



DATE: Feb. 22, 2022
TO: Committee on Innovation, Development, Economic Advancement and Business
FROM: Samantha Warren, UMS Director of Government & Community Relations
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RE: **LD 1978, An Act To Promote Home Ownership by Reducing Education Debt**

Senator Curry, Representative Roberts and distinguished members of the Joint Standing Committee on Innovation, Development, Economic Advancement and Business: I write on behalf of the University of Maine System (UMS) to inform your consideration of LD 1978.

There is a lot of misinformation about student debt. It can scare Maine families, and leave them believing that the proven power of social mobility through higher education is not within their reach. How policymakers discuss student debt should be sensitive to this, as **high-quality postsecondary education and training is affordable – and can even be free – for Maine people through our public universities**. Furthermore, if a degree leads to a stable, good-paying job, some amount of student debt relative to what a college graduate can reasonably pay back should be acceptable. For example, working age **alumni of the University of Maine earn more than double the state's average median income and pay 49% more in state income taxes**.

It is important to note that institutional student debt averages typically only take into account those who actually have student debt and who started and completed their degree at the same school. The average student debt of those who earned a UMS bachelor's degree in 2019-20 and who have student debt was \$28,194. This is 15% below the average owed for those with debt who started and completed their bachelor's degree at a New England public four-year institution (\$33,167), but 5.9% above the national public four-year institutional average (\$26,627). **Each year, thousands of students graduate from UMS universities with no student debt**.

The debt load of UMS graduates with debt is continuing to decline, both because of our commitment to affordability and because our students are increasingly benefitting from institutional aid – scholarships, grants and waivers provided directly by our universities that do not need to be paid back. UMS published tuition as a percentage of per capita income in Maine has dropped for eight straight years, and we are on-track to hold in-state tuition flat yet again if Governor Mills' supplemental budget passes as proposed. Eligible students at four of our universities (Universities of Maine at Augusta, Fort Kent, Machias and Presque Isle) pay zero out-of-pocket for tuition and fees. **Fewer than half of our students now take out federal student loans**. In fact, over the last five years, there has been a 16.4% decrease in the number of UMS students who are utilizing loans. In that same period, **the total amount of institutional aid UMS gives students annually has increased 40.5% to \$107 million. More than 20,000 UMS students now receive institutional aid with \$5,297 the average amount awarded**.

The best way to reduce college debt so graduates are not held back from participating fully in the economy – including through purchase of a home – is to **ensure postsecondary education is affordable, and that students can stay on-track to timely degree completion**. The Legislature can foster this by meaningfully increasing appropriations for Maine's public universities, community colleges and maritime academy, and by continuing to raise the amount available through the Maine State Grant program to students with financial need.

Attached to this testimony, you will find a recent UMS report to the Education Committee detailing our efforts to advance affordability and limit student debt, and providing policymakers with further recommendations. We hope it is helpful to your consideration of LD 1978 and other legislation.



*Maine's
Public
Universities*

UNIVERSITY OF MAINE SYSTEM

Report on Efforts to Advance Access and Affordability and Limit Student Debt

Submitted December 1, 2021 to the
Maine Legislature's Joint Standing Committee on Education & Cultural Affairs
Pursuant to Resolve 2021, chapter 79

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This report was written by UMS Director of Government & Community Relations Samantha Warren utilizing data produced by Bob Zuercher, Haliru Omosun and Justin Young of the UMS Office of Academic Affairs (Institutional Research), and Simon Ferland, a senior data analyst with the University of Maine/University of Maine at Machias Student Financial Aid Office. Please direct questions regarding this report to samantha.warren@maine.edu.

