

# **Research in Action:**

## How Families and Students Pay for College in Minnesota

**AIRUM Conference**  
**October 29, 2009**

# Overview

- **Context:** Why do the study:
  - What we know about the costs of postsecondary education
  - What we don't know about how students and families meet those costs
- **Research in action**
  - Goals for the study
  - Research design, methodology
  - Preliminary information, findings
  - Steps for further analysis

## Context: Role of the Agency

The Minnesota Office of Higher Education is a cabinet-level state agency with the following roles:

- Provide students with financial aid programs and information to help them gain access to postsecondary education.
- Serve as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, finance, and trends.

## Role of the Agency (con't.)

- Administer the Minnesota State Grant program;
- Oversee tuition reciprocity programs, the SELF student loan program, Minnesota's 529 college savings program, institutional licensing, and an early awareness outreach initiative for youth;
- Help support and develop the state's education technology infrastructure and library programs.

## Origin of the Study

- Statutory requirement to study the issue as part of an in-depth review of the Minnesota State Grant program.
- The State Grant is a need-based grant that targets aid to students based on the price of attendance and the income and financial resources of the students and their families.
- Students must be Minnesota residents attending a Minnesota postsecondary institution.

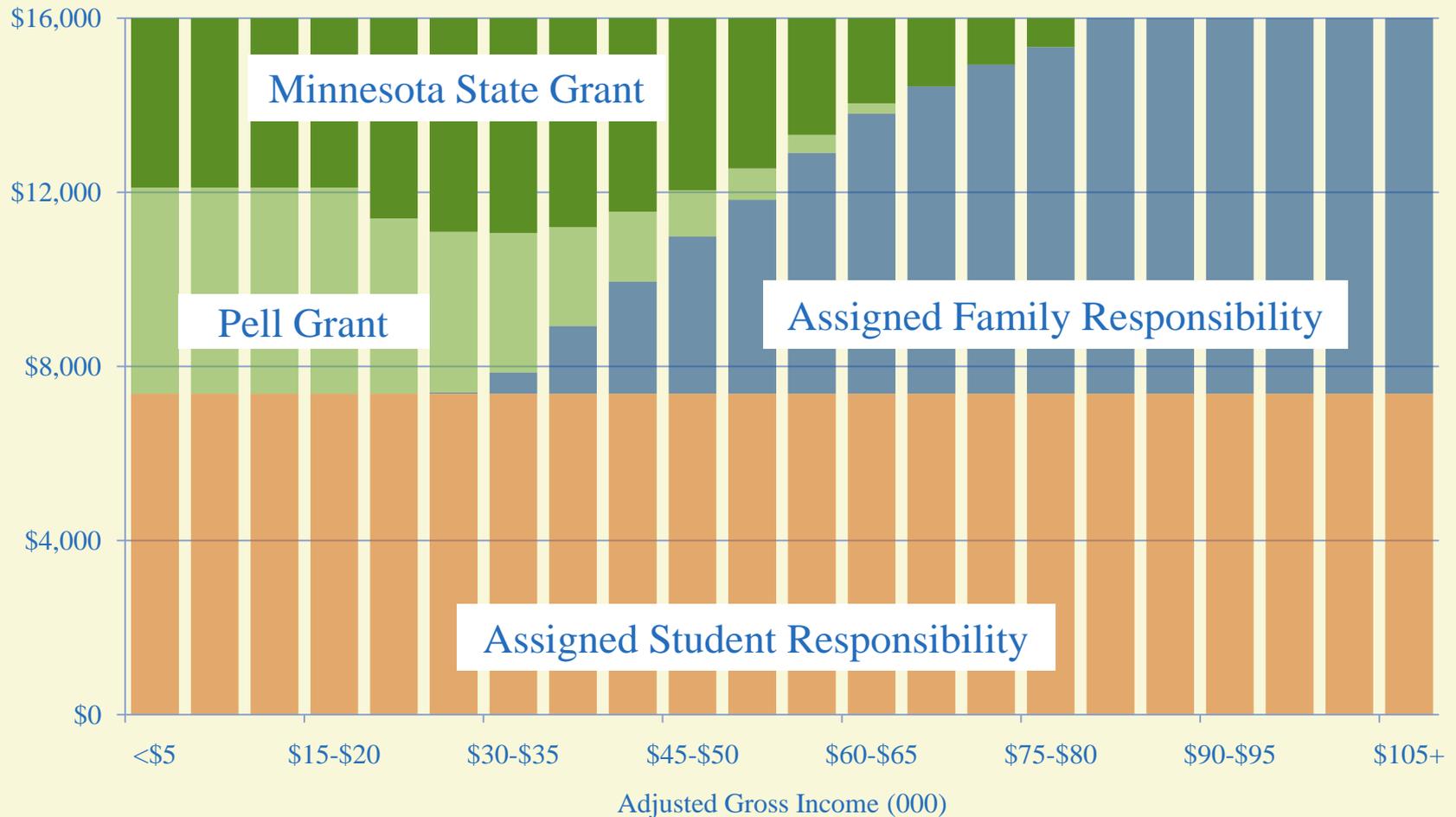
## State Grant Recipients, 2008

Type of Institution Attended	Number of Recipients	Combined Federal Pell and Minnesota State Grants (millions)	Minnesota State Grants (millions)
MnSCU Two-Year Colleges	34,140	\$100.12	\$30.83
MnSCU Four-Year Universities	12,541	\$45.78	\$24.15
University of Minnesota	9,665	\$47.98	\$32.82
Minnesota Private Non-Profit Institutions	12,812	\$60.53	\$40.49
Minnesota Private For-Profit Institutions	14,088	\$46.64	\$20.38
<b>Total</b>	<b>83,246</b>	<b>\$301.05</b>	<b>\$148.67</b>

