Maryland's Colleges: Affordable?

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland
November 17, 2016

Contributing Staff

Writers
Garret T. Halbach

Reviewers
Rachel H. Hise
David C. Romans

For further information concerning this document contact:

Library and Information Services
Office of Policy Analysis
Department of Legislative Services
90 State Circle
Annapolis, Maryland 21401

Baltimore Area: 410-946-5400 ● Washington Area: 301-970-5400
Other Areas: 1-800-492-7122, Extension 5400
TTY: 410-946-5401 ● 301-970-5401
Maryland Relay Service: 1-800-735-2258
E-mail: libr@mlis.state.md.us
Home Page: http://mgaleg.maryland.gov

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at the telephone numbers shown above.

College Affordability

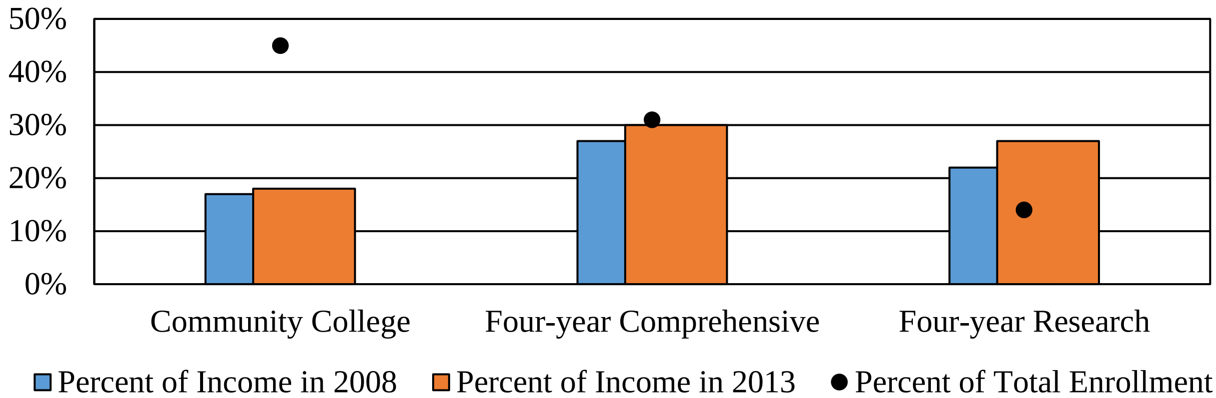
If more State support is available in future years to improve college affordability and student success, where should it go? Since before the most recent recession, one of Maryland's biggest initiatives has been to freeze and moderate increases in resident tuition at public four-year institutions. Another approach lies in the College Affordability Act of 2016 (Chapter 689 and 690 of the 2016 regular session) which established several new programs to improve access to and success in higher education. This includes a State matching program for 529 college savings plans, encouraging students to complete 30 credits per academic year to receive the maximum State financial aid award, and new tax credits for Marylanders with student loans. The law also requires the Maryland Higher Education Commission (MHEC) to retain a consultant to conduct a study of the Office of Student Financial Assistance (OSFA), which manages the State's financial aid programs. In other states, some higher education systems are implementing Promise Scholarships, which fully cover the cost of tuition and fees at community colleges. Senate Bill 639 of 2016 would have established a task force to study a statewide Promise Scholarship program in Maryland. The bill was instead sent to an interim legislative study.

As Maryland considers how best to approach college affordability issues in the future, it is worth exploring the trends in tuition and fee rates, family income, and existing financial aid programs. This is important because more nontraditional students are enrolling in Maryland's higher education system, and many students, particularly lower income students, are still struggling to afford the cost of attendance. Despite freezing resident four-year undergraduate tuition from fiscal 2007 through 2010 and moderating tuition increase to about 3.0% from fiscal 2011 to 2014, college in Maryland has become less affordable since 2008 according to a new report from the Institute for Research on Higher Education. This has led more students to turn to student loans, pursue longer paths to graduation, or defer enrollment entirely. The 2016 *College Affordability Diagnosis' National Report* reviewed college access and cost in each state from 2008 and 2013 using income measurements and ranked Maryland as the sixth most affordable state for public education in the country. Maryland ranks well compared to other states, which is not surprising given Maryland's high median income. According to the American Community Survey from the U.S. Census Bureau, Maryland has high average family income ($116,057) and average household income ($99,957) in 2015.

However, the report found negative trends in Maryland's tuition rates and financial aid funding, noting that Maryland's investment in need-based financial aid is below the national average. From 2008 to 2013, the average tuition and fees paid by a Maryland student, according to the College Board, increased by about 20% at community colleges and 15% at four-year institutions. However, over the same time period, median family income grew only about 3% according to the American Community Survey from the U.S. Census Bureau.

Exhibit 1 shows the percent of family income needed in Maryland to cover the costs of attendance at three types of public postsecondary institutions, as well as the percent of total undergraduate enrollment at each school type. Overall, community colleges enroll about 45% of students in Maryland and have significantly more affordable relative costs than either type of public four-year institution. Research institutions are slightly more affordable than comprehensive institutions, which suggests they spend more on institutional financial aid than do the comprehensive institutions since they have higher tuition and fees. Across all three categories, the growth in net cost to students from 2008 to 2013 led to a larger portion of income necessary to cover net cost for students. The same report also estimated students would need to work about 23 hours a week at minimum wage to attend a community college and about 40 hours a week to attend either type of four-year institution. This makes supporting full-time enrollment with concurrent employment impractical for today's students.

Exhibit 1
Percent of Family Income Needed to Cover Cost of Attendance and Enrollment at Maryland Public Institutions
2008 and 2013

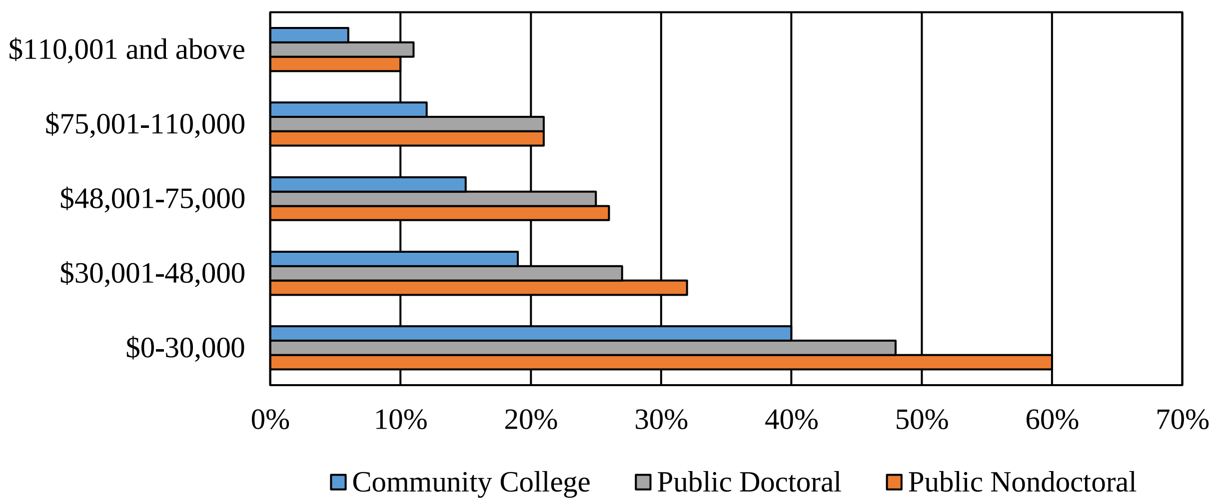


Note: The enrollment figures reflect fiscal 2013 data and sum to approximately 90%. The remaining 10% of enrollment is in the private sector. Also, calendar years reported by the Census Bureau do not align with academic years.

