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Highlights of Financial Aid Awarded, 2013

Grants, Loans and Earnings
from Work-Study Jobs
Received by Undergraduates
Attending Minnesota
Institutions



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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 postsecondary education. The agency also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program is the largest financial aid program administered by the Office of Higher Education, awarding up to \$180 million in need-based grants to Minnesota residents attending accredited institutions in Minnesota. The agency oversees tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Plan, licensing and early college awareness programs for youth.

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Table of Contents

Table of Contents	1
Executive Summary	3
Key Findings from 2013 Survey Results	4
Introduction	7
Financial Aid at a Glance.....	7
Grants	9
Loans	13
Earnings from Federal and State Work-Study Jobs	17

Executive Summary

Financial aid totaling \$3.3 billion helped Minnesota undergraduates and their families pay for postsecondary education in Fiscal Year 2013.¹ The money was provided by state and federal governments, postsecondary institutions and private sources. Minnesota undergraduates received \$1.5 billion in grants, \$1.6 billion in student loans, \$140 million in parent loans and \$48 million in federal and state work-study earnings.

The Office of Higher Education conducts a financial aid awarded survey once every two years and reports data on grants, loans, and work-study earnings at the institution level and by type of institution. This report summarizes the detailed report for Fiscal Year 2013.

**Table 1: Financial Aid Awarded to Minnesota Undergraduates
(in \$ millions)**

	2011	2013	Percent change
Grants			
Federal Pell Grants	513	481	-6%
Other Federal Grants	61	39	-36%
Minnesota State Grants	120	161	34%
Other Minnesota Grants*	78	46	-41%
Institutional Scholarships	661	729	10%
Private and Other Scholarships	69	66	-3%
Total grants	1,502	1,523	1%
Loans			
Student Loans			
Federal Student Loans	1,447	1,359	-6%
Private Student Loans	167	165	-1%
Minnesota SELF Loans	70	52	-26%
Institutional Loans	2	8	260%
Other Loans	5	8	79%
Total Student Loans	1,691	1,593	-6%
Parent Loans (Federal PLUS)	\$161	\$140	-13%
Total Loans	1,852	1,733	-6%
Work Study Earnings*	46	48	4%
Total	3,399	3,304	-3%

*Includes the Minnesota GI Bill Program, Indian Scholarships, Postsecondary Child Care Grants and local and state agency grants.

**Student earnings from federal and state work study programs.

¹ Minnesota Fiscal Year 2013 corresponds to the 2012-13 academic year. It started July 1, 2012 and ended June 30, 2013.

Key Findings from 2013 Survey Results

Enrollment

- Undergraduate enrollment in Minnesota decreased 4.7 percent from fall 2010 to fall 2012.
- 294,000 undergraduates were enrolled at Minnesota postsecondary institutions in fall 2012, of whom 244,000 (83 percent) were Minnesota residents.
- Enrollment declines contributed to decreases in student borrowing, parent borrowing and some grant programs.

Minnesota State Grant Program

- The total amount of Minnesota State Grants awarded to undergraduates increased by 34 percent from 2011 to 2013.
- \$161 million dollars in state grants were awarded in 2013, compared with \$120 million in 2011. In addition, the number of students who were awarded grants increased by 16 percent – 89,000 students received State Grants in 2011 and 103,000 received grants in 2013. Average State Grants per student also increased from \$1,494 in 2011 to \$1,623 in 2013.

A number of factors contributed to the increased Minnesota State Grants from 2011 to 2013:

- **Rationing in 2011** – In 2010 and 2011, enrollment was higher at Minnesota postsecondary institutions and family incomes of state grant applicants were lower due to the recession. Increased demand for state grants in 2010 resulted in a shortfall in the program for 2010 and 2011. Funds appropriated for 2011 were used to make full awards in 2010. As a result, awards were rationed in 2011, resulting in reduced State Grants per student in 2011.
- **Increased appropriations in 2012 and 2013** – Appropriations in 2012 and 2013 were 7.3 percent higher than 2011. Average State Grants per student increased and additional students became eligible for grants.
- **Decreased enrollment** – Decreases in enrollment between 2011 and 2013 led to slightly decreased demand for state grants. This allowed the Office of Higher Education to increase the living and miscellaneous expense (LME) allowance, resulting in increased grants for many students.
- **Decreased Pell Grant volume for Minnesotans** – U.S. Congress enacted provisions that limited Pell Grant eligibility in order to accommodate a federal funding shortfall. Because the Minnesota State Grant is coordinated with the Pell Grant, decreased Pell awards resulted in increased state grant awards for some Minnesota students.

Federal Pell Grants

Federal Pell Grants to Minnesota students decreased 6 percent, from \$526 million in 2011 to \$481 million in 2013. The number of Pell grant recipients in Minnesota decreased slightly (1 percent) from 153,300 students in 2011 to 151,400 in 2013. The maximum Pell grant was \$5,500 both 2011 and 2013. As the economy slowly improved incomes for some families improved, which reduced their eligibility for Pell Grants. In addition, Congress enacted provisions that limited Pell Grant eligibility in order to accommodate a federal funding shortfall.

Institutional Grants and Tuition Discounts

Institutional grants and tuition discounts to Minnesota students increased 10 percent from 2011 to 2013. Minnesota postsecondary institutions provided \$661 million in grants and discounts in 2011 and \$729 million in 2013. Minnesota private not-for-profit institutions provide 80 percent of institutional grants.

Borrowing

Total borrowing for Minnesota undergraduates and their parents decreased six percent from \$1.852 billion in 2011 to \$1.733 billion in 2013. These figures include borrowing from all federal state, and other sources known to the institutions.