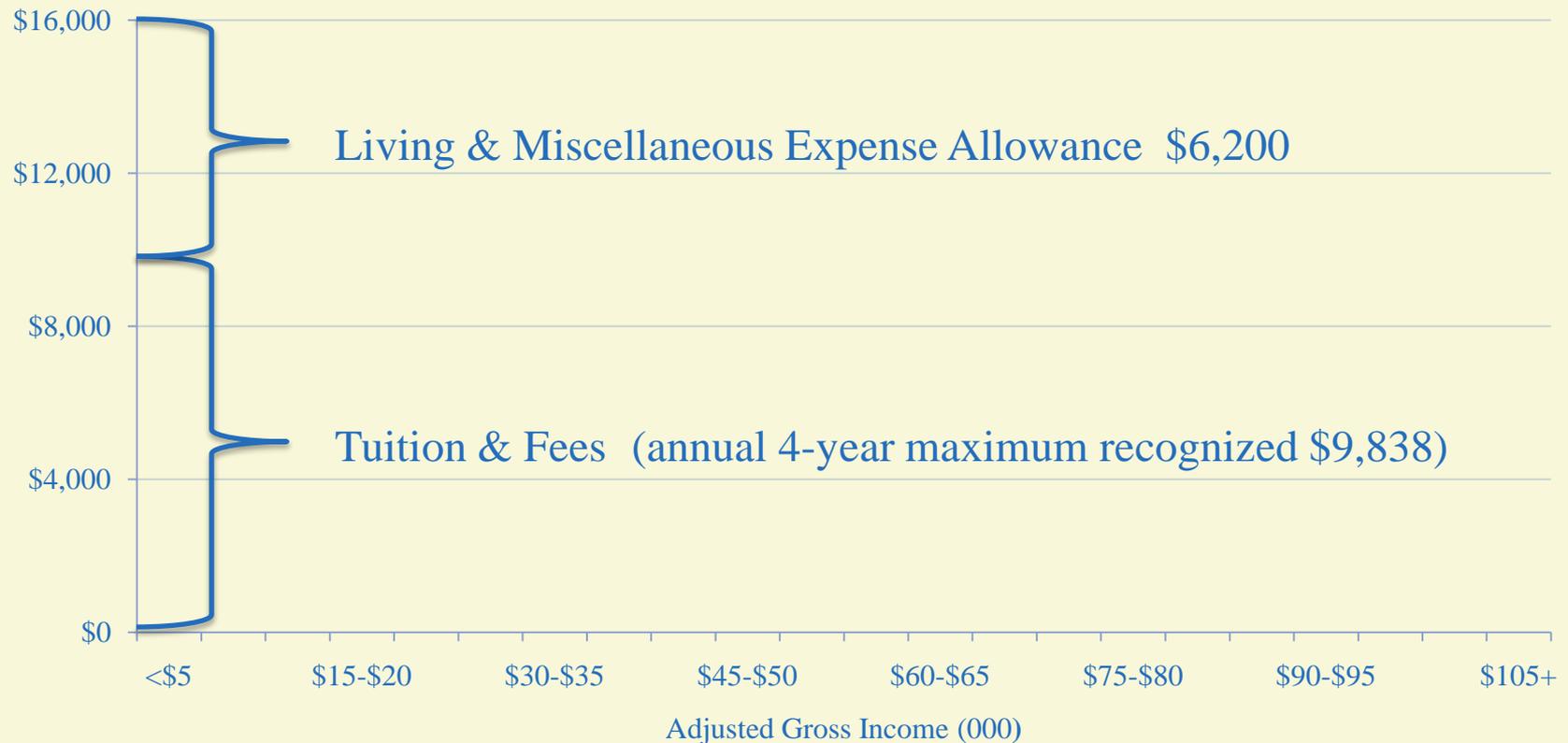
## Origin of the Study (con't.)

- The legislatively mandated review required an “*analysis of the ways that students and families pay*” for the cost of attendance not covered by the State Grant.

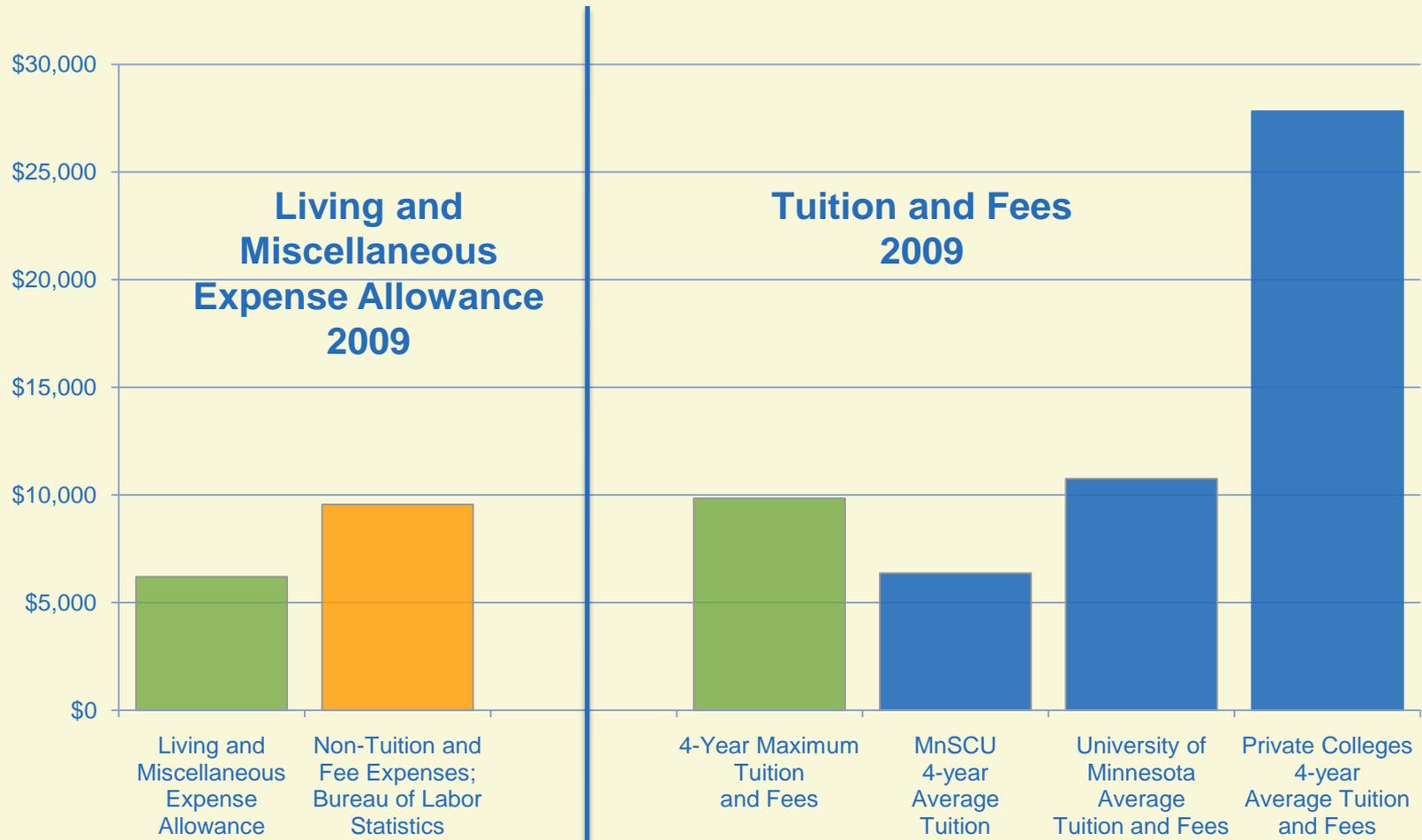
# Paying for College: Students, Families, Taxpayers and the State Grant Model



