

Commission to Study College Affordability and College Completion  
Resolves 2013, Chapter 109

Chairs:

Senator Rebecca J. Millett  
Representative Matthea Elizabeth Daughtry

Staff:

Lock Kiermaier

**Meeting Summary**  
**August 26, 2014**  
**Room 202, Cross Office Building**  
**Augusta, ME**

Members present: Senator Rebecca Millett (Chair), Representative Mattie Daughtry (Chair), Representative Brian Hubbell, Representative Matt Pouliot, Barbara Woodlee (MCCS), Wendy Ault (MELMAC), Ryan Low (UMS), Gianna Marrs (UM), Mila Tappan (FAME), Elizabeth True (MMA), Lisa Plimpton (Mitchell Institute), Robert Clark (Husson University)

Staff: Lock Kiermaier (Contract)

The meeting commenced at approximately 9:30 AM. The Chairs, Senator Rebecca Millett and Representative Mattie Daughtry, asked those members present to introduce themselves.

After a review of the proposed agenda, the Chairs explained to the Commission that the agenda would be shifted around, primarily to move the FAME presentation and panel to the morning. Staff person Lock Kiermaier then proceeded to briefly review the statutory authorization for the Maine State Grant Program (20-A MRSA c.419-A) and emphasized the following points:

- The Maine State Grant Program (MSGP) was first authorized in its present form in 1989;
- The MSGP is administered by the Finance Authority of Maine (FAME) to distribute grants to Maine residents who are in need of financial assistance in order to be able to attend institutions of higher education; and
- By statute, annual grants from the MSGP may not be less than \$1,000.

Mr. Kiermaier followed up on the statutory review with a brief review of a graph regarding grants from the MSGP in the period of time from FY 07 through FY 13. In brief, this graph showed the following:

- Annual MSGP grants have gradually declined from a high of \$1,500 in FY 07 and FY 08, to \$1,250 in FY 09 through FY 12, to \$1,000 in FY 13;
- In that same time period, average tuition and fees for a 4 year college program have increased steadily from approximately \$6,000 in FY 07 to close to \$9,000 in FY 13; and
- Average tuition and fees for a 2 year college program have slightly increased from \$3,000 in FY 07 to approximately \$3,250 in FY 13.

After Mr. Kiermaier's brief review, the commission then received a presentation on the MSGP from FAME employees Mr. Bill Norbert, Governmental Affairs and Communications Manager, and Mr. Claude Roy, Education Services Manager. Mr. Norbert and Mr. Roy distributed copies of a written summary titled "Business & Education at Work for Maine, Maine State Grant Program". This written document and the ensuing presentation focused on the following points:

***Overall Summary of the MSGP:***

- The Maine State Grant, administered by FAME, is the state's basic need-based undergraduate grant program.
- Students apply through the Free Application for Federal Student Aid (FAFSA).
- Expected Family Contribution (EFC) cut-off dependent on funding and "take-rate."
- In recent years, FAME has awarded over 10,000 Maine students an average grant of \$1,000 annually.
- The buying power of the grant has been eroded over the years, both by cuts in funding and by the commensurate rise in the total cost of a higher education.
- Over the past ten years, state appropriations used for the grant have been reduced by twenty-one percent.

***Recent Changes to the MSGP***

- 125<sup>th</sup> Maine Legislature (Second Session) made changes to the grant based on stakeholder group recommendations via *LD 1908*
- Modified program as follows:
  - Eliminated reciprocity of the grant with other states;
  - Removed the statutory cap of 5% on grant awards to part-time students;
  - Removed the award differences between public and private institutions;
  - Permits FAME to establish by rule tiered award amounts;
  - Limits grant eligibility to ten semesters or the equivalent thereof; and
  - Requires FAME to conduct a review of the program every ten years. The first decennial review is due to the Education and Cultural Affairs Committee on or before January 1, 2021.

***Funding Goals for the MSGP***

- FAME is seeking to boost the state's commitment to the grant via increased funding.
- Pell Grant now covers just one-third of the costs of higher education; it covered three-quarters of the costs in the 1970s.
- Maine State Grant avg. award was \$1,000 in 1992 and remains so in 2014.
- Award should be at least \$2,500 in 2014 to have same buying power as it did in 1992. This would require an additional \$15M appropriation per year.
- FAME's goal is to increase program funding to the level where, combined with a Pell Grant, the grant could approximately pay for tuition and fees at a Maine Community College for students with financial need would require \$11M more per year; (*NOTE: the \$11M figure was updated to \$12.3M in later comments from Mr. Norbert and Mr. Roy.*)

### *State of Maine Grant Dollars Awarded 2004 -2013*

The written presentation from FAME also included a graph showing that the total grants from the MSGP:

- Were almost \$12 million in 2004;
- Reached a high of close to \$12 million in 2008;
- Had a low point of \$8 million in 2010; and
- Most recently, slightly more than \$9 million in grants were distributed in 2013.

