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Highlights of Financial Aid Awarded 2005



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About the Minnesota Office of Higher Education

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to post-secondary education. The agency serves as the state's clearinghouse for data, research and analysis on post-secondary enrollment, financial aid, finance and trends.

The Minnesota State Grant program, which is administered by the agency, is a need-based tuition assistance program for Minnesota students. The agency oversees tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Program, licensing and an early awareness outreach initiative for youth. Through collaboration with systems and institutions, the agency assists in the development of the state's education technology infrastructure and shared library resources.

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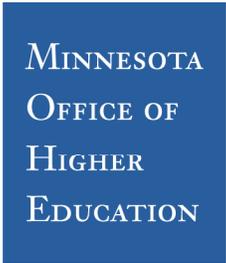
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Highlights of Financial Aid Awarded

In 2005, financial aid totaling \$1.86 billion helped Minnesota students and families pay for post-secondary education. The money was provided by state and federal governments, colleges and private sources. Minnesota students received \$781 million in grants and scholarships, \$1 billion in loans and \$38.6 million in work-study earnings.

Financial Aid Awarded 2005 is a biennial report produced by the Minnesota Office of Higher Education that provides an overview of all financial aid awarded to students in Minnesota. It is the only report of its kind and includes annual data on grants, loans, scholarships and work study aid awarded state-wide and by system and institution. This *Highlights of Financial Aid Awarded 2005* is a summary of the full report.

The institution- and system-level data presented in the tenth *Financial Aid Awarded* report is collected through a survey of post-secondary institutions that has been conducted biannually by the Office of Higher Education since 1987. The report is intended to provide policy-makers, state officials and education administrators with useful and complete information about how students are financing their educations, and how financial aid patterns have changed over time.

Following are points of interest about the survey data results for 2005:

- Student borrowing increased 22 percent from 2003 to 2005 among students attending Minnesota post-secondary institutions. Minnesota undergraduates borrowed \$949 million in 2005. [The increase is greater than the rate of growth in tuition and is consistent with increased consumer debt nationally for the period.]
- While federal student loans are still the largest source of student loans, the amount borrowed by undergraduates from private lenders increased 83 percent from 2003 to 2005, from \$76 million in 2003 to \$139 million in 2005.
- Grants and scholarships awarded to students by their colleges and universities increased by 21 percent to \$367 million in 2005. Students attending Minnesota's not-for-profit institutions received more than two-thirds of all institutional grants.
- The amount of federal need-based Pell Grants awarded in Minnesota increased eight percent since 2003, to \$179 million. One of the reasons for the increase in was the increase in the maximum award from \$4,000 in 2003 to \$4,050 in 2005. Students attending public two-year colleges received about 43 percent of all Pell grant funding.

Minnesota Financial Aid Awarded

(In millions)

Financial aid program	2003 awarded	2005 awarded	Percent change
Grants			
Federal Pell Grant	167	\$179	8%
State Grant	134	\$124	-7%
Institutional grants	\$302	\$367	21%
Grants from private sources	\$40	\$57	46%
Loans			
Federal student loans	\$605	\$687	14%
Private student loans	\$76	\$139	83%
State SELF Loans	\$95	\$119	24%
Federal parent loans (PLUS)	\$67	\$100	49%

Source: Minnesota Office of Higher Education survey of institutions, 2004-2005

Substantial changes in the price of attending college over the last 10 years provide important context to a review of financial aid awarded:

