



Priced Out:

Making College More Affordable for Low-Income Marylanders

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By 2025, Maryland leaders want to ensure that at least 55 percent of state residents have a college degree.¹ The benefits are clear. Increasing the education level of the workforce will help individuals achieve self-sufficiency and build a competitive and marketable labor force. This goal is ambitious as only 41 percent of Maryland adults currently have a college degree.² To educate more residents, Maryland must strengthen its policies and programs to remove barriers for students who are falling through the cracks.

Low-income and non-traditional students face the greatest barriers to completion, and affordability is high on the list of challenges. While most students need assistance to pay for college, they are often left with unmet need – in other words, a gap between what they can afford to pay, the aid they receive, and the total cost of college. Many face the tough choice of working more, seeking private loans, enrolling in fewer courses, not obtaining their degree or not even enrolling. While federal student aid plays a major role in college financing, state policy ultimately drives the cost of college. States also have a hand in driving program innovation and in directing state aid resources to the students who need them most.

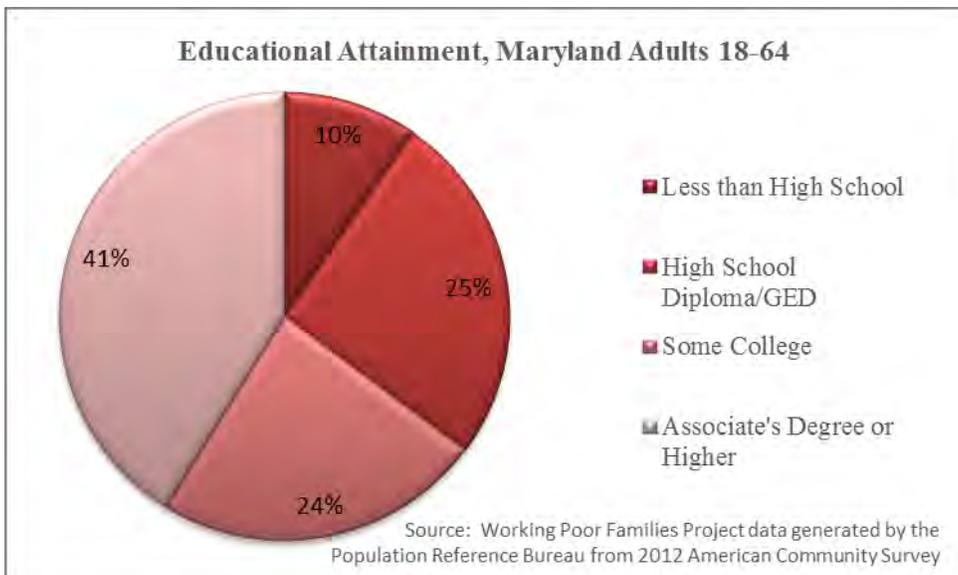
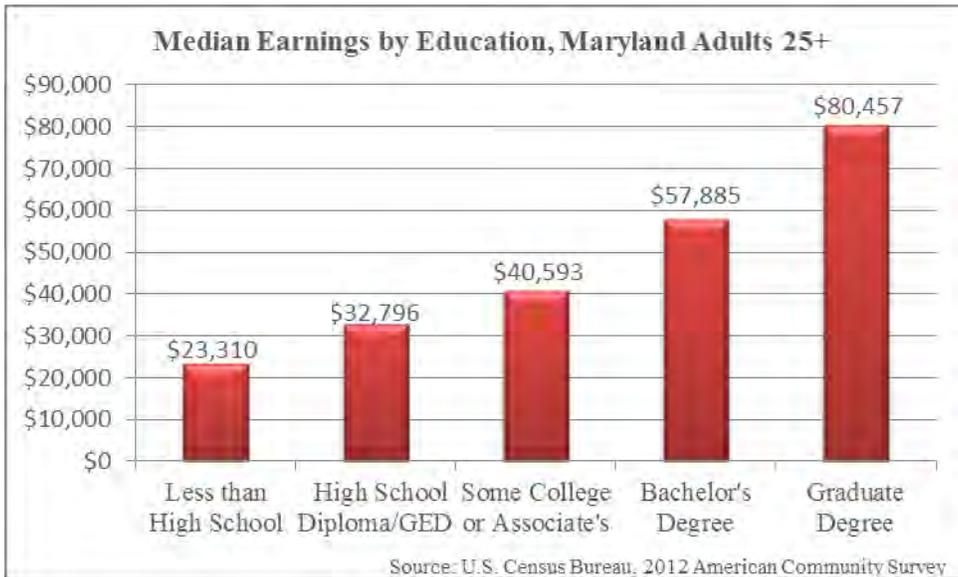
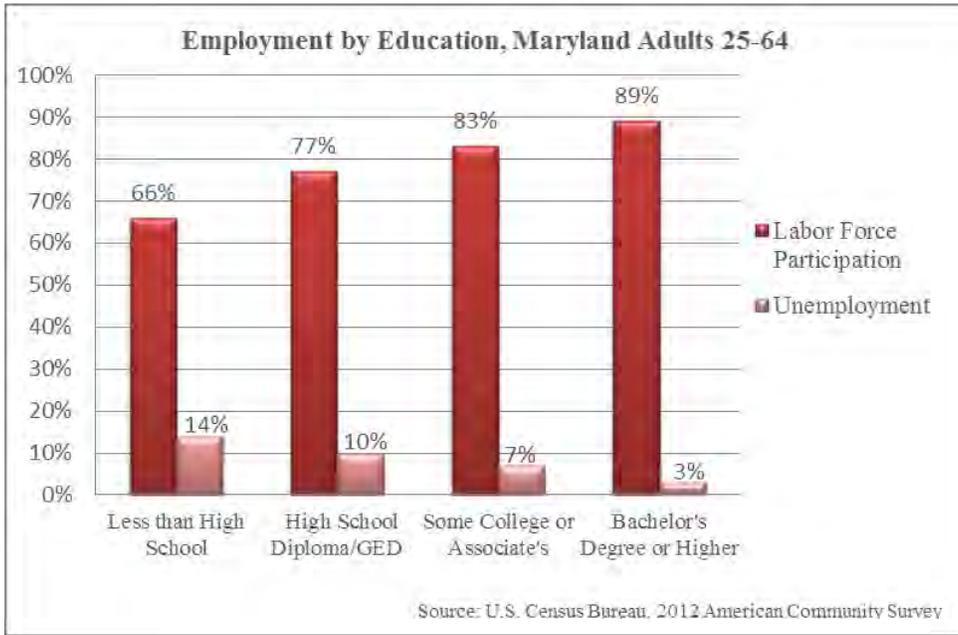
These are all challenges that Maryland can address through the lens of affordability. This brief examines the challenges facing students and institutions across the state. From the higher education funding decisions that drive tuition, to the program models that help or hurt completion, to the way financial aid funding is prioritized, Maryland has many levers for increasing access and success. To meet our state education goals, our strategies must be broad enough to promote success for all students. The decisions we make as a state can build a pipeline of opportunity for the Marylanders who need it most.

