Summary

The state's reciprocity program has expanded options for students, but provisions governing tuition levels and interstate payments merit review.

Major Findings

- Minnesota’s tuition reciprocity agreements with Wisconsin, North Dakota, and South Dakota have expanded the choices available to college students, but the agreements vary in the tuition rates charged to participants and the interstate payments that result (pp. 11, 43-58).

- South Dakota has not made a payment to Minnesota in recent years—contrary to the requirements of South Dakota law and the original Minnesota-South Dakota agreement (p. 52). Also, Minnesota’s agreement with North Dakota is based on a less accurate measure of costs and tuition paid than the method used in Minnesota’s agreement with Wisconsin (p. 55).

- Reciprocity students from Wisconsin usually pay tuition rates at Minnesota schools that are less than those paid by Minnesota residents at these schools (p. 12). The Minnesota-Wisconsin agreement could be amended so that Wisconsin residents at Minnesota schools are charged resident tuition, but there are potential enrollment and fiscal impacts that merit careful consideration (pp. 49-51).

- Minnesotans cited academic preferences more than other factors as an important reason they decided to attend school outside Minnesota, according to a survey we conducted. However, most Minnesotans who attended school in a reciprocity state said that they would not have been willing to pay nonresident tuition to attend that school (pp. 29-30).

- There has been a modest net outflow of reciprocity students from Minnesota to states with which Minnesota has tuition reciprocity agreements, but a significant percentage of departing students return to Minnesota to work after graduating from college (pp. 19, 37).

Recommendations

- The Minnesota Higher Education Services Office (HESO) should work with its counterpart agencies in neighboring states to seek (1) consistency in the tuition surcharges applied to Wisconsin residents at the University of Minnesota’s campuses (p. 50), (2) collection of annual payments from South Dakota (p. 53), and (3) changes in the way that interstate payments are computed under the Minnesota-North Dakota agreement (p. 53).

- The Legislature should (1) require HESO to submit additional information to legislative committees regarding the reciprocity program (p. 63), (2) require periodic legislative reauthorization of the reciprocity program (p. 63), and (3) authorize HESO to collect additional data on reciprocity students (p. 42).

Report Summary

Minnesota entered into its first interstate tuition reciprocity agreement—with Wisconsin—in the late 1960s. Such agreements allow students to attend a public college or university outside their home state without having to pay the standard nonresident tuition rate. Many states have interstate tuition reciprocity programs that pertain to a limited number of schools, programs, or geographic areas within the states. In contrast, Minnesota has *statewide* tuition reciprocity agreements with Wisconsin, North Dakota, and South Dakota—open to all residents of these states, and with participation by all public higher education institutions.[1]

Minnesota has statewide reciprocity agreements with Wisconsin, North Dakota, and South Dakota.

Reciprocity Agreements Have Provided Students with More Affordable, Convenient Academic Options

Minnesota law defines one purpose for the tuition reciprocity program: improved "educational advantages" for students. By reducing the tuition at out-of-state schools, the program provides students with more affordable or convenient educational options. In a survey of about 600 Minnesotans attending school in reciprocity states, we found that 57 percent of respondents said that the program and course options at their reciprocity state schools were preferable to those at the Minnesota schools they considered attending. Respondents most often cited academic factors as a key reason they left Minnesota to attend school.

On the other hand, only 15 percent of reciprocity students from Minnesota said that they would have been willing and able to pay nonresident tuition to attend the out-of-state school they selected. Among students who said they would *not* have paid nonresident tuition, most said they would have attended a Minnesota school if the reciprocity program had not existed.

The patterns of enrollment in Minnesota's reciprocity program partly reflect the location of participating states' population centers and public higher education institutions. For example, about 3,500 Minnesotans attended two University of Wisconsin schools (River Falls and Superior) in Fall 2002 that were, on average, less than 50 miles from their residences. Nearly half of the River Falls students in Fall 2002 were from Minnesota, mostly from the Twin Cities area. Likewise, more than one-third of the students at Minnesota State University-Moorhead and Northwest Technical College in northwestern Minnesota were reciprocity students, mainly from North Dakota.

In addition, large research universities exert considerable "pull" on students from reciprocity states, sometimes attracting students from considerable distances. For example, the University of Minnesota-Twin Cities and the University of Wisconsin-Madison attracted more than 9,000 reciprocity students in Fall 2002, from an average distance of 230 miles from home.

Some Inconsistencies in Reciprocity Agreements Should be Changed

State law initially authorized Minnesota's participation in interstate reciprocity agreements, but administrative agencies have exercised considerable discretion to implement program details. The agreements are negotiated by the Minnesota Higher Education Services Office (HESO) and

1 In addition, a small number of students participate in Minnesota's tuition reciprocity agreements with Manitoba (covering all public institutions) and Iowa (covering two colleges in northern Iowa and southern Minnesota).

its counterpart agencies in other states, and they are subject to approval by Minnesota's public higher education governing boards. There are important variations in Minnesota's reciprocity agreements with Wisconsin, North Dakota, and South Dakota.

Wisconsin reciprocity students at Minnesota schools usually pay lower tuition than Minnesota residents at these schools.