Lower borrowing, in the aggregate, is related to lower enrollment. In 2013, fewer undergraduates enrolled from previous years, so fewer students took out student loans.

Federal loan volume decreased from 2011 to 2013. Federal Stafford loan volume decreased six percent, from \$1.447 billion in 2011 to \$1.359 billion in 2013. In addition, borrowing per student decreased for Federal Direct Stafford Loans, the largest student loan program. The average annual amount borrowed by Minnesota undergraduates decreased by four percent, from \$3,706 for Unsubsidized Stafford Loans in 2011 to \$3,565 in 2013. The average amount per borrower for Unsubsidized Stafford Loans also decreased four percent, from \$3,884 in 2011 to \$3,748 in 2013.

Federal PLUS loans to parents decreased 13 percent, in total, from \$151 million in 2011 to \$140 million in 2013. Tightened eligibility standards for PLUS loans and decreased enrollment contributed to smaller PLUS volume.

State student loan volume also decreased. The Minnesota SELF Loan program had a 26 percent decrease in the total amount borrowed from 2011 to 2013 and the number of undergraduates with SELF loans decreased 38 percent. The decrease is related to the federal “preferred lender requirement.” Since 2010, the preferred lender requirement prohibits colleges from recommending non-federal loans unless they undergo a process in which they request information from lenders on loan terms and conditions. Many campuses choose not to participate in this process due to time constraints and thus are not allowed to tell students about Minnesota SELF Loans or any nonfederal loan.

Other loan sources largely saw increased volume from 2011 to 2013. While private loans were down one percent, institutional loans² increased from \$2 million to \$8 million and other loans increased from \$5 million to \$8 million.³

² Institutional loans are loans made by the postsecondary institution from its own funds.

³ A common “other loan” for Minnesota undergraduates is the North Dakota Deal Loan, offered to North Dakota resident students attending institutions in Minnesota. In fall 2012, 5,000 North Dakota residents attended postsecondary institutions in Minnesota.

Introduction

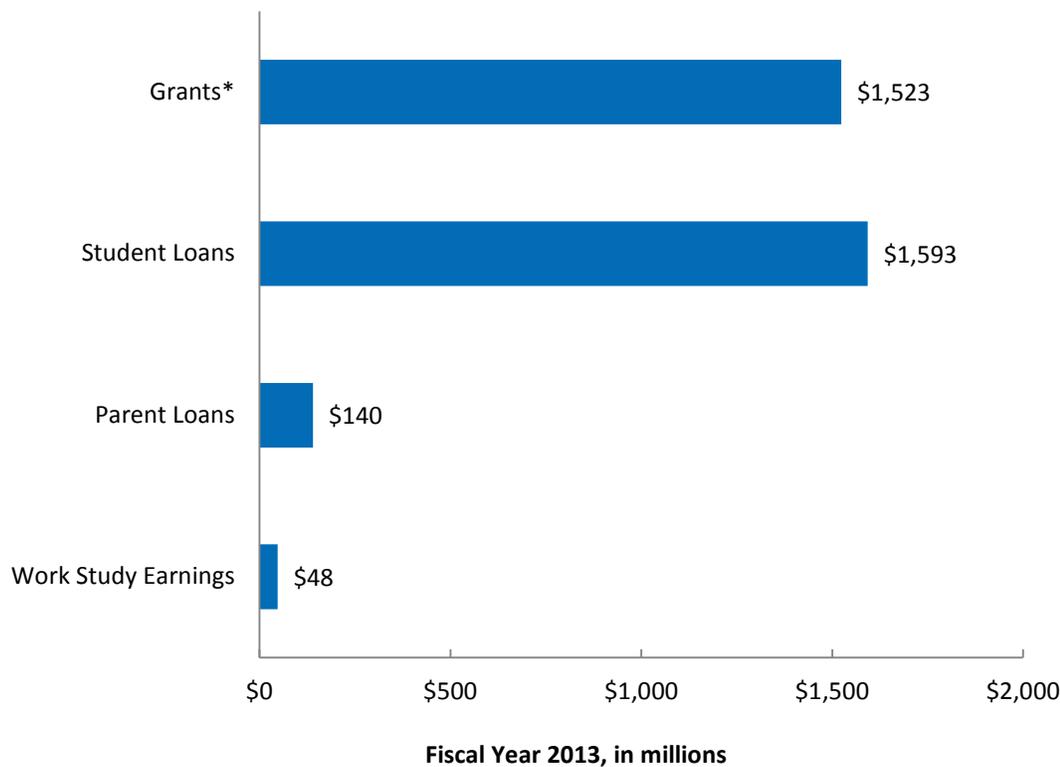
This report is a summary of results from the Financial Aid Awarded Survey the Office of Higher Education conducts every two years.

The Office obtained data for this report from postsecondary institutions in Minnesota that participate in federal or state financial aid programs. In addition to institutionally reported data, the Office compiled data it collects on state financial aid programs. The survey provides information on how undergraduates finance their postsecondary education and how the distribution of financial aid has changed over time. The survey for 2013 had a 100 percent response rate. The Office of Higher Education thanks all institutions for contributing data to this report.

Financial Aid at a Glance

Minnesotans used a variety of financial aid resources to pay for undergraduate education, including grants, loans and work-study earnings. The following figure includes totals from federal, state, institutional and private sources.

Figure 1: Minnesota Undergraduate Grants, Loans and Work-Study Earnings



*Grants include scholarships, discounts, tuition waivers and other gift aid.