The Value of a Degree

A college degree pays off. Even in the wake of the recession, workers with college experience have generally been able to find jobs that pay family-supporting wages. Workers without any college experience have not fared as well. Marylanders with at least some college coursework face an unemployment rate of 4.9 percent – up from 2.8 percent just before the recession. Meanwhile, unemployment for workers with a high school diploma or less has jumped from 6.7 to 10.9 percent.³ Labor force participation and unemployment both correlate directly with education.

Workers with college experience are more likely to move out of poverty and attain higher-paying jobs. The poverty rate drops from 14 percent among Marylanders with a high school credential to less than 5 percent among Marylanders with at least some college experience. Looking at wages, the average Maryland worker with a high school diploma earns \$33,000. Completing some college coursework or attaining an associate's degree yields an average payoff of an additional \$7,797 per year. Over the course of a 40-year career, this adds up to nearly \$332,000 in additional earnings. The pay-off is even more significant for workers who achieve a bachelor's degree, yielding a premium of \$1 million in lifetime earnings – enough to pay off an education and build a sound financial future.⁴

Increasing access to education can strengthen Maryland's families and communities and improve outcomes for the working poor. In the majority of working poor families – 51.6 percent – parents have no post-secondary education. This contrasts with the overall population, in which 65 percent have attended at least some college. This makes Maryland a fairly well educated state, ranking eighth for the number of working-age adults with a college degree.⁵



The Completion Challenge

While Maryland has high rates of educational attainment, there are many gaps in the education pipeline, and not all students succeed. Low-income and African-American students are significantly less likely to complete college. Nearly 62 percent of university students across the state ultimately graduate, but for Pell Grant recipients this rate drops to nearly 47 percent, and for African-American students it falls below 42 percent. At community colleges, only one-third of students graduate or transfer within four years – a rate which drops to below 28 percent for Pell recipients and to nearly 21 percent for African-Americans.⁶

Success at Maryland's Public Colleges & Universities				
		All Students	African-American Students	Pell Recipients
4-Year Public Schools	Retention	82.5%	75.4%	75.8%
	Graduation	61.6%	41.5%	47.3%
Community Colleges	Transferred	24.1%	17.1%	20.1%
	Graduated	9.3%	4.3%	7.6%
	Combined	33.4%	21.4%	27.7%
Results measured after six years at 4-year schools and after four years at community colleges. Source: Maryland Higher Education Commission, 2014 Data Book				

Part-time students are also falling behind. While 61 percent of full-time community college students either persist or graduate after six years, only 30 percent of part-time students succeed.¹¹ This is a serious problem given that nearly two-thirds of Maryland community college students attend part-time.¹² The reality is that many students – particularly working adults – are unable to attend full-time. Given the limited availability of aid discussed later in this paper, some can only afford to attend part-time. Others have outside obligations, both work and family, that prevent full-time enrollment.

These low completion rates hurt students who must move forward without a college degree, and often with debt. They also represent a huge loss of state resources. Maryland must protect its investment in higher education and financial aid by ensuring student success. Maryland must craft policies that explicitly address the needs and challenges of populations with the greatest need. While part-time adult students are often called non-traditional, over the years they have become the norm. Maryland schools – particularly its community colleges – must have programs and aid policies designed to help working adult students complete.

Underfunding Community Colleges

Community colleges are a critical access point for students seeking a lower-cost path to a degree. Since students at these schools tend to be price sensitive, keeping tuition costs down is important. Tuition is determined by each school based largely on the amount of support they receive from the state.⁷ When state support does not keep up with costs, community colleges, just like four-year schools, must often balance their budgets by increasing tuition.