Source: Maryland State Report, 2016 College Affordability Diagnosis, Institute for Research on Higher Education

Discussion of affordability may also go deeper by looking at how tuition and financial aid practices price college differently for students from families of different incomes. Every student must pay the net price, or the personalized cost to attend an institution of higher education after applying all nonloan financial aid received and work study opportunities. **Exhibit 2** shows the percent of income needed to enroll at the same three types of public institutions divided across five income brackets in Maryland. While community colleges are always the most affordable option, for low-income families this still consumes 40% of their income but less than 20% for the other income groups.

Exhibit 2
Percent of Family Income Needed to Cover Net Price by Family Income in Maryland
2013



Note: Net price is the amount of money students are required to pay to attend college including room and board, minus all nonloan financial aid.

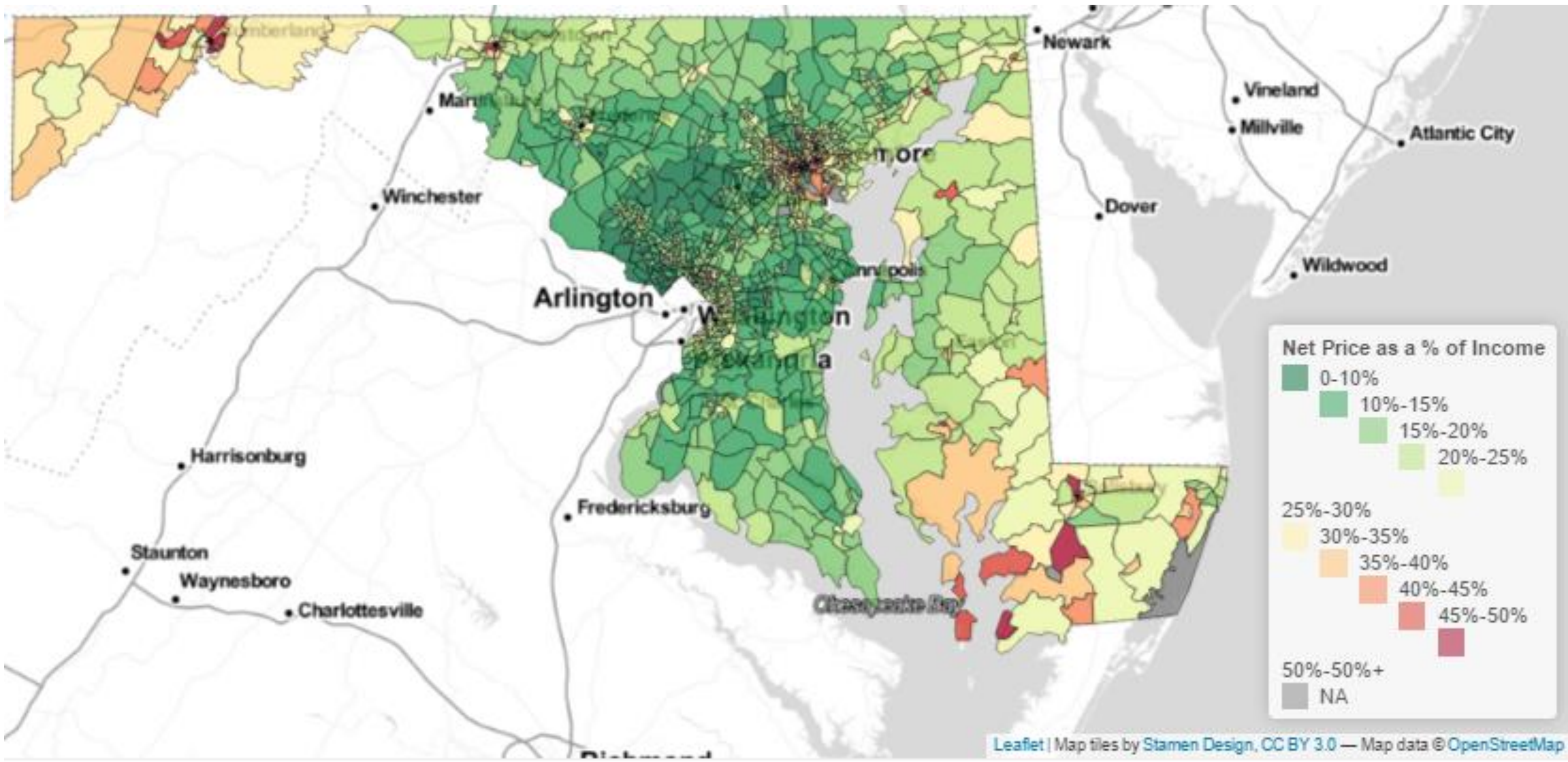
Source: Maryland State Report, 2016 College Affordability Diagnosis, Institute for Research on Higher Education

This means, even *after* financial aid is applied, students from families below the median income must contribute much more of their relative income toward paying for college. For students from families with fewer financial resources, this can be a significant barrier to initially enroll or stay enrolled.

Exhibit 3 shows the net price students pay to enroll at public four-year institutions in Maryland as a percent of family income by Census tract. Overall, most of central Maryland is paying no more than 25% of income to attend a public four-year institution. (Baltimore City is shown separately in Exhibit 4.) However, almost all of Western Maryland and large parts of the lower Eastern Shore spend 30% or more of their income to attend the regional institutions in those areas. While four-year institutions charge different tuition rates, this shows that the ability of families to pay for tuition varies significantly around the State.

Exhibit 4 shows the same type of net price information for the Baltimore City metropolitan area. Large sections of Baltimore would have to spend 40% or more of family income to afford enrollment at public four-year institutions, despite some of these institutions, like Coppin State University, offering lower tuition rates than other four-year institutions. This shows many students have difficulty affording the most geographically convenient higher education institution.

