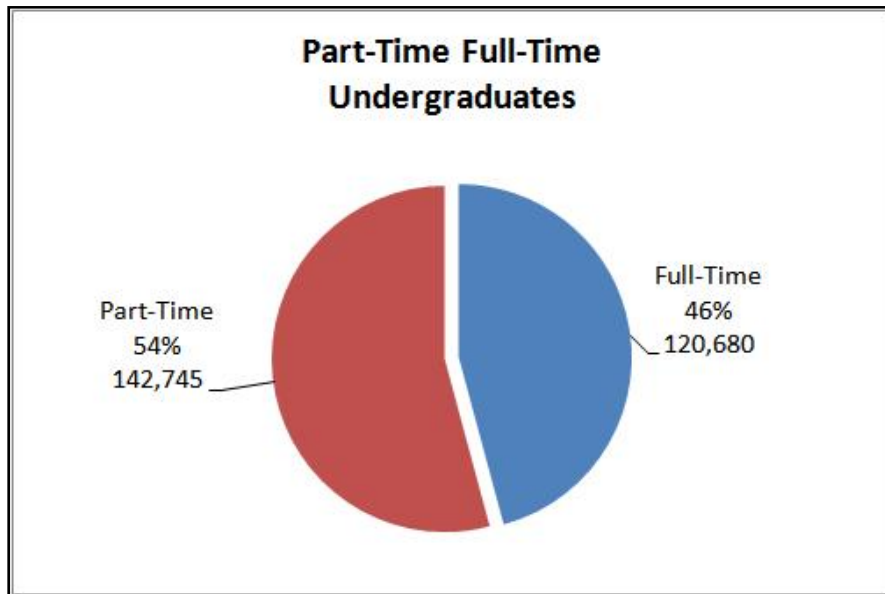


Figure 2

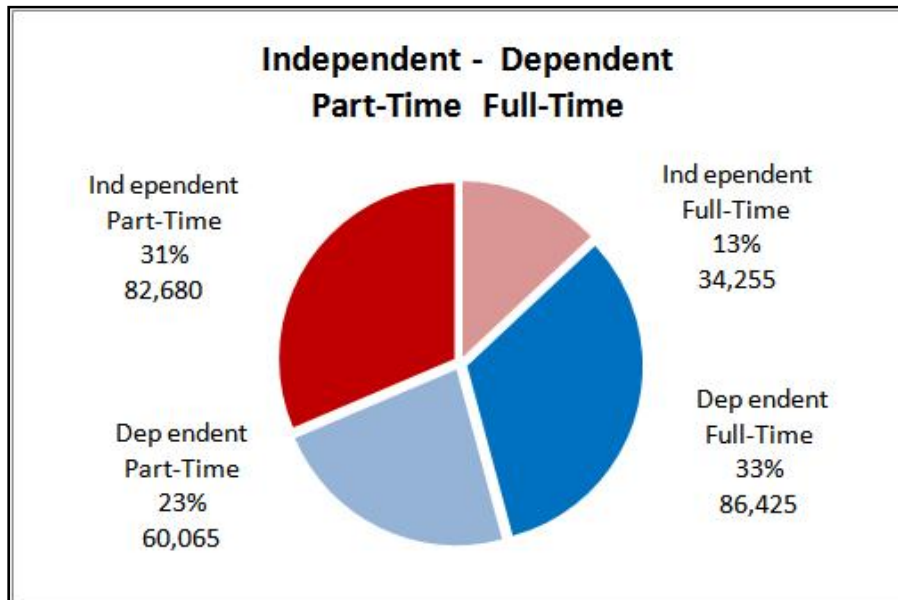


Figure 3 below shows the distribution for full-time and part-time students, and includes both dependent and independent students. Notice that part-time students outnumber full-time students in all income brackets except the \$60,000 – \$70,000 and the \$110,000 + brackets.