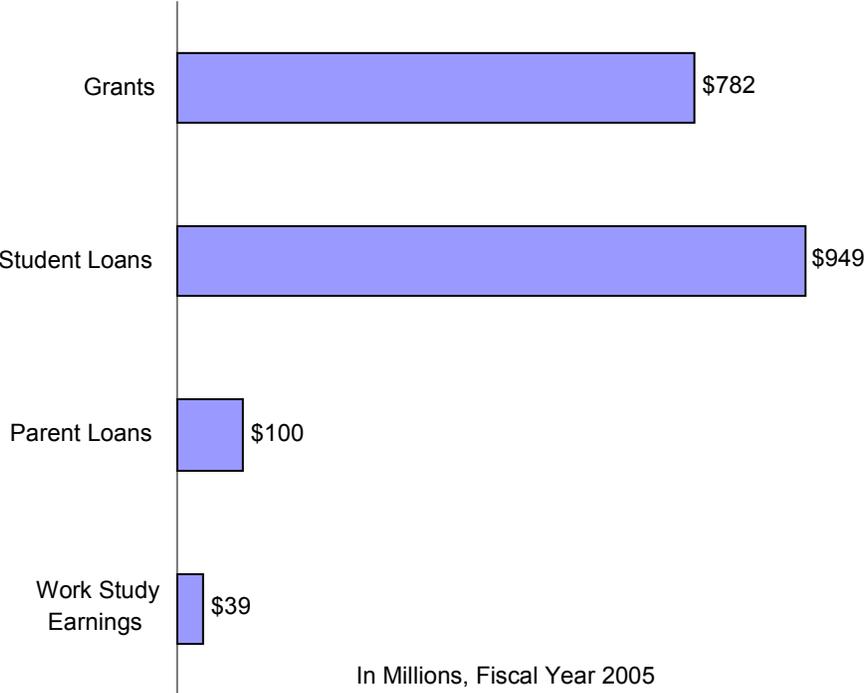
- At Minnesota's seven state universities, the average combined tuition and fees were \$5,242 in FY 2005, and increased 71 percent since FY 2000, and 98 percent since FY 1995.
- At Minnesota's public community and technical colleges, the average combined tuition and fees were \$3,769 in FY 2005 and increased 61 percent since FY 2000 and 93 percent since FY 1995.
- At Minnesota's private, not-for-profit colleges and universities, the average combined tuition and fees were \$21,467 for FY 2005 and increased 35 percent since FY 2000 and 72 percent since FY 1995.
- At the University of Minnesota Twin Cities, the average combined tuition and fees were \$8,263 in FY 2005 and increased 77 percent since FY 2000, and 130 percent since FY 1995.

Double-digit tuition increases at public institutions were common across the country during this decade as state legislatures grappled with budget deficits and competing priorities. Limited state appropriations along with rising costs for health care, campus technology and fuel have been cited by college administrators as drivers of increasing tuition and fees.

Financial Aid at a Glance

Minnesota students use a variety of financial aid resources to pay for college.

Minnesota Undergraduates Received Grants, Loans, and Work-Study Earnings



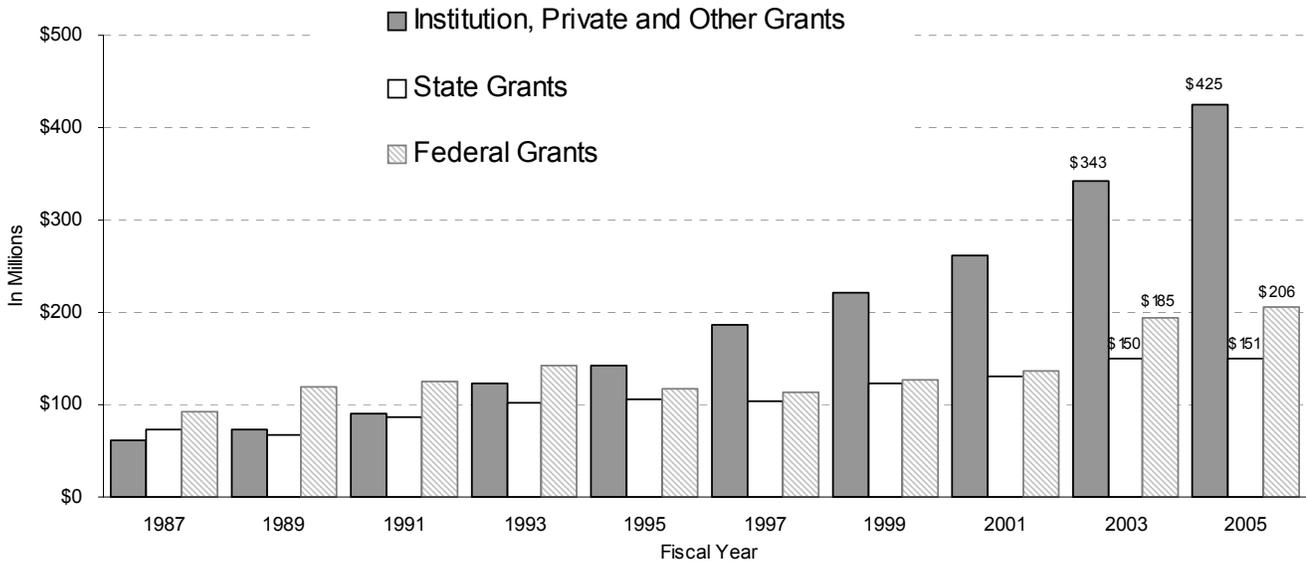
Note: Grants include scholarships, discounts, waivers and gift-aid.

