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Assigned Family Efforts of Families of Dependent Students

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Table of Contents

Introduction	G-3
Income Associated with the 1986 Peaks	G-4
Income Associated with the 2007 Peaks	G-5
Median Income for Family Size of Four	G-6
Income Quintiles	G-7
Findings	G-10

Dr. Gerald Setter died unexpectedly in 2008 after completing most of the in-depth analysis reflected in this report. The Office of Higher Education is grateful for his thoughtful insight, hard work and nearly 30-year commitment to public service.

Introduction

This report analyzes families' payment assignments for their dependent students using the current Minnesota State Grant policy for the period, Fiscal Years 1986-2007. In *Overview of the Design for Shared Responsibility*, Assigned Family Responsibilities were defined and their role was described.

Essentially, students and their families report incomes and net worth on the Free Application for Federal Student Aid. The federal government assesses family incomes and net worth through the Federal Need Analysis and determines the Expected Family Contribution, which is what a family is expected to pay for postsecondary education. Minnesota uses the definitions and rates in the Federal Need Analysis, but alters the results when determining the Assigned Family Responsibilities used to award Minnesota State Grants. Specifically, Minnesota's Assigned Family Responsibilities do not include an assessment of or contribution from dependent student income and net worth. Further, Minnesota uses only 96 percent of the federal parent contribution.

This report analyzes Assigned Family Responsibilities as it relates to the family's income. Assigned Family Efforts are defined as Assigned Family Responsibilities divided by parental income. As such, Assigned Family Efforts reflect a measure of effort required of families to pay their Assigned Family Responsibilities. Specifically, changes for families with the highest Assigned Family Efforts, the peaks in Fiscal Years 1986 and 2007, are described. Changes in the Assigned Family Efforts for families earning the Minnesota median income for families of four and by income quintiles are also presented.

Income Associated with the 1986 Peaks

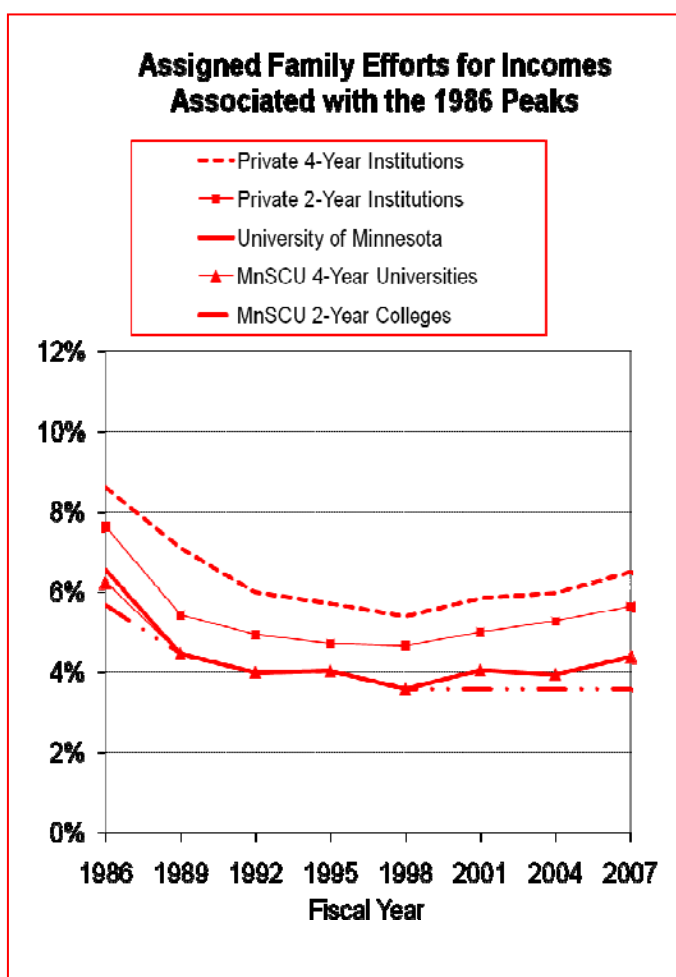
This section analyzes the change in Assigned Family Efforts at family incomes associated with peak efforts in Fiscal Year 1986. Specifically, this section answers the question, “How have families at income levels associated with peak efforts in Fiscal Year 1986 been assessed in subsequent years?” The following table describes the income groups where the peak Assigned Family Efforts occurred in Fiscal Years 1986:

Students Attending	Income Group Where the 1986 Peak Occurred
MnSCU 2-Year Colleges	\$30-\$35,000
MnSCU 4-Year Universities	\$30-\$35,000
University of Minnesota	\$30-\$35,000
Minnesota Private 2-Year Institutions	\$35-\$40,000
Minnesota Private 4-Year Institutions	\$40-\$45,000

The impact on families in the peak income groups in Fiscal Year 1986 is shown on the chart to the right. For example, for typical dependent students attending MnSCU two-year colleges, the Fiscal Year 1986 peak occurred at parental incomes of \$30–\$35,000, as shown on the table above. For families in that income group, Assigned Family Efforts decreased from 5.7 percent of adjusted gross income between Fiscal Years 1986 and 2007, as shown by the bottom line on the chart to the right.

There was a similar decrease over time for typical dependent students in the other four institutional groups, as depicted by the other lines on the chart.

Most of the change in the peaks in Assigned Family Efforts occurred early in the period, reflecting, in part, the shift downward in Assigned Family Responsibilities between Fiscal Years 1986 and 1989.



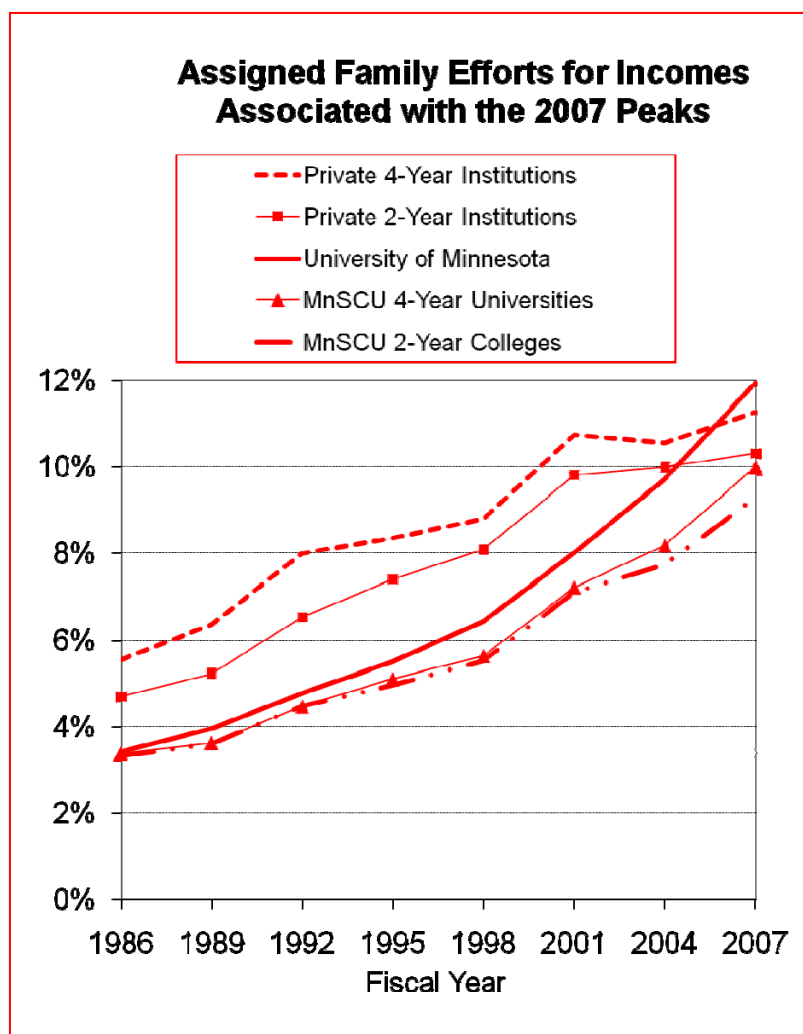
Income Associated with the 2007 Peaks

This section analyzes the change in Assigned Family Efforts at family incomes associated with peak efforts in Fiscal Year 2007. Specifically, this section answers the question, how have families at income levels associated with peak efforts in Fiscal Year 2007 been assessed in prior years? The following table describes the income groups where the peak Assigned Family Efforts occurred in Fiscal Years 2007:

Students Attending	Income Group Where the 2007 Peak Occurred
MnSCU 2-Year Colleges	\$55-\$60,000
MnSCU 4-Year Universities	\$60-\$65,000
University of Minnesota	\$65-\$70,000
Minnesota Private 2-Year Institutions	\$60-\$65,000
Minnesota Private 4-Year Institutions	\$65-\$70,000

The impact on families in the peak income groups in Fiscal Year 2007 are shown on the chart to the right. For example, for typical dependent students attending MnSCU two-year colleges, the Fiscal Year 2007 peak occurred at parental incomes of \$55-\$60,000, as shown on the table above. For families in that income group, Assigned Family Efforts increased from 3.6 percent to 9.3 percent of adjusted gross income, as shown by the bottom line on the chart to the right.

Assigned Family Efforts have increased in all but one case for families in the income ranges associated with the peak efforts in Fiscal Year 2007. The increases were a result of increasing prices. The drop between Fiscal Years 2001 and 2004 for typical dependent students attending private four-year institutions was due to the slow growth of recognized prices resulting from the small increases in state mandated Tuition and Fee Maximums during this period.



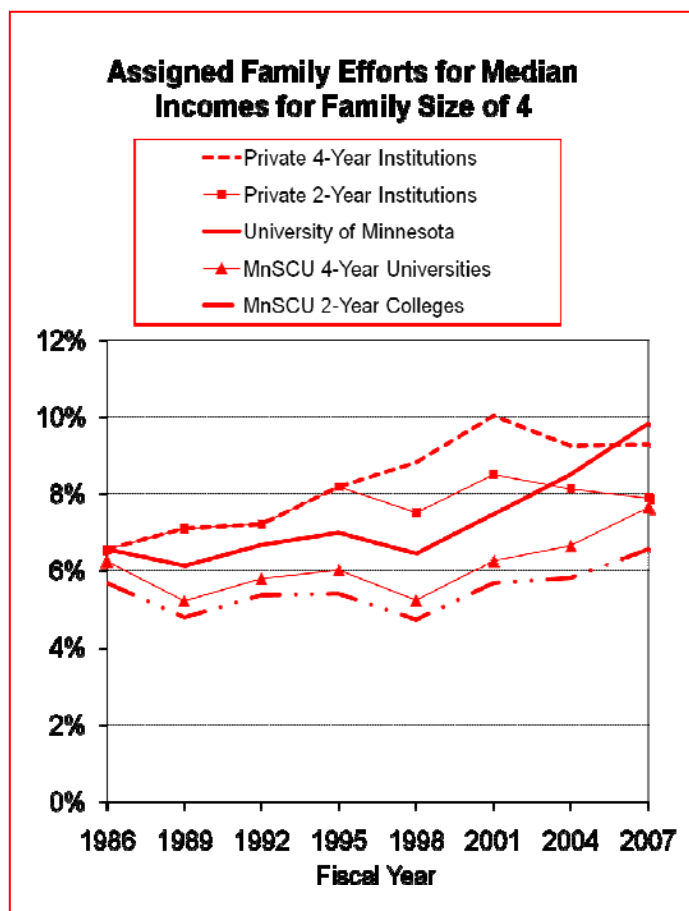
Median Income for Family Size of Four

This section analyzes the changes in Assigned Family Efforts for families at the Minnesota median income for a family size of four for the period, Fiscal Years 1986-2007. U.S. Census Bureau data for the median income for Minnesota families of four is shown in the table to the right:¹

Fiscal Year	Median Income Household Size = 4
1986	\$36,746
1989	\$42,365
1992	\$46,322
1995	\$54,396
1998	\$67,704
2001	\$72,635
2004	\$78,829
2007	\$80,522

Assigned Family Efforts of families of four with dependent students attending MnSCU two-year colleges decreased from 5.7 percent of income for families earning \$36,746 in 1986 to 4.7 percent for families earning \$67,704 in 1998 and then increased to 6.6 percent in Fiscal Year 2007, as shown on the bottom line on the chart below.²

Assigned Family Efforts of families of four with dependent students attending Minnesota private four-year institutions increased from 6.5 percent to 10 percent between Fiscal Years 1986 and 2001 before decreasing to 9.3 percent in Fiscal Year 2007, as shown by the top line. The decrease between Fiscal Years 2001 and 2007 is due to the small state mandated increases in Tuition and Fee Maximums during this period.