Figure 3

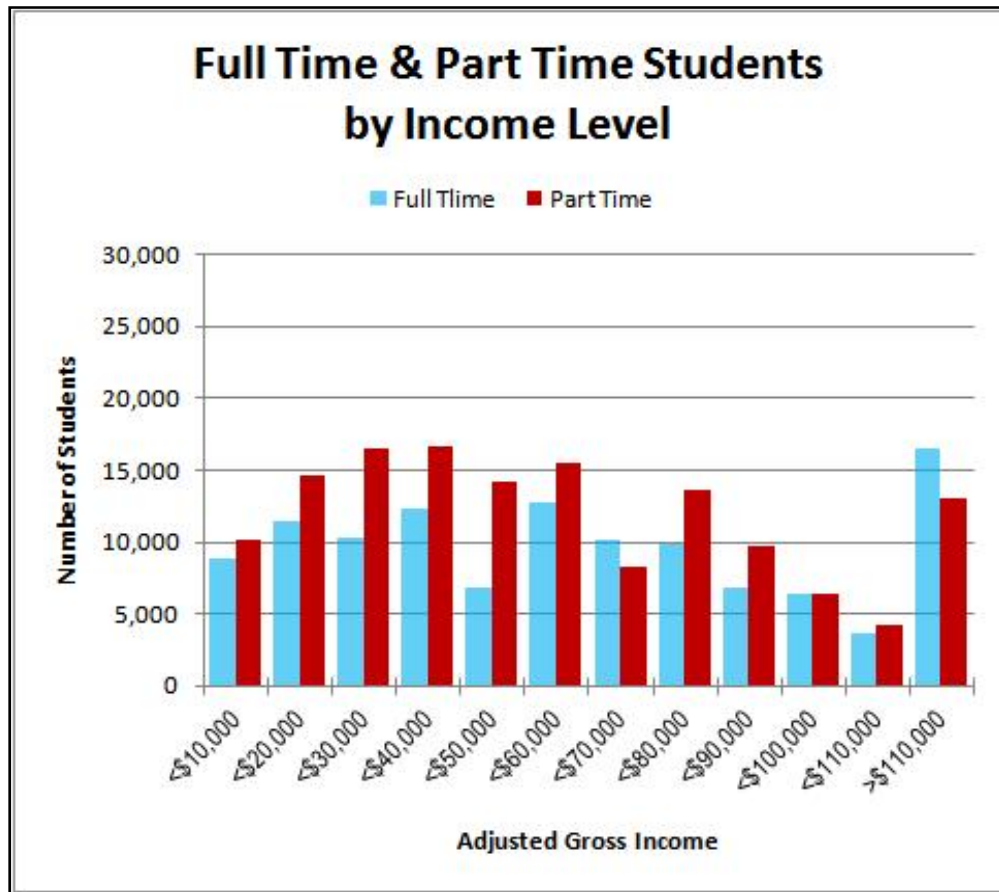


Figure 4 and Tables 1 and 2 below show the income distribution for dependent and independent students. The income distribution for dependent students shows a normal curve in which approximately half of students come from families with incomes above the median income for a Minnesota family of four, approximately \$70,000. There are 86,425 full-time dependent students, 35.3 percent of the undergraduate population. These students are bunched at the upper end of the income scale; 47.5 percent have family incomes of \$80,000 and above, and less than 15 percent have incomes of \$30,000 or below. Twenty percent come from families with incomes over \$100,000. Almost half are enrolled at private not-for-profit institutions, and almost none are enrolled at private for-profit career schools. Most of these students are in the 18-22 age range and constitute the group that usually comes to mind when one speaks of “traditional” college students.

When we look at the part-time and independent student populations, a very different picture emerges. Part-time students outnumber full-time students, 142,745 to 120,180. For independent students, 34,255 attend full time; the remaining 58,390 attend part time or for only part of the year. Almost all are enrolled in public institutions, particularly in two-year schools, with a small number enrolled in the private for-profit or not-for-profit schools. Part-time and independent students tend to be older and many have children.

Most of these students have family incomes below the Minnesota median income of about \$70,000. The independent students are bunched on the lower half of the income scale. Ninety-seven percent (28,292) of the full-time independents and 78 percent (111,282) of the part-time independent students have family incomes below \$70,000. Fifty-seven percent (19,584) of the full-time independents and 40 percent (33,317) of the part-time independent students have family incomes below \$30,000.

Fifty-six percent of the single independent students have family incomes below \$20,000, 80 percent have incomes below \$30,000, and 93 percent have incomes below \$40,000. Very few single independent students have incomes over \$50,000. The picture is only slightly better with regard to the other independent students (married and no children, married with children, single parent with children). Twenty four percent of these students have incomes below \$20,000, 35 percent have incomes below \$30,000, 46 percent have incomes below \$40,000, and 70 percent have incomes below \$60,000.

Although affordability may be a challenging issue, independent and part-time students are enrolled in college. How are they paying for it? Some may have savings. Most are using loans, working, (either full or part time), perhaps living on less than \$10,000, and attending part time. Part-time attendance reduces the price of college tuition and books, and allows students to work more hours and increase their income.