Source: Minnesota Office of Higher Education

Grants

Minnesota undergraduates received \$782 million in grants, scholarships and tuition discounts in 2005, an increase from \$687 million in 2003. Of the \$782 million in grants in 2005, \$425 million came from post-secondary institutions and private sources. In addition, \$206 million came from the federal government, and \$151 million from the State of Minnesota.

Institution Grants Increased More Than State or Federal Grants



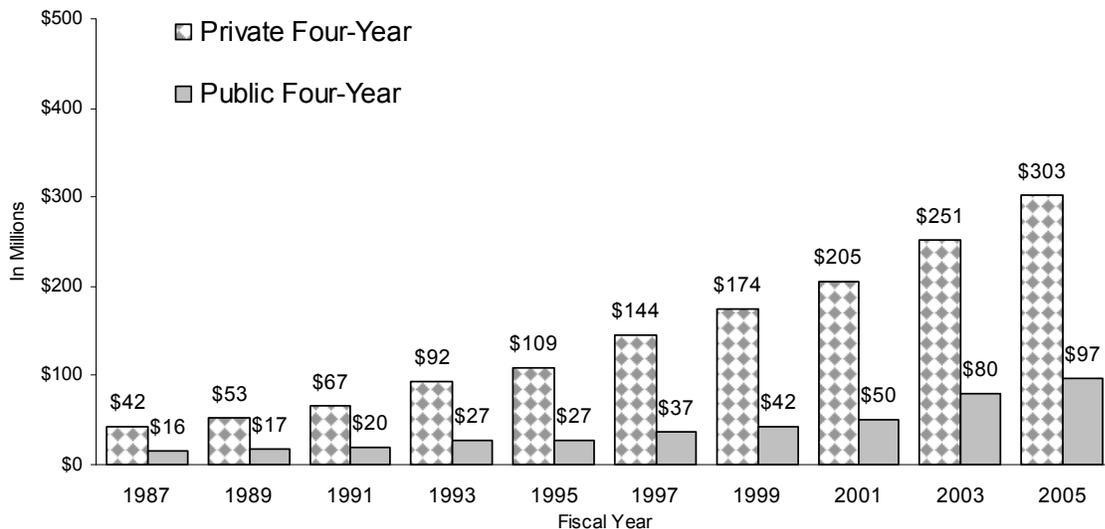
Institution and Private Grants

The \$425 million in grants and scholarships provided by post-secondary institutions, private donors, and other sources were a major source of discounts to students' price of attendance in 2005. The \$425 million was a 24 percent increase over the \$343 million students received in 2003. The amount of institution, private and other grants in 2005 was more than six times the \$62 million in grants undergraduates received from these sources in 1987.

Within the \$425 million of institution and private grants, institutions provided \$367 million in grants to students in 2005. Students received \$57 million in grants and scholarships from private sources such as service clubs, labor unions, and private foundations. Students received \$38,000 in grants from other sources in 2005. Grants from other sources are grants that do not fit one of the categories of federal, state, institution or private grants.

The number of students who received grants from institutions and the average amount received varied by sector. University of Minnesota campuses reported providing an average of \$3,000 to 45 percent of full-time, first-year students in fall 2003 (these figures are a weighted average for the four campuses). Minnesota four-year state universities provided an average of \$1,300 in institution grants to 32 percent of full-time, first-year students. Private not-for-profit colleges provided an average of \$6,000 to 91 percent of full-time, first-year students in fall 2003. No information was specifically available for two-year colleges. [Source: National Center for Education Statistics, Integrated Postsecondary Education Data System]

Much of the Increase in Institution and Private Grants Occurred at Private 4-Year Institutions



Source: Minnesota Office of Higher Education, 2005 Financial Aid Awarded Survey

Federal Grants

The federal government generally targets grant aid to students from low- and moderate-income families.