Source: Minnesota Office of Higher Education, Financial Aid Awarded Survey 2013

Changes in Federal Student Aid from 2011 to 2013

- Federal funding for two need-based grant programs ended: Federal Academic Competitiveness (ACG) Grants and National Science and Mathematics Access to Retain Talent (SMART) Grants.
- The Federal Pell Grant Program had a projected shortfall of \$18.3 billion, beginning in 2013. Congress approved a \$17 billion increase in appropriations to the program during the debt ceiling negotiations in 2011. In order to manage the remaining \$1.3 billion projected shortfall, while maintaining the \$5,550 maximum Pell Grant award, Congress enacted the following four measures:
 - **Required a High school diploma or GED** – Beginning in the 2012-13 academic year, all students enrolling in college for the first time must have a high school diploma or GED in order to qualify for Pell Grants. Students enrolled prior to July 2012 who did not have a high school diploma or GED qualified if they passed an Ability-to-Benefit test or by completing 6 credits, or the equivalent, of postsecondary coursework.
 - **Reduced qualifying income for simplified needs test and automatic zero expected family contribution (EFC)** – The qualifying income for which EFC is automatically set at zero was reduced from \$31,000 to \$23,000 beginning in 2013. Automatic zero applies to EFC calculations for dependent students (based on parent income) and independent students with children.
 - **Reduced qualifying EFC for the minimum Pell Grant award of \$555** – The Pell Grant minimum award remained at 10 percent of the maximum award (\$5,550). However, eligibility for the minimum award was reduced for students with EFCs between \$4,995 and \$5,273.
 - **Reduced the maximum number of semesters eligible for Pell Grants** – Beginning in 2013, student eligibility for Pell Grants was reduced from the equivalent of 18 full-time semesters to the equivalent of 12 full-time semesters.

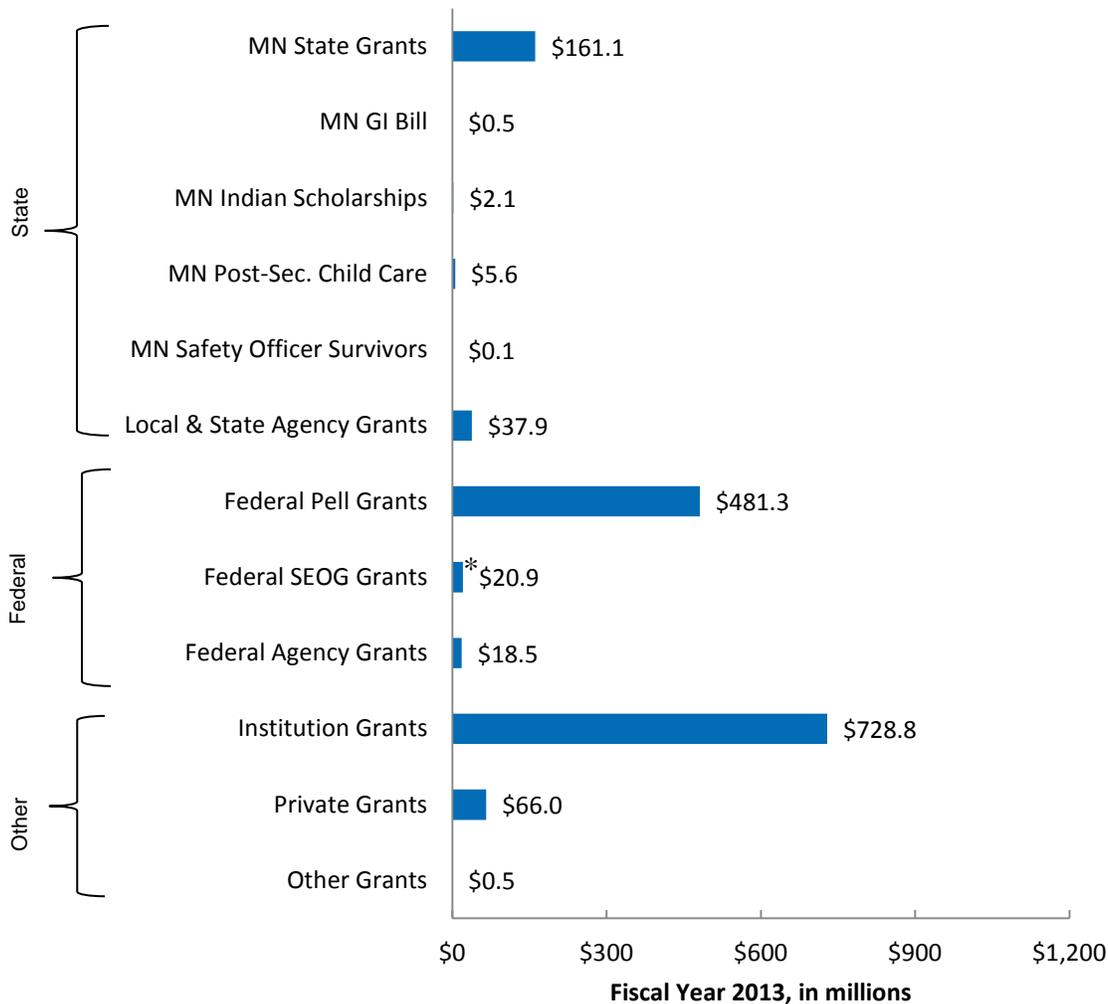
Changes in Minnesota Student Aid from 2011 to 2013

- Achieve Scholarship funding ended – The Achieve Scholarship program, a need- and merit-based aid program for Minnesota resident undergraduates, received no appropriations after the 2011 fiscal year.
- The Minnesota Legislature appropriated \$154.6 million per year for the Minnesota State Grant program for the 2012 to 2013 biennium. This was an increase of 7.3 percent from the previous appropriation. As a result, State Grants increased to ongoing recipients and some additional students became eligible for grants.