Figure 4

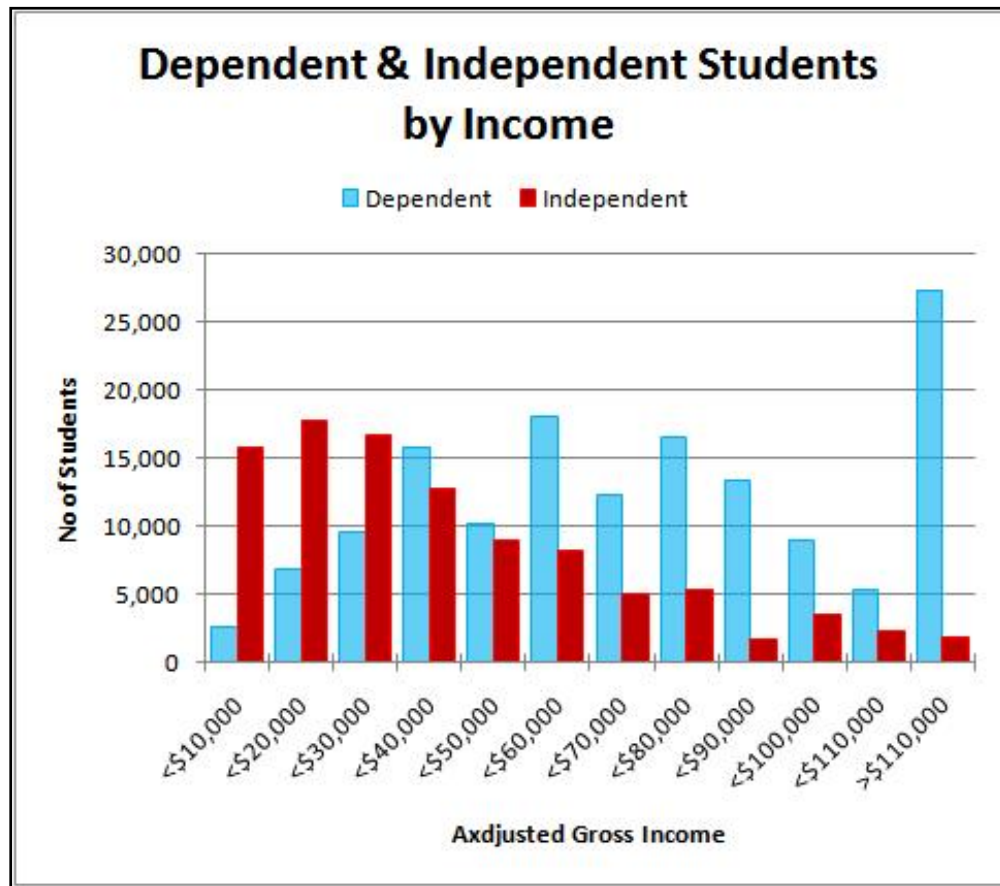


Table 1

Minnesota Undergraduate Student Income Distribution										
Total = 263,300										
	Dependent.		Independent SNK		Independent MNK		Independent K			
	Total = 146,500		Total = 34,700		Total = 17,500		Total = 64,700			
	55.6%		13.2%		6.6%		24.6%			
Income	Full Time		Full Time		Full Time		Full Time		FT IND	FT IND
	Dependent.		Independent SNK		Independent MNK		Independent K		Totals	Totals
	Total = 86,435		Total = 10,445		Total = 4,918		Total = 18,892			
	59.0%		30.1%		28.1%		29.2%			
	%	#	%	#	%	#	%	#	Totals	%
<\$10,000	1.5%	1,297	24.8%	2,590	low n		26.0%	4,912	7,502	22%
<\$20,000	4.6%	3,976	40.6%	4,241	low n		17.2%	3,249	7,490	22%
<\$30,000	6.6%	5,705	22.8%	2,381	low n		11.7%	2,210	4,592	13%
<\$40,000	11.2%	9,681	4.6%	480	low n		11.3%	2,135	2,615	8%
<\$50,000	6.3%	5,445	1.3%	136	low n		6.6%	1,247	1,383	4%
<\$60,000	11.6%	10,026	1.5%	157	low n		13.5%	2,550	2,707	8%
<\$70,000	9.5%	8,211	0.0%	0	low n		10.6%	2,003	2,003	6%
<\$80,000	10.7%	9,249	4.5%	470	low n		0.9%	170	640	2%
<\$90,000	7.9%	6,828	0.0%	0	low n		0.0%	0	0	0%
<\$100,000	7.0%	6,050	0.0%	0	low n		1.6%	302	302	1%
<\$110,000	4.2%	3,630	0.0%	0	low n		0.0%	0	0	0%
>\$110,000	18.9%	16,336	0.0%	0	low n		0.7%	132	132	0%
	100%	86,435	100%	10,455	100%	4,918	100%	18,911	29,366	

Table 2

Minnesota Undergraduate Student Income Distribution										
Total = 263,300										
	Part Time		Part Time		Part Time		Part Time		PT IND	PT IND
	Dependent		Independent SNK		Independent MNK		Independent K			
	Total = 60,065		Total = 24,290		Total = 12,583		Total = 45,808			
	41.0%		70.0%		71.9%		70.8%			
	%	#	%	#	%	#	%	#	Totals	%
<\$10,000	2.2%	1,321	19.5%	4,737	4.8%	604	7.6%	3,481	8,822	11%
<\$20,000	4.7%	2,823	29.0%	7,044	12.6%	1,585	7.0%	3,207	11,836	14%
<\$30,000	6.5%	3,904	25.9%	6,291	5.1%	642	12.5%	5,726	12,659	15%
<\$40,000	10.2%	6,127	18.6%	4,518	2.9%	365	12.2%	5,589	10,471	13%
<\$50,000	7.8%	4,685	5.6%	1,360	15.9%	2,001	13.4%	6,138	9,499	11%
<\$60,000	13.3%	7,989	0.0%	0	16.1%	2,026	11.9%	5,451	7,477	9%
<\$70,000	6.8%	4,084	0.0%	0	9.1%	1,145	6.5%	2,977	4,123	5%
<\$80,000	12.0%	7,208	0.6%	146	13.7%	1,724	9.9%	4,535	6,404	8%
<\$90,000	10.9%	6,547	0.0%	0	12.4%	1,560	3.5%	1,603	3,163	4%
<\$100,000	4.8%	2,883	0.0%	0	2.0%	252	7.0%	3,207	3,458	4%
<\$110,000	2.7%	1,622	0.9%	219	1.7%	214	4.6%	2,107	2,540	3%
>\$110,000	18.2%	10,932	0.0%	0	2.8%	352	3.8%	1,741	2,093	3%
	100%	60,125	100%	24,314	99%	12,469	100%	45,762	142,670	

Net Price

Figures 5 and 6, and Tables 3 and 4 on the following pages show the system net price by current family income for dependent and independent students. Students are grouped by institution type, and the average for the type of institution is used. The full-time dependent net price is used for both dependent part-time students and independent part-time students on the assumption that many part-time students would attend full time if it were feasible. The thick gray line in Figure 5 indicates the total of the Assigned Student Responsibility and the Assigned Family Responsibility for the University of Minnesota as calculated by the Minnesota State Grant program. This is the amount the state of Minnesota expects a dependent student and his or her family to pay before any grants or scholarships are deducted, and is used for calculating aid awards. The amount for non-tuition expenses of attending recognized in calculating State Grants was \$6,065 in 2006-2007, as established in Minnesota law. This is less than the \$10,000 average amount students report spending.

In considering these data, it is important to remember that the **net price** is the price after grants, but not loans, have been deducted. Figure 5 and Table 3 below show the net price by system for each income level of full-time and part-time dependent students. For those dependent students with family incomes above \$70,000 the private college net price, depending on income, is in the \$20,000 - \$25,000 range, for the University of Minnesota it is in the \$16,000 - \$18,000 range, and for the Minnesota State College and Universities it is in the \$12,000 - \$15,000 range.