Federal Pell Grants

The Federal Pell Grant Program provided \$179 million to 81,900 undergraduates attending post-secondary institutions in Minnesota in 2005, an 8 percent increase from the \$167 million students received in 2003. The change from 76,500 recipients in 2003 to 81,900 recipients in 2005 was a 7 percent increase. One of the reasons for the increase in Pell Grants was the increase in the maximum award from \$4,000 in 2003 to \$4,050 in 2005.

Other Federal Grants

Minnesota undergraduates received \$21 million in Supplemental Educational Opportunity Grants (SEOG) and \$6 million in other federal agency grants in 2005.

State Grants

The State of Minnesota also invests most of its grant money in low-and moderate-income students, primarily through the Minnesota State Grant Program.

Minnesota State Grant Program

About 73,400 undergraduates received \$124.4 million in Minnesota State Grants in 2005. The number of recipients was up 1 percent from the 72,400 recipients in 2003. The dollar amount awarded was down 7 percent from the \$133.6 million in Minnesota State Grants in 2003. The reduction in State Grant awards from 2003 to 2005 occurred following a rapid increase in total spending on the State Grant program in 2002 and 2003. Legislation passed in 2001 made several changes that expanded the number of students eligible for State Grants and increased the amount many students received in State Grant awards. The changes led to an unexpectedly large increase in State Grant spending in 2002 and 2003, and legislation passed in 2003 repealed some of the changes that increased spending. As a result, the number of recipients and total amount of State Grants awarded decreased from 2003 to 2005.

Other State Grants

Approximately 2,700 Minnesota undergraduates received \$4.7 million in Minnesota Post-Secondary Child Care Grants in 2005. In contrast, in 2003, about 900 undergraduates received Minnesota Post-Secondary Child Care Grants. The appropriation for 2003 was \$4.7 million, but \$3.6 million was transferred in 2003 to help cover a shortfall in the appropriation for the Minnesota State Grant Program. In 2001, 2,700 undergraduates received \$4.4 million in Minnesota Post-Secondary Child Care Grants. In 2005, Minnesota undergraduates received \$73,000 in grants to the survivors of safety officers killed in the line of duty. Students received \$23 million in grants from other local and state agencies in 2005.

Loans

Loans enabled students and their parents to defer paying more than \$1 billion until after the student was no longer attending post-secondary education.

Student Loans

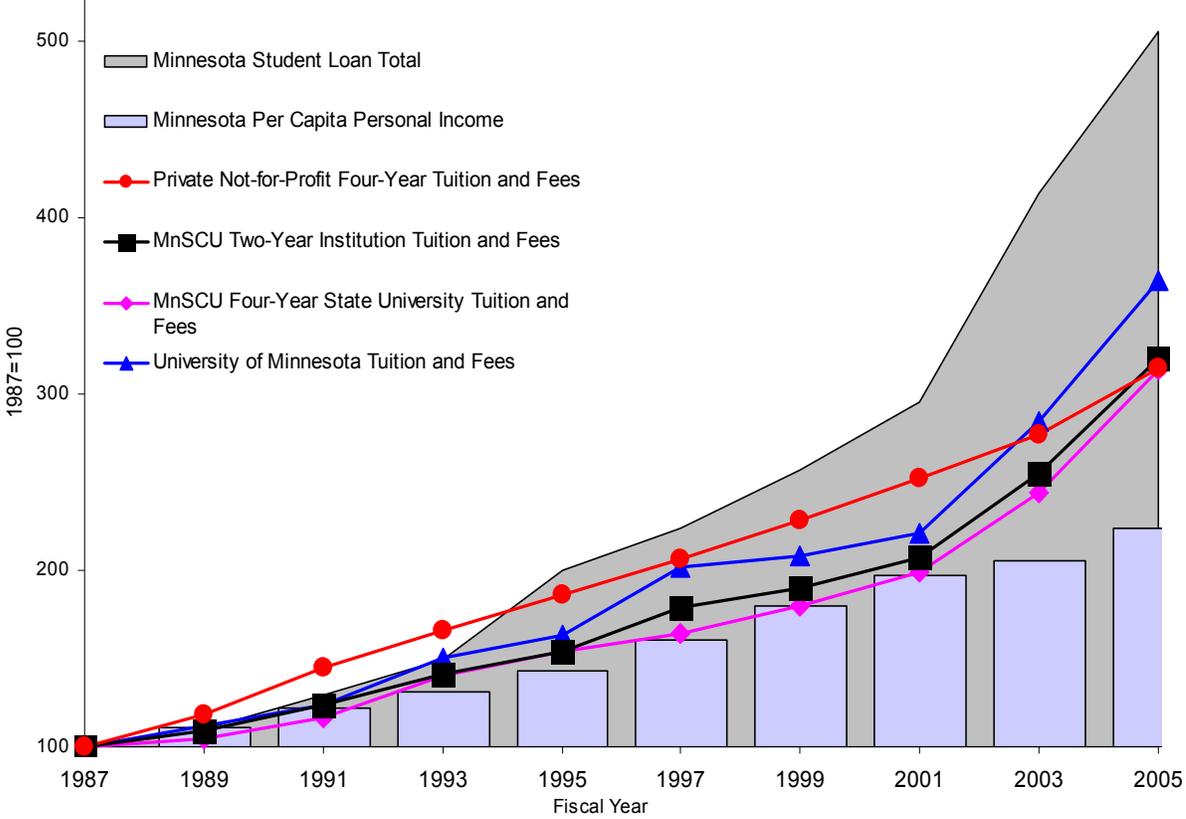
Students used loans from federal, state, post-secondary institutions, private and other sources. Overall, the amount undergraduates borrowed increased by 22 percent from 2003 to 2005.