Grants

Minnesota undergraduates received \$1.5 billion in grants in 2013, from all sources; nearly the same amount as received in 2011. The largest sources of grants were institutions (in the form of scholarships, tuition discounts, tuition waivers and other gift aid), federal Pell Grants and the Minnesota State Grant.

Figure 2: Grants Awarded to Minnesota Undergraduates in 2013, by Program



*Federal Supplemental Educational Opportunity Grants (SEOG), which are targeted to Pell Grant recipients with financial circumstances that are not fully addressed by the federal Pell Grant.

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

Institutional and Private Grants

Grants from Minnesota postsecondary institutions, private donors and other non-governmental sources totaled \$792 million in 2013. This was a nine percent increase from 2011.

Institutions in Minnesota provided the largest amount of grant aid to students in 2013, totaling \$729 million. Minnesota private not-for-profit institutions provide 80 percent of all institutional grants; awarding \$582 million in 2013. Public institutions awarded 18 percent and private for-profit institutions awarded two percent of institutional grants.

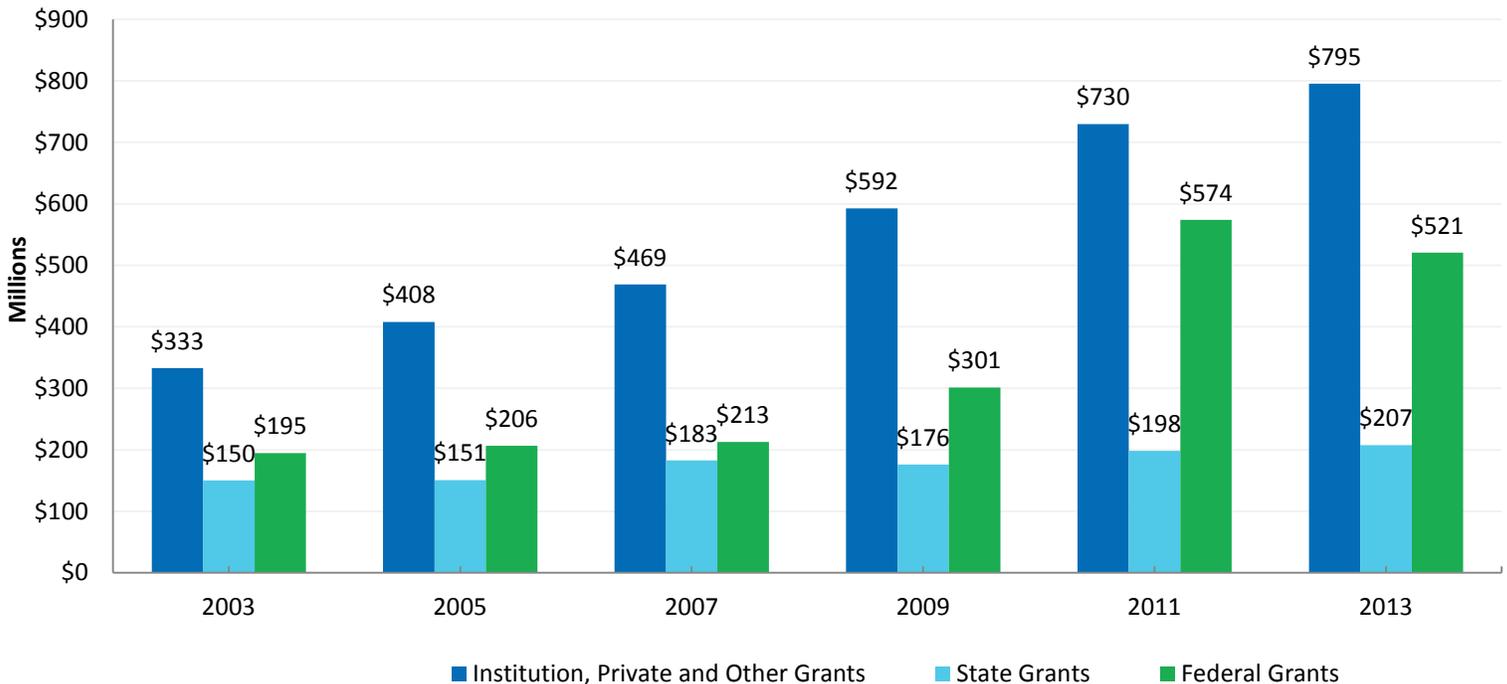
Institutions report data to the Integrated Postsecondary Education Data System (IPEDS) on the institutional grants they provide to first year, full-time students. The number of students who receive institutional grants and the amount of the grants varies substantially by type of institution. Minnesota institutions provided the following to their first year, full-time students in 2012:

- State Colleges – five percent received institutional grants and the average was \$970.
- State Universities – 28 percent received institutional grants and the average was \$2,016.
- University of Minnesota – 57 percent received institutional grants and the average was \$4,450.
- Private Not-for-Profit Institutions – 93 percent received institutional grants and the average was \$15,354.
- Private For-Profit Institutions – eight percent received institutional grants and the average was \$2,553.

In addition to institutional grants, undergraduates received \$66 million in grants from private sources. Examples of private sources include service clubs, labor unions and private foundations.

