MINNESOTA
PRIVATE
COLLEGE
COUNCIL

April 3, 2025

Dear Chair Fateh and Committee members:

The member institutions of the Minnesota Private College Council are deeply grateful for the Senate's commitment to investing $100 million in new funding for the Higher Education budget. Thank you for working to make higher education a priority in this difficult budget year.

The investment of up to $100 million in the State Grant program can go a long way toward easing the reduction in State Grants for the more than 80,000 students that would be eligible for State Grants in the coming two years. We hope you will invest as much as possible in the State Grant program with the resources allocated to the committee.

The following are our perspectives on the amendments before the committee today:

<u>We support the A-1amendment offered by Senator Clark</u> and thank him for proposing this approach to address the State Grant deficit.

With an investment of $100 million through the A-1 amendment, it is possible to provide State Grants to all eligible students – including the increase of about 12,000 students over the next two years – at the same grant parameters that were in effect in the FY23 academic year.

- This proposal restores a fair level of funding for all students eligible for grants while ensuring that 24,000 students won't be entirely eliminated from eligibility due to rationing.
- These parameters worked well for the program in FY23 and helped support a rise in college enrollment the following two years.
- This proposal focuses on maintaining the core components of the program and prevents a significant increase in the share of college costs that lower-income students and their families are expected to pay.

With $100 million of additional funding for the State Grant program, the student share of college costs and the family share of college costs can be held at the current statutory levels for all students – minimizing or avoiding the increases in what students and families are expected to pay under State Grant rationing.

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We recognize this approach involves a tradeoff between the benefit of a negative SAI and lowering expected family contributions through the lower ASR and AFR. We also support a negative SAI. These are difficult choices and we hope the committee will invest the maximum amount of resources in reducing the State Grant deficit under any approach it takes.

We oppose the A-4 amendment which creates an endowment tax. An endowment tax reduces institutional resources that hold down tuition for students while helping to provide a quality education for them. A tax on an endowment is ultimately borne by students in the form of higher tuition, less institutional financial aid, or a lower level of educational quality and student support. We oppose the provisions of the A-7 and A10 amendments that reduce the level of tuition recognized in the State Grant formula. Current law ensures that no student at a nonprofit institution receives a higher grant than they would at the University of Minnesota-Twin Cities campus.

When the tuition recognized in the State Grant formula is not reasonably aligned with the realities of costs students face, it does not provide students access to all of the higher education options in the State and it makes completing a degree extremely difficult. Tuition is higher at nonprofit institutions than at the Minnesota State institutions because nonprofit institutions do not receive the significant tuition subsidy that every student at a Minnesota State institution receives through the State's direct institutional appropriation to the system. The current tuition maximum in the State Grant program recognizes and is aligned with this reality.

State Grant recipients and the State will get the best outcomes when each low-income student has the ability to enroll in the institution they believe will serve them best. At the same time that the State Grant makes a limited but reasonable investment in low-income students who choose a nonprofit college, nonprofit colleges also make a significant commitment to affordability for State Grant recipients. For every dollar of State and federal financial aid a student receives at a nonprofit college, our institutions provide $6 in institutional aid, making the State Grant program a highly effective partnership for both students and the state's prosperity.

As you assemble your omnibus bill, we ask that you take these perspectives into consideration.

Thank you for your efforts to make higher education success possible for the students who face the highest barriers to earning a degree or credential.

Sincerely,

Paul Cerkvenik