# Recognized Price of Attendance: Set in Statute



# Current Law Compared to Family Realities



# Findings from Review

- We know much about the costs of attendance, but
- We know little about how students and families actually meet those costs,
  - Including how students and families meet the actual costs of attendance not recognized by the State Grant model.

## Findings from Review (con't.)

- National data may not adequately capture realities for students and families within the state.
- Reliable data at state level dates back to 1991.
- Families use a variety of strategies to pay for college, which complicates aid models.

# Usage of College Financing Strategies

	(% of families)			
	<b>Total</b>	<b>Private non-profit four-year</b>	<b>Public four-year</b>	<b>Public two-year</b>
Used money from regular job	62.6	66.6	64.5	52.9
Money from savings, money markets, or CDs	52.9	58.6	54.1	44.6
Worked more hours at job(s)	17.8	14.5	15	33.5
Take on extra job	15.7	17.3	15.1	16.3
Use retirement funds for education expenses	13.5	14.2	12.9	16.6
Other funds	12	13.1	12.3	9.4
Borrow money	10	12.3	9.6	7.6
Tuition prepayment plan	7.5	10.3	6.9	4
Second mortgage/refinance real estate	7.3	8.9	7	6.7
US Education Savings Bonds	7	6.7	6.6	8.9
Trust funds	3.2	6.3	2.9	1.1
<b>Number of strategies used</b>	<b>3.3</b>	<b>3.6</b>	<b>3.2</b>	<b>3</b>

Source: The Impact of Paying for College on Family Finances (2000)

# How America Pays for College

- National study of college students and parents conducted by Gallup for Sallie Mae.
- Annual telephone survey begun in 2008.
- Uses Gallup Panel Households and national listed samples of undergraduate students.
- Includes undergraduates at both public and private institutions, for-profit and non-profit, and online institutions.

# How America Pays for College (con't.)

- Focus of survey is on how the “average American family” pays for postsecondary education.
- State-level analysis is not viable, and subgroup analysis in the national sample is less reliable.
- Overall sampling error at the 95% confidence interval:  $\pm 3\%$ ; parent-only or student-only subsets:  $\pm 5\%$ .

