

**EDUCATE
MAINE**



MAINE
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COMMERCE

COLLEGE AFFORDABILITY
FOR MAINE 2016



STRATEGIES TO MAKE COLLEGE MORE AFFORDABLE

ONE OF A SERIES OF STRATEGIES
DESIGNED TO ACHIEVE THE GOALS LAID
OUT IN **EDUCATION INDICATORS FOR
MAINE: 2015**

Of all our economic development strategies, education is the one with the greatest return on investment. Investment in the education of Maine people creates lifelong learners, opens pathways to promising careers, and produces civically engaged citizens. This in turn grows the economy and supports vibrant communities statewide.

For the past three years, Educate Maine has published *Education Indicators for Maine*, a snapshot of Maine's education system presented through indicators that measure access, participation, and performance. This policy brief series focuses on individual indicators within the larger report and presents recommendations to improve outcomes. **By design, the recommendations do not represent the full list of possible best practices, but rather focus on a few selected strategies with high return for Maine people.**

The indicator highlighted within this brief is **College Cost and Student Debt**. The *Education Indicators for Maine* report found that Maine students pay a higher proportion of their income for college than other students in New England, and have a higher per capita debt as a proportion of income when they leave college compared to other students in New England.¹ Our goal is to equalize Maine and New England in the proportion of income spent for college, and the proportion of income spent for debt, by 2019. This policy brief presents six strategies

(with 11 actions) for reducing debt and making postsecondary education more affordable.

The policy brief series is brought to you through a partnership between **Educate Maine** and the **Maine State Chamber of Commerce**, and through the generous support of the John T. Gorman and Nellie Mae Education Foundations. The production of the report was made possible by the contributions of Lisa Plimpton (research), Frank O'Hara (writing), and Pica (design and layout). We also wish to acknowledge our indebtedness to the research and ideas generated by the 2014 Maine Commission to Study College Affordability and College Completion.²



STRATEGY 1: MAKE DEBT EASIER TO HANDLE

The Problem

On average, Maine students who graduated in 2014 had \$31,000 in debt. This was 6th highest of all states in the nation. Furthermore, more Maine students rely on loans to finish college than in other states—68%, ranking 8th in the country.³ These students have to pay their debts with jobs that pay among the lowest in the fifty states.⁴ **In other words, more Maine graduates have more debt with less income to pay than most other graduates from around the country.**

Lowering interest rates for college loans can help, but only at the margins.⁵ Principal costs are the major reason that loan payments are so high, not interest. So other actions are needed as well.

Action 1: Encourage Every Maine Family to Start Saving Early

Next Gen is Maine's tax-free college savings program⁶ that also provides, through the generosity of the Alford Foundation, an initial startup grant of \$500 for every Maine resident baby and annual matching grants of up to \$300/year. A Maine family that opens a Next Gen college savings account when a child is born, and contributes \$50 a month, could have almost \$17,000 available when it is time for the child to head off to college. In the first five years of the program, only 40% of eligible Maine families took advantage of the program and so now all Maine babies are automatically awarded the Alford Grant.⁷

Action 2: Structure Loan Payments as a Percent of Income

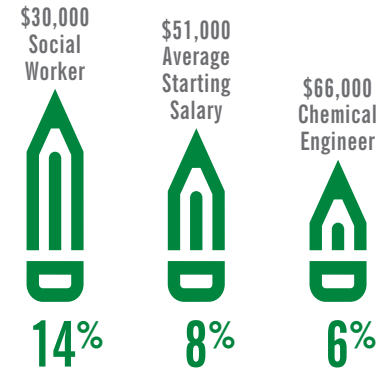
Income-based repayment (IBR) programs are available for federal loans. They allow the payments to stay in proportion to income, and thus avoid a situation where debt in a given year is overwhelming to a graduate who is just starting in the job market or facing an emergency of some kind. They are growing in popularity, but many students still don't know about them.⁸

Action 3: Provide More Debt Forgiveness in Fields that Advance Economic Development in Maine

Opportunity Maine provides tax credits to Maine residents who graduate from college and live, work, and pay taxes in Maine.⁹ The Finance Authority of Maine (FAME) has a variety of loan forgiveness programs for those pursuing specific careers in specific locations in dentistry, medicine, veterinary science, and criminal justice in Maine.¹⁰ These approaches can be expanded to cover additional occupations that are needed for Maine's future economic development.