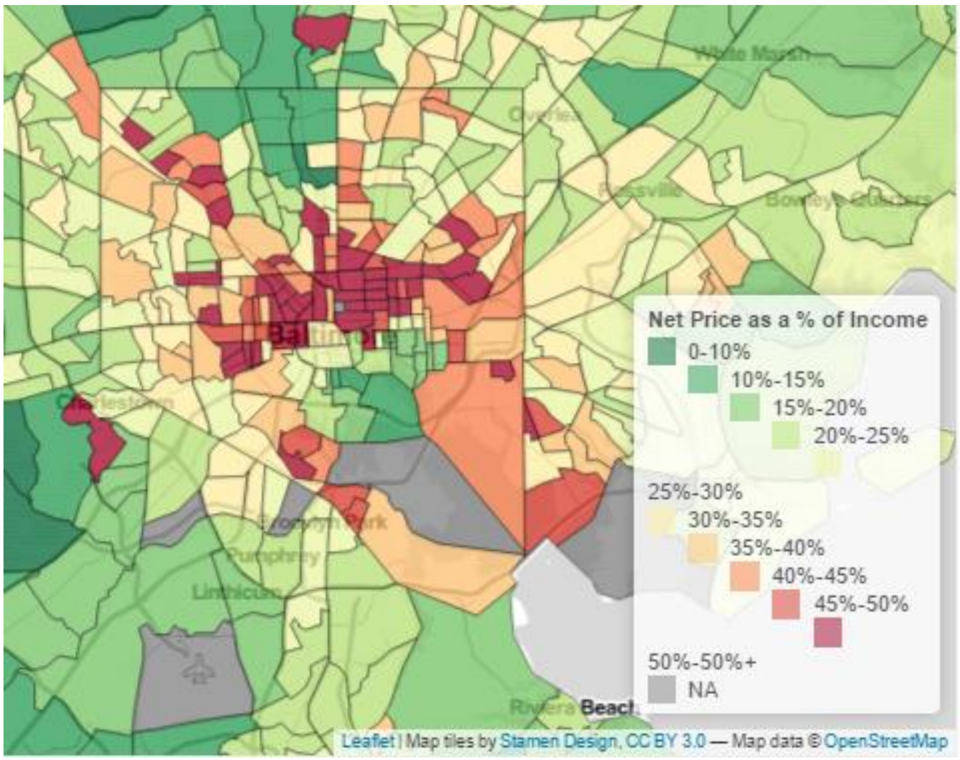
Exhibit 3
Net Price as a Percent of Family Income for Public Four-year Institutions in Maryland
2013



Note: Each region's net price is determined by the average of net prices of nearby in-state colleges and universities, with the nearest colleges counting for the most. Family income is calculated for each region using data from the Census Bureau's American Community Survey.

Source: 2016 College Affordability Diagnosis, Institute for Research on Higher Education. Accessed on November 16, 2016.
Online at: http://peabody.vanderbilt.edu/research/studies/affordability/maps_pub4.php

Exhibit 4
Net Price as a Percent of Family Income for Public Four-year Institutions In Baltimore City
2013



Note: Each region's net price is determined by the average of net prices of nearby in-state colleges and universities, with the nearest colleges counting for the most. Family income is calculated for each region using data from the Census Bureau's American Community Survey.

Source: 2016 College Affordability Diagnosis, Institute for Research on Higher Education. Accessed on November 16, 2016.

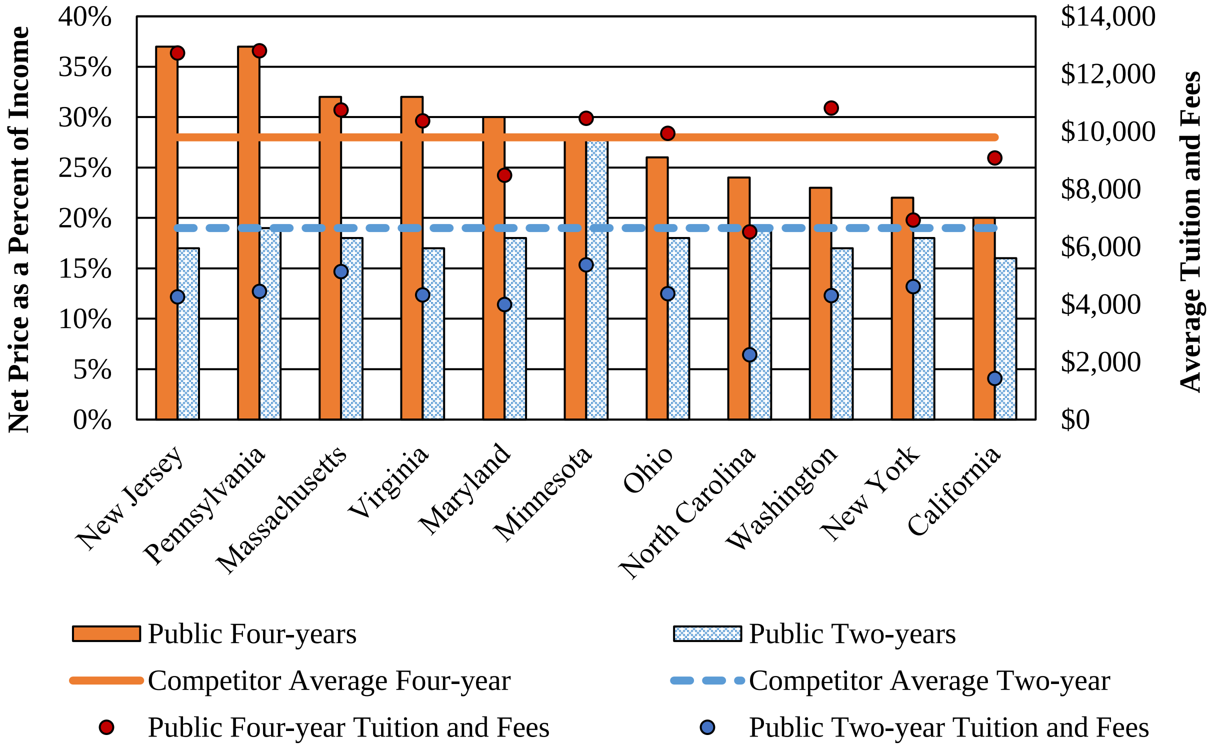
Online at: http://peabody.vanderbilt.edu/research/studies/affordability/maps_pub4.php

Exhibit 5 shows the average net price at Maryland two- and four-year institutions as a percent of family income alongside the 10 competitor states selected by the 2008 Maryland Model for Funding Higher Education. Overall, Maryland's community colleges have a similar cost to competitor states' two-year systems. At the four-year level, Maryland is slightly above the competitors' average but well below neighboring states Virginia, Pennsylvania, and New Jersey, which have relatively expensive public four-year institutions.

Exhibit 5

Net Price as a Percent of Family Income and Average Tuition and Fees in Maryland and Competitor States