Over the course of the presentation and discussion, the following questions and comments were voiced by commission members with responses and various information provided by Mr. Norbert and Mr. Roy:

- The Estimated Family Contribution (EFC) calculation used by the Free Application for Federal Student Aid (FAFSA) is often criticized for overestimating a family's financial capacity. Has FAME experienced these same criticisms for using EFC scores to determine grant eligibility? Yes, generally speaking FAFSA is considered by FAME to be a fair indicator of a family's financial capacity but it is not required to do so by state law.
- Does the previously discussed graph represent both public and private colleges? Yes.
- Has there been a reduction in EFC levels in order for a student to qualify for MSGP grants? Not exactly; EFC levels are determined by available funding appropriated by the Legislature.
- How many students have applied for MSGP grants but did not receive them and how much funding would be needed to cover that unmet need? FAME will provide that fiscal estimate.
- What percent of MSGP grants go to "independent" students? FAME will provide that information.
- FAME commented that an EFC of \$5,000 corresponds to an income of \$62,000 for a family of four.
- At what point will reduced grants from the MSGP become ineffective or inadequate due to reduced purchasing power? FAME responded by saying that the EFC will continue to be reduced as necessary to reach more Maine students, the current \$1,000 grants are average for similar programs in the New England states and that FAME would have to consult with Maine higher education institutions to make that determination.
- The Commission needs to accurately assess the unmet financial need of students.
- Referring again to the earlier graph discussed by Mr. Kiermaier, the reasons for the steep increase in the cost for tuition and fees for 4 year colleges need to be determined.
- The cost of education minus state appropriations equals the cost to students.
- Has there been any discussion regarding the possible use of dedicated revenues to provide funding for the MSGP? Yes, but FAME has generally avoided any position favoring the use of funds from sources like the state-authorized racinos.
- Does FAME have a funding wish list for the MSGP? Yes, most recently FAME requested an \$11 million funding increase from the Legislature..

- Can MSGP grants be awarded to out-of-state students? No, current state law prohibits grants from being awarded to non-resident students.

The Chairs next welcomed a three person panel to discuss the MSGP. The panel consisted of :

- Ms. Nicole Vachon, Financial Aid Director for Husson College;
- Mr. Shayne Brown, student at Husson College; and
- Mr. Richard Brown, parent of Shayne.

Ms. Vachon began the panel discussion by making the following points:

- 40% of Husson College students are the first generation of their family to attend college;
- Despite recent improvements in the economy, many families are not able to borrow or significantly contribute to the costs of their child's college education;
- Many students have to struggle with either higher debt or loans that are inadequate to meet total college costs;
- The MSGP has a significantly positive effect on a student's ability to help pay for college and is usually but one element of package of loans and grants that make up a student's financial aid package;
- To combat the high annual cost of a 4 year college program, many students are resorting to extending their program to over 4 years. This solution is temporary at best and often exacerbates the overall financial difficulties faced by many college students; and
- She urges the commission to strongly support the MSGP and feels that the current administrative procedures used by FAME (like FAFSA) generally work well and should not be changed.

At the request of another Husson student who was not able to attend the meeting and participate in the panel, Ms. Vachon read a written statement from Hannah Cameron, a 4<sup>th</sup> year student majoring in elementary education. In her brief statement, Ms. Cameron spoke highly of the MSGP and urged continued support for the program but also commented that despite the grant and other financial aid that she has received, the work that she had to do often detracted from the time she had available to study.

The commission next heard from Shayne Brown who is a second year marketing student at Husson. Mr. Brown strongly supported the MSGP but commented that the FAFSA/EFC calculations forced him to rely on his parents for financial support from nonexistent financial resources. Mr. Brown also credited his parents for bringing him up in a way that encouraged a positive attitude to accomplish whatever needs to be done to succeed. Finally, Mr. Brown commented that the MSGP definitely made a difference in his efforts to pay for college and that every amount of money was important to relieving the financial strain on his family.

Mr. Brown was followed by his father, Richard Brown, in the panel's testimony. Mr. Brown commented on the dire need for more grant funding to cover the college costs for students like his son. Mr. Brown spoke of the significant pressure on his family to contribute to Shayne's college costs and how difficult that was on two fixed incomes that were limited by retirement and disability issues.

Next, the commission entered into a broad discussion on college affordability in which the following points were made:

- The discussion regarding the MSGP is stark evidence that the state has failed to properly fund the program;
- The MSGP has a favorable impact on both private and public higher education institutions in Maine;
- It will be important to obtain relevant data to expand the MSGP and to increase its actual purchasing power;
- The commission should know how much the EFC overestimates financial capacity;
- In defense of the FAFSA/EFC determinations, that process actually helps to protect family cash and other assets. Where FAFSA/EFC starts to falter is properly assessing a family's prior year income. In addition, financial aid offices do listen to appeals on the FAFSA/EFC calculations;
- There is a dire need for the federal government to reassess poverty levels and FAFSAs are unfair to the self-employed;
- It would be a significant administrative burden (and cost) for colleges to eliminate FAFSA/EFC and the appeals process is one that should be used more prominently and effectively. Also, FAFSA/EFC is income driven as opposed to assets;
- Retirement funds are considered to be an asset in the FAFSA/EFC process;
- "Eligibility Index" would be a better title for EFC and the current EFC calculations are devastating to middle income families;
- How many families are above the \$5,000 EFC for families of four with an annual income of \$60,000?;
- An EFC of up to \$8,000 should be the level at which MSGP grants are awarded. In addition, the current May 1<sup>st</sup> MSGP application deadline should be delayed;
- Affordability is the greatest challenge to middle income families;
- The diminishing purchasing power of existing grant levels is the most important issue; the paramount need is to increase grant amounts instead of redistributing existing funding totals;
- Changes need to be made in college affordability so as to attract people to live and work in Maine; debt structure should be significantly changed to encourage a 4 year commitment to staying in Maine;
- The existing Opportunity Maine tax credit is not well publicized and definitely underused by the public at large;
- FAME will be asked to work with commission staff to fill out the Template to Facilitate Analysis of Affordability Options devised earlier by the commission; and
- Commission staff will work with HTC to use Maine data in the "Washington State Model" for determining actual college costs to the student.

The Chairs concluded the meeting by establishing the next three dates for commission meetings:

- September 18, 2014
- October 8, 2014
- October 22, 2014

All meetings will start at 9:30 AM and will be located in Room 202 of the Cross Office Building in Augusta.

The meeting was adjourned at approximately 12 noon.