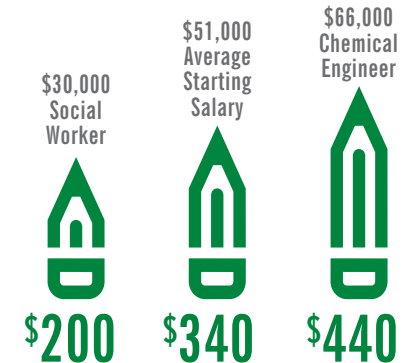
STANDARD REPAYMENT SYSTEM¹¹

Borrower pays **\$356.75** per month



INCOME-CONTINGENT REPAYMENT SYSTEM¹¹

Borrower pays **8%** per month



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SOURCES: 3 the Institute for College Access and Success at <http://ticas.org/posd/map-state-data-2015#> 4 Bangor Daily News, <http://widgetsanddigits.bangordailynews.com/2014/07/21/economy/where-wages-were-highest-in-maine-and-the-nation-hint-not-maine-in-2013/> 5 Brookings Institution, <http://www.brookings.edu/research/papers/2016/04/14-what-does-cutting-student-loan-rates-do-dynarski> 6 <http://www.nextgenforme.com/> 7 <http://www.savingforcollege.com/articles/what-is-your-state-doing-to-promote-saving-for-college-748> 8 <http://www.edcentral.org/ibrrecord> 9 <http://opportunitymaine.org> 10 <http://www.famemaine.com/education/topics/paying-for-college/maine-grants-loan-programs> 11 Affordable at Last: a New Student Loan System, Erin Dillon, October 2011, page 3, see http://educationpolicy.air.org/sites/default/files/publications/AffordableAtLast_RELEASE.pdf



STRATEGY 2: MAINTAIN CONSISTENT STATE SUPPORT FOR HIGHER EDUCATION

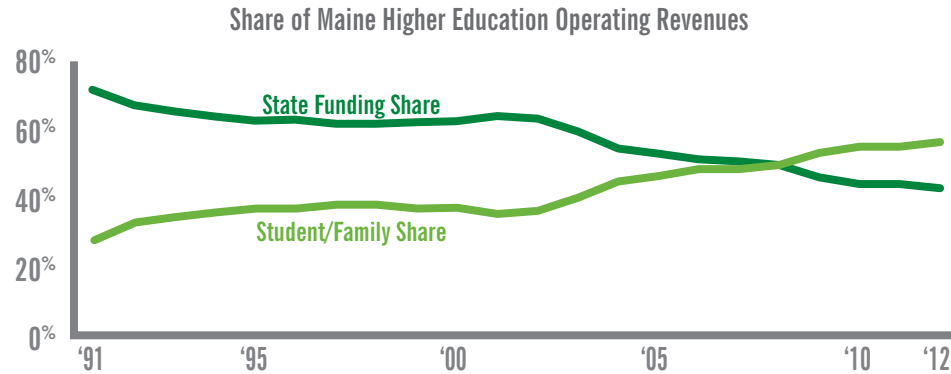
The Problem

In 1968, 18% of state general fund spending went to public higher education.¹² By 2014, that percentage had declined in half, to 9%.¹³ As a result, the share of public higher education costs covered by the state has declined from over 70% to under 50%—and the burden on families and students has risen from under 30% to over half (see chart to the right).¹⁴

Action 1: Maintain Predictable and Consistent State Support for Public Higher Education

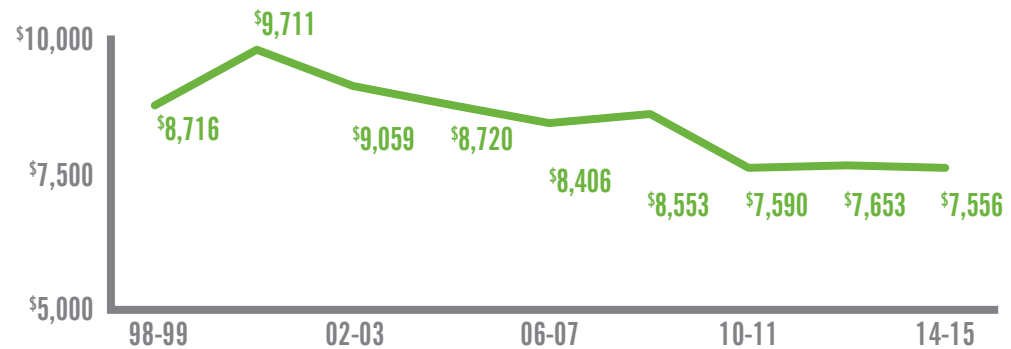
The University and Community College systems have done an admirable job in holding the line on tuition increases in recent years. But State Government must hold up its side of the bargain. It should identify a target support level for its public higher education institutions—a sample target might be that state institutional support should cover at least 50% of Maine public higher education costs—and stick to it. This will allow both parents and educators to make long-term financial plans.