¹ For 1986-2003, used the Minnesota value from the median income for four-person families, by State [www.census.gov/hhes/income/4person.html (January 13, 2006)]. For 2004, used the Minnesota value in the *Federal Register* Notice, published on February 28, 2006 (70 FR 10037-10039) [www.acf.dhhs.gov/programs/liheap/guidance/information_memoranda/im06-05.html#A (June 13, 2006)]. For 2005, used the Minnesota value reported in www.acf.hhs.gov/programs/liheap/guidance/information_memoranda/im07-02.html#atta (September 11, 2007). For 2006 and 2007, a two percent per year increase was assumed.

² For this analysis, family income reported by the Census Bureau was set equal to the Adjusted Gross Income used in calculating Minnesota State Grants.

Income Quintiles

This section analyzes the changes in Assigned Family Efforts by income quintiles for the period, Fiscal Years 1986-2007. Quintiles divide the income distribution into five groups with an equal number of families in each group. The one-fifth of families with the lowest incomes are in the first quintile, for example. The family with the highest income in the first quintile is at the 20th percentile of all families. The numbers in the following table represent the family with the highest income in each quintile as reported by the U.S. Census Bureau for United States' families.³ Since the population is not limited to Minnesota, the varying changes in population and families in other states effect the values reported.⁴

Fiscal Year	20th Percentile	40th Percentile	60th Percentile	80th Percentile
1986	\$14,000	\$24,100	\$35,120	\$50,570
1989	\$16,003	\$28,000	\$40,800	\$59,550
1992	\$16,713	\$29,674	\$44,000	\$64,050
1995	\$19,070	\$32,985	\$48,985	\$72,260
1998	\$21,600	\$37,692	\$56,020	\$83,693
2001	\$24,000	\$41,127	\$62,500	\$94,150
2004	\$24,772	\$43,400	\$65,818	\$100,000
2007	\$26,651	\$46,840	\$71,063	\$107,265

For families at the 20th percentile, incomes increased from \$14,000 to \$26,651 between 1986 and 2007. Assigned Family Efforts for these families were at zero in 1986 and increased to one to three percent after 1995, as shown in Panel 1 on page G-9. All families, regardless of the price

³ U.S. Census Bureau Table F-1. Income Limits for Each Fifth and Top 5 Percent of Families (All Races): 1947 to 2005 [www.census.gov/hhes/www/income/histinc/f01ar.html (August 22, 2007)]. For 2006 and 2007, it was assumed all values would increase by two percent per year.

⁴ At least for 2004, it appears that Minnesota has a higher concentration of families in the middle income (40th and 60th percentiles) compared to the national distribution as shown in the following table:

Percentile	Based on National Data	Based on Minnesota Data from the American Community Survey
20th Percentile	\$24,780	\$29,000
40th Percentile	\$43,400	\$52,000
60th Percentile	\$65,832	\$72,000
80th Percentile	\$100,000	\$102,000

American Community Survey is conducted by the U.S. Census Bureau. 2004 PUMS data for Minnesota was downloaded from factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_lang=en&_ts=143547961449. For further information about the American Community Survey, see www.census.gov/acs/www/.

of the institution chosen, were to the left and below the peak Assigned Family Efforts in each year between 1986 and 2007.⁵