2013

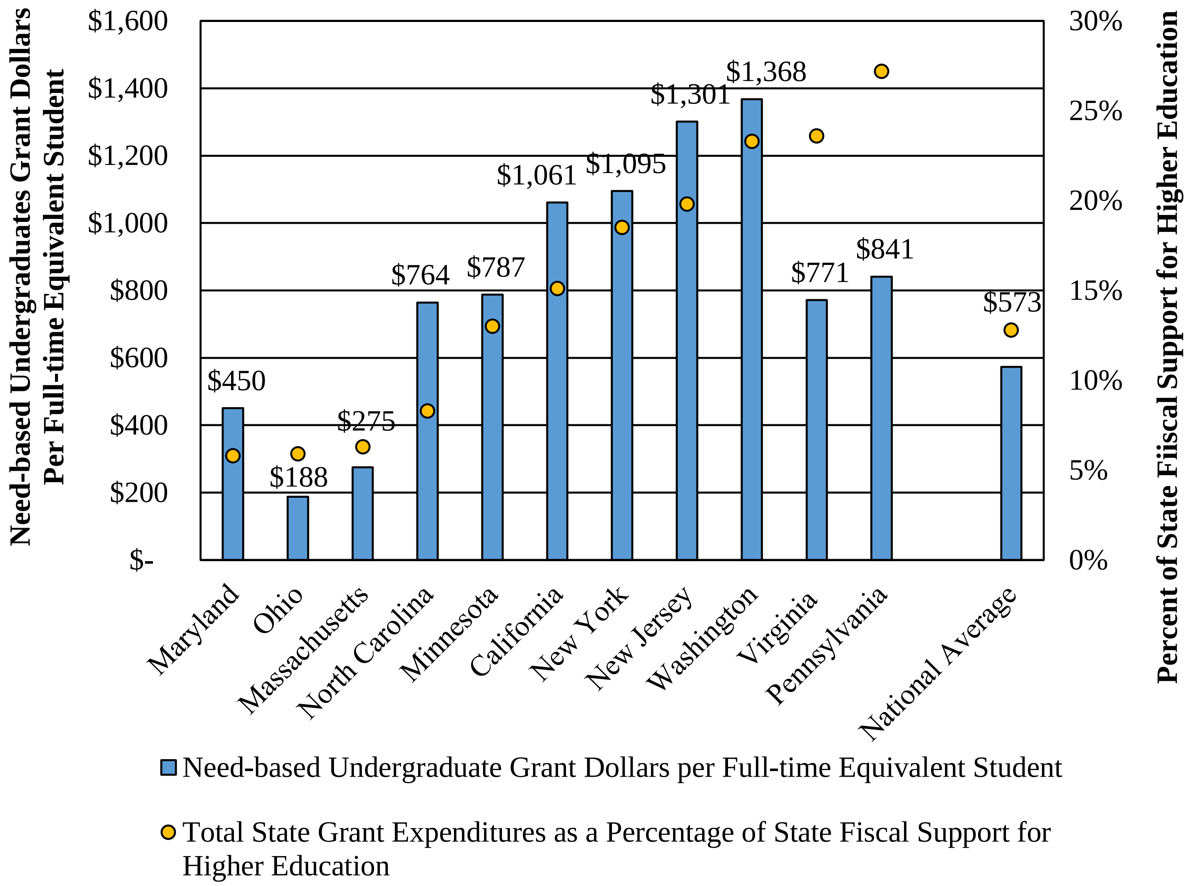


Note: Tuition and fees are enrollment weighted and reflect fall 2013. The years used in the data sources do not align.

Source: 2016 College Affordability Diagnosis website, Institute for Research on Higher Education; College Board. Accessed November 2016.

Exhibit 5 also shows the enrollment-weighted average tuition and fees in Maryland and competitor states. Overall, Maryland's four-year and two-year rates are both the third lowest among competitor states. The four-year rate's relative ranking is due to the tuition freeze and moderation policy. In 2003, the University System of Maryland (USM) began an Efficiency and Effectiveness (E&E) initiative to control the rise in college costs and relaunched E&E efforts again in 2015. However, while the tuition policy improved Maryland's relative ranking among states in recent years and E&E limited some growth in college costs at USM institutions, Maryland also effectively froze State-funded financial aid programs. As shown in **Exhibit 6**, Maryland only budgets $450 in undergraduate need-based grant aid for every full-time equivalent student (FTES) in the State, whereas competitor states have some of the highest financial aid per FTES in the nation. California, New Jersey, New York, and Washington all spend over $1,000 per FTES, while Minnesota, North Carolina, Pennsylvania, and Virginia all spend between $750 and $850 per FTES. This means 8 of Maryland's 10 competitor states rank among the top 10 states for need-based undergraduate grant dollars per FTES.

Exhibit 6
Financial Aid Spending in Maryland and Competitor States
Fiscal 2015

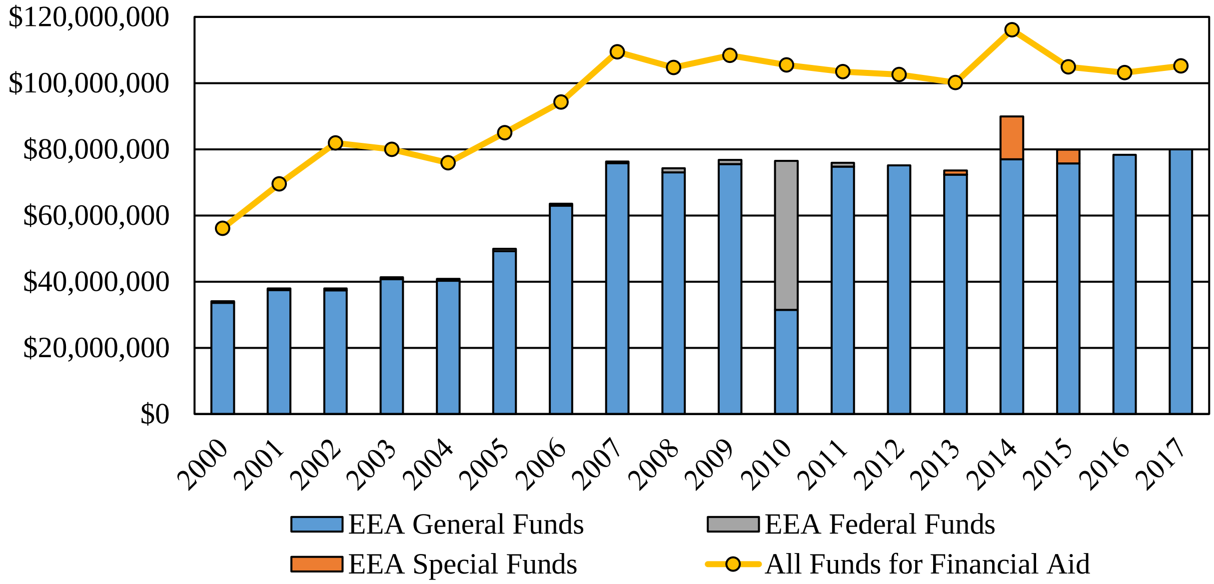


Note: Excludes nongrant aid such as loans and loan forgiveness.

Source: National Association of State Student Grant & Aid Programs; College Board

Maryland's low grant aid per FTES is a function of the fact that Maryland sets aside only 5.8% of higher education spending for total grants, the lowest among all 10 competitor states and less than half of the national average, 12.8%. In as much as higher education spending in Maryland has increased in recent fiscal years, funding has generally flowed directly to public institutions, rather than students. Most of Maryland's State-funded financial aid programs are in OSFA within MHEC, which requires students to show financial need to receive State funding. Maryland ceased funding its last merit-based scholarship program in fiscal 2015. The lower priority for funding financial aid becomes very evident in **Exhibit 7** when looking at OSFA's largest need-based program, the Delegate Howard P. Rawlings Education Excellence Awards (EEA) program. Funding for the program grew rapidly from fiscal 2000 through 2007, almost exclusively from general funds. The overall State budget for financial aid dipped in fiscal 2003 and 2004, during a recession, but grew significantly through fiscal 2007.