The vision for community college funding is a three-legged stool with equal support from the state, the counties, and the student. State appropriations have generally fallen short, fluctuating from 31 percent of total support in 2002 to 22 percent in 2014.⁸ In some cases counties help bridge the gap by increasing support for their local college. This is particularly true in wealthier counties. In other cases, reduced state support is made up through tuition revenue.

The Senator John A. Cade funding formula determines the level of state support to community colleges across the state. The state's target is to provide \$0.29 per full-time equivalent community college student (FTE) for every \$1.00 at a four-year institution by 2023. As of FY 2007, the Cade funding formula had reached \$0.25, with annual increases scheduled. In the wake of the recession, however, the formula has been cut almost annually, not only reducing the percentage allocated but extending the full-funding goal by nearly a decade.⁹ For FY 2015, Governor O'Malley's budget included \$0.197. This translates to about \$2,100 per FTE.¹⁰

The Cost of College

The cost of college can be intimidating. Each semester, students must pay for tuition, fees, books, room, board, transportation and more. Many students, particularly working adults, must also consider the opportunity cost of lost wages and child care – which can reach well over \$10,000 in most parts of the state.¹³ This is an important consideration given that, nationwide, nearly one in four college students are parents – and for low-income and first-generation students, this number rises to more than one in three.¹⁴

For many students, the cost of tuition is most daunting. For the 2013-2014 academic year, tuition averaged \$8,475 at Maryland's public four-year schools and \$3,988 at public two-year colleges.

The rising cost of college is a well-documented challenge, from which Maryland has not been immune. Tuition at Maryland's public institutions increased over the last five years – 13 percent at community colleges and 8 percent at four-year schools.¹⁵ Maryland has prevented the major tuition increases seen in other states but even modest increases are burdensome for low-income students. Maintaining access by supporting both two and four-year schools should be a priority for the incoming governor and the legislature.

How Students Pay

Most students are unable to pay the cost of tuition and expenses out-of-pocket. While some students have dedicated savings, most often in 529 plans, less than 3 percent of families invest in these plans, and they tend to be relatively wealthy.¹⁶ Most lower-income students rely on direct financial assistance to pay for tuition and the other costs associated with attendance. Financial assistance comes in many forms including need-based grants, merit scholarships, work-study awards and loans. For low-income students who can pay very little out of pocket, need-based grants are critical to opening the doors to post-secondary education, a degree and a high wage job.

The aid process starts when a student first applies to college. Each school estimates a student's cost of attendance based on their enrollment status (full or part-time), whether they live on or off campus, and the cost of other expenses they anticipate the student will incur. These are broad estimates that include many of the items that traditional students face, such as books and supplies, but do not include other expenses such as child care. For example, the Community College of Baltimore County (CCBC) estimates that student would need \$16,063 to cover the total cost of attendance for one year. At the four-year level, the University of Maryland- Baltimore County estimates that it would cost a full-time student \$27,350 for one year of tuition and expenses.¹⁷

Sample Estimated Cost of Attendance, 2013-2014

	Community College of Baltimore County	University of Maryland - Baltimore County
Tuition	\$3,559	\$10,068
Books and Supplies	\$1,400	\$1,200
Off-Campus Room & Board	\$7,426	\$12,546
Other	\$3,678	\$3,536
TOTAL	\$16,063	\$27,350

Source: U.S. Department of Education, National Center for Education Statistics Integrated Postsecondary Education Data System. See <http://nces.ed.gov/collegenavigator/>

Students then complete the Free Application for Federal Student Aid (FAFSA), which estimates how much they can afford to pay out of pocket. The FAFSA looks at students' income during the previous year, and in some cases their assets. It also counts parental income and assets for dependent students – in other words, most undergraduate students who are under age 24.

Through a complicated formula, the FAFSA determines the Expected Family Contribution (EFC) for each student. The lowest-income students may qualify for an EFC of \$0. As long as they meet certain stipulations, students from families with an income of \$24,000 or less automatically qualify for a \$0 EFC. This rule does not apply to independent students without dependents, though a single student with an income under \$12,000 will generally have an EFC close to \$0.²³

To determine a student's financial need, their EFC is subtracted from their estimated cost of attendance. For example, if a student has an EFC of \$2,000 and plans to attend CCBC with a \$16,063 cost of attendance, their financial need will be \$14,063. In Maryland, 90 percent of FAFSA-filers have financial need. In other words, they cannot pay the full cost of attendance out of pocket.²⁴ Students with need are eligible for state and federal financial aid to help close the gap.

The Federal Pell Grant program is the largest source of need-based aid for students in Maryland and across the country. In the 2011-2012 award year, 129,964 Maryland students at both public and private schools received a total of \$432.5 million in Pell funding.²⁵ For 2014-2015, students with an EFC of \$5,157 or less will be eligible for a Pell Grant. About a third of students at Maryland's public colleges and universities receive Pell Grants.²⁶ Students with a \$0 EFC are eligible for the maximum Pell award of \$5,730. Awards begin to phase out quickly thereafter.

Nationally, about two-thirds of Pell awards go to students with an EFC of \$0. Overall, 58 percent of recipients are from families with an income under \$20,000 – though for independent students without dependents, a full 93 percent have incomes under this threshold.²⁷ Trends in Maryland are similar, as seen in the following chart.