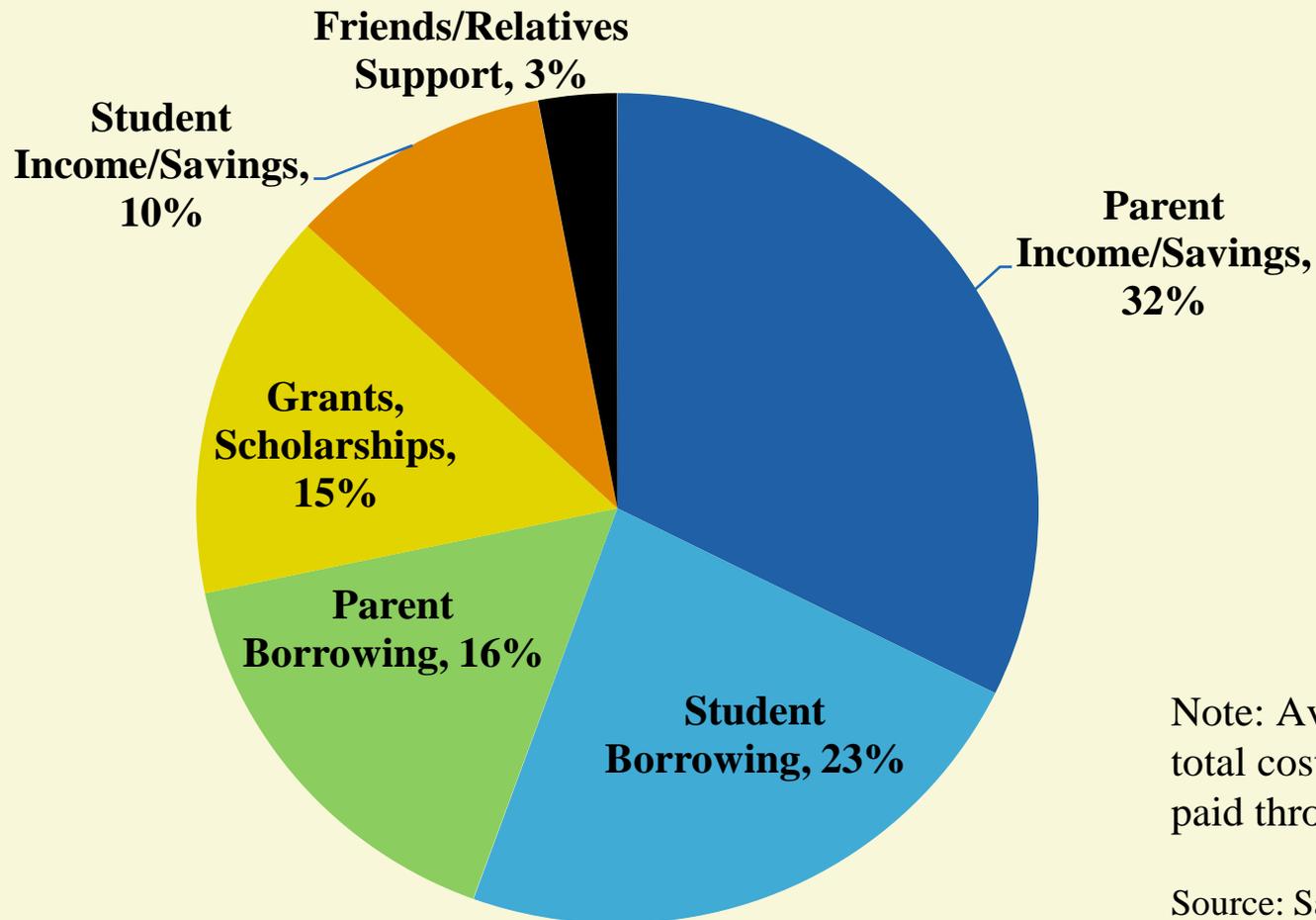
## How America Pays for College (con't.)

- 2008 survey: 684 undergraduates and 720 parents of undergraduates ages 18-24 who had been enrolled during 2007-08.
- 2009 survey: 800 undergraduate students and 804 parents of undergraduates ages 18-24 enrolled during 2008-09.

## How America Pays for College (con't.)

- Surveys cover four major areas: **cost of attendance, funding sources** used, **cost considerations** (such as whether students/families eliminated a college based on cost and when they did so) and **attitudes and perceptions** (such as the perceived value of college and students' course of action without student loan availability).

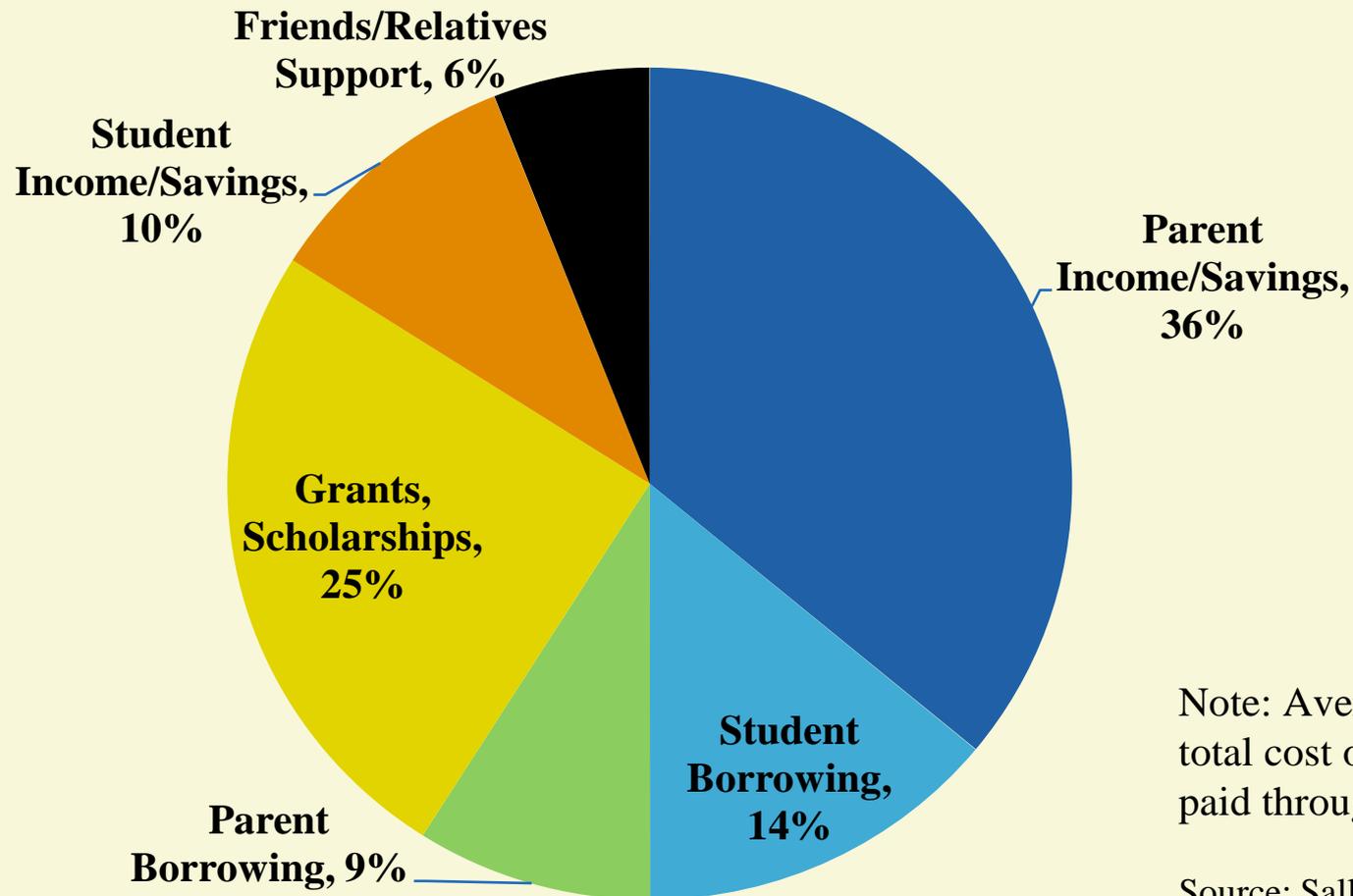
## Funding Sources Composite, 2008



Note: Average percent of total cost of attendance paid through each source.