Exhibit 7
Funding History of Maryland State Financial Aid
Fiscal 2000-2017



EEA: Education Excellence Awards

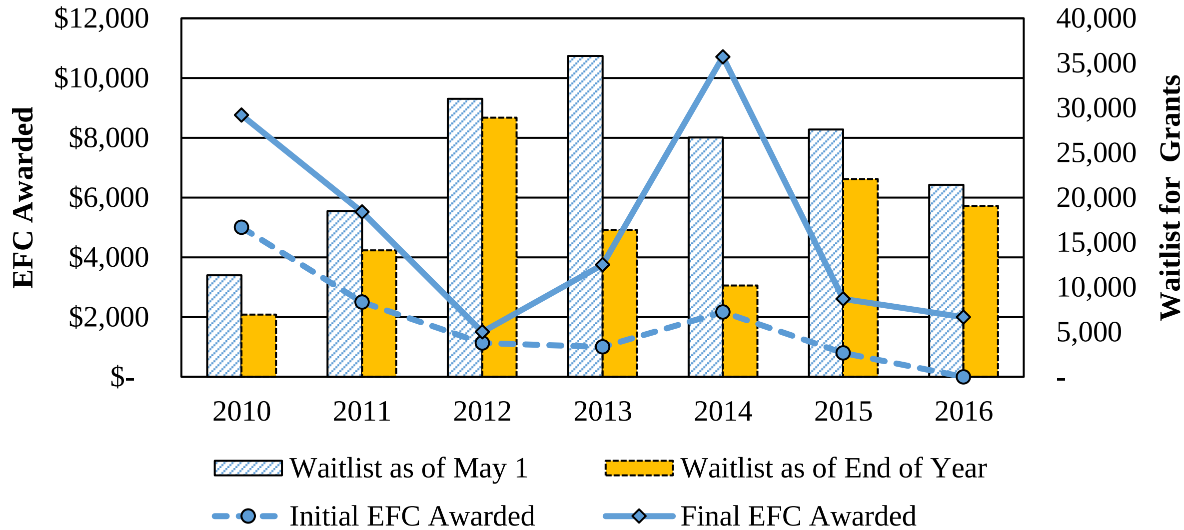
Source: Department of Budget and Management

However, funding for EEA has been approximately level from fiscal 2007 through 2017. Federal funds covered a loss of State support during the most recent recession in fiscal 2010 and carry forward funds were available to make additional awards in fiscal 2013 through 2015. Total general fund support in fiscal 2017 is only $4.2 million, or 5.6%, higher than 10 years' prior, despite continuously rising tuition and fees and overall student enrollment. Despite the low increase in funding, EEA now makes up 76% of OSFA's total funding, up from 70% in fiscal 2007 and 61% in fiscal 2000, as other financial aid programs in OSFA are also generally level funded.

The EEA program itself is composed of the Guaranteed Access (GA) grant and the Educational Assistance (EA) grant. The GA grant is for the most financially needy students and is capped at the undergraduate cost of attendance of the most expensive public institution, which is $17,900 in fiscal 2017, while the EA grant award has been statutorily capped at $3,000 since fiscal 1996. The GA grant is awarded to all eligible applicants, and whatever funding remains within the EEA budget goes toward EA grants. However, there are far more applicants than funding is able to cover.

Exhibit 8 shows the initial Expected Family Contribution (EFC) reached for EA grants awarded, which has declined from $5,000 in fiscal 2010 to $0 in fiscal 2016. The final EFC of awards, after later rounds of awarding by OSFA, is always slightly higher, although it did not increase much in fiscal 2012 and grew a lot in fiscal 2014 when financial aid special fund balance was spent down. Overall, the final EFC has declined from nearly $9,000 in fiscal 2010 to only $2,000 in fiscal 2016, indicating that the EA grant funding is able to reach only the most needy students and that a student who may have been eligible for an EA grant in previous years may not be needy enough anymore to receive a grant now. The waitlist for EA grants increased from fiscal 2010 to 2013, when it reached 30,000 students. It declined from fiscal 2013 to 2016, but remains at about 20,000 students despite a new EFC cap applied to the waitlist. Most students on the waitlist in any given year never receive an award.

Exhibit 8
Waitlist and EFC Awarded in Educational Assistance Grants
Fiscal 2010-2017



EFC: Expected Family Contribution

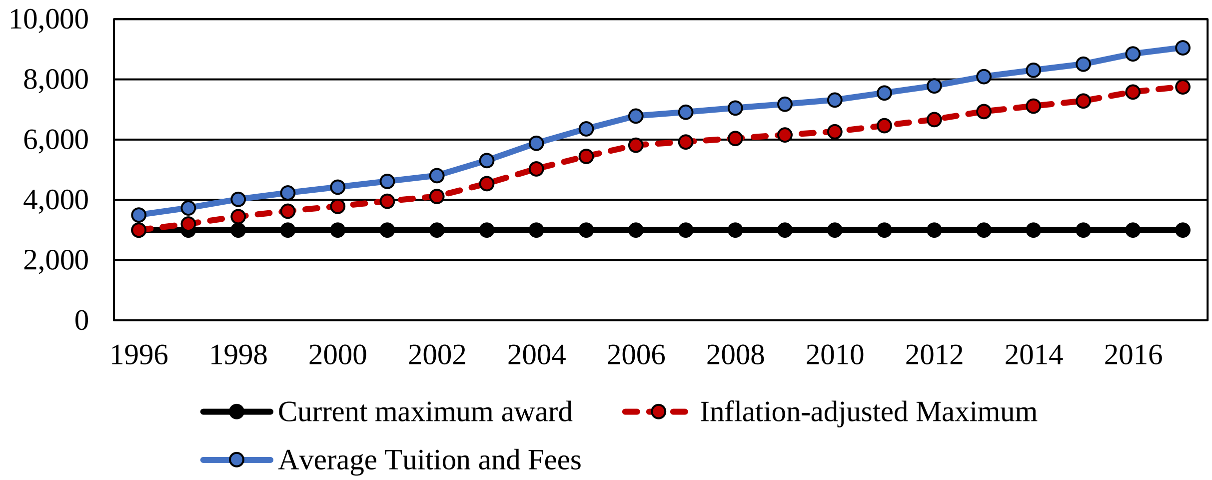
Source: Maryland Higher Education Commission

Initial EA awards are made late in the spring and then institutions certify students' enrollment in the fall semester. Every year, some amount of funding is returned to MHEC due to students declining awards, not enrolling, or not making satisfactory academic progress. MHEC uses this returned funding for subsequent awarding rounds in the same fiscal year. However, because these rounds generally occur in the middle of the academic year, students have already enrolled at a particular school and found a way to cover the cost of attendance so the additional awarding does not enable students to attend college who otherwise would not have attended. In other words, the funding has no impact on enrollment decisions. Despite attempts by MHEC in the past to make awards earlier, once again in fiscal 2017 the second round of awarding will not be until November 2016.

Exhibit 9 shows the maximum award ($3,000) in the EA grant over the past two decades compared to the growth in the institutional average of public four-year resident tuition and fees in

Maryland. The dotted lines show where the award's maximum would be had it kept pace with just the inflation of tuition and fees. In fiscal 1996, the maximum EA award covered about 86% of public four-year resident tuition and fees, but this has fallen to only 33% in fiscal 2017. As this is Maryland's largest financial aid program in terms of budget and recipients, at about 25,000 per year, it is increasingly falling behind in its ability to make college accessible for financially needy students.

Exhibit 9
Inflating EA Grant Awards by Public Four-year Tuition and Fee Growth
Fiscal 1996-2017



Source: Department of Budget and Management; Department of Legislative Services

Promise Scholarships

Given the focus on college affordability and the rise in student loan borrowing, there has been renewed focus recently on enabling students to earn degrees without significant debt. In 2015 America's College Promise was announced, a federal program that envisions eliminating tuition and fees for community college students through new publically funded scholarships. While no substantial progress has been made on this initiative at the federal level, several states, notably Tennessee, have received attention for launching statewide Promise Scholarship programs. **Exhibit 10** shows the states and Maryland counties with active Promise programs.