PUBLIC EDUCATION COSTS INCREASINGLY BORNE BY MAINE STUDENTS AND THEIR FAMILIES¹⁴



Source: September 2014 testimony by the National Conference of State Legislatures. Maine Center for Economic Policy | mecep.org

MAINE STATE HIGHER EDUCATION EXPENDITURES PER FTE STUDENT IN 2014 DOLLARS¹⁵



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SOURCES: 12 <http://www.mdf.org/media/Economist-Investment-in-higher-education-key/116> 13 http://www.maine.gov/legis/ofpr/compendium/compend/COMPEND_files/2014Compendium/Section%20III.pdf 14 http://www.mecep.org/wp-content/uploads/2015/04/College-Affordability_final-draft_04-06-15.pdf 15 Maine Legislature, Office of Fiscal and Policy Review. Adjusted for inflation using the Consumer Price Index, US Department of Labor, Bureau of Labor Statistics. FTE = full-time equivalent



STRATEGY 3: INCREASE COLLEGE COMPLETION RATES

The Problem

Fewer than half of students in Maine public colleges graduate on time (three years for a two-year degree and six years for a four-year degree).¹⁶ Many end up not graduating from college at all. One in five Maine adults has attended some college course but not obtained a degree.¹⁷

Many such students accumulate debt without gaining the economic benefits of a college degree. They are the most vulnerable to becoming financially overwhelmed and defaulting on their loans. The more students who stay and complete their degrees, the higher the proportion of graduates better positioned to pay off their loans and get ahead financially.

Action 1: Use National Best Practices to Increase Graduation Rates

There is no single action that schools can take to increase completion rates. What is required is a serious commitment and a comprehensive program. The national nonprofit Complete College America tracks performance and best practices across the country. It recommends five actions for universities and their funders to take:

- 1) Performance funding** Tie a portion of public subsidies to the number of graduates, not the number of students.
- 2) Remediation** Make sure students start college with the skills to succeed.

- 3) Encourage 15 credits per semester** Make sure students are on pace to graduate in a timely way.
- 4) Structure class schedules** Match student's work and family requirements.
- 5) Advise students to keep on pathways to degrees** Discourage freelancing from one course to another.¹⁸

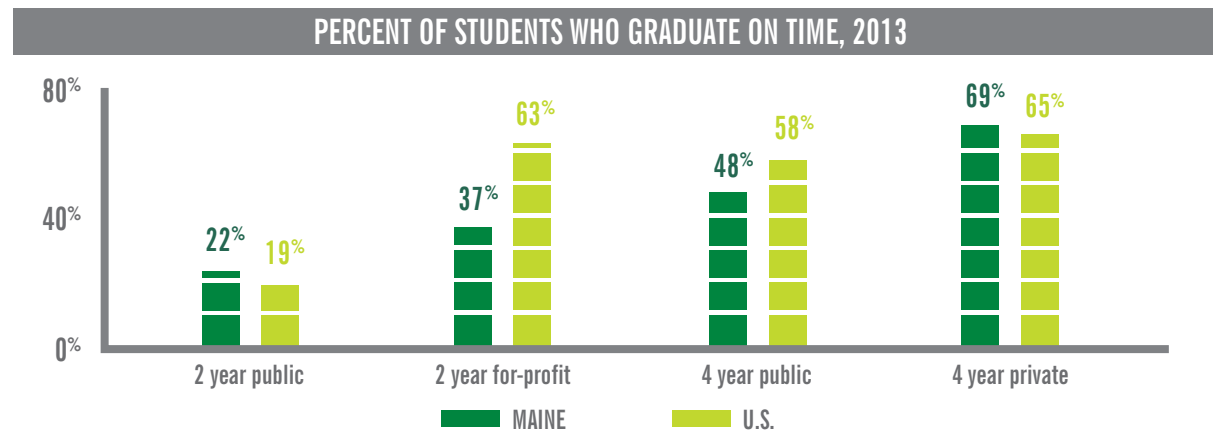
Action 2: Expand Early College Programs

Maine has a range of programs that enable high school students to take college courses and get college credits while still in high school. National and Maine research shows that students who participate in early college programs are more likely to enroll in college, less likely to need remedial help, and more likely to graduate from college in a timely fashion.¹⁹

Student participation is at a record level in Maine,²⁰ and the cost is modest (around \$2 million per year in state funds). Research shows that early college has a strong and positive impact for first-generation students. These programs should be supported and expanded.