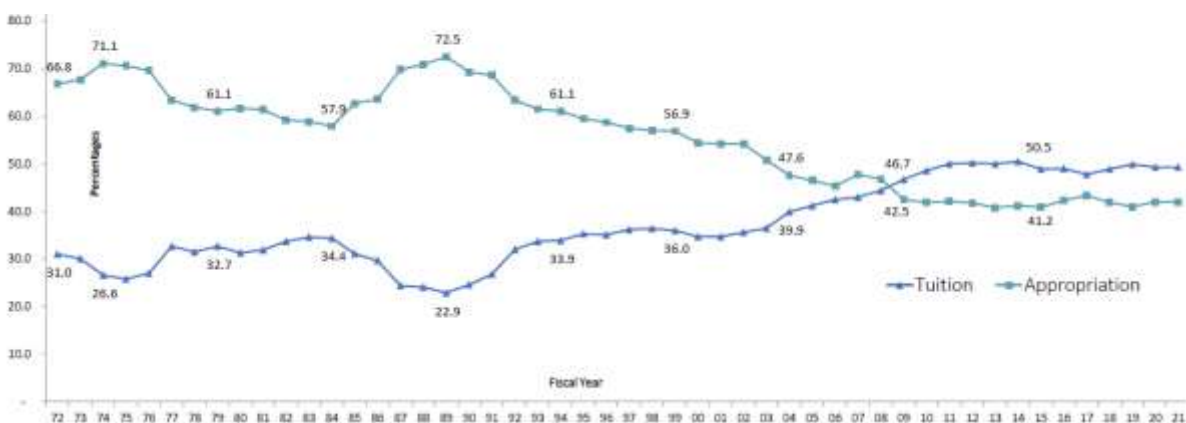
INTRODUCTION

Resolve 2021, chapter 79 requires postsecondary educational institutions in the state to review the level of student debt of Maine residents at their institutions and develop plans to limit that debt, including by meeting learners' full financial need.

The best way to reduce college debt is to ensure postsecondary education is affordable for students and their families, and that students can stay on track to timely degree completion. If a degree leads to a stable, good-paying job, some amount of student debt relative to what that college graduate can reasonably pay back should be acceptable. For example, working age alumni of the University of Maine (UMaine) earn more than double the state's average median income (and pay 49% more in state income taxes) – a great return on the investment of both tuition and taxpayers. Deeply concerning, however, is high student debt that is misaligned with low earnings (e.g. a public school teacher with \$100,000 of student debt from a private college) or stranded debt – when an individual has some college credit and loans, but no door-opening degree that allows them to discharge that debt.

Public institutions like Maine's universities, community colleges and maritime academy have two primary sources of revenue: State appropriation and student tuition. Generally speaking, if State appropriation keeps pace with ever-increasing operating expenses that are largely driven by collectively bargained compensation costs, then the affordability of tuition and related direct educational costs can be maintained. However, if State appropriation is not adequately increased – or worse, flat or curtailed – an increasing cost burden is placed on students and their families to make up the budget difference, as demonstrated in the figure below.

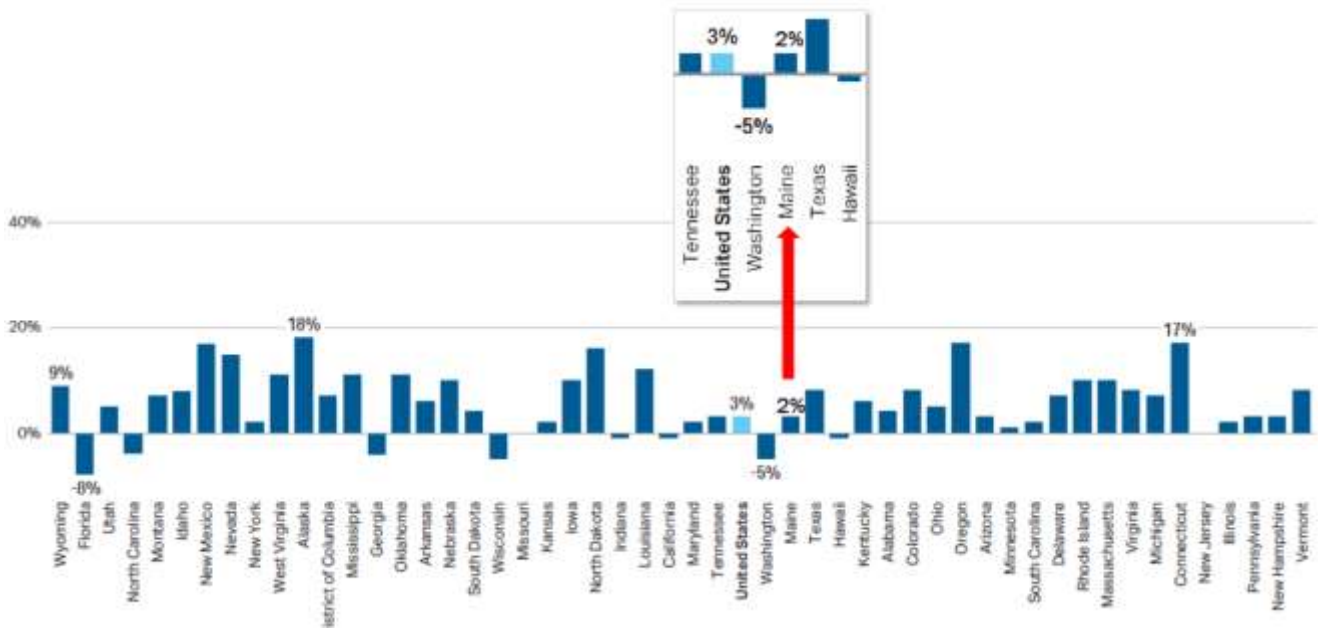
State and Student Share of UMS Education & General Activities Operating Budget