For those dependent students from families in the lower half of the income range, the affordability of higher education becomes a significant financial challenge. (See data on system enrollment by income on page 22 of the 2006 *Minnesota Undergraduate Demographics* report by the Minnesota Office of Higher Education.)

Another important consideration is the fact that postsecondary education pays off in higher earnings over a lifetime. Families and students use savings and borrowing to help finance postsecondary education. In recent years at least half of all undergraduates have student loans. Students and families use loans in anticipation of benefits and increased future earnings.

Figure 5

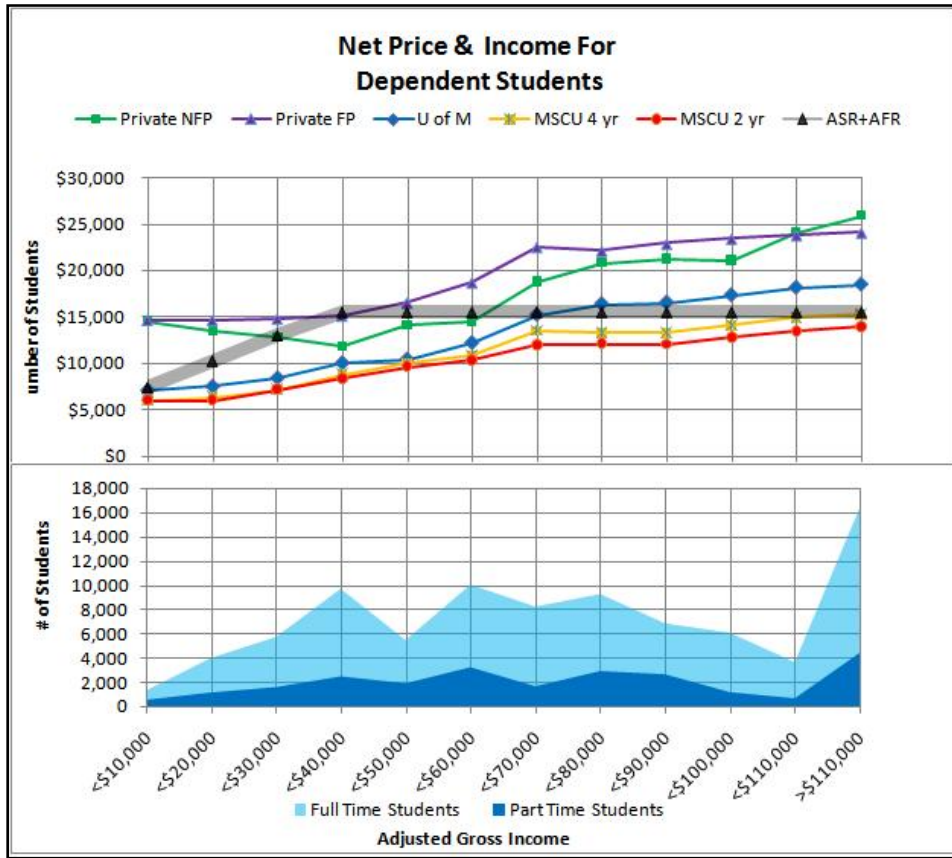


Table 3

Dependent		Minnesota Undergraduate Student/Family Income, Net Price, Net Price as % of Income												
Total = 146,500		Total Students = 263,300												
Income	Full Time Dependent	Part Time Dependent		Private Not for Profit	Private Not for Profit	Private for Profit	Private for Profit	Univ of Minn	Univ of Minn	MNSCU Four Year	MNSCU Four Year	MNSCU Two Year	MNSCU Two Year	
	Total = 86,435	Total = 60,065		Net Price	Net Price	Net Price	Net Price	Net Price	Net Price	Net Price	Net Price	Net Price	Net Price	
	59.0%	41.0%		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	%	%	%	%	%	%	%	%	%	%	%	%	%	
	#	#	#	#	#	#	#	#	#	#	#	#	#	
<\$10,000	1.5%	1,297	2.2%	534	\$14,611	146%	\$14,692	147%	\$7,117	71%	\$6,019	60%	\$6,056	61%
<\$20,000	4.6%	3,976	4.7%	1,142	\$13,516	68%	\$14,677	73%	\$7,537	38%	\$6,329	32%	\$6,015	30%
<\$30,000	6.6%	5,705	6.5%	1,579	\$12,907	43%	\$14,827	49%	\$8,439	28%	\$7,235	24%	\$7,228	24%
<\$40,000	11.2%	9,681	10.2%	2,478	\$11,921	30%	\$15,139	38%	\$10,049	25%	\$8,815	22%	\$8,403	21%
<\$50,000	6.3%	5,445	7.8%	1,895	\$14,154	28%	\$16,549	33%	\$10,442	21%	\$10,073	20%	\$9,680	19%
<\$60,000	11.6%	10,026	13.3%	3,231	\$14,580	24%	\$18,722	31%	\$12,216	20%	\$10,855	18%	\$10,390	17%
<\$70,000	9.5%	8,211	6.8%	1,652	\$18,837	27%	\$22,543	32%	\$15,221	22%	\$13,536	19%	\$12,041	17%
<\$80,000	10.7%	9,249	12.0%	2,915	\$20,813	26%	\$22,141	28%	\$16,387	20%	\$13,314	17%	\$12,155	15%
<\$90,000	7.9%	6,828	10.9%	2,648	\$21,256	24%	\$22,882	25%	\$16,542	18%	\$13,314	15%	\$12,082	13%
<\$100,000	7.0%	6,050	4.8%	1,166	\$21,085	21%	\$23,436	23%	\$17,319	17%	\$14,098	14%	\$12,882	13%
<\$110,000	4.2%	3,630	2.7%	656	\$24,090	22%	\$23,801	21%	\$18,128	16%	\$14,910	13%	\$13,565	12%
>\$110,000	18.9%	16,336	18.2%	4,421	\$25,869		\$24,086		\$18,469		\$15,261		\$14,055	

