

Testimony in Support of LD 761, “An Act To Establish the Maine Community College System Pell Grant Match Program”

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Dear Senator Rafferty, Representative Brennan, and members of the Joint Standing Committee Education and Cultural Affairs. My name is James Myall, and I am a policy analyst at the Maine Center for Economic Policy. I am writing to you in support of LD 761.

Access to a college education remains one of the best ways for Mainers to boost their lifetime earnings and economic well-being. Yet too often, the cost of college is a barrier to completion or even enrollment. LD 761 would help close the affordability gap for many Maine students.

LD 761 would create a new grant program to match the amount of money a Maine student receives under the federal Pell Grant program. Because Pell Grants are awarded to first-time college students with the greatest financial need, the program established under LD 761 would be targeted at the Mainers most in need of additional help to attend and complete college.

Cost is an obstacle that stops many Mainers from earning a college degree. This barrier is particularly hard to overcome for the Mainers who would most benefit from a college education — people of color, those who are the first in their family to go to college, or those who are from families with low incomes. When college is unaffordable, many of these Mainers don't earn the degree or certificate that could improve job prospects and income.

Many of us think of community college as the affordable route to higher education. But while tuition in Maine's Community College System is lower than in the University System, it can still cause students to incur large amounts of debt. Data from the U.S. Department of Education reveals that 43 percent of students at Southern Mainem Community College have to take out some kind of federal loan, and that the typical debt for graduates is around \$10,000. What's more, two years after graduation, two thirds of borrowers had not made any progress on paying down the principal balance.¹

In 2019-20, US students borrowed \$14.3 billion in private loans, in addition to federally backed loans. That's more than twice as much, in real terms, as they borrowed in 1997-98.²

The cost of attending post-secondary education is a hurdle that students must clear every year they are enrolled, and even when students overcome the high cost of attendance as freshman, they may not in subsequent years. Many students who successfully enroll in higher education end up dropping out later for financial reasons. Today, one-fifth of Maine adults have some college education, but no degree.³

The relatively small amount invested in the education of Maine students called for in LD 761 today will pay dividends for Maine families and our economy. One estimate suggests every state government dollar spent on public higher education in Maine produces \$2.90 in increased tax revenues and reduced safety-net costs.⁴

Student loan debt acts as a drag on the economy by reducing the ability of borrowers to fully participate in it. Large student loan burdens delay or prevent them from starting a business, buying a home, or starting a family.⁵ The debt has persistent impacts on the everyday finances of Mainers. A poll commissioned by MECEP in December 2018 found Mainers struggling to pay student loans in multiple ways:⁶

- 60 percent of respondents said they've struggled to pay a student loan payment.

- 56 percent of respondents said that student loan debt is causing them to reduce the amount they save for retirement.
- 51 percent of respondents said that they had to delay a major purchase like a car.
- 39 percent had to skip a bill in order to pay their loans, including a utility bill, rent, or car payment.
- More than 40 percent of respondents know someone who moved to another state in order to take a job that will help them afford payments.
- One in three Maine student loan borrowers have been unable to buy necessities such as food and clothing in order to make their loan payments.

By ensuring that Mainers have the ability to attend community college without incurring debt, LD 761 would lower the cost barrier that keeps so many students from attending or finishing college, and it would reduce the overall student debt burden on future generations of students, so that they can more fully participate in our economy. That's well worth the cost.

Thank you, and I'm happy to answer any questions. You can reach me at jmyall@mecep.org.

Notes

¹ US Department of Education, College Scorecard Data. <https://collegescorecard.ed.gov/school/?161545-Southern-Maine-Community-College>

² MECEP analysis of "Trends in Student Aid," *The College Board*. Web. Available at <https://research.collegeboard.org/pdf/trends-college-pricing-student-aid-2020.pdf>. In the 1997-98 school year, college students borrowed \$3.5 billion in private loans, equivalent to \$5.6 billion in 2020 dollars.

³ US Census Bureau, American Community Survey, 2019 data. 18% of Mainers aged 25 and older had some college education but no degree (including no associate's degree)

⁴ Philip Trostsel, "The Fiscal Impacts of College Attainment," *Federal Reserve Bank of Boston*, 2007. Web. Available at <https://www.bostonfed.org/publications/new-england-public-policy-center-working-paper/2007/the-fiscal-impacts-of-college-attainment.aspx>

⁵ Rajashri Chakrabarti, Nicole Gorton, and Wilbert van der Klaauw, "Diplomas to Doorsteps: Education, Student Debt, and Homeownership," Federal Reserve Bank of New York, Apr 3, 2017. Web. Available at <https://libertystreeteconomics.newyorkfed.org/2017/04/diplomas-to-doorsteps-education-student-debt-and-homeownership.html>

⁶ "New poll: Mainers struggle to pay down student debt, say loan servicers are making matters worse," *Maine Center for Economic Policy*, Nov 29, 2018. Web. Available at <https://www.mecep.org/new-poll-mainers-struggle-to-pay-down-student-debt-say-loan-servicers-are-making-matters-worse/>

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Please find attached testimony in support of LD 761 on behalf of the Maine Center for Economic Policy