Pell Eligibility for Maryland Students, by Family Adjusted Gross Income Quintile		
	% Pell-Eligible	% of Total Pell-Eligible Population
\$9,233 or Less	97.2%	28.0%
\$9,233 - \$23,486	97.4%	28.0%
\$23,486 - \$41,472	79.2%	22.8%
\$41,472 - \$80,000	57.2%	16.5%
\$80,000 or Higher	3.0%	0.9%

Source: Maryland Higher Education Commission internal analysis, FY2012.

Students may also receive federal awards from other programs including Direct Loans, Perkins Loans and Work-Study. Students can also earn state aid – as discussed below – and institutional or private grants and scholarships. While about half of aid to Maryland students comes in the form of grants and scholarships, the other half is made up of loans.²⁸ Most students would not be able to attend college without the support of loans, but students are increasingly struggling to manage the high debt loads they take on.

For the class of 2012 at Maryland’s four-year universities, 58 percent took on debt. These graduates have an average debt of \$25,951.²⁹ At the current federal direct loan interest rate of 3.86 percent, it would cost \$250 per month to pay this debt off over 10 years.³⁰ This ends up being unmanageable for many graduates. Overall, 63,155 Marylanders began student loan repayment in FY 2011. Within two years, 8.5 percent of them (5,412) had gone into default.³¹ The default rate for students within three years rises to 12.8 percent.³² Because it takes a full nine months of non-payment to go into default, these figures seriously underestimate the number of graduates struggling with their loans. Many more are delinquent, either missing or making late payments and facing the credit score consequences.

While student loans can be burdensome even for gainfully employed graduates, debt becomes an even greater problem for those who don’t graduate. These students are far more likely to be unemployed or underemployed. A national study found, for example, that while 84 percent of community college graduates were employed six years after they first enrolled, only 76 percent of non-completers were employed. Non-completers in the study still had significant debt to repay. Federal loan debt averaged \$5,700 at community colleges and \$9,300 at public four-year schools – and some have private loans to repay as well.³³

Who Is Filing the FAFSA?

The FAFSA is the gateway to almost all types of financial aid – from grants to loans, both state and federal. All but the highest income students are likely to qualify for some form of assistance as a result of filing. Unfortunately, many students do not file. Only 55 percent of Maryland community college students and 61 percent of public four-year students file the FAFSA.¹⁸ This mirrors the national trend of lower filing rates at lower-cost schools, largely because students believe they will be ineligible. Part-time students are also less likely to file, often because they assume it will not be worth the effort.

Far too many students do not understand the FAFSA or see the value of filing. In reality, many of these students would qualify for a Pell Grant. A study found that 33 percent of those who assumed they were ineligible would have qualified for Pell, along with 28 percent of those who said they did not need assistance and 36 percent of those who said they didn’t file because they did not want to take on debt.¹⁹ Many students do not know that financial aid encompasses both grants and loans.

Filing deadlines can also create confusion. While the federal FAFSA deadline is June 30, the state deadline is March 1. Many institutions have their own deadlines as well, which may be as early as February. These deadlines are often put in place because students need to know how much aid they will receive before deciding where and whether to enroll. Research shows, however, that low-income and first generation students are more likely to miss filing deadlines.²⁰ As a result, the students who need it most may be missing out on aid.

By increasing awareness and addressing misconceptions, Maryland can improve filing rates and boost access to need-based aid. The state can encourage tax preparers to play a stronger role in this process. Since much of the information needed to complete the FAFSA comes from the tax form, this is an ideal moment to help people file. The Baltimore CASH Campaign, which offers free tax preparation to low-income families, has taken the lead in this area. Moreover, since filing rates vary significantly from school to school (29 percent at Carroll Community College versus 98 percent at the University of Maryland –Eastern Shore²¹), the state should encourage collaboration and information sharing.

Maryland should also explore ways to help students who miss the March 1 state aid deadline – first, ensuring that they continue to file to secure federal aid, and second, ensuring that the lowest-income late filers have access to aid through the campus-based EAG, discussed in the next section.

Maryland's Financial Aid Programs

Is Financial Aid Well-Targeted?

Due to the low EFC cut-off, Pell Grants are well-targeted to low-income students. Most state aid programs are also well-targeted because they are need-based. A significant portion of institutional and private aid is granted based on merit-based criteria, however. Institutional aid is often used to attract high-achieving students. As schools explore ways to increase success rates for disadvantaged students, better targeting of institutional aid funds is one area to consider.

Financial Aid to Maryland Students

	Percent of Total Aid	Percent Granted to Pell-Eligible Students
Loans	49.5%	57.2%
Federal Grants, Scholarships & Work-Study	28.9%	98.9%
State Grants & Scholarships	6.5%	88.2%
Institutional Grants, Scholarships & Work-Study	12.5%	61.9%
Private Grants & Scholarships	2.6%	60.3%

Source: Maryland Higher Education Commission internal analysis, FY2012.

State-level financial aid is one of Maryland’s most direct tools for opening the door to higher education for low-income students. Maryland’s financial aid investment falls in the middle of the pack when compared to other states. The state ranks 27th for its overall investment per undergraduate student and 17th for its need-based investment.³⁴ For FY 2013, Maryland invested \$96.3 million in its financial aid programs, with \$75.3 million going to the state’s major need-based programs. These programs include the Educational Assistance Grant, the Guaranteed Access Grant, the Part-Time Grant program, and the Graduate & Professional Scholarship.