Over the last decade, thanks to steady State support and a commitment to its public mission of ensuring postsecondary education and the opportunities for social mobility it provides are accessible to all Maine people, the University of Maine System (UMS) has become a national leader in advancing college affordability, reducing student debt and transforming lives.

Since FY12, UMS has held in-state undergraduate tuition flat seven times (FY12-17 and FY22). As a result, beginning in 2013, the listed price of UMS in-state tuition as a percentage of Maine’s per capita income has declined every year, from 18.02% to 14.51% in 2020. Furthermore, starting in 2018, the System’s practice has been to limit tuition increases to no more than the rate of inflation. As the figure below from the College Board’s *Trends in College Pricing and Student Aid* shows, the inflation-adjusted cost of tuition and fees has grown more over the past five years in most other states – including in Connecticut, Massachusetts, Rhode Island and Vermont – than it has within UMS.

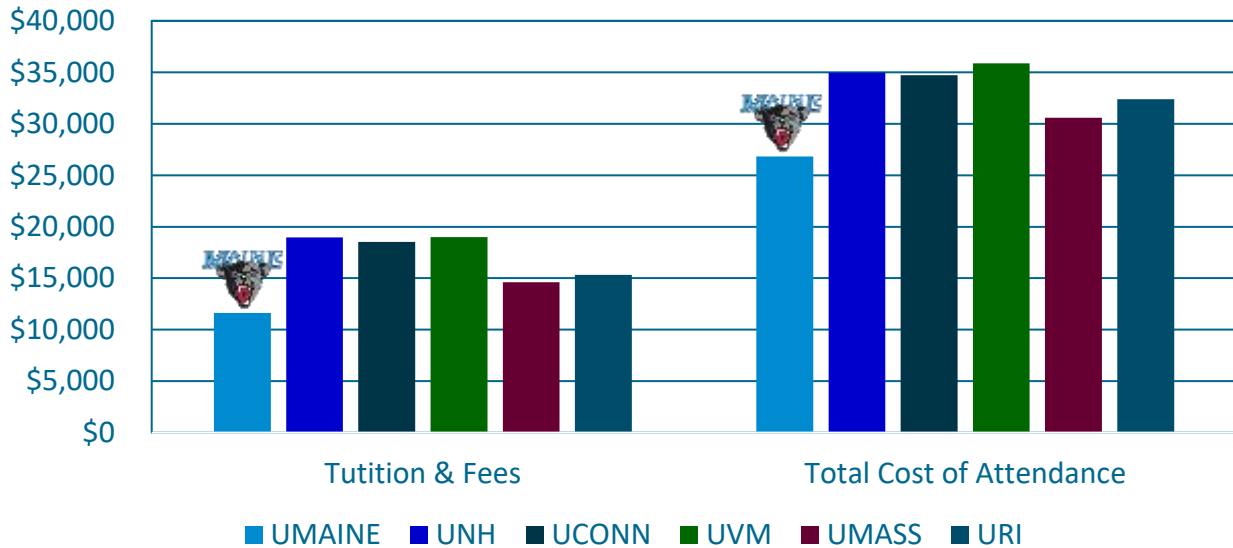
5-Year Average Annual Listed Tuition and Fees Growth Rates Among 4-Year Public Universities (Inflation Adjusted)



Additionally, listed tuition and fees at UMaine (\$11,986 in academic year 2021-22) are the lowest of any New England flagship, including 37% less than the University of New Hampshire (\$18,962). When you add other expenses, including room and board, books and supplies, and travel and other estimated miscellaneous costs,

UMaine’s annual listed total cost of attendance (\$26,830) remains the most affordable of New England flagships, as shown in the figure below.