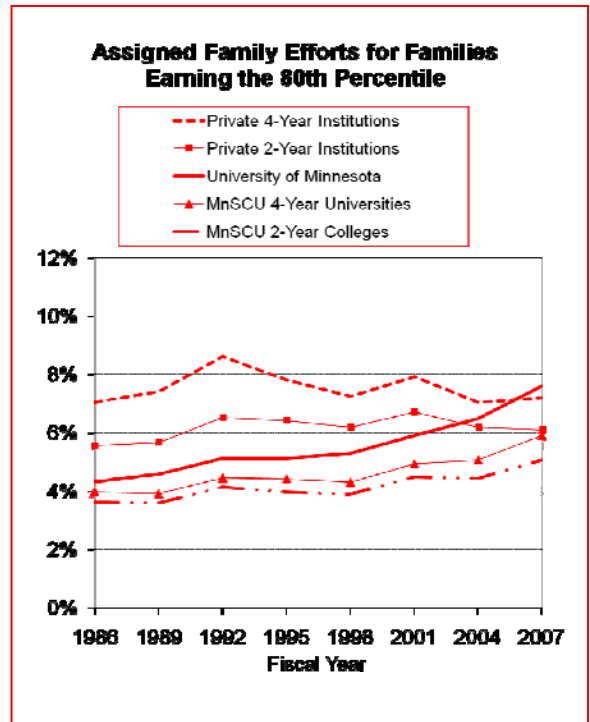
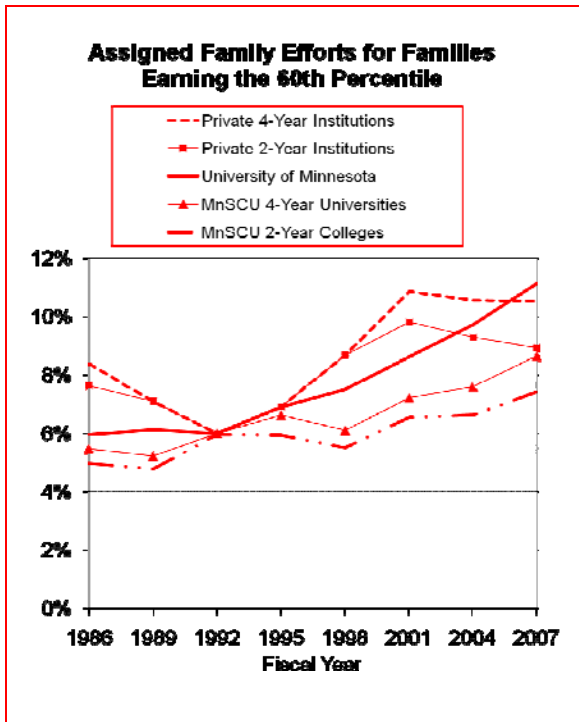
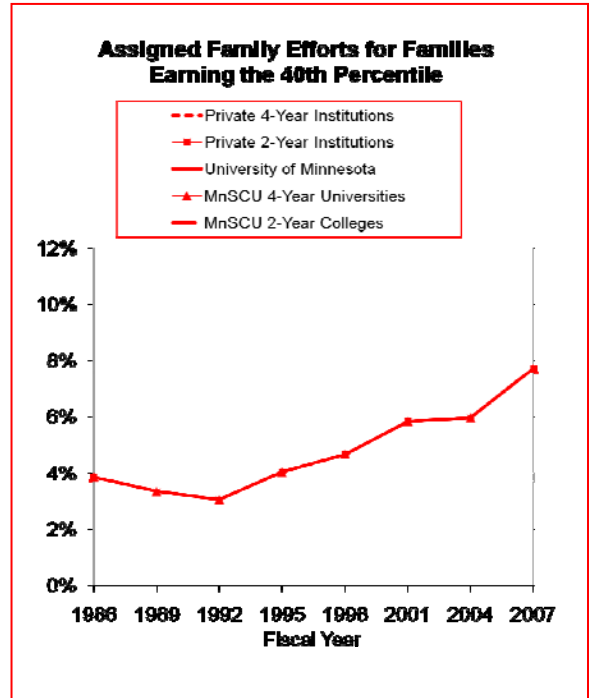
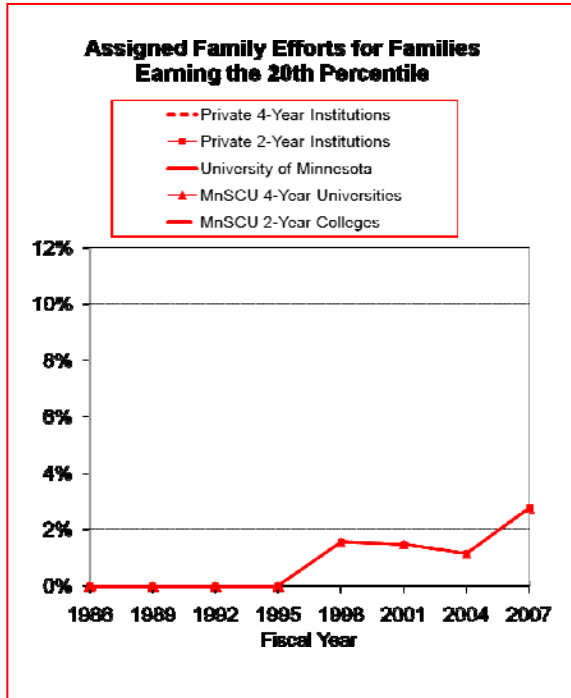
For families at the 40th percentile, incomes increased from \$24,100 to \$47,763 between 1986 and 2007. Assigned Family Efforts for these families decreased from about four percent to three percent between 1986 and 1992. From 1992 to 2007, Assigned Family Efforts rose to about eight percent, as shown on Panel 2 on the next page. All families at the 40th percentile, regardless of the price of the institution chosen, were to the left and below the peak Assigned Family Efforts in each year between 1986 and 2007.