Action 3: Provide Financial Incentives to Students to Stay on Schedule

The State of Massachusetts has just announced a program that gives students in public colleges a 10% rebate at the end of each semester in which a student completes a full course load with good grades towards an identified degree.²¹ FAME administers a Maine State Grant program that has proven successful in enabling low-income students to stay in school and graduate.²² Continued funding of this program at adequate levels to meet need is important.





STRATEGY 4: EDUCATE STUDENTS AND PARENTS ABOUT FINANCING COLLEGE

The Problem

Only 38% of American families have a plan for paying for college prior to a student’s enrollment.²³ A survey of adults with children 16 to 18 years old found that only 46% considered themselves “very knowledgeable” about the entire cost of a college education, and only 29% were very knowledgeable about the differences between a federal and private college loan. Only 39% reported that their child “fully” understood the amount and implications of the debt they may encumber from college.²⁴

This lack of information results in some college graduates leaving school with huge amounts of debt that will burden them for life. Both students and parents need to learn the essentials of “responsible borrowing.”

Meanwhile, 75% of Maine high school educators surveyed (see table) in 2013 said that “financial literacy” was a “major factor in college readiness.”²⁵ Here’s what the Maine educators said:

- *Ask most high school students what they are going to do after HS graduation and they’ll say go to college, but they don’t know how to do it or aren’t willing to do the work to get there... They don’t know what they want to go to college for, or if it is a realistic plan both financially and academically.”*
- *“Students need more financial and emotional support. They are really sweating college costs.”*

Action 1: Schools Should Make Use of Existing Resources—both Public and Private—to Bring Financial Planning Education into the Classroom

FAME has an excellent website that identifies many resources for financial planning, including particular resources available for students in every county in Maine.²⁶ In addition, the Maine College Access Network has a directory of programs in each region of Maine that help students prepare for college.²⁷ Last year FAME’s College Access and Financial Education team conducted over 470 sessions that reached 15,000 students and family members. But many more students need help. One great model that engages local businesses in financial education is the Career Preparation and Financial Literacy Partnership in Somerset County,²⁸ a joint effort of Jobs for Maine’s Graduates, Skowhegan Savings Bank, area schools, and area businesses.

FACTORS OF COLLEGE READINESS

	Major factor	Minor factor	Not a factor
Academic preparation	93%	7%	0
Family support	92%	8%	0
Character traits (e.g., resilience, grit, self-control, social intelligence)	86%	13%	1%
Financial literacy (e.g., understanding loans, interpreting a financial aid award...)	75%	24%	1%

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SOURCES: 23 page 23. http://news.salliemae.com/files/doc_library/file/HowAmericaPaysforCollege2014FNL.pdf 24 <http://www.businesswire.com/news/home/20150608006741/en/Discover-Student-Loans-Annual-Survey-Parents-Continue> 25 <http://mitchellinstitute.org/research/aspirations/> 26 <http://www.famemaine.com/education/audiences/k-12-higher-ed-professional/financial-education-services> 27 <http://www.mainecollegeaccess.org/college-access-directory-1> 28 <http://www.jmg.org/programs/career-preparation-and-financial-literacy-partnership>



STRATEGY 5: HAVE EMERGENCY HELP AVAILABLE TO ENABLE STUDENTS TO STAY IN SCHOOL

The Problem

Students from families with low incomes have special barriers to completing higher education. A survey of low-income Mainers in 2014 found that 1 in 4 families had to move within the past year due to their inability to pay the rent; a third experienced having a car break down with no money to fix it; over half went hungry at one point or another (see chart).²⁹

When these kinds of crises hit a student of low income, the consequence is frequently dropping out. No money to fix the car—the student misses classes and may end up flunking the course. Not enough food—the student lacks energy, falls asleep in class, does poor quality homework.

Action 1: Have Back-up Emergency Assistance Available for At-risk Students

The Mitchell Institute has a “Promise Fund” that supports its Mitchell Scholars when modest unexpected expenses come up that would otherwise derail the student’s education.