Exhibit 10

Active Statewide Promise Programs Nationwide And Local Programs in Maryland

Fall 2016

Jurisdiction	**Year Began**	**Name**	**Community College Tuition and Fees**
Tennessee	2015	Tennessee Promise	$4,282
Oregon	2016	Oregon Promise	4,759
Minnesota	2016	College Occupational Scholarship	5,377
Kentucky	2017	Work Ready Kentucky Scholarship	4,913
Maryland			4,417
Garrett	2006	Garrett County Scholarship Program	3,890
Allegany	2014	Allegany County Opportunity Scholarship	3,835
Wicomico	2016	Wicomico Economic Impact Scholarship	3,600
Prince George's		*Workgroup will report by January 2017*	4,550

Note: State tuition and fee rates are enrollment weighted, while Maryland county rates are actual full-time rates. The maximum Pell grant in fiscal 2017 is $5,815.

Source: Maryland Association of Community Colleges; College Board; Department of Legislative Services

While Tennessee was the first to begin a statewide program, it should be noted that three counties in Maryland already offer Promise-like programs, and Prince George's County has a task force studying the issue, established by Chapter 647 of the 2016 session. Somerset County, which does not belong to any local community college's service area, is also independently exploring the idea with Wor-Wic College. While most Promise programs are specifically targeted to recent high school graduates, Allegany County offers its program to all county residents and Tennessee simultaneously launched new support services for adult community college students called Tennessee Reconnect.

One of the prime concerns for Promise programs is the tremendous cost of covering all mandatory tuition and fees. To mitigate the cost, all of the programs listed in Exhibit 10 assume all existing financial aid programs continue to be funded at current levels, making Promise Scholarships a "last-dollar" program. This means the federal Pell grant, capped at $5,815 per student in fiscal 2017, is a very large source of funding applied to a student's cost of attendance before any Promise Scholarship is calculated to meet remaining financial need. In addition, some additional obligations may be required of the student for a Promise Scholarship, such as performing community service or attending mentorship programs. Tennessee funds its Promise program with a one-time endowment of about $360 million and ongoing lottery revenue. The startup funding came from lottery revenue originally set aside for its HOPE Scholarship. Tennessee also reduced the maximum award amount that students could receive for attending a public four-year institution. Kentucky is also using lottery revenue for the piloting of its new Promise program, while Minnesota's and Oregon's programs rely on an annual appropriation that must be reapproved every year.

Tennessee Promise has some limited information available on its first year of operations. Overall, the grade point average benchmark, application process, and community service requirements reduced the initial 58,000 high school student applicants to about 16,000 Promise recipients in the first cohort as shown below in **Exhibit 11**.

Exhibit 11
Tennessee Promise Scholarship Enrollment and Costs
Fiscal 2016-2018

	# of Students	% Returning	Notes
Year 1	58,286		High School Students Applying 1-year Prior
FY 2016	16,291		Promise Enrollment (one cohort)
	10,917	67%	Retention Fall to Spring Semester
	7,821	48%	Retention Fall to Fall Semester
	$15,221,523		Total First-year Cost
	$1,727*		Average State-funded Promise Award
Year 2	59,261		High School Students Applying 1-year Prior
FY 2017	24,321		Promise Enrollment (two cohorts)
	$26,500,000		Total Year 2 Estimated Cost
Year 3	60,780		High School Students Applying 1-year Prior
FY 2018	$33,000,000		Total Year 3 Estimated Cost

*This average includes only students in the Promise program who received a state-funded scholarship.

Note: Year 2 and 3 figures are estimated using information from September 2016. The second cohort is expected to be between 16,000 and 17,000 students.

Source: Tennessee Student Assistance Corporation

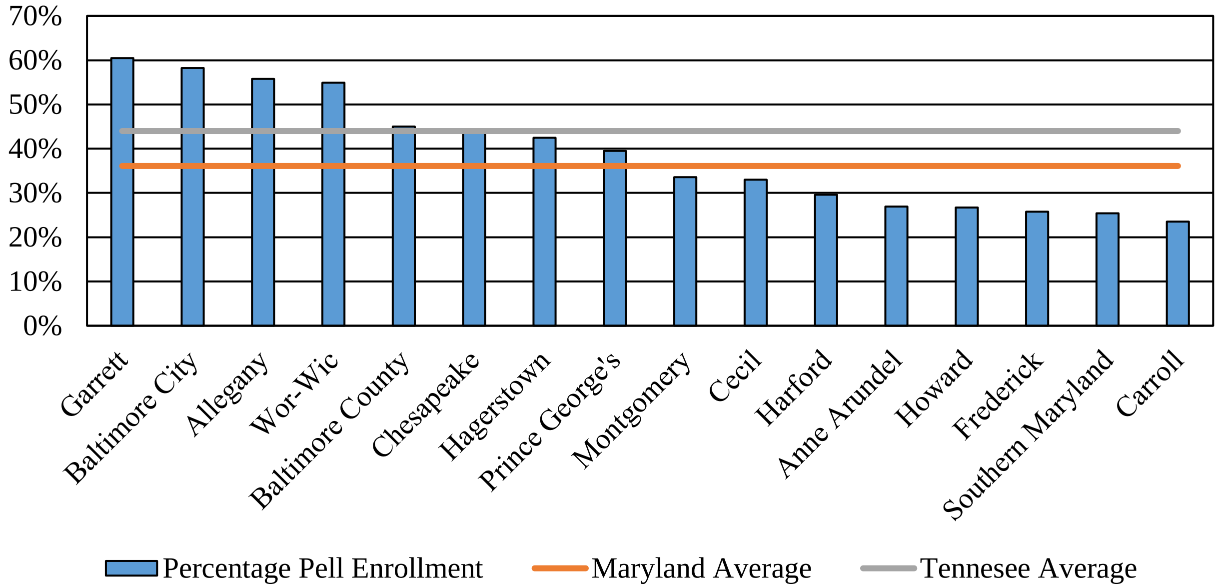
Even with free community college in Tennessee, 33% of students did not stay enrolled in the second semester and another 19% of the original cohort failed to return for the second year of enrollment. This suggests that financial aid for tuition and fees alone is not sufficient to get all students successfully through higher education. While the average award across all Promise students was $934, not all Promise Scholars actually received state support because of the last-dollar nature of the program. The average Promise award given out directly by Tennessee was actually about $1,727. Tennessee also allows students to enroll in workforce training programs at technical colleges, which are separate from degree-granting community colleges in that state. While this program is still in its early stages, Garrett College has been operating a similar program for 10 years now.

Garrett County began funding the Garrett College Scholarship Program (GCSP) in fall 2006, which funds (1) dual enrollment of high school students and (2) full tuition and fees for county high school students enrolling directly into Garrett College. Even with tuition and fees covered, as was the case with the Tennessee Promise students, many GCSP students do not complete a degree at Garrett College. While outcome data is available, the most recent cohorts have consisted of only 51 students each, so data is highly variable. One clear trend is that GCSP students have grade point averages (GPAs) that are consistently higher by 0.2 to 0.6 points over other students and have slightly less need for remedial coursework, suggesting GCSP students are more prepared and successful than the general student body. GCSP awards averaged between $1,050 and $1,250 from fall 2009 through fall 2015, which also shows that last-dollar awards need not be very large to get students to enroll.