Another \$12.1 million was allocated to Senatorial and Delegate Scholarships, which are distributed at the discretion of elected officials across the state. The program, which allows each senator to award \$138,000 and each delegate to award \$38,000 annually, has faced controversy because of the wide discretion legislators are given, and the lack of clear targeting for the funds. While the overall cost of the program is high, the funds are spread thin to a large number of recipients which pushes the average award down to just \$688 per year.³⁵ Some legislators choose to have the Maryland Higher Education Commission (MHEC) make these awards on their behalf, and in those cases they are made based on need.

The remaining \$8.8 million was distributed through a variety of merit-based, career-focused, and special-population programs. These programs have a variety of goals, from encouraging students to go into high-demand fields, to helping students manage loan debt while working in public service, to supporting veterans.³⁹ Maryland is currently phasing out the Distinguished Scholar Award, which was the only state program based exclusively on merit.⁴⁰

More than half of all financial aid in Maryland is distributed through the Educational Assistance Grant (EAG), which provided assistance to more than 25,000 students in FY2013. The program provides grants of up to \$3,000 to full-time, degree-seeking undergraduate students. Students are eligible if they still have financial need after accounting for Pell Grants and other scholarships. The program never covers 100 percent of a student’s remaining need. Students at four-year schools receive awards for up to 40 percent of their remaining need. The award rises to 60 percent of need for community college students.

The program faces a few challenges. First, demand for aid far outstrips supply. In FY 2013, the program’s waiting list grew to a high of 35,795 applicants.⁴¹ MHEC spent reserve funds and brought the waiting list down to 9,800 in 2014. The waiting list grows in part because the program has no income limits. It is open to all students with financial need who apply by March 1. Applicants are then ranked by EFC.

This is different than some states, where aid is awarded on a first-come, first-served basis, regardless of need. In Maryland, students with the lowest EFC are funded first. In 2013, the program reached students with EFCs up to \$2,000. By spending down excess reserve funds, MHEC increased the EFC cut-off to \$10,709 in 2014.⁴²

Students who miss the March 1 deadline are ineligible for regular EAG funding. This disadvantages community college students – particularly those who are low-income or nontraditional – who often make enrollment decisions after the financial aid deadline has passed. To help manage this, MHEC dedicates about \$2 million each year to a campus-based EAG program.⁴³ Schools can use these funds at their discretion to assist students who apply late. While the program assists this important demographic, it only reaches a small portion of those who miss the March 1 deadline – 17 percent of the more than 10,000 Marylanders eligible in FY 2005.⁴⁴

	Total	Number of Grants	Average Grants
Educational Assistance Grant	\$54,203,850	25,697	\$2,109
Guaranteed Access Grant	\$14,936,100	1,316	\$11,350
Delegate & Senatorial Scholarships	\$12,125,040	17,634	\$688
Career-Based Programs	\$5,257,165	931	\$5,647
Part-Time Grant Program	\$3,373,255	5,707	\$591
Distinguished Scholar Award	\$2,275,500	772	\$2,948
Campus-Based Educational Assistance Grant	\$1,929,200	1,169	\$1,650
Special Populations	\$1,302,145	565	\$2,305
Graduate & Professional Scholarship Program	\$912,342	381	\$2,395
TOTAL	\$96,314,597	54,172	\$1,778

Source: Maryland Higher Education Commission, 2014 Data Book.

The Risks and Rewards of Tuition-Free College

As tuition rises around the nation and the pressure of student loan debt increases, states are exploring a variety of new strategies to help students manage costs. The Pay It Forward approach has perhaps gotten the most attention. Under Pay It Forward, schools charge no upfront tuition. Instead, students agree to pay a fixed portion of their salary for a pre-designated number of years after leaving school. The concept is appealing because of the potential to reduce unmanageable loan burdens. It is a very new concept, however, with a number of potential unintended consequences.

As states grapple with Pay It Forward, it will be important to develop clear answers to a number of questions. How will it interact with Pell Grant and state need-based aid programs? Will the model truly reduce costs, particularly for low-income students? Students will still need to pay for other expenses, such as books, room and board. Most will still need loans to cover these expenses, which will mean two payments upon graduation. Moreover, how does the model compare to existing income-based loan repayment plans? Oregon estimates that a pilot would cost \$5 to \$20 million per year for 20 years before the state could recoup any money.³⁶

Other states, most notably Tennessee, are moving to eliminate tuition for students in their first two years of community college. These proposals send a powerful message about accessibility, which is important to students who currently count themselves out of college because they perceive it as unaffordable. There are still potential pitfalls, including significant spending on students without financial need, and the exclusion of working adult students under most proposals.

Garrett County, MD has this type of program, and it has clear benefits for eligible students. The Garrett County Scholarship Program eliminates tuition for both high school and GED completers going straight to Garrett College. Though, not all students are eligible and other costs of attendance are not covered. As a result of the program, Garrett College has the 2nd lowest unmet need of all community colleges in the state, but students still face an average gap of over \$6,000.³⁷

Study of free tuition for a student's first two years is likely to continue. Researchers at the University of Wisconsin-Madison have been looking closely at how current federal and state aid can be re-directed to support such a model, with an eye toward a broader approach that encompasses a range of expenses and a larger pool of students.³⁸ Maryland should closely monitor these developments.