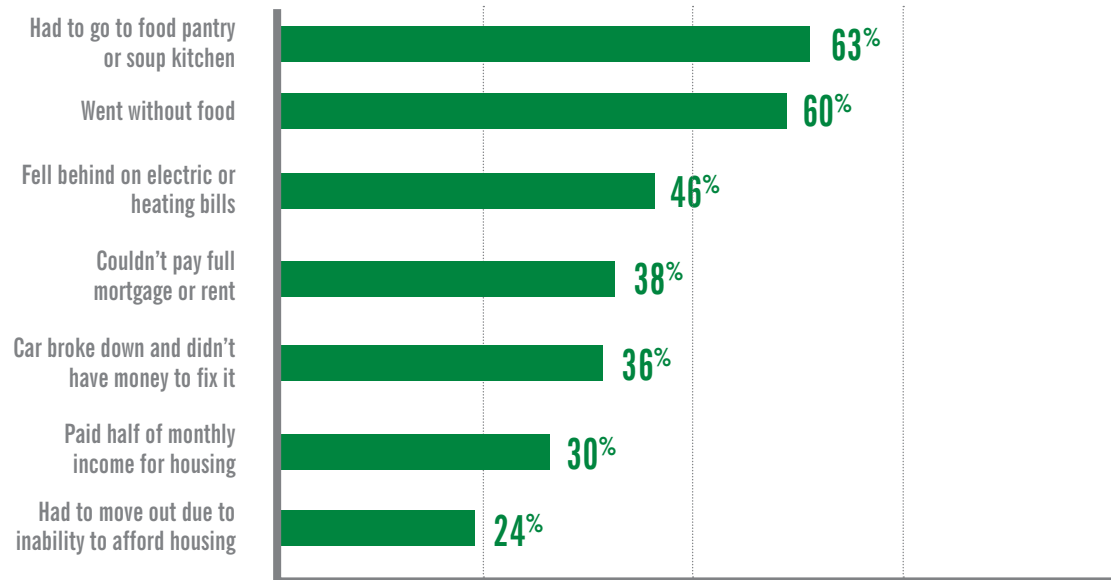
Jobs for Maine’s Graduates is researching this approach and plans to develop a program this year that will support students in its programs.

What is needed, ultimately, is for a resource of this kind to be available to all at-risk, low-income students in Maine.

Action 2: Combine Emergency Assistance with Financial Education

To help students in crisis over the long term, emergency assistance should be combined with financial literacy education in order to help the students manage resources in a way that prepares him or her to cope with future crises.

EXPERIENCES OF HARDSHIP AMONG MAINERS WITH LOW INCOME IN THE LAST 12 MONTHS





STRATEGY 6: LEARNING FROM BOLD IDEAS FROM AROUND THE COUNTRY

TENNESSEE PROMISE: OFFERING FREE COMMUNITY COLLEGE TO ALL STUDENTS



Tennessee's challenge and response

Like Maine, Tennessee faces a shortage of skilled workers to support its economy. Only 1 in 3 Tennesseans has a 2-year college degree or more. Yet by 2025, economists project that 55% of Tennessee's jobs will require a post-secondary credential. In 2014, the Governor announced a *Drive to 55* initiative, designed to raise the proportion of the workforce with a post-secondary credential to 55% by 2025. Part of *Drive to 55* is *Tennessee Promise*, a program that provides free community college to all.

How it works

Tennessee Promise is both a scholarship and mentoring program. It provides students a last-dollar scholarship, meaning the scholarship will cover tuition and fees not covered by the Pell grant, the HOPE scholarship, or state student assistance funds. Students may use the scholarship at any of the state's 13 community colleges, 27 colleges of applied technology, or other eligible institution offering an associate's degree program.

A critical component of *Tennessee Promise* is the individual guidance each participant receives from a mentor who assists the student as he or she navigates the college admissions process. This is accomplished primarily via mandatory meetings that students must attend in order to remain eligible for the program. In addition, *Tennessee Promise* participants must complete eight hours of community service per term enrolled, as well as maintain satisfactory academic progress (2.0 GPA) at their institution.³⁰

How it is paid for

Because this is a "last-dollar" scholarship, program funds only kick in after all other federal, state, and private scholarship funds are exhausted. This saves money. The primary funding for the program is an endowment created by state lottery reserves (\$110 million) and general funds (\$47 million). Interest from the endowment will fund the scholarships into perpetuity.³¹ Maine has about a fifth of the population of Tennessee, so the endowment needed for this type of program would be much less.