Figure 6 and Table 4 below shows the net price by institution type for independent students distributed across income levels. The heavy gray line represents the Assigned Family Responsibility for single independent students with no children at the University of Minnesota. Because the actual net price for independent students was not available, the average for dependent students was used.

Part-time independent students outnumber full-time independent students 82,680 to 34,255. 50,953 independent students have incomes below \$70,000. The net price at the University of Minnesota ranges from \$7,100 to \$16,000 for those students with family incomes below \$70,000, from \$14,500 - \$18,800 for the private sector; and from \$6,000 - \$13,500 for MnSCU.

In 2007, about 22,765 independent students had family incomes below \$40,000. The net price for those students at the University of Minnesota ranges from \$7,100 - \$10,400 depending on income; for private sector schools the net prices range from \$12,000 to \$14,000; and for MnSCU the net prices range from \$6,000 to \$8,899.

These prices represent a significant “out-of-pocket” expense for these students, and most likely are financed with student loans, work, and part-time attendance. It is important to remember that this is not a small minority of undergraduates. As mentioned above, there are 82,680 part-time independent undergraduates in Minnesota. Additionally, it is probable that some current and potential students may find the size of the loans intimidating, decide that higher education is simply not affordable, and drop out or decide not to enroll.

Figure 6

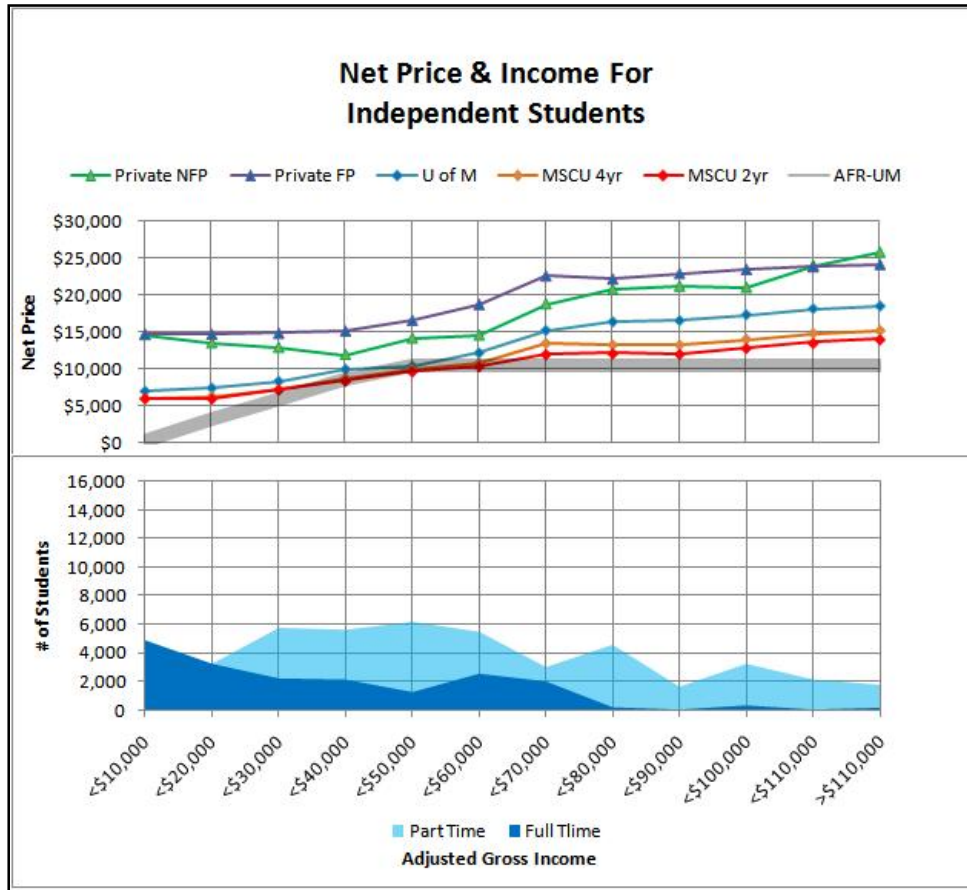


Table 4

Minnesota Undergraduate Student Family Income, Net Price, Net Price as % of Income														
Table Contains Net Price and % of Income for Full Time Dependent Students														
Income	Full Time		Part Time		Private	Private	Private	Private	Univ	Univ	MNSCU	MNSCU	MNSCU	MNSCU
	Indep No Kids		Independent		Not for	Not for	for	for	of	of	Four	Four	Two	Two
	Total = 18,892		Total= 45,808		Profit	Profit	Profit	Profit	Minn	Minn	Year	Year	Year	Year
	29.2%		70.8%		Net Price		Net Price		Net Price		Net Price		Net Price	
	%	#	%	#	\$	%	\$	%	\$	%	\$	%	\$	%
<\$10,000	26.0%	4,912	7.6%	3,481	\$14,611	146%	\$14,692	147%	\$7,117	71%	\$6,019	60%	\$6,056	61%
<\$20,000	17.2%	3,249	7.0%	3,207	\$13,516	68%	\$14,677	73%	\$7,537	38%	\$6,329	32%	\$6,015	30%
<\$30,000	11.7%	2,210	12.5%	5,726	\$12,907	43%	\$14,827	49%	\$8,439	28%	\$7,235	24%	\$7,228	24%
<\$40,000	11.3%	2,135	12.2%	5,589	\$11,921	30%	\$15,139	38%	\$10,049	25%	\$8,815	22%	\$8,403	21%
<\$50,000	6.6%	1,247	13.4%	6,138	\$14,154	28%	\$16,549	33%	\$10,442	21%	\$10,073	20%	\$9,680	19%