Source: Sallie Mae

# Funding Sources Composite, 2009



Note: Average percent of total cost of attendance paid through each source.

Source: Sallie Mae

## Use of Funding Sources and Average Amounts, 2007-09

Non-Borrowed Sources	% of Total Families		Average Amount	
	2008	2009	2008	2009
<b>Parent income and savings</b>				
Current income	38%	55%	\$5,815	\$7,175
College savings plan	9%	11%	\$7,964	\$7,312
Retirement savings withdrawal	3%	3%	\$4,763	\$5,318
Other savings	12%	14%	\$5,907	\$7,776
<b>Student income and savings</b>				
Savings	19%	25%	\$2,689	\$3,791
Scholarships	17%	40%	\$6,166	\$6,907
Current Income	17%	26%	\$3,226	\$2,369
Grants	14%	30%	\$5,135	\$5,109
Federal Work-Study	3%	5%	\$2,249	\$1,893
Other non-borrowed money	4%	2%	\$2,981	\$5,749
<b>Relatives and friends</b>	12%	17%	\$3,485	\$5,496

## Use of Funding Sources and Average Amounts, 2007-09

<b>Borrowing</b>	% of Total Families		Average Amount	
	2007-08	2008-09	2007-08	2008-09
<b>Parent borrowing</b>				
Federal Parent PLUS Loan	6%	8%	\$10,701	\$7,664
Private education loans	4%	5%	\$6,910	\$8,401
Home equity	3%	3%	\$10,853	\$8,028
Credit cards	3%	5%	\$5,822	\$3,886
Retirement account loan	1%	3%	\$6,299	\$5,762
Other loans	5%	1%	\$9,894	\$5,471
<b>Student borrowing</b>				
Federal loans	28%	25%	\$5,075	\$5,327
Private education loans	8%	12%	\$7,694	\$7,516
Credit cards	3%	5%	\$2,542	\$2,812
Other loans	8%	2%	\$7,922	\$5,819

# National Postsecondary Student Aid Survey (NPSAS)

- 114,000 undergraduates nationally who attended a postsecondary institution between 7/1/07 and 6/30/08.
- Approximately 8,500 Minnesota undergraduates
- Findings: a larger percentage of students borrowed in Minnesota than in peer states and nationally across all attendance categories

# National Postsecondary Student Aid Survey (NPSAS) (con't.)

- More Minnesota students had student loans (54%) than in the peer states and nationally (39%) across all income categories.
- Students classified as independent also borrowed in higher amounts in Minnesota.
- More Minnesota students applied for federal aid (65% compared to 58% nationally) and more received grants or scholarships (58% to 52%).

# Ways and Means: How Minnesota Families Pay for College (1992)

- Minnesota Private College Research Foundation with a grant from the Lilly Endowment.
- Surveyed 8,001 freshman, sophomores, and juniors who attended the University of Minnesota, a Minnesota State University, or one of the private non-profit baccalaureate institutions in Fall 1991.
- Surveys were sent to parents of dependent students and independent students: Overall response rate of 68.7%.

# Ways and Means: How Minnesota Families Pay for College (1992)

- Used a random sample proportional to institutions and population characteristics.
- Key Findings: Parent contributions exceeded the federal methodology across institutions; families with incomes below \$40,000 exceeded expected contributions under the federal model 5 times.
- Traditional aid models emphasizing family income may not serve independent/non-traditional students
- Families do not plan well for college costs, and financial aid is underutilized.

# Research in Action: OHE Study

- Through a formal RFP process, selected WestEd, a non-profit educational research firm
- Key aspects of their research design:
  - Survey sample size of 13,500
  - Stratified random design that includes all institutional sectors in the state
  - Analytic team that including Ed St. John

## Research in Action (con't.)

- Other aspects: mixed method web and paper survey.
- All students/families receive a paper version and a unique access code for the identical web version.
- Student and parent information directly from the institutions.

# Research Project Team

- Represent the diversity of postsecondary institutional types in the state
- Team members from system offices and institutions:
  - **Minnesota State Colleges and Universities:** 3 team members: from the system office, community and technical colleges, and the state universities
  - **Minnesota Career College Association:** 2 team members: association leaders/faculty members
  - **University of Minnesota:** 2 team members: from financial aid and academic affairs
  - **Minnesota Private College Council:** 2 team members: from the Council and from an institution
  - **Office of Higher Education:** 4 team members, including the directors of research and financial aid

# Research Focus:

- Undergraduate education
- Minnesota residents attending a Minnesota postsecondary institution
- Students classified as degree-seeking
- Non-PSEO students
- All institutional types: two-year and four-year, for-profit and non-profit
- All public institutions; all private institutions within MPCC and MCCA

# Guiding Research Question

- How do Minnesota students and families pay for college?
  - Get at the “black box” of unknown information on how students and families meet the costs of college—what financial aid/institutional research offices don’t know.
  - What decisions, trade-offs do students and families make in the college planning and selection processes; how do costs impact their persistence and longer-term outcomes?