University of Maine List Price Compared to Other New England Flagships



FINANCIAL AID RESOURCES FOR UMS STUDENTS

A postsecondary institution’s *listed* price and what students and their families actually pay varies greatly and is determined by a number of factors that are specific to their individual circumstances and the values and resources of their college or university.

Students with demonstrated financial need may choose to take out **federal loans** for which total undergraduate borrowing is capped at a range from \$31,000 for dependent students (of which up to \$23,000 may be subsidized) or \$57,500 for independent students (with the same \$23,000 limit for any subsidized portion). Additionally, parents of undergraduate students may receive federal PLUS loans, for which eligibility is not based on financial need. Some students and their families may also seek private loans, which UMS is unable to track, and thus, are not included in this report.

For the most recent academic year (AY) for which data is available (2019-20), fewer than half of UMS students (13,844) participated in at least one loan program, borrowing on average \$8,196. Consistent with the 16.4% decrease over five years (AY15-16 to AY19-20) in the total number of UMS students who were utilizing loans,

the total amount borrowed annually in that time period was down 15.9 % to \$113.14 million.

Many UMS students qualify for **state and federal need-based grants** that do not need to be paid back, like the Maine State Grant or federal Pell. In AY19-20, UMS students received a total of \$7.2 million in Maine State Grant support and \$37.9 million in federal Pell Grants.

Increasingly, UMS students are benefitting from **institution aid** – scholarships, grants and waivers our public universities provide directly to students that do not need to be paid back. Over the last five years, the total amount of institutional aid UMS universities provides students annually has increased 40.5% to \$106.7 million in AY19-20. More than 20,000 students received institutional aid that academic year (far more than took out loans), with the average aid package provided by the university being \$5,297. For first-time, full-time, in-state undergraduate students, unrestricted institutional aid alone reduces the price of tuition and fees by as much as 46% (at the University of Maine at Augusta) from the list price of UMS universities.

Included in this institutional aid are the following UMS initiatives:

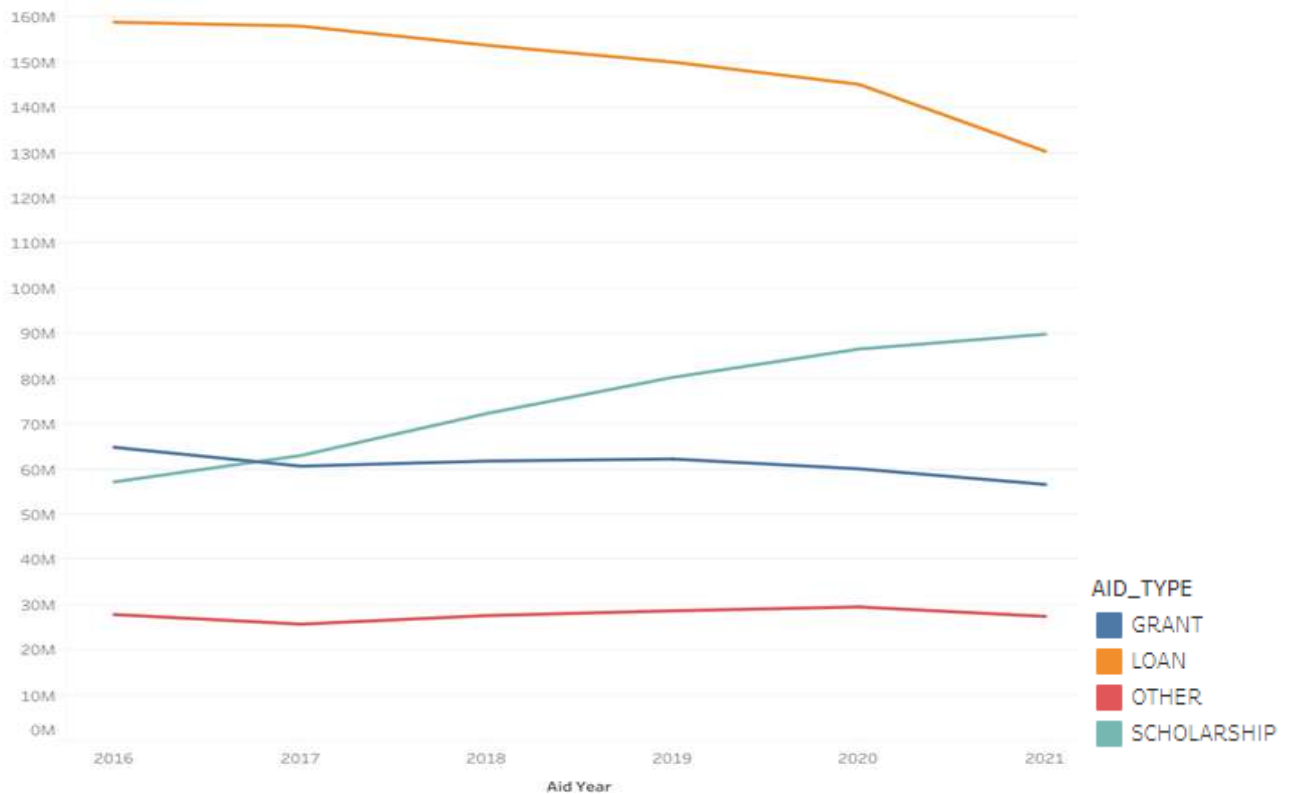
☑ **UMS Early College:** Through early college programs, Maine students can take UMS credit-bearing courses at their high school or through a UMS university in-person or online. Students pay zero tuition and fees for up to 12 credits per year. Using State appropriation, the Maine Department of Education reimburses UMS for approximately half the credit hour rate, and UMS universities waive the remaining tuition balance and all fees. These opportunities raise college aspirations, high school and college degree attainment, and college and career readiness while reducing student debt. According to [a UMS analysis](#), early college benefits all learners, but most improves outcomes for those who are traditionally underserved. For example, graduation rates for students of color who participated in UMS early college and then went on to enroll in a UMS university were 33 percentage points higher than for their counterparts who did not experience early college. This fall, more than 4,000 Maine high school students are enrolled in UMS early college, an increase of 77% from five years ago. Further growth in student participation in UMS early college is limited by State appropriation (see Recommendations section).