<\$60,000	13.5%	2,550	11.9%	5,451	\$14,580	24%	\$18,722	31%	\$12,216	20%	\$10,855	18%	\$10,390	17%
<\$70,000	10.6%	2,003	6.5%	2,978	\$18,837	27%	\$22,543	32%	\$15,221	22%	\$13,536	19%	\$12,041	17%
<\$80,000	0.9%	170	9.9%	4,535	\$20,813	26%	\$22,141	28%	\$16,387	20%	\$13,314	17%	\$12,155	15%
<\$90,000	0.0%	0	3.5%	1,603	\$21,256	24%	\$22,882	25%	\$16,542	18%	\$13,314	15%	\$12,082	13%
<\$100,000	1.6%	302	7.0%	3,207	\$21,085	21%	\$23,436	23%	\$17,319	17%	\$14,098	14%	\$12,882	13%
<\$110,000	0.0%	0	4.6%	2,107	\$24,090	22%	\$23,801	21%	\$18,128	16%	\$14,910	13%	\$13,565	12%
>\$110,000	0.7%	132	3.8%	1,741	\$25,869		\$24,086		\$18,469		\$15,261		\$14,055	

Affordability Index: Net price as a percentage of adjusted gross income

Another way of asking the affordability question is to consider the net price as a percentage of the student's family income. The question then becomes, "What is a reasonable and doable price expectation as a percentage of family income?"

This analysis considers net price of postsecondary education for Minnesota students in relation to current income only. For dependent students, the calculation is the net price as a percentage of the parents' income. Dependent students may also contribute from their own earnings. Recent data analyzed by the Minnesota Office of Higher Education indicate that Minnesota students work an average of 23 hours per week and earned approximately \$7,000 per year. In addition to current income, families and students may use income they have saved and they may borrow to help pay these costs.

The figures on the following pages show the Affordability Index by income across the five sectors of Minnesota postsecondary education. Analysis shows results for three types of students: full-time dependent students, full-time single independent students and all part-time independent students.

Figure 7 and Table 5 shows the Affordability Index by family income for typical dependent students attending full-time full-year in Fiscal Year 2007.⁶ Figure 8 and Table 6 shows the Affordability Index by family income for single independent students attending full time for a full year.

Seventy percent of all independent students register for credit loads that are not defined as full time. Figure 9 and Table 7 shows the Affordability Index by family income for all part-time independent students if they were to attend full time for a full year.

⁶ For the purpose of estimating Hope tax credits, the "typical" dependent student is defined as a student from a family with a household size of four, with two parents and two children, and one of the children is enrolled in postsecondary education.