However, as shown in **Exhibit 12**, Garrett College also has the highest percent of Pell eligible students of any community college in Maryland, at 61%. Allegany College and Wor-Wic College also have the third and fourth highest Pell Grant eligible student enrollments in Maryland, suggesting that Promise programs here are going to be more affordable given the higher utilization of Pell Grants. While Tennessee's statewide Pell eligibility rate is only 44%, this is higher than Maryland's statewide rate of 36%. In addition, Tennessee puts 23.2% of its fiscal support for higher education into state financial aid programs, which are mostly merit based, compared to only 5.8% in Maryland. While it is possible that some Maryland students are not taking full advantage of Pell grants, institutions have been proactive about getting students to apply to all currently existing financial aid programs.

Promise programs provide tuition benefits to all students attending community college, including those who cannot afford it and those who can. To the extent that the goal is to help those who can least afford higher education, Promise programs are not the most efficient way to achieve the goal.

Exhibit 12
Percent of Enrollment Pell Eligible at Community Colleges
Fall 2013



Note: Maryland average is student weighted.

Source: Maryland Higher Education Commission; Tennessee Higher Education Commission

Estimated Cost of a Maryland Promise Scholarship Program

The Department of Legislative Services (DLS) previously estimated the cost for a Promise-like program in the fiscal and policy note for the Maryland Education Opportunity Act (House Bill 18 of the 2016 regular session). That note estimated a total cost of at least $64.5 million per year for *existing* first-time, full-time students in fiscal 2017. This is similar to an estimate from the Maryland Association of Community Colleges of at least $60 million for students enrolled in fiscal 2015. These estimates only account for students who were already enrolled at community colleges. In addition to existing community college students, if a Promise program were established in Maryland providing free community college tuition, students who would have otherwise enrolled at a four-year institution or would not have enrolled at all would enroll at community colleges. This affects the cost of the Promise program at community colleges as well as the John A. Cade and Baltimore City Community College (BCCC) funding formulas. It may also have implications for funding of four-year institutions. MHEC and DLS are currently working to refine an estimate for a statewide Promise Scholarship in Maryland.

Estimating a cost for a statewide Promise program in Maryland is complicated by the number of assumptions that must be made. While Tennessee and Garrett County require full-time enrollment, Allegany County allows students to enroll part-time and during the summer, but Allegany County only covers up to 50% of tuition and fees. In addition, Tennessee has highly centralized credit and noncredit community college systems, so it has more direct control over tuition setting and financial aid policy at each campus, whereas Maryland allows for greater local control. In addition, offering free community college will cause changes in enrollment. Tennessee reported over 20% growth in its two-year sector enrollment, a higher college-going rate from high school students, and a slight decline, 4.6%, at its four-year institutions. Tennessee has a lower immediate college-going rate than Maryland and saw its rate rise 4.6 percentage points to 62.5% with just the first Promise cohort. Maryland's rate varies only slightly between 66% and 67% according to the Maryland State Department of Education, so an enrollment bump in Maryland might be of a smaller scale. In addition, of public high school graduates who enroll in higher education, about 25% leave Maryland every year for initial higher education enrollment. If there are Promise Scholarships available, some of these students may decide to stay in Maryland.

This leads to a long list of assumptions and complications toward a cost estimate that include:

- Who would be eligible? Recent high school graduates? Everyone?
- What happens to students who don't complete a degree in two years' time?
- Would students be able to enroll part time, or during summer or winter semesters?
- Would students be able to take noncredit coursework, such as workforce training?
- Would remedial education be covered by the scholarship?
- How many students who currently enroll at public four-year institutions or out-of-state would instead now enroll at a Maryland community college?
- How much would enrollment changes drive increases in State funding for community colleges through the Senator John A. Cade formula and in the BCCC formula?
- If the State is contributing significant new direct aid to community colleges through a Promise program, would the Senator John A. Cade or BCCC funding formulas need to be modified in any way?

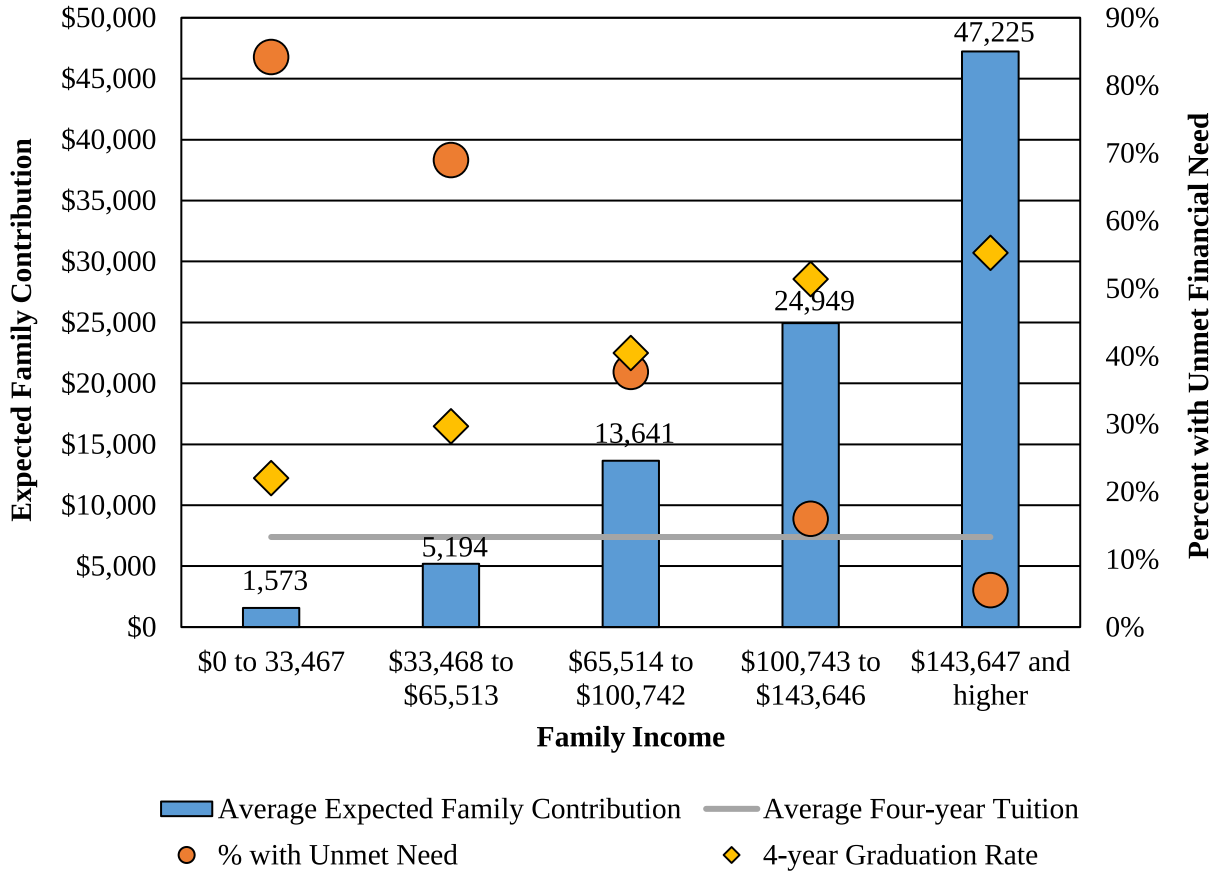
MHEC Continues Research on Financial Need

Recent research from MHEC on Maryland students receiving financial aid has studied a group of first-time, full-time students enrolling at Maryland's public four-year institutions in the fall of 2008. **Exhibit 13** shows that the families of these students from the lowest income quintile can, on average, contribute only $1,573 toward educational expenses. Even the second lowest quintile still falls below the average cost of tuition and fees at a Maryland four-year institution in fall 2008. Over 80% of the first quintile and nearly 70% of the second quintile have unmet need remaining after all financial aid sources are exhausted compared to only about 5% in the highest quintile.