Rate of Increase in Student Borrowing Was Greater Than Rate of Increase in Tuition and Personal Income

Overall student borrowing by undergraduates increased by 22 percent, a little more slowly than increases in tuition and required fees. Tuition and required fees increased 28 percent at the University of Minnesota and the Minnesota State Universities from 2003 to 2005. Tuition and required fees increased 25 percent at Minnesota State Colleges (community and technical colleges) and 18 percent at private not-for-profit four-year institutions. Personal income per capita increased 9 percent from 2003 to 2005.

The increase in borrowing is not new. Borrowing increased faster than tuition and personal income from 1987 to 2005. From 1987 to 2005, undergraduate borrowing quintupled, while tuition at the University of Minnesota more than tripled. Tuition at Minnesota State Colleges and Universities tripled from 1987 to 2005. Personal income per capita doubled from 1987 to 2005.

Borrowing by Minnesota Undergraduates Increased Faster than Tuition or Personal Income



Federal Student Loans

The largest loan programs were the Federal Stafford Loan Programs. Federal Stafford and Federal Ford Direct Stafford loans have similar interest rates, and their other terms and conditions are similar.

Federal Stafford Loan Programs

The federally guaranteed Stafford Loan Programs are part of the Federal Family Education Loan (FFEL) family of programs. The federal government subsidized the interest if market rates exceeded the rate the student paid. The Federal Stafford Loan Program included subsidized and unsubsidized loans. Students who met a means test could borrow Subsidized Stafford Loans, and the federal government paid the interest on their loans while they were attending post-secondary education. Students who did not meet the means test could borrow Unsubsidized Stafford Loans, and lenders charged interest on the loans while the student was attending post-secondary education.

Federal Stafford Loan Programs include:

- Federal Stafford Subsidized Loans
- Federal Stafford Unsubsidized Loans
- Federal Ford Direct Stafford Subsidized Loans
- Federal Ford Direct Stafford Unsubsidized Loans

Federal Ford Direct Stafford Loans

Some post-secondary institutions choose to participate in the Direct Loan family of loan programs. Student obtained these loans at their post-secondary institutions. The federal government provided loan capital, rather than private lenders. Federal Ford Direct Stafford Loans also included subsidized and unsubsidized loans.

Increase in Federal Student Loan Borrowing

Borrowing by Minnesota undergraduates from federal loan programs increased by 22 percent from 2003 to 2005. The 22 percent increase compares to an increase of 52 percent from 2001 to 2003. One factor that may have contributed to the increase in federally guaranteed loans was the increase in tuition and required fees from 2003 to 2005. Another factor was the relatively low interest rate of 2.77 percent while borrowers were attending post-secondary education. (Interest rates on federally guaranteed loans were 3.46 percent in 2003 and 7.59 percent in 2001).

Other Federal Student Loans

Nearly 14,000 Minnesota undergraduates borrowed \$32 million Federal Perkins Loans. Undergraduates also borrowed \$1 million in federal agency loans in 2005.