☑ **University Promise Programs:** Students who are Pell-eligible at the Universities of Maine at Augusta (UMA), Fort Kent (UMFK), Machias (UMM) and Presque Isle (UMPI) pay no out-of-pocket costs for tuition and fees, provided they stay on track to timely graduation as part of a “promise” program through which the university waives costs not covered by Pell, Maine State Grant and other scholarships, grants, etc.

☑ **UMS Adult Degree Completion Scholarships:** Through its Adult Degree Completion Scholarship, UMS helps adult students who have some college credits but no door-opening degree. Maine adults who “stopped out” of college but want to return can qualify for as much as \$4,000 per year. UMS is also piloting small debt forgiveness to help adults with outstanding balances due to the institution return.

As a result of this increasing institutional aid, UMS students and their families are relying less on loans, as demonstrated in the figure below. In AY15-16, loans comprised 47% of the total “financial aid” UMS students received, while scholarships, grants and waivers (both from the institution as well as outside sources like Maine State Grant and Pell) made up 51%. By AY19-20, scholarships, grants and waivers made up 59% of all financial aid received by UMS students, and loans were just 39%. Federal work study, which is considered financial aid, has been relatively flat, providing 2% of the total financial aid received by UMS students. Additionally, it should be noted that since March 2020, UMS universities have passed-through \$45 million in federal COVID-19 relief funds to students with exceptional need so they could pay down their university balance or other college and related costs.