Figure 7

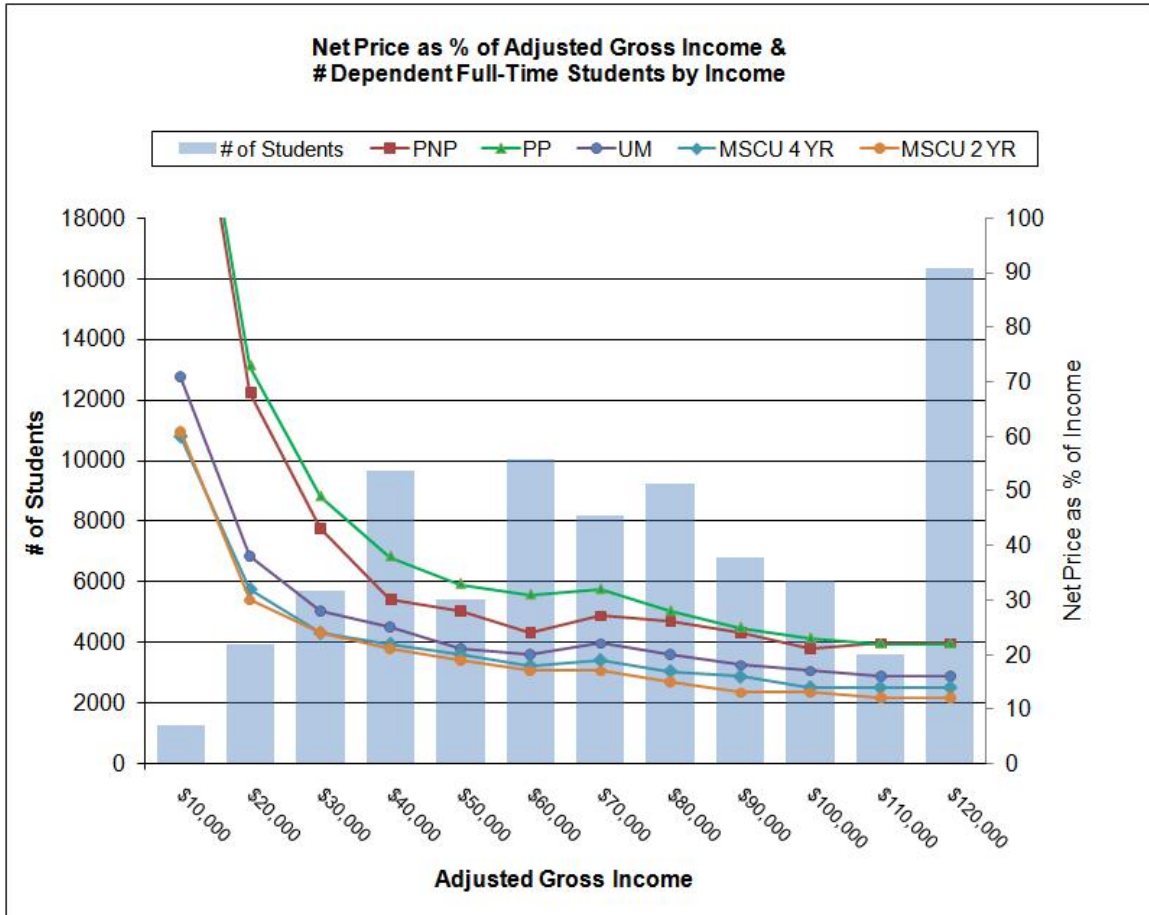


Table 5

Net Price as Percent of Adjusted Gross Income					
For Full-Time Dependent Students					
AGI	PNP	PP	UM	MN 4 YR	MN 2 YR
\$10,000	145	147	71	60	61
\$20,000	68	73	38	32	30
\$30,000	43	49	28	24	24
\$40,000	30	38	25	22	21
\$50,000	28	33	21	20	19
\$60,000	24	31	20	18	17
\$70,000	27	32	22	19	17
\$80,000	26	28	20	17	15
\$90,000	24	25	18	16	13
\$100,000	21	23	17	14	13
\$110,000	22	22	16	14	12
\$120,000	22	22	16	14	12
PNP	Private not for Profit		UM	U of Minnesota	
PP	Private for Profit		MN 4YR	MnSCU 4 Year	
AG	Adjusted Gross Income		MN 2YR	MnSCU 2 Year	

Figure 8

Net Price as % of Adjusted Gross Income & # of Full Time Independent Students by Income

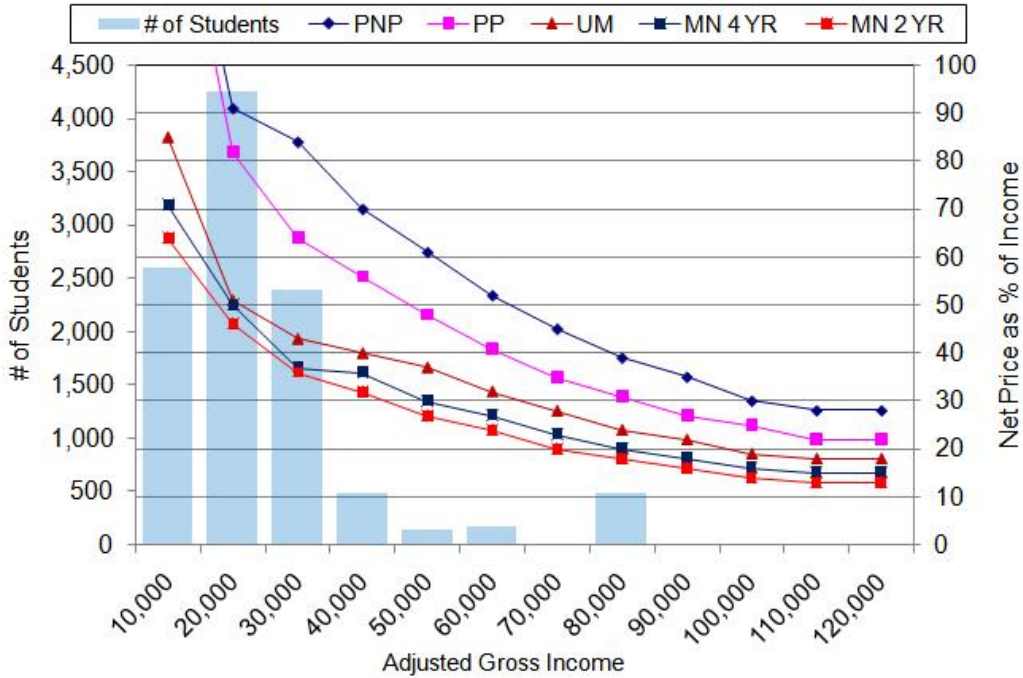


Table 6

Net Price as Percent of Adjusted Gross Income For Full Time Independent Students					
AGI	PNP	PP	UM	MN 4 YR	MN 2 YR
\$10,000	154	151	85	71	64
\$20,000	91	82	51	50	46
\$30,000	84	64	43	37	36
\$40,000	70	56	40	36	32
\$50,000	61	48	37	30	27
\$60,000	52	41	32	27	24
\$70,000	45	35	28	23	20
\$80,000	39	31	24	20	18
\$90,000	35	27	22	18	16
\$100,000	30	25	19	16	14
\$110,000	28	22	18	15	13
\$120,000	28	22	18	15	13

PNP	Private not for Profit	UM	U of Minnesota
PP	Private for Profit	MN 4YR	MnSCU 4 Year
AGI	Adjusted Gross Income	MN 2YR	MnSCU 2 Year