Exhibit 13

Expected Family Contribution by Income and the Percent of Students from those Families with Unmet Need Remaining

Fall 2008 Cohort



Source: *Report on Unmet Need and Student Success*, September 2016, Maryland Higher Education Commission

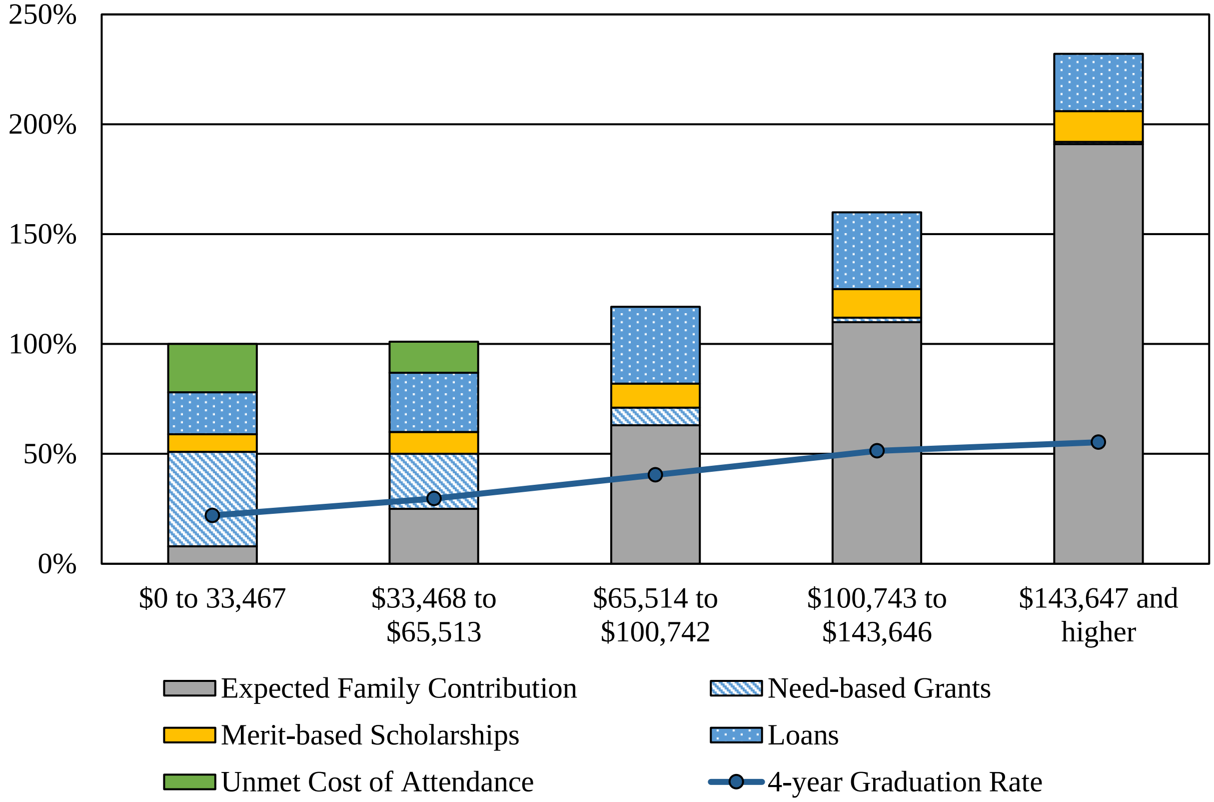
The lowest income group is also the group that would primarily take advantage of the GA grant. In prior reports, MHEC has noted there were 542 GA recipients in 2008 and only 30% graduated in four years and 49% in five years, despite need being fully met. Academic and social engagement is a critical factor on college campuses for the success of low-income students. This is why Tennessee Promise requires community service and mentoring, although, as shown in Exhibit 11, that program is also facing low outcomes.

Exhibit 14 shows how the same family income quintiles are meeting the cost of attendance. The Expected Family Contribution in the two highest quintiles meets more than 100% of the cost of attendance and, in addition, students from those families still receive scholarships and take out student loans, although they do not receive work study or grants. They also have no unmet need remaining.

Exhibit 14

Percent of Cost of Attendance Met by Different Financial Aid Sources And Graduation Rates

Fall 2008



Note: Work study opportunities are available only to students in the lowest income group and meet 1% of need. For simplicity, work study is merged with Need-based Grants in this exhibit.

Source: *Report on Unmet Need and Student Success*, September 2016, Maryland Higher Education Commission

In the two lower income quintiles, students are much more dependent on grants to cover a large percentage of the cost of attendance and family contributions cover a quarter or less of educational expenses. There is also significant unmet financial need amounting to 22% of cost for the lowest income students and 14% for the second lowest quintile. How students manage to cover these expenses and still enroll is not something that the FAIS can answer. The exhibit also confirms observations in national data, that there is a strong correlation between family income and a student's graduation rate. The MHEC report found that four-, five-, and six-year graduation rates are affected by both students' family income and unmet financial need. Students from the lowest income quintiles also see the largest gains in graduation rates when their financial need is wholly met. This aligns with previous MHEC research which found that an effective way to use financial aid resources to improve graduation rates is to meet or overmeet the financial need of low-income students.

MHEC concludes by recommending additional funding to EEA programs and policies such as enabling students to receive need-based awards in the fifth year of full-time study could better assist more Maryland students. MHEC anticipates producing longitudinal studies on students at two- and four-year institutions later in fiscal 2017 to provide more insights on possible changes to financial aid policy in Maryland.

Conclusion

While Maryland ranks well in affordability given a strong policy of tuition moderation, funding for statewide financial aid programs that enable the lowest-income students to enroll in higher education has not kept pace and there is strong evidence from MHEC and national reports that low-income students are having difficulty affording higher education. However, while meeting financial need does have a positive effect on graduation according to MHEC research, preparation for college-level coursework is another strong measure of success. While Promise Scholarships receive significant attention, there must also be adequate student support services to ensure that students complete their programs of study. The General Assembly should continue policy discussions across the P-20 spectrum to determine how best to allocate State support to ensure that Maryland students find both access and success in post-secondary education.

Policy Discussion Questions

- If additional State support is available, should it go toward a new Promise Scholarship, or go toward meeting the waitlist in the existing EA Grant program?
- Should changing the maximum and minimum grant award amounts for the GA or EA programs be explored?
- If local governments are already funding Promise Scholarship programs, is a statewide program necessary?
- How can the State establish and promote best practices for financial aid wraparound services that promote success of both traditional and nontraditional students?
- How can the State promote alternative and more affordable paths to college credits, such as dual enrollment; P-TECH and early college high schools; and AP or IB classes?
- MHEC has several marketing plans for new State programs and services. How can MHEC work to increase awareness of the State's financial aid programs to students and families?
- How can the College Affordability Act be implemented most effectively to link financial aid to successful student completion?
- How can OSFA policies and practices be modified to make awards earlier to enable students to enroll in their first choice institutions?