# Institutional Participation:

- University of Minnesota:
  - All four-year institutions
- Minnesota State Colleges and Universities:
  - All institutions, two-year and four-year
- Private Non-Profit Institutions:
  - 15 of the 17 four-year institutions in the Minnesota Private College Council
- Private For-Profit Institutions:
  - 13 of the 14 two- and four-year institutions in the Minnesota Career College Association

# Student Data Collected from the Institutions

- Institution name
- Student name
- Unique identifier for student
- Student gender
- Student birth date
- Student ethnicity
- Permanent address
- Local address
- Student email address
- Student phone number
- Parent email address
- Parent phone number
- Year of High School graduation
- First enrollment term at institution
- Type of program (Diploma / Certificate / Associate / Bachelor's)
- Major(s)/program of study
- Enrollment status (Full-Time / Part-Time)
- Total credits accumulated (including credits transferred into institution)
- Student level (freshman, sophomore, junior, senior)
- Credit load for most recent term
- 2008-09 FAFSA filed (yes/no)
- FAFSA Dependency Status
- Known Financial Aid Awarded

## Students in the Sample:

Minnesota residents, undergraduate, degree seeking, non-PSEO, enrolled between Fall 2008-Summer 2009

University of Minnesota	28,626
Career Colleges	17,086
Private Colleges and Universities	28,466
Community and Technical Colleges	123,783
State Universities	66,502
Total	264,463

# Survey Data: From Students and Parents

- Surveys sent to parents of dependent students and independent students
- Topic areas:
  - Costs of College,
  - Paying for College,
  - Planning for College,
  - Financial and Demographic Information.

# Organization of the Sample Groups

- Information from the institutions includes a variable on whether the student submitted a FAFSA for 2008-09.
- If the student HAS submitted a FAFSA, then the school also provides the “dependency status” of the student:
  - “Dependent” or “Independent” according the determination of their FAFSA details.
- Students that have NOT submitted a FAFSA are categorized as “Dependent” if the student is less than 24 years of age, and “Independent” if the student is 24 years of age or older.

## Organization of the Sample Groups (con't.)

<b>Dependent Students</b> <b>Survey Completed by Parent(s)</b>	<b>Independent Students</b> <b>Survey Completed by Student</b>
<ul style="list-style-type: none"> <li>•Students with FAFSA filed and</li> <li>•Classified by college as dependent</li> </ul>	<ul style="list-style-type: none"> <li>•Students with FAFSA filed and</li> <li>•Classified by college as independent</li> </ul>
<ul style="list-style-type: none"> <li>•Students without a FAFSA and</li> <li>•Younger than 24 years of age</li> </ul>	<ul style="list-style-type: none"> <li>•Students without a FAFSA and</li> <li>•Age 24 or older</li> </ul>

# Sampling Plan: Stratified Random

- A total of 13,500 surveys have been distributed with an expected response rate of 40% to 50%.
- Students will be grouped into five strata based on the type of institution they attend
- Surveys will be spread equally across the five strata (2,700 within each layer).

# Stratification Based on Institutional Type

Institutional Types/Strata	Number of Institutions Sampled*	Number of Administered Surveys	Expected Number of Completed Surveys**
Community and Technical Colleges	25	2,700	1,080
Minnesota State Universities	7	2,700	1,080
University of Minnesota	4	2,700	1,080
Private Career Schools	13	2,700	1,080
Private Colleges and Universities	15	2,700	1,080
Total	64	13,500	5,400

\* All campuses of an institution are in the sample.

\*\*The expected number of completed surveys is based on a response rate of 40%.

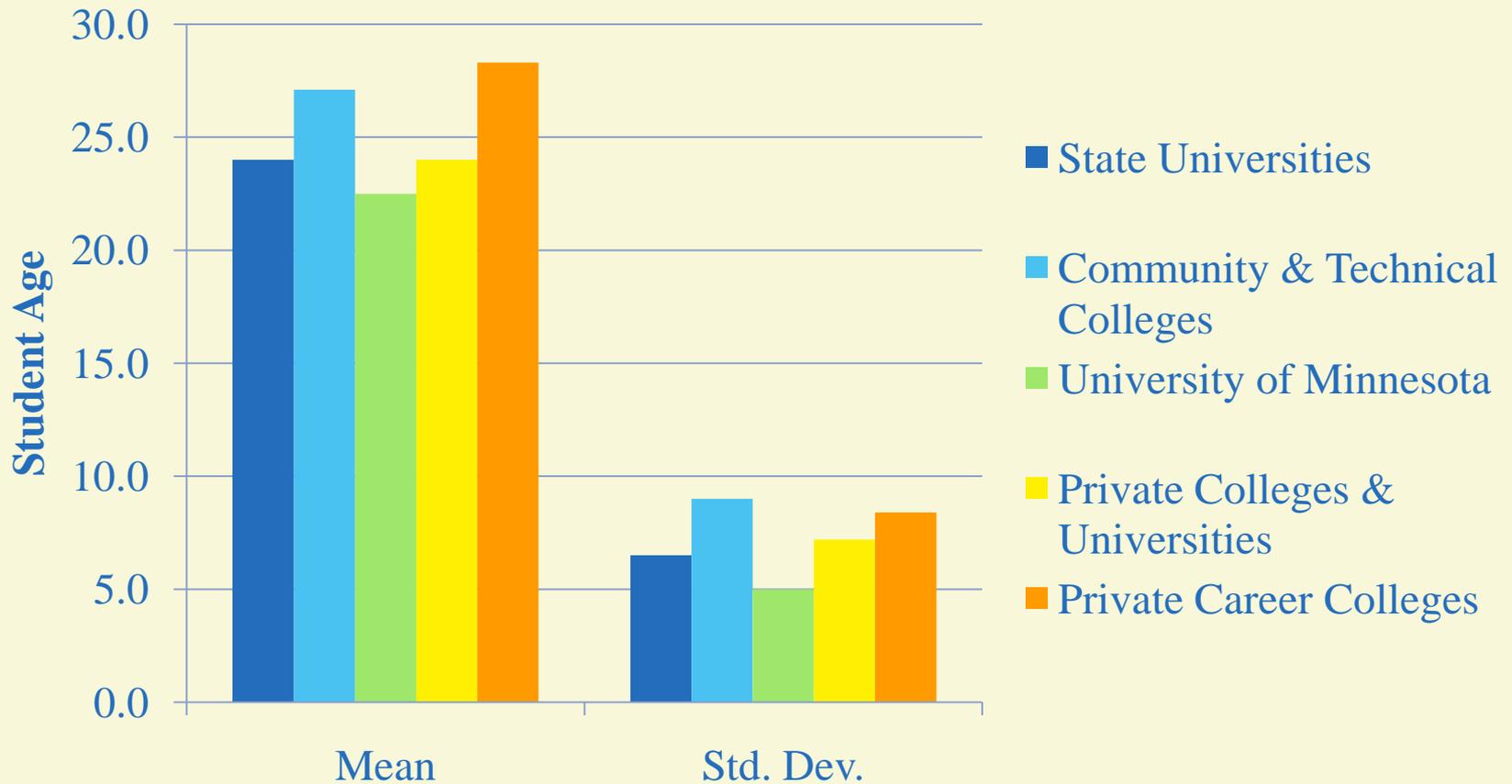
## Sampling Plan: Stratified Random (con't.)