Figure 9

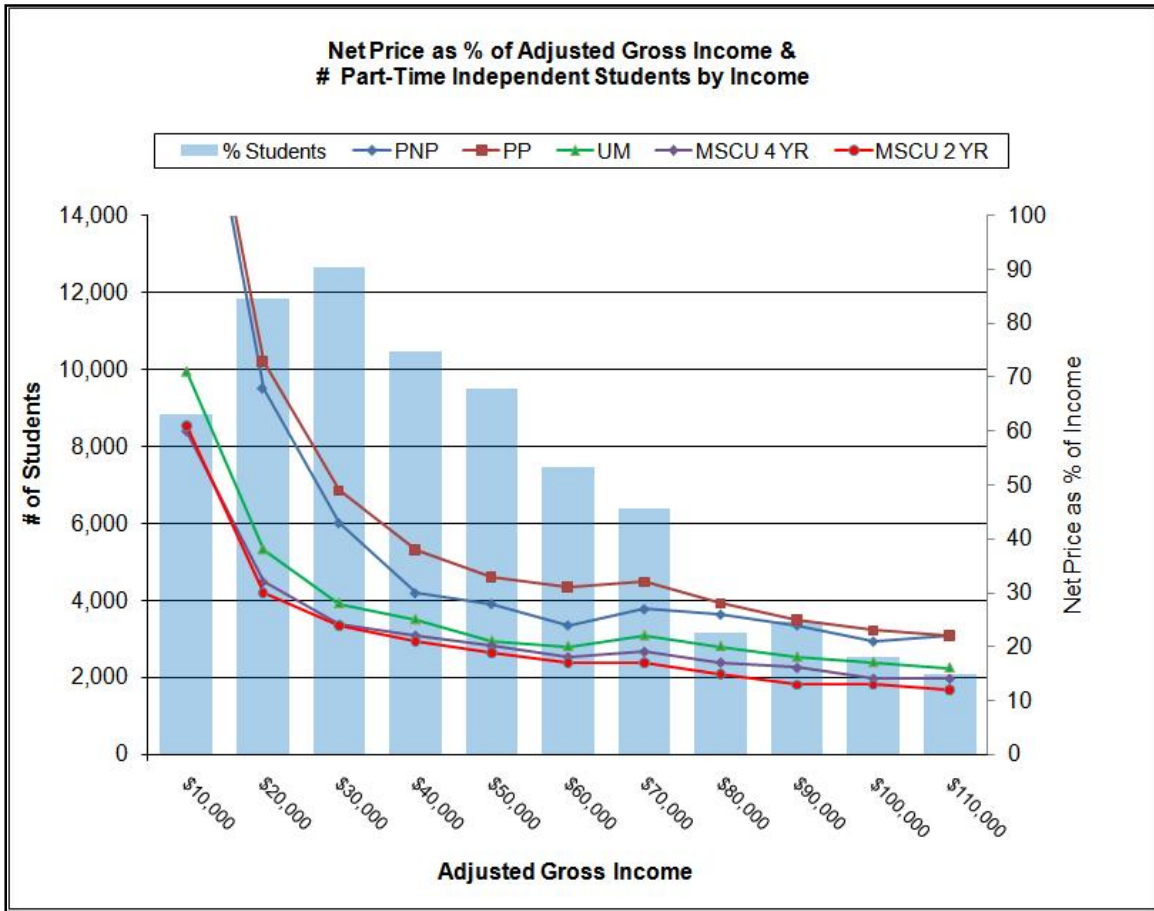


Table 7

Net Price as Percent of Adjusted Gross Income					
For Full-Time Dependent Students					
AGI	PNP	PP	UM	MN 4 YR	MN 2 YR
\$10,000	145	147	71	60	61
\$20,000	68	73	38	32	30
\$30,000	43	49	28	24	24
\$40,000	30	38	25	22	21
\$50,000	28	33	21	20	19
\$60,000	24	31	20	18	17
\$70,000	27	32	22	19	17
\$80,000	26	28	20	17	15
\$90,000	24	25	18	16	13
\$100,000	21	23	17	14	13
\$110,000	22	22	16	14	12
\$120,000	22	22	16	14	12
PNP	Private not for Profit		UM	U of Minnesota	
PP	Private for Profit		MN 4YR	MnSCU 4 Year	
AG	Adjusted Gross Income		MN 2YR	MnSCU 2 Year	

Applying the affordability index presented here, several points become clear. As examples:

- For dependent students with family incomes between \$30,000 and \$70,000, the private college net price would take between 30 and 50 percent of the family income.
- For dependent students with family incomes between \$30,000 and \$70,000, the public university net price would require 17 to 28 percent of the family income with most students probably having to pay about 20 percent.
- For independent students with dependents and an income of \$40,000, the net price for the public institutions would be about 20 percent (or \$8,000) of income.
- For part-time independent students with incomes below \$50,000 (the majority of the part-time independent students), the public institutions would require 20 to 60 percent of their income were they to attend full time.
- Most full-time independent students have incomes below \$30,000, and would be required to pay from 35 to 85 percent of their income at public institutions.

Findings

- When net prices are calculated by taking the Price of Attendance and subtracting grants and scholarships from federal, state, institution and private sources, students from families with lower incomes have lower net prices than students from families with higher incomes.
- While net prices are lower for students from families with lower incomes, the net prices still represent a substantial percentage of family income – more than 30 percent of family income for students from families with incomes of \$30,000 or less.
- While dependent students in the lowest income category are typically assigned no additional share of the recognized amount beyond the 46 percent student share, questions have been raised about the capacity of these low-income students to pay the student share.
- While the State Grant program in general is grounded in sound policy, financial expectations placed on older, non-traditional students who are working full time and attending college may discourage some from enrolling due to financial concerns. For part-time, independent students with incomes below \$50,000 (the majority of part-time, independent students), attendance at a public university would require 20 percent to 60 percent of their income, were they to attend full time.