Under Minnesota's present agreements, most Wisconsin residents attending school in Minnesota pay Wisconsin resident tuition rates, while most North Dakota and South Dakota residents attending school in Minnesota pay Minnesota resident tuition rates. Most of Wisconsin's undergraduate resident tuition rates are lower than Minnesota's rates, sometimes substantially lower. Consequently, Minnesotans paid 28 percent more to attend the University of Minnesota-Twin Cities than did Wisconsin residents in 2002-03, and Minnesotans paid 49 percent more to attend the University of Minnesota-Duluth.

Raising the tuition charged to Wisconsin residents at Minnesota schools could discourage some Wisconsin students from enrolling in Minnesota, with adverse impacts on certain Minnesota campuses. In addition, such a tuition increase would increase Minnesota taxpayers' financial obligation to Wisconsin, according to the terms of the Minnesota-Wisconsin agreement. The agreement requires annual interstate payments, to account for differences in the reciprocity students' instructional costs borne by the two states. For the 2001-02 school year, Wisconsin paid Minnesota \$300,000 to compensate for the fact that Minnesota taxpayers bore slightly higher instructional costs for Wisconsin residents at Minnesota schools than Wisconsin taxpayers bore for Minnesotans at Wisconsin schools. If Wisconsin residents had been charged the same tuition rates at Minnesota schools in 2001-02 that Minnesota residents were charged at these schools, the Minnesota-Wisconsin reciprocity agreement would have obligated Minnesota to make a payment of about \$6 million to Wisconsin for that year.[2] Legislators could offset these higher interstate payments by having the State of Minnesota capture some or all of the new tuition revenues from Wisconsin students that would otherwise go to Minnesota's public colleges and universities.

The merits of charging resident tuition to reciprocity students from Wisconsin are debatable, and this report offers no recommendation. But, at a minimum, the Minnesota-Wisconsin agreement should be modified to ensure consistency in the rates that Wisconsin students pay at the University of Minnesota's campuses. The agreement now requires a surcharge on Wisconsin students at the university's Twin Cities campus, which helps narrow the gap between the tuition charged to Wisconsin and Minnesota residents. Such a surcharge could be applied to the university's other three campuses with a fairly limited increase in Minnesota's financial obligation to Wisconsin.

In addition, the method of computing the interstate payments required by the Minnesota-North Dakota agreement is less accurate than the method used to compute the Minnesota-Wisconsin payment, and HESO should seek changes. In fact, the North Dakota agreement, unlike the Wisconsin agreement, would not allow Minnesota to receive an interstate payment unless

2 The Minnesota-Wisconsin interstate payment is determined by comparing the amount of reciprocity students' instructional costs borne by the respective states. Charging higher tuition to Wisconsin residents at Minnesota schools would have reduced Minnesota's public costs for these students, and the cost to Wisconsin taxpayers for instructing Minnesota residents would have significantly exceeded the cost to Minnesota taxpayers of instructing Wisconsin residents. The \$6 million estimate assumes no changes in enrollment resulting from the tuition increase.

State law should require periodic legislative reauthorization of the reciprocity program.

more students came to Minnesota under the agreement than left Minnesota.

Also, due to an understanding reached between staff with the South Dakota Board of Regents and HESO, there has been no interstate payment between South Dakota and Minnesota for many years. Nevertheless, such a payment is required by the Minnesota-South Dakota reciprocity agreement and South Dakota law. Because Minnesota serves more students and bears a disproportionate share of the costs under this agreement, it would gain financially from a reinstatement of interstate payments.

To improve accountability and address inconsistencies, this report recommends that the Minnesota Legislature play a stronger role in oversight of the reciprocity agreements. State law should require HESO to provide legislative higher education committees with annual interstate memoranda related to the agreements, as well as worksheets showing interstate payment calculations. Also, the law should require periodic legislative reauthorization of the reciprocity program—perhaps every five years.

Many Minnesota Students Who Attend College in a Reciprocity State Return to Minnesota to Work

Nearly 22,000 Minnesota residents attended public colleges or universities in Wisconsin, North Dakota, or South Dakota in Fall 2002. Meanwhile, more than 18,000 residents of these three states attended public institutions in Minnesota, so there was a small net outflow of reciprocity students from Minnesota.

To evaluate the impact of the reciprocity program, however, it is important to consider not only where participants attend college but also where they seek employment after graduation. Such information could help the state assess its workforce and education strategies. Minnesota policy makers receive little ongoing data on the post-graduation employment of reciprocity students, and the Legislature should authorize HESO to collect the data needed for these analyses.

We conducted a limited review, examining the extent to which one year's graduates had Minnesota earnings three years after completing school. More than 60 percent of Minnesota residents who finished college in Wisconsin, North Dakota, or South Dakota in the 1997-98 school year had earnings in Minnesota during 2001. About half of the reciprocity students who graduated from schools in these states had Minnesota earnings exceeding $20,000 in 2001.

Data also suggest that, in recent years, a substantial number of students from reciprocity states stayed in Minnesota after graduating from Minnesota institutions. Notably, 47 percent of reciprocity students who graduated from the University of Minnesota in 1997-98 had Minnesota earnings in 2001. In addition, 35 percent of reciprocity students who graduated from Minnesota State Colleges and Universities (MnSCU) institutions in 1997-98 had Minnesota earnings three years later.[3]

3 The percentage of reciprocity student graduates with 2001 Minnesota earnings exceeding $20,000 was 39 percent for the University of Minnesota and 24 percent for MnSCU.