UMS Student Financial Aid by Type



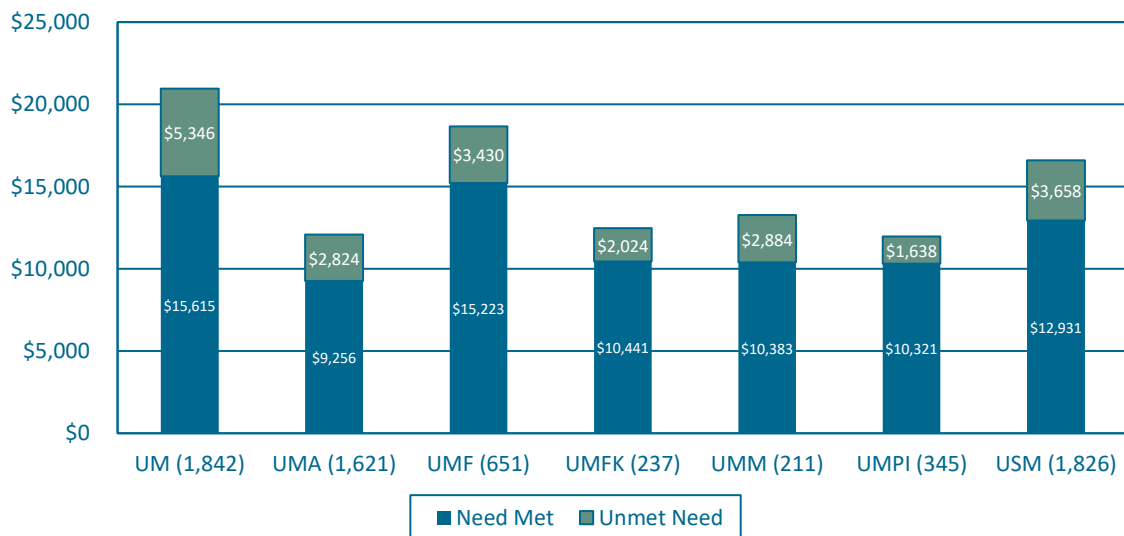
MEETING UMS STUDENT NEED

Despite holding the line on tuition and fee costs and providing students more aid than ever before, because of their high need (more than 40% are the first in their families to attend college) and the limits of our State appropriation, UMS is unable to meet the full financial need of all of its students. Calculating that gap as charged by Resolve 2021, chapter 79 is highly complex, and the System cautions against making policy and investment decisions based on averages like the ones provided below that mask much of the nuance associated with postsecondary financial aid. Nevertheless, to develop the AY20-21 unmet need analysis requested by the resolve, UMS made the following methodology decisions:

- Report is inclusive of Maine students who filed a complete FAFSA.
- *Direct cost* includes tuition, mandatory fees, and budgeted room and board (for on-campus and off-campus housing) and ranged from \$11,959-\$20,961.
- *Met need* includes all financial aid (institutional, state and federal scholarships, grants, waivers, federal work study and loans, etc.) and the full expected family contribution (EFC) as determined by a formula established by federal law that takes into account a number of factors, including income, assets, family size, number of students in the family in college, etc.

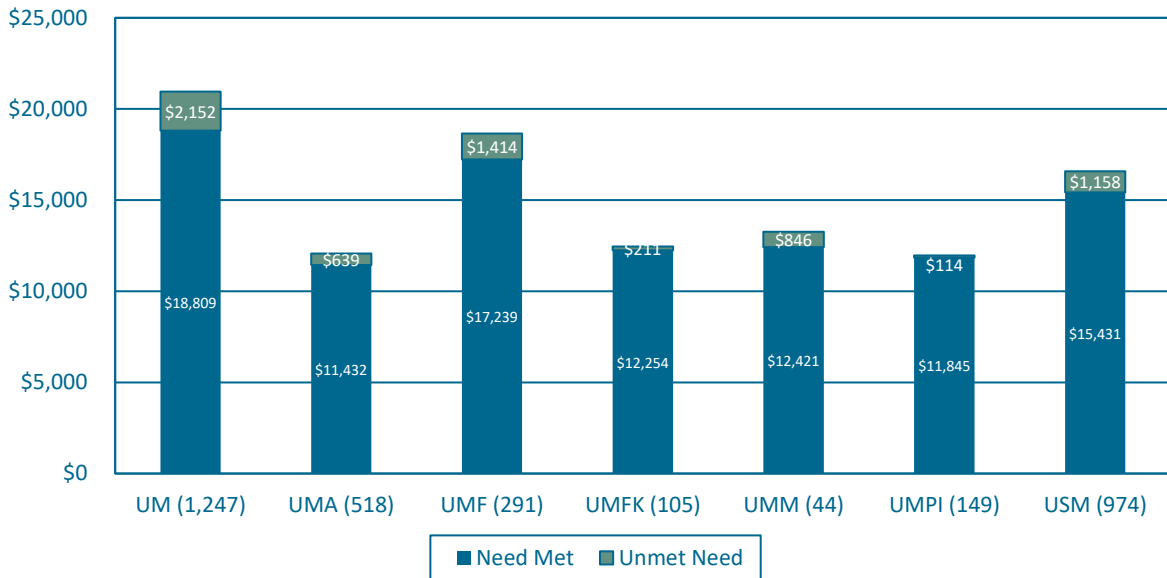
As the analysis shows, the unmet need for UMS students deemed high need (based on eligibility for federal Pell as determined by EFC score of 5,712 or less) ranged by university from \$1,638 at UMPI to \$5,346 at UMaine.