Unlike the EAG, the Guaranteed Access Grant (GAG) is designed to cover 100 percent of a student's need, up to \$16,500 per year. Unfortunately the program is only open to extremely low-income students going directly from high school to college. Students must be from families below 130 percent of poverty, maintain a 2.5 GPA in high school, and then go on to full-time college enrollment within one year to qualify. GED recipients are not eligible. The program is an important lifeline for students who may otherwise be unable to attend college, and should be aggressively promoted to those who are potentially eligible. Nonetheless, it does not help students who return to school after spending time in the workforce. Expanding eligibility to GED completers would help many working adults take their educational aspirations to the next level. As with the EAG, students are encouraged to apply by March 1 – however, late applicants are still considered if funds are available.

Bridging the Gap through Work-Study

The Federal Work-Study program is a long-standing financial aid strategy that helps students support themselves through work. At least 14 states have adopted work-study as a part of their financial aid portfolio. These programs acknowledge that many students simply can't make ends meet without working, and help make jobs available that are flexible enough to mesh with the demands of school. They also help stretch limited financial aid dollars, since employers pay a portion of the work-study wages.

In the face of unmet financial need, many students have little choice but to work. Research has found that work can interfere with the demands of school. Trying to balance too much can lead some students to drop out. A well-designed work-study program can help turn this around. Important design elements include limited hours, livable wages, and placement models that allow students to build skills and experiences relevant to their studies.⁴⁵

Maryland does not currently invest in work-study. Exploring this approach could provide another avenue for closing the financial need gap, while providing more compatible job opportunities for working students.

Going forward, Maryland will also have a program focused on full-time transfer students. In 2014, the legislature revamped the Community College Transfer Scholarship focused on students transitioning from two to four-year schools. Through the new 2+2 Transfer Scholarship, students with a GPA of at least 2.5 who transfer directly from a community college will be eligible for scholarships of \$1,000 or \$2,000 for high-demand majors. The program is partially need-based, as it is only open to students with an EFC below \$10,000. MHEC is required to re-direct at least \$2 million per year from the need-based aid fund to the 2+2 program if it is not funded separately. This provision has the potential to draw funds away from needier students applying for the EAG. Policymakers should carefully monitor the impact of the program to assess whether funding is going to students with high unmet need, and whether it is helping low-income students transfer and graduate at higher rates. The program must demonstrate strong outcomes to prove it is worth the trade-off.

The only state aid program explicitly geared toward non-traditional students is the Part-Time Grant Program. Students with financial need can receive up to \$2,000 per year, though the average grant is \$591. While 44.5 percent of all undergraduates in Maryland attend part-time, the Part-Time Grant Program makes up just 4.5 percent of MHEC's student financial assistance budget and 10.5 percent of total awards in FY2013. Between the EAG and the GAG, 17 percent of full-time students received a state aid award (28,000 awards), versus 4 percent of part-time students (5,700 awards).^{46,47}

With limited resources, it can be challenging to strike the right balance between aid programs. It is important to note the EAG and GAG are awarded from a single funding stream that has been level-funded since 2009.⁴⁸ More funding directed to campus-based awards means less is available for students who plan ahead and apply by March 1. Similarly, the more students who apply for the GAG, the less money is available for EAG awards. Grants could be increased to cover a greater portion of need, but fewer students would receive awards as a result. If tuition continues to rise and student need goes up, these pressures will only become more acute. Maryland should set clear financial aid priorities, and gear annual funding allocations toward meeting these goals.

Unmet Need

Between their personal contribution and a blend of grants, scholarships and loans, a student should ideally be able to cover the annual cost of attendance. Unfortunately this is not the case for most students. Overall, 88 percent of Marylanders who receive aid have unmet financial need.⁴⁹ The average unmet need is more than 20 percent of the cost of attendance. Moreover, unmet need is greatest among lower-income students. In other words, those who have the greatest need for financial assistance are the least likely to be offered enough assistance to cover their costs. Pell-eligible Marylanders have an average unmet need of nearly \$12,500. Unmet need drops as EFC goes up, and on average, disappears for students with an EFC above \$20,000.⁵⁰

Average Unmet Need in Maryland by EFC Level			
	Total Need	Total Aid	Unmet Need
Pell-Eligible*	\$19,868	\$7,397	\$12,472
Pell Limit-\$6,999	\$16,110	\$7,499	\$8,610
\$7,000-\$9,999	\$15,049	\$7,686	\$7,363
\$10,000-\$14,999	\$13,745	\$8,332	\$5,414
\$15,000-\$19,999	\$12,023	\$9,580	\$2,443
\$20,000+	\$11,229	\$11,583	(\$354)

Source: Maryland Higher Education Commission internal analysis, FY2012.
*At the time of this analysis, students with an EFC of up to \$5,273 were Pell-eligible. The threshold has since decreased to \$5,157 for 2014-2015 academic year.

This is in part because higher-income students receive more institutional and private grants and scholarships, and in part because of larger loans. While there are a number of factors that contribute to student success, MHEC found that, for low-income students, the greater their unmet need, the less likely they are to complete.⁵¹

Average Annual Aid Award in Maryland by Source, by EFC Level				
	Federal Grants & Scholarships	State Grants & Scholarships	Loans	Institutional/ Private Grants & Scholarships
Pell-Eligible	\$2,939	\$587	\$2,913	\$959
Pell Limit-\$6,999	\$111	\$337	\$5,431	\$1,620
\$7,000-\$9,999	\$89	\$240	\$5,824	\$1,533
\$10,000-\$14,999	\$88	\$187	\$6,526	\$1,531
\$15,000-\$19,999	\$103	\$195	\$7,380	\$1,901
\$20,000+	\$86	\$186	\$8,419	\$2,891

Source: Maryland Higher Education Commission internal analysis, FY2012.