For families at the 60th percentile, incomes increased from \$35,120 to \$72,464 between 1986 and 2007. Assigned Family Efforts for these families decreased or remained flat until about 1998, as shown on the Panel 3 on the next page. In 1992, all families faced the same Assigned Family Effort as a chance result of the interactions of Recognized Prices, incomes, and the parameters of the Minnesota State Grant program. Assigned Family Efforts for families with students attending public institutions have generally increased since 1992. The decreases in Assigned Family Efforts for families with students attending private institutions was the result of small state mandated increases in tuition and fee maximums used to calculate Minnesota State Grants. Families at the 60th income percentile were more likely to be at or near the peak of Assigned Family Efforts than families at the other four percentiles examined regardless of the price of institution attended.

For families at the 80th percentile, incomes increased from \$50,570 to \$107,265 between 1986 and 2007. Assigned Family Efforts for these families with a member attending a Minnesota public institution showed modest growth over the period, as shown on Panel 4 of the next page. The volatility in Assigned Family Efforts for families with a student attending a private institution was a result of the small state mandated increases in the Tuition and Fee Maximums. Families at the 80th percentile were unlikely to receive Minnesota State Grants in any of the years unless the family was supporting a relatively large number of dependents or had other special circumstances. In any case, families at the 80th percentile were below the peak Assigned Family Efforts between 1986 and 2007.

⁵ As with median incomes for four-person families, for this analysis, family income reported by the Census Bureau was set equal to the Adjusted Gross Income used in calculating Minnesota State Grants.

Assigned Family Efforts for Dependent Students, 20th, 40th, 60th, and 80th Percentiles



Findings

As the price of attending Minnesota postsecondary institutions has increased since 1986, the percentage of family income needed to cover the Assigned Family Responsibility has also increased. Further, as family income increases, the share of the Recognized Price of Attendance assigned to families also increases. Since 1986, most families participating in the Minnesota State Grant program have been expected to contribute more towards college costs relative to their incomes:

- The Assigned Family Effort for a family of four with a dependent student attending Minnesota's private four-year institutions increased from 6.5 percent to 10 percent from Fiscal Year 1986 and 2001 before decreasing to 9.3 percent in Fiscal Year 2007. The decrease between Fiscal Years 2001 and 2007 is due to small increases in the state-mandated Tuition and Fee Maximums during this period.
- Since 1986, the peak Assigned Family Effort for students attending other types of institutions has increased and affected more families in the middle of the income spectrum. The peak Assigned Family Efforts for families with students attending the University of Minnesota, for example, increased from about seven percent of incomes of approximately \$30,000 in 1986 to roughly 12 percent of \$70,000 incomes in 2007. In both cases, the peaks occurred at incomes slightly less than the median incomes of families of four in Minnesota as well as slightly less than the 60th percentile of incomes reported for all families in the United States.
- Families at the 40th and the 60th income percentiles experienced the most dramatic increases in their Assigned Family Efforts between 1986 and 2007. For families with students attending the University of Minnesota, for example, Assigned Family Efforts increased by roughly four percentage points at the 40th percentile and nearly five points at the 60th percentile. Similar, although less dramatic, increases were observed for families with students choosing other institutions.

It is important to note that the Assigned Family Efforts examined in this section may be artificially low for many families, given the price constraints applied within the Design for Shared Responsibility. The state-mandated Tuition and Fee Maximums used to construct the price of attendance represent less than half of the actual tuition and fees charged by private institutions. Further, the Living and Miscellaneous Expense allowance set in statute is less than the federal poverty threshold and the non-tuition and fee expenses used in most campus budgets used to award other types of financial aid. Without these price constraints, Assigned Family Efforts would be higher than those shown in this section.