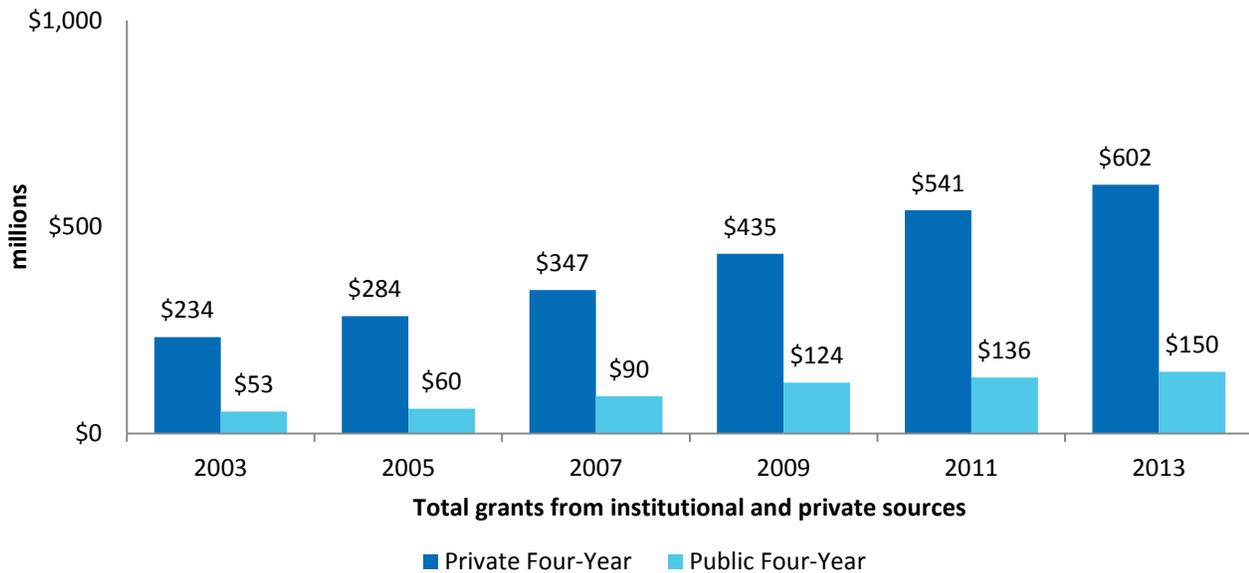
Minnesota undergraduates received \$500,000 in grants from other sources in 2013. An example is a grant from Alaska to one of its residents attending a Minnesota postsecondary institution.

Figure 3: Institutional Grants Increased More than State or Federal Grants



Source: Minnesota Office of Higher Education Financial Aid Awarded Survey

Figure 4: Much of the Increase in Institutional and Private Grants Occurred at Private Not-For-Profit Four-Year Institutions



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

Federal Grants

In general, federal grants are need-based grants, targeting students from low- and moderate-income families who would be unlikely to attend a postsecondary institution without financial assistance.

Federal Pell Grants

In 2013, Federal Pell Grants provided \$481 million to 151,400 undergraduates attending postsecondary institutions in Minnesota. This was a six percent decrease from 2011, when \$513 million was awarded to 153,300 recipients. The annual maximum Federal Pell Grant stayed constant in this time period at \$5,550. The average Pell Grant to a Minnesota recipient was \$3,177 in 2013, a decrease from an average of \$3,344 in 2011.

Declining enrollment, increased family incomes and changes in eligibility, contributed to decreased Pell Grants for Minnesotans. These changes were described in more detail above.

Other Federal Grants

Federal Supplemental Education Opportunity Grants (SEOG) went to 31,500 Minnesota undergraduates in 2013, totaling \$20.9 million. This was a slight decrease from 2011, when \$21.2 million in SEOG grants were awarded to 33,100 undergraduates. Institutions must give priority to Pell Grant recipients when awarding SEOG grants.

Minnesota State Grant Program

Minnesota State Grants totaling \$161 million went to 103,000 undergraduates in 2013, a 16 percent increase from the 88,800 recipients in 2011. The total amount of Minnesota State Grants awarded to undergraduates increased by 34 percent from 2011 to 2013.

Changes in State Grants from 2011 to 2013 were the result of several factors:

- In February 2010, the Office of Higher Education projected State Grant spending to exceed appropriations; the Office used its authority under state law to transfer funds from the second year of the biennial budget appropriation (2011) to cover the shortfall. As a result, state grant awards were reduced in 2011 due to rationing. This resulted in relatively low levels of state grant awards and recipients in 2011 compared to other recent years.
- The Minnesota Legislature increased appropriations for the 2012 to 2013 biennium for the Minnesota State Grant program by 7.3 percent, which increased grants to ongoing recipients and made some additional students eligible for grants.
- Enrollment at Minnesota institutions decreased from 2011 to 2013, but the number of eligible applicants for Minnesota State Grants increased during that same time period. The Office used its statutory authority to increase the Living and Miscellaneous Expense allowance (LME) in 2013 to maximize grants to all recipients and allocate the appropriations.
- The number of Pell Grant eligible Minnesotans decreased from 2011 to 2013, due to stricter eligibility standards enacted by the federal government. Because the amount of a Minnesota State Grant award is coordinated with the amount an undergraduate receives in Pell Grants, a student who receives a lower Pell Grant receives a larger state grant.

Other State Grants

In 2013, \$5.6 million in Minnesota Postsecondary Child Care grants were awarded to 2,700 undergraduates; a decrease from 2011, when \$6.5 million in Child Care grants were awarded to 3,000 undergraduates.