Closing the Gap

Maryland has taken major steps, including passing the College and Career Readiness and College Completion Act of 2013, to build an education system where students thrive. This broad legislation promotes smoother transitions from high school, a more streamlined experience for students with fewer wasted credits, and a sharper focus on degree attainment. While these reforms address many gaps in the pipeline, cost is still a looming barrier. Without a targeted effort to contain the cost of college and a robust strategy to provide ample need-based aid, many students will struggle to enroll, persist, and complete.

For students from low-income and nontraditional backgrounds, financial barriers can be a deal breaker. In the face of rising tuition and limited need-based aid, and surrounded by stories of unmanageable debt, many decide that college is simply out of reach. These workers become stuck in a cycle of low-wage jobs with little room for advancement. This is the challenge that policymakers, administrators and advocates must now tackle head on. Maryland can take concrete steps to reduce the financial barriers to an education, as described in the following eight recommendations.

Increase Funding for Need-Based Aid

1

Federal Pell Grants are a great help to low-income Maryland students, but they do not come close to meeting student need. Many students rely on state aid to help close the gap, but as demonstrated by long waiting lists and unpredictable EFC cut-offs, Maryland is not investing enough. With tuition and expenses creeping up and need-based aid funding remaining flat, state aid will reach fewer students each year unless funding is increased and adjusted annually. While more funding is needed for the core EAG and GAG programs, the Campus-Based EAG and the Part-Time grant programs fill a particular need for the state's large nontraditional student population. A work-study program could also be an effective addition to the state's need-based aid portfolio.

Target More Aid to Low-Income Students

2

Many low-income students have a high amount of unmet need. Maryland should re-structure its aid programs to ensure that these students are not shut out of higher education because of the gap, and that working adult students are not at a disadvantage when applying for aid. For example, while a low-income recent high school graduate eligible for the GAG will have 100 percent of their need met, a low-income working adult, or a recent GED recipient, can have no more than 60 percent of their need met through the EAG, and only if they attend a community college full-time, and apply by the March 1 deadline.

Maryland should consider changes to award eligibility, formulas, and maximum amounts to better support those with the greatest need. In Pennsylvania, for example, students with a lower EFC have a higher percentage of need met than students with a higher EFC.⁵² While it is appealing to cap awards and distribute aid to as many students as possible, ensuring sufficient aid to those with the greatest need may ultimately have a larger impact.

3

Evaluate and Eliminate Ineffective Aid Programs

With limited resources, it is essential that every state dollar is spent wisely. Maryland should regularly make use of the increasingly robust data systems available to evaluate each of its aid programs. Maryland should use this research to re-direct funding from ineffective programs to those with a better track record for increasing enrollment, retention and graduation. The state should start with the programs least focused on need, such as the Delegate & Senatorial Scholarships.

4

Support Students on High-Demand Career Pathways

To help low-income students advance along high-demand, high-wage career path, Washington State developed the Opportunity Grant program. In FY 2011, Washington made about \$12.5 million available to nearly 5,500 students below 200 percent poverty.⁵³ Most of the investment helps students enrolled either full or part-time in certificate or degree programs pay for the cost of tuition, books and fees. About one-quarter, however, is allocated to wrap-around supports, including emergency child care, career advising, tutoring and transportation. While Maryland has some career-based programs, they generally focus on high-skilled professional workers and are awarded in part based on merit. The Opportunity Grant model takes a much more targeted approach, and does more to address student needs and promote success.

5

Hold Down Tuition by Prioritizing Institutional Aid

Every year Maryland makes critical budget decisions that determine how much funding flows to the state's two- and four-year colleges. By providing these institutions with enough funding to keep up with the cost of education, Maryland can help them control tuition and prevent further spikes in the price of college. This is absolutely critical. Holding tuition flat sends a powerful message about affordability and access. First, Maryland must maintain ample base funding for four-year universities. Second, Maryland must renew its commitment to community colleges by reversing Cade funding formula reductions and working to phase in full funding as intended under statute.

Explore Performance-Based Model for Aid to Students and Institutions

At both the state and institutional level, new financial aid strategies are being tested both to increase financial support for diverse student populations and make aid dollars go further by increasing student success. Performance-based scholarships are one such model, whereby supplemental aid is awarded to students after they meet certain benchmarks. The goal is to help low-income students financially, while providing a concrete incentive to persist and complete each semester. A demonstration in seven states showed positive preliminary results, with students attaining more credits, and in some cases taking on less debt and graduating at higher rates.⁵⁴

6

Just as new models are emerging for delivering financial aid to students, strategies are also being tested to deliver funding to institutions in new ways. Performance-based school funding is one approach that is gaining in popularity. The traditional funding model allocates state support to schools based on the number of students who enroll, focusing on inputs rather than outcomes. Performance-based models give schools an incentive to increase student success by tying resources to these goals.