State (SELF) Loan Program

Minnesota operates one state loan program, the Student Educational Loan Fund (SELF) Program. More than 32,000 undergraduates attending Minnesota institutions borrowed \$119 million from the SELF program in 2005 – a 19 percent increase in the number of borrowers and a 25 percent increase in the total amount borrowed from 2003 to 2005.

Loans from Post-Secondary Institutions

Institution loans were loans funded by capital controlled by post-secondary institutions. Undergraduates borrowed about \$3 million in institution loans in 2005.

Loans Made by Private and Other Lenders

Undergraduates attending Minnesota institutions borrowed \$139 million in private loans in 2005, an 83 percent increase from 2003 to 2005. While the increase in private loans from 2003 to 2005 was rapid, private loans represented only 15 percent of the total amount students borrowed in 2005.

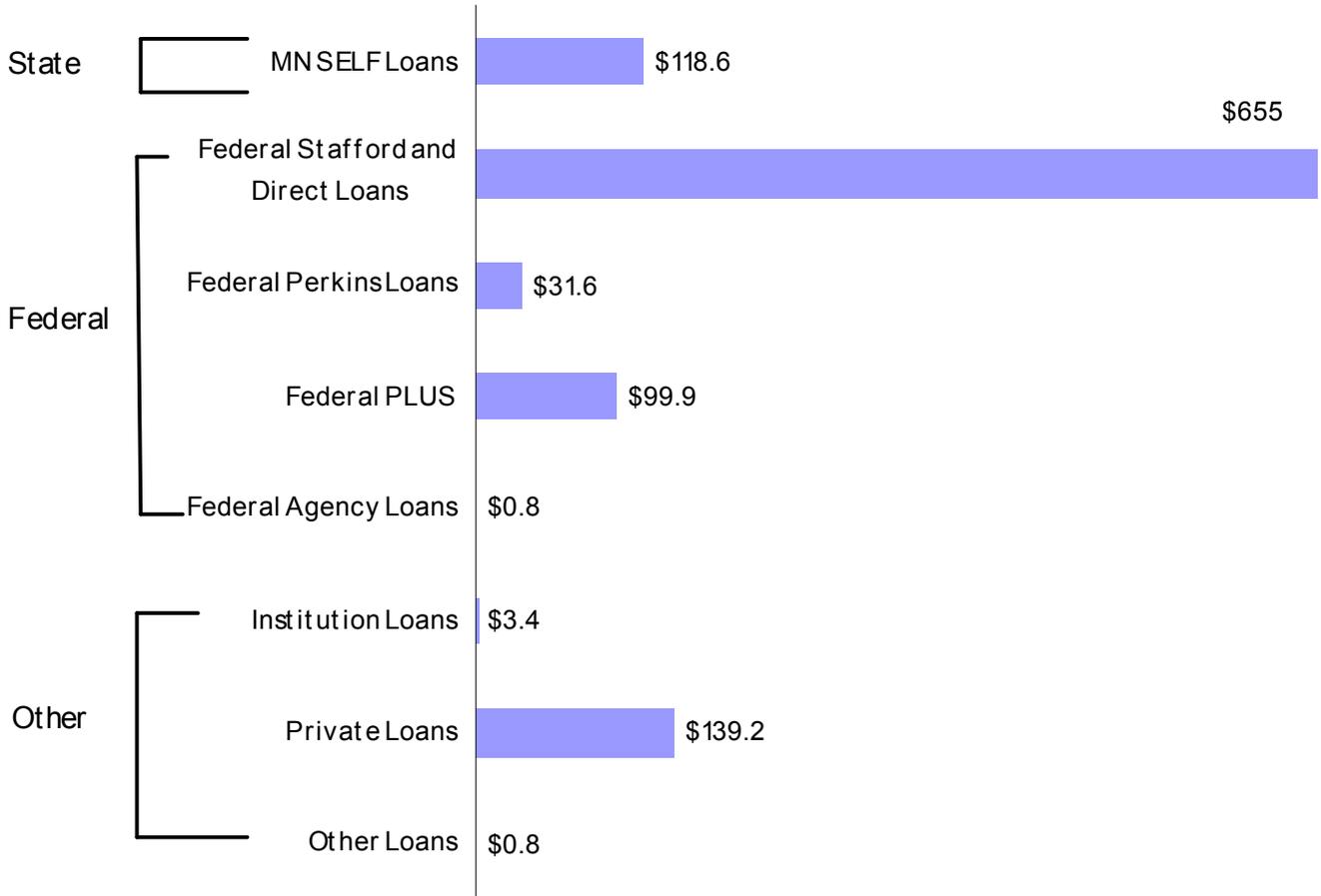
Loans from “other sources” are loans that do not fit one of the categories identified above. For example, some students get loans from the State of Alaska to attend schools in the lower 48 states. Minnesota undergraduates borrowed nearly \$800,000 in loans from other sources in 2005.