Minnesota Indian Scholarships totaling \$2.1 million went to 705 undergraduates in 2013; an increase of \$300,000 from 2011. The Indian Scholarship Program provides assistance to Minnesota resident students with financial need who are of Indian ancestry or a member of a federally recognized tribe.

In 2013, \$545,000 in Minnesota GI Bill awards went to 438 undergraduates. The average award was \$1,244. This program was established in 2008 to provide postsecondary aid to eligible Minnesota service members and veterans. The Minnesota Department of Veterans Affairs contracted with the Office of Higher Education to administer the program.

In 2013, eight recipients were awarded a total of \$62,700 from the Minnesota Public Safety Officer Survivor Grant program which awards education benefits to children and spouses of public safety officers killed in the line of duty.

Grants from local and state agencies totaled \$37.9 million in 2013. Examples of these grants include Minnesota Rehabilitation Services Grants and Workforce Investment Act Grants administered by the Minnesota Department of Employment and Economic Development. This was a decrease from the \$68.1 million awarded to students in 2011, which was largely due to the University of Minnesota reporting the federal stimulus funds as state agency grants the Minnesota Legislature appropriated in 2011.

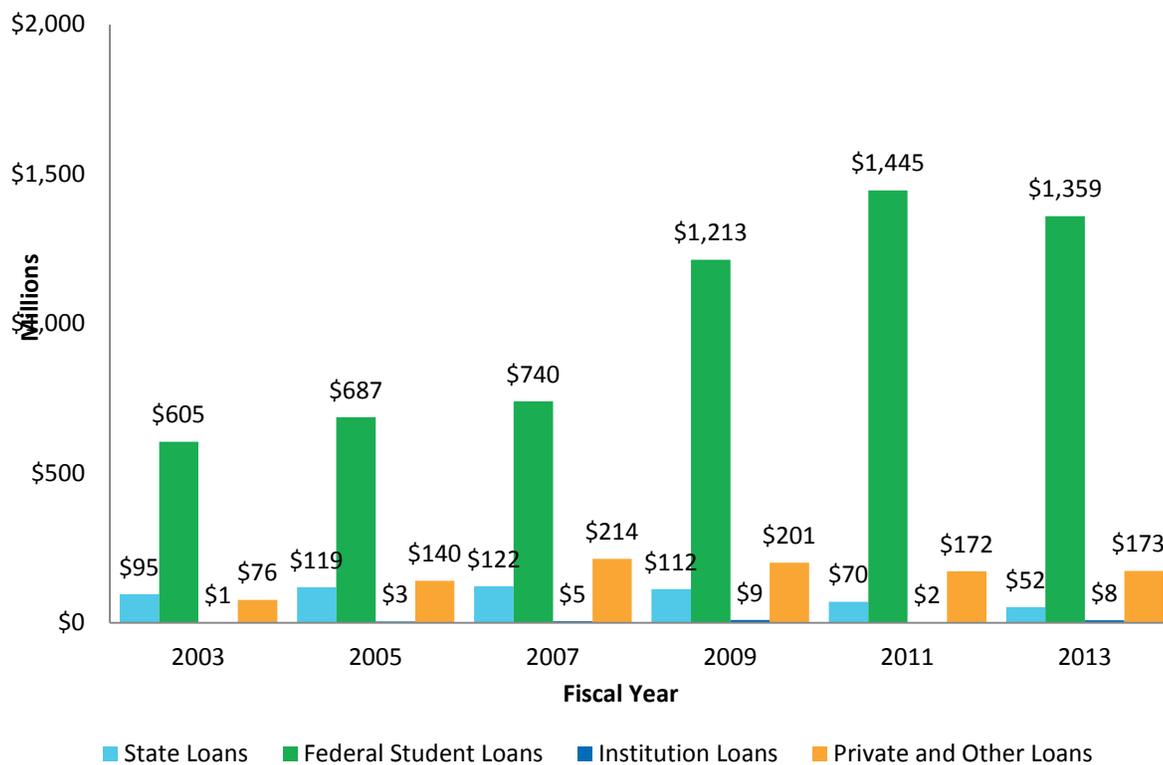
Loans

Undergraduates and their parents borrowed \$1.73 billion to finance postsecondary education in 2013. The vast majority of borrowed money (\$1.359 billion) was in the form of Federal Direct Stafford loans. Other federal government loan programs are the Perkins Loan and Federal Agency Loan programs which lends directly to students, and the PLUS Loan Program which lends to parents of undergraduates.

The Minnesota SELF Loan program lent \$51.5 million to undergraduates in 2013. An additional \$181 million in private loans, institutional loans, and other loans went to Minnesota undergraduates.

Overall, loan volume decreased from 2011 to 2013, partially due to declining enrollment.

Figure 5: The Total Amount Students Received in Federal Student Loans Decreased in 2013