Gap Between Direct Costs (Tuition, Fees and Room & Board) and Met Need for High-Need Maine Students (EFC < 5,712)



Meanwhile, the unmet need for UMS students deemed medium need (based on EFC score of 5,712-20,000) ranged by university from \$114 at UMPI to \$2,152 at UMaine.

Gap Between Direct Costs (Tuition, Fees, Room & Board) and Met Need for Medium-Need Maine Students (EFC 5,712-20,000)



Finally, students with low need (an EFC score of 20,000 or above) had no unmet need at all UMS universities, with the exception of 203 students at UMA who had an average unmet need of just \$69 last academic year.

Please note, the number noted in parenthesis after each university name in the figures above reflects the number of eligible (counted) students in that need range.

AVERAGE DEBT OF UMS GRADUATES

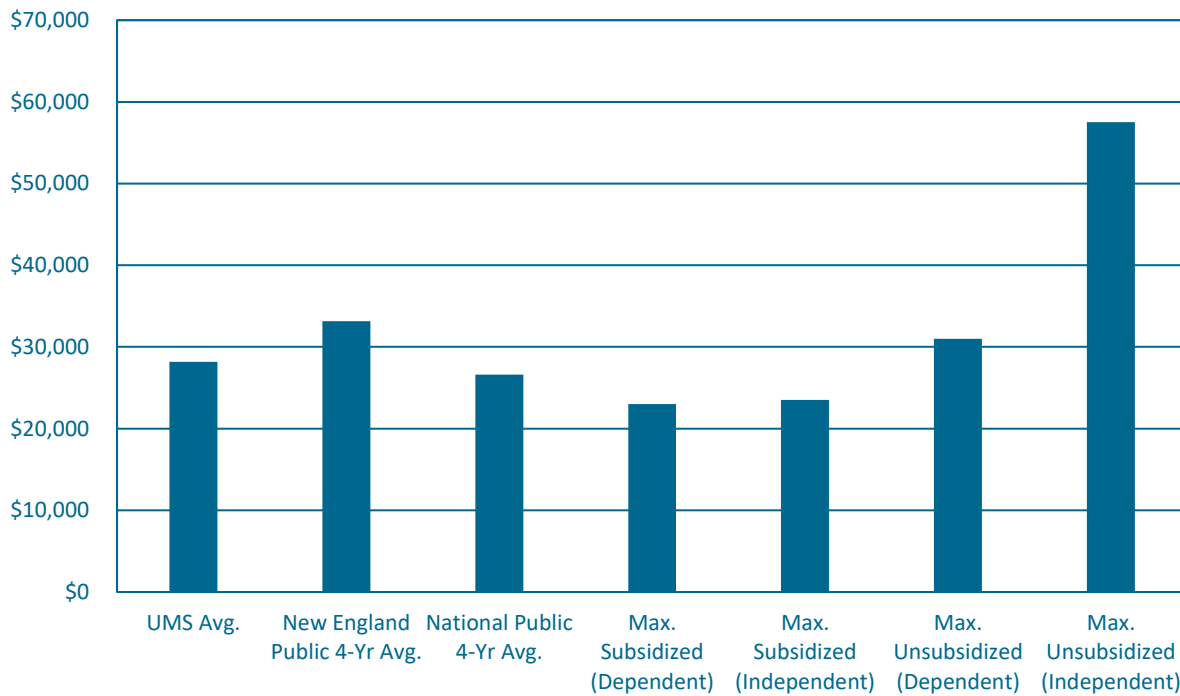
Resolve 2021, chapter 72 also asks UMS and other postsecondary institutions/systems in the state to consider how they could reduce the student debt of their graduates who are Maine residents to the maximum allowable federal direct subsidized and direct unsubsidized loans over a four-year period.

It is important to note that **average student debt amounts only take into account those who actually have student debt**. Individuals who graduate with no debt are not considered in these calculations, and this is true of the data that follows in this report. Any institutional student debt levels also only account for the