Parent Loans (PLUS)

The Federal Parent Loan for Undergraduate Students (PLUS) Program is designed for parents of undergraduate students. Approximately 13,500 parents of undergraduates attending Minnesota institutions borrowed \$100 million in PLUS loans in 2005, an increase of 37 percent in the number of borrowers and 49 percent in the amount borrowed. Parent borrowing in the PLUS program was 15 percent of the amount of undergraduate borrowing from federal student loan programs.

The amount of loans secured by second mortgages, home-equity lines of credit and other loans to parents is not known.

Loan Amounts by Program, 2005



In Millions

Earnings from Federal and State Work-Study Jobs

Students earned income to pay for attending post-secondary education through work-study jobs, campus jobs and off-campus jobs. Work-study jobs were arranged by post-secondary institutions with subsidies from the federal or state government. Most work-study positions were sponsored by institutions, but a small percentage of positions were with non-profit agencies and other off-campus employers.

Federal Work-Study

About 16,000 students attending Minnesota institutions earned \$21 million working in federal work-study jobs in 2005.

State Work-Study

Approximately 11,000 students attending Minnesota institutions earned \$18 million working in state work-study jobs in 2005. This includes a small number of graduate students. In 2003, no students received earnings through the Minnesota Work-Study Program – the entire State Work-Study appropriation was transferred to help cover a shortfall in the Minnesota State Grant Program. In 2001, 12,000 students earned \$18 million in the State Work-Study program.

Other Student Jobs

Students also had earnings from campus jobs that were not subsidized. The institution was the employer for some campus jobs, but other organizations, such as food service contractors, also employed students on campus.

In addition, students had earnings from off-campus jobs. The amounts students earned on-campus in non work-study jobs and off campus are not known, but they are estimated to be much greater than student work-study earnings.

Table 1. Financial Aid by Type (in Millions)

	1987	1989	1991	1993	1995	1997	1999	2001	2003	2005
Grants	\$227	\$258	\$301	\$367	\$364	\$403	\$470	\$529	\$687	\$782
Student Loans	\$188	\$207	\$243	\$281	\$375	\$420	\$483	\$555	\$777	\$949
Parent Loans	\$4	\$7	\$13	\$17	\$26	\$42	\$42	\$51	\$67	\$100
Work Study Earnings*	\$21	\$20	\$25	\$27	\$29	\$30	\$34	\$36	\$24	\$39
Total	\$440	\$492	\$582	\$693	\$795	\$895	\$1,029	\$1,171	\$1,556	\$1,870

*Work-Study earnings are earnings from federal and state work-study programs.

Work-Study earnings from 1987-2001 and in 2005 include earnings from state and federal work-study programs. In 2003, no students received earnings from the MN State Work Study Program — the entire State Work-Study appropriation was transferred to help cover a shortfall in the State Grant Program.

Source: Minnesota Office of Higher Education

Table 2. Financial Aid by Source (in Millions)

	1987	1989	1991	1993	1995	1997	1999	2001	2003	2005
Federal	\$284	\$322	\$363	\$419	\$512	\$566	\$594	\$649	\$891	\$1,014
State	\$91	\$96	\$127	\$146	\$138	\$137	\$196	\$231	\$245	\$288
Institution	\$49	\$60	\$77	\$106	\$123	\$164	\$188	\$235	\$303	\$371
Private and Other	\$15	\$14	\$15	\$21	\$22	\$29	\$51	\$55	\$116	\$197
Total	\$440	\$492	\$582	\$693	\$795	\$895	\$1,029	\$1,171	\$1,556	\$1,870

Source: Minnesota Office of Higher Education

Additional Information

Additional information, including information about financial aid awarded by each post-secondary institution, can be obtained in the Report of the Financial Aid Awarded Survey, Fiscal Year 2005. The report is available from the Minnesota Office of Higher Education upon request and on the Internet www.ohe.state.mn.us, click on reports.