- Emphasis on precision within each stratum as opposed to for each institution.
  - Balance between manageability of survey sample size,
  - Data that will be informative for state-level policy as well as institutional sectors.
- As a result of the equal allocation across the strata based on the institutional types, sampling weights will be utilized to obtain estimates for the full population of students in postsecondary education institutions in the state.

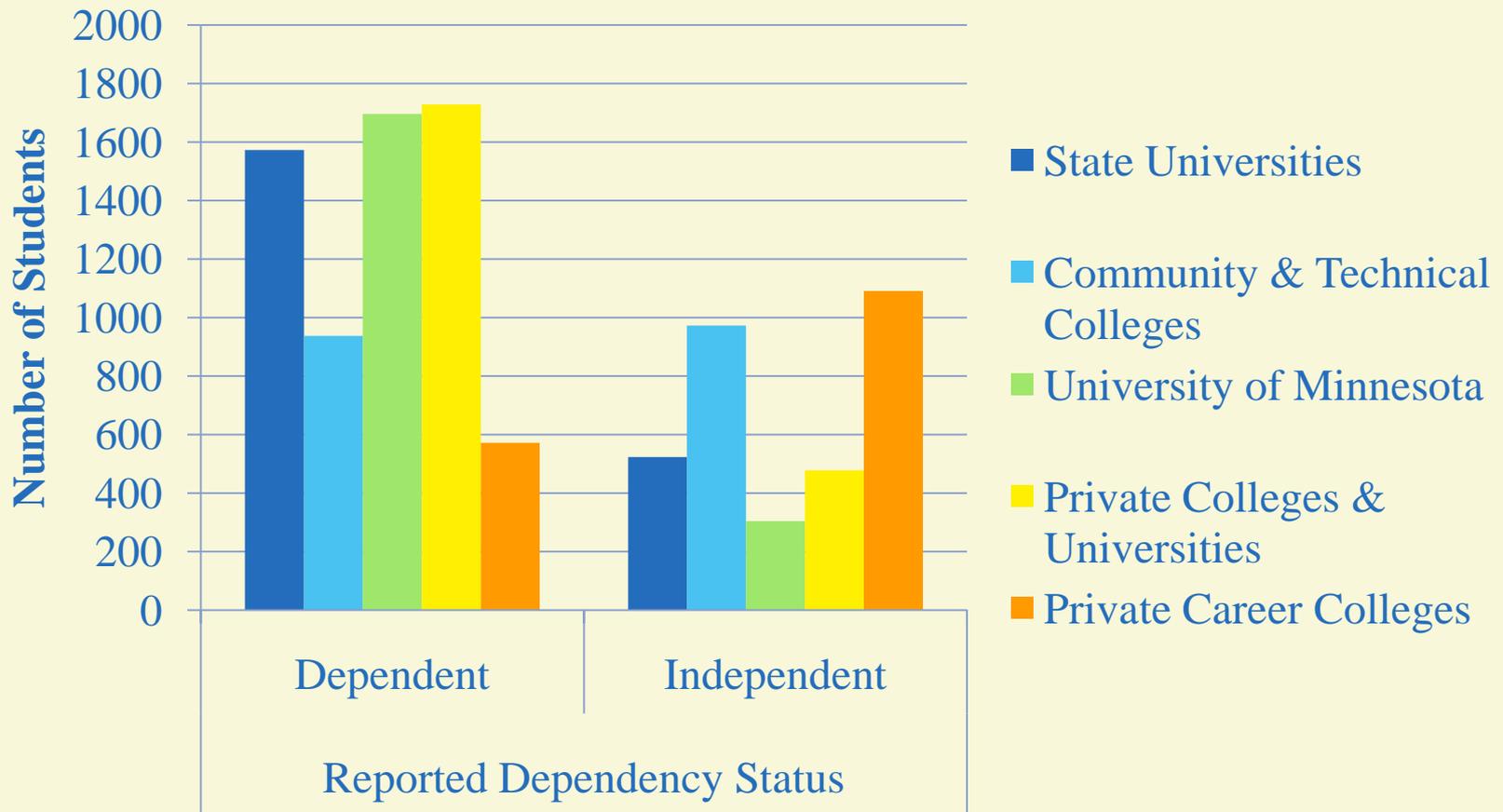
## Sampling by Institution within Each Sector

- Students are grouped within each stratum based on the specific institution they attend.
- In each stratum, the 2,700 surveys are allocated proportionally to institutional enrollment.
- For example, since 4,043 Minnesota residents attending Bemidji State University represent 8% of the Minnesota resident students attending a Minnesota State University, 216 of the 2,700 surveyed students/families will target students or families of students attending Bemidji State University.