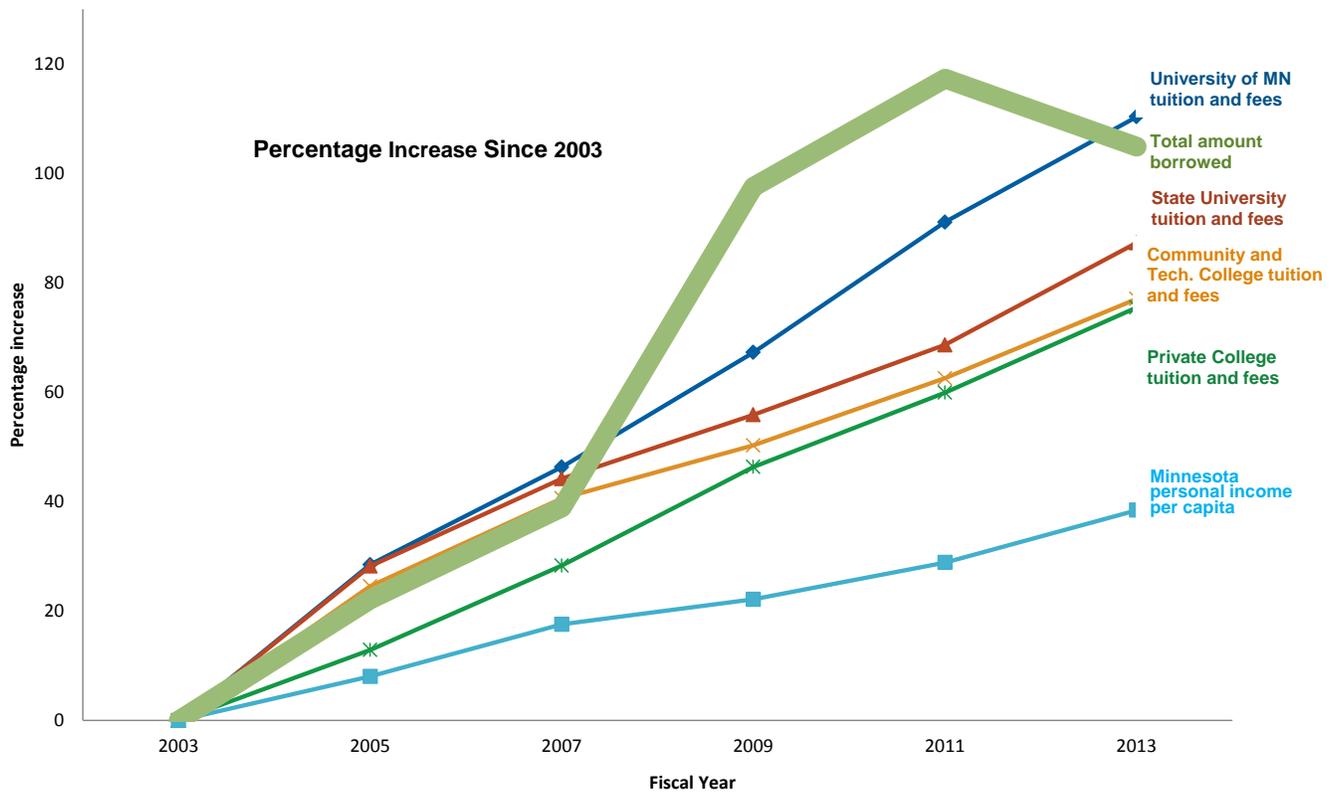


Source: Minnesota Office of Higher Education, Financial Aid Awarded Survey

Undergraduate borrowing outpaced tuition and fee increases from 2003 to 2011, but fell slightly from 2011 to 2013. The decrease in total borrowing may be a function of enrollment declines from 2011 to 2013.

Tuition and fees increased faster than per capita personal income. Per capita personal income is total earnings for Minnesotans divided by the midyear population in Minnesota. In 2013, per capita income for Minnesotans was \$47,894.

Figure 6: Total Amount Borrowed Increased Faster Than Tuition or Income from 2001 to 2013, but Borrowing Decreased from 2011 to 2013



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

Federal Student Loans

The vast majority of student borrowing is through the federal Direct Stafford Loan Program.

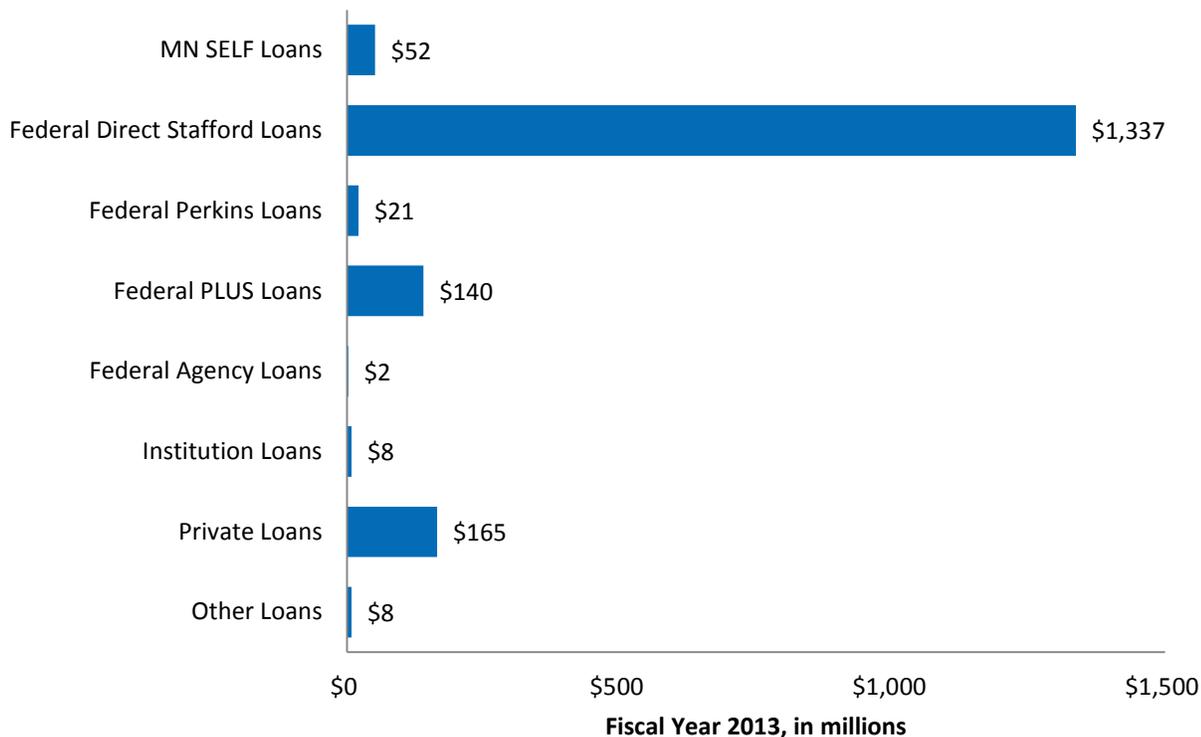
Federal Direct Stafford Loans

The Federal Direct Stafford Loan program includes subsidized and unsubsidized loans and is the largest student loan program. Students with financial need could borrow subsidized loans and interest was not charged on their loans while they were enrolled in postsecondary education. Unsubsidized loans went to students without financial need and to those who needed to borrow more than the annual limit on subsidized loans. Interest on unsubsidized loans was charged while the student was enrolled. In Fiscal Year 2013, the interest rate on Federal Direct Subsidized Loans was 3.4 percent and the interest rate on Federal Direct Unsubsidized Loans was 6.8 percent.

Minnesota undergraduates borrowed \$644 million in subsidized Stafford Loans and \$693 million in unsubsidized Stafford loans in 2013, for a total of \$1.337 billion. This was a six percent decrease from borrowing levels in 2011. The average amount Minnesota undergraduates borrowed in 2013 was \$3,565

in subsidized loans and \$3,748 in unsubsidized loans. This was a decrease of four percent, respectively, from the averages for 2011, which were \$3,706 for subsidized loans and \$3,884 for unsubsidized loans.

Figure 7: Federal Direct Stafford Student Loans Are the Largest Category of Loans



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

Other Federal Student Loans

Federal Perkins Loans go to students with exceptional financial need. In 2013, \$21 million in Perkins Loans went to 10,000 Minnesotans, an increase of 22 percent from 2011. In addition, \$2 million in Federal Agency Loans (agencies other than the U.S. Department of Education) went to Minnesota undergraduates in 2013.

Federal Parent Loans (PLUS Loans)

Parents of undergraduates are able to borrow through the federal PLUS loan program and \$140 million went to parents of Minnesota undergraduates in 2013; a 13 percent decrease from 2011. Eligibility standards for PLUS loans in 2013 were more stringent than in previous years - potential borrowers whose credit reports showed debt turned over to a collection agency were denied PLUS loans beginning in October 2011.

Minnesota SELF Loans

The Minnesota Office of Higher Education administers the SELF Loan program, a state loan program for borrowers needing to borrow more than the federal annual loan maximums. In 2013, \$52 million was loaned to 8,367 undergraduates; a 26 percent decrease in the total amount borrowed from 2011. The number of loans decreased 38 percent from 2011 to 2013.

Much of the decrease is related to a federal requirement called the “preferred lender requirement.” Since 2010, the preferred lender requirement prohibits colleges from recommending non-federal loans unless they undergo a process in which they request information on loan terms and conditions from lenders. Many campuses choose not to participate in this process due to time constraints and thus are not allowed to tell students about the Minnesota SELF Loan.

Loans from Postsecondary Institutions

Institutional loans are funded by postsecondary institutions. Undergraduates borrowed \$8 million in institutional loans in 2013, compared with \$2 million in 2011. Institutional loan amounts returned to roughly the same levels as those in 2009, when \$9 million in institutional loans was lent to Minnesota undergraduates.

Private Student Loans and Other Loans

In 2013, \$165 million in loans from private lenders went to Minnesota undergraduates, a slight decrease from \$167 million lent to undergraduates in 2011. The federal preferred lender requirement restricts institutions from recommending private lenders unless the school goes through a process that requests information on loan terms and conditions from lenders. Private loan volume has dropped since this requirement was enacted.

“Other loans” are loans not fitting one of the categories identified above. Examples of “other loans” are loans administered by other states such as the State of North Dakota’s loan program, distributed to North Dakotans attending institutions in Minnesota. Minnesota undergraduates borrowed \$8 million in loans from other sources in 2013.

Earnings from Federal and State Work-Study Jobs

Work-study jobs, campus jobs and off-campus jobs allow students to earn money to pay for a portion of their postsecondary education. Work-study jobs are arranged by postsecondary institutions. Most work-study positions were on-campus, but a small percentage of positions were with other employers. Federal or state funding provides 75 percent of the wages with the remaining 25 percent allocated from postsecondary institutional funds. If an institution provides more than 25 percent funding, either funded students can work additional hours, or the eligible pool of federal work-study workers can expand.

Federal Work-Study

In 2013, 15,200 students attending Minnesota institutions earned \$27 million from federal work-study jobs, an increase of four percent from \$26 million in 2011. The \$27 million was a combination of federal funds and institutional matching funds.

State Work-Study

In 2013, 10,600 students earned \$20 million in state work-study funds in 2013, up three percent from 2011.

Other Student Jobs

Only funds from government funded work-study jobs are included in this survey. The following types of wages earned by students are not included:

- Students who work on campus but are paid with institutional funds that are not subsidized by the federal or state government.
- Students who work on campus but for employers (vendors) providing campus services, such as a contract food service company. Students are paid directly by the employer and not the postsecondary institution.
- Students who have earnings from off-campus jobs.