In 25 states, models are already in place that award at least a portion of state aid to schools based on indicators such as progress and completion – in some cases with a specific focus on low-income, minority and adult students.⁵⁵ A number of other states are beginning the transition to performance funding, and Maryland is deep in the exploratory process. As these conversations advance, Maryland should focus on a few key design principles. First, there must be enough money at stake to create a strong incentive. Ideally the performance targets should be phased in to become a part of the base funding model. At the same time, the measures must acknowledge the mix of challenges faced by different institutions, including high rates of remediation and large numbers of low-income students at some schools. Indicators should be tailored to both support and reward schools for effectively serving these populations.

Reduce Unnecessary Student Debt

Student debt is a barrier at multiple levels. It prevents graduates from thriving and meeting other economic goals ranging from basic needs to homeownership. It causes students to drop out, take time off, and shift the balance from school to work as they attempt to avoid unmanageable debt. It also keeps many from ever enrolling. Manageable tuition and ample need-based aid are the best strategies for reducing loan debt. Ensuring students file their FAFSA by the March 1 state aid deadline can help maximize access to existing programs.

We must also educate students considering loans. During the 2014 legislative session, Maryland passed a new law requiring public colleges and universities to provide students with the Financial Aid Shopping Sheet. This will allow students to compare their financial bottom line at different schools. To take things to the next level and connect this to employment expectations, the California Community Colleges Chancellor's Office created a tool known as the Salary Surfer. Students can select a field of study and see the median annual salary for graduates of specific certificate and degree programs two years before, two years after, and five years after.⁵⁶ This type of tool can help students navigate the reality of the labor market, and understand the value of a specific credential before taking on debt to achieve it.

Texas is also taking steps to better educate financial aid recipients. In 2013, the state passed legislation to create the Student Loan Default Prevention and Financial Aid Literacy Pilot Program. Through the pilot, Texas will implement a variety of counseling strategies to help students understand the consequences of borrowing, choose career paths with strong potential, and avoid loan delinquency.⁵⁷ This hands-on approach has the potential to provide students with more concrete guidance and intervene before they get caught up in excessive debt.

Finally, for families who plan early and have college as a clear vision, the state should do more to promote and incentivize savings. By investing early in the state's 529 plan, families can gradually build a nest egg to help pay for future expenses and avoid taking on debt. Fifteen states provide matching funds to low and moderate-income families as a way to encourage participation, and many more offer no fee and no minimum balance options to facilitate the participation of families on limited incomes.⁵⁸ While low-income families may have limited capacity to save, even a small amount of funding can make college feel more attainable and reduce the burden of debt.

7

Make Student Success a Priority

Ensuring that schools have effective pipelines to support students and move them toward completion is critical to containing the cost of college. Extra semesters are costly, and the longer the path to a degree becomes, the greater the risk that students will encounter barriers that prevent them from graduating. We must ensure that those who invest in college leave with a credential to show for it. Maryland can take a few key steps to help students advance toward a credential and avoid dropping out.

Developmental Education Reform: Too many Maryland students spend years in college with nothing to show for their effort. In many cases, students must enroll for additional semesters because they start in developmental courses, where they play catch up and do not earn credits toward completion. In other cases, students complete a few credits, but fail to come back due to the variety of outside pressures that make it difficult to balance school, work and personal life. All the while, they are using up limited semesters of financial aid eligibility and often accruing debt. Maryland must stay focused on ensuring every student has the pathway and supports needed to complete.

Developmental education reform is critical. Under the traditional model, where semester-long courses serve as a gatekeeper to relevant credit-bearing work, too many students fall through the cracks. Fortunately, innovations are emerging around the county, from accelerated programming, to co-enrollment in developmental and credit-bearing work, to engagement in learning communities.

One of the leaders in developmental reform – the Community College of Baltimore County (CCBC) – is right in our backyard. CCBC developed an Accelerated Learning Program (ALP) that has dramatically increased success rates in basic English. Under the traditional model, only 27 percent of CCBC students were passing English 101 within three years. By contrast, under ALP, 63 percent of students completed English 101 within two years. CCBC now works with other schools around the county to adopt the model, but because of the decentralized nature of Maryland’s higher education system, it has only been implemented in two other Maryland schools.⁵⁹ MHEC should promote cross-pollination and information sharing to infuse successful models around the state.

Strengthening Student Supports: At the same time, schools must have the resources to support students with the non-academic challenges that impact persistence and completion. Students need a strong network of services, from proactive advising, to reliable child care, to support during financial emergencies. Most schools offer some blend of these services, but are limited in their capacity due to funding restraints. Strong institutional aid can help schools expand what’s working, and programs like Washington’s Opportunity Grants can allow for targeted support services. Emergency financial aid programs have also been shown to keep students in school when faced with sudden emergencies that destabilize their housing or transportation, for example.⁶⁰

Expanding Career Pathways: Even with strong programs and supports in place, working adult students must sometimes move in and out of education to accommodate other priorities in their busy lives. As such, Maryland should continue to build out the career pathways framework. By developing pathways with multiple points of entry and exit, students can begin by attaining an entry-level credential that they can use as leverage to get a better job, or as a stepping stone to the next level of education.

8

Maryland's vision for a highly educated, globally competitive workforce is achievable, but getting there will require us to tap into the talents and address the challenges of students at all levels. Too many low-income, nontraditional students are falling through the cracks. Maryland must focus sharply on removing the barriers that hold these students back. Affordability must be at the top of the list. By holding down tuition, strengthening need-based aid strategies, and supporting student success Maryland can move the needle and push more students toward completion.



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