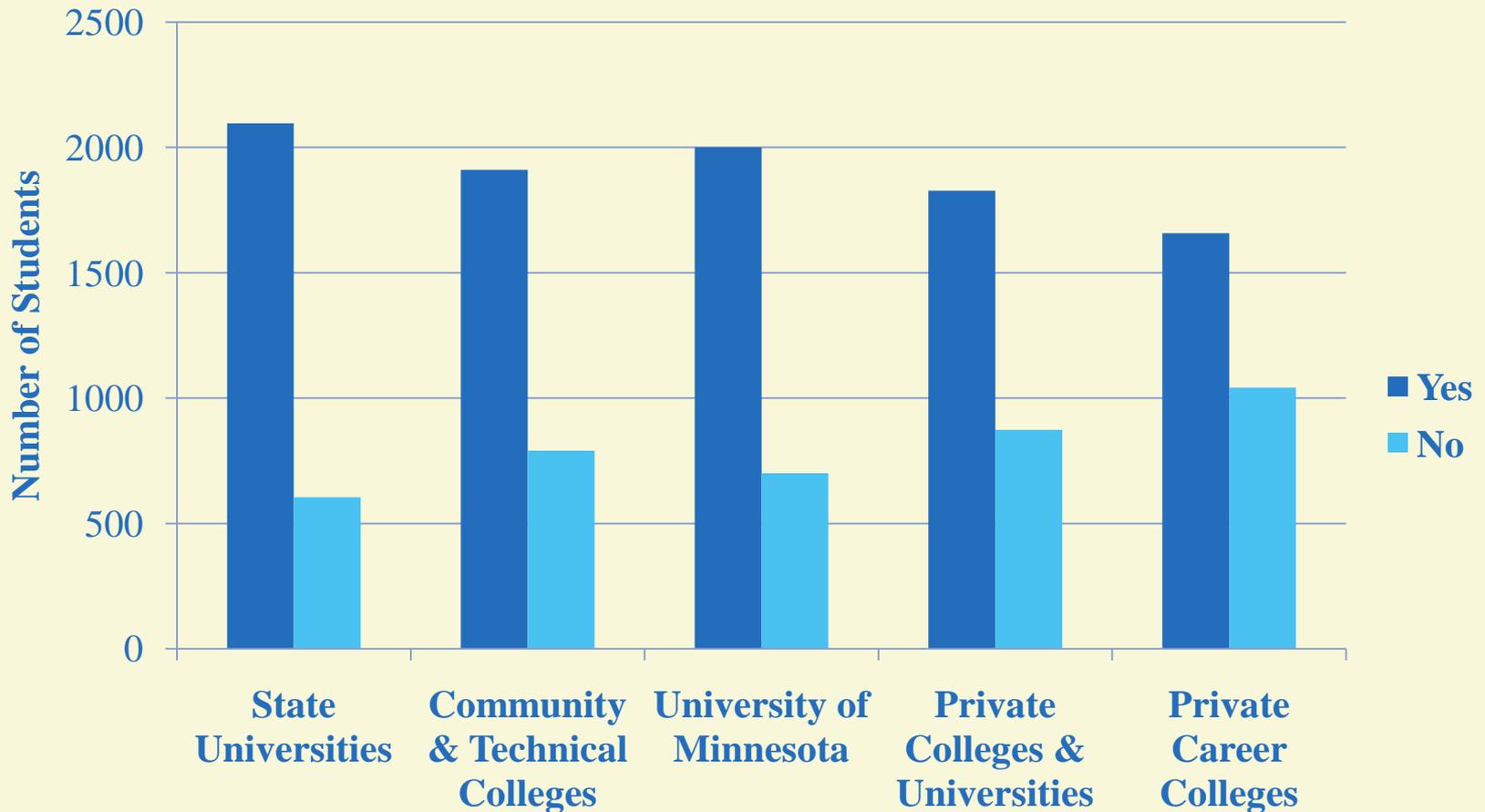
## Sample Data: Student Age



## Sample Data: Dependency Status



## Sample Data: FAFSA Filers



# Student Survey Questions: FAFSA Filing

Did you submit a FAFSA for the 2008-2009 academic year?

(If no) I didn't submit a FAFSA because:

- Didn't think I would qualify for financial aid
- Didn't need financial aid
- Found the FAFSA form/process too complicated
- Received aid from sources that didn't require a FAFSA
- Didn't think submitting a FAFSA was important
- Didn't know what a FAFSA was
- Other (please specify)

# Further Analysis

- Grounded research: Focus Groups
  - Independent students and families of dependent students who responded to the survey
  - Outstate and metro-area groups
  - To explore further the extent to which cost considerations impacted a students' choice, persistence, graduation; and the trade-offs and decision-making processes of students/families during the process of planning and paying for college.
  - Can also inform outreach efforts for college awareness, access.

# Questions?

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# Resources:

- **Minnesota State Grant Review 2008**

<http://www.ohe.state.mn.us/mPg.cfm?pageID=1556>

- **How Families Pay for College: An Analysis of National and State-Level Survey Research**

<http://www.ohe.state.mn.us/pdf/SGR9-HowFamiliesPayforCollege.pdf>

- **Ways and Means: How Minnesota Families Pay for College, 1992, Minnesota Private College Council**

- **Sallie Mae/Gallup Studies**

[http://www.salliemae.com/about/news\\_info/research/how\\_america\\_pays/](http://www.salliemae.com/about/news_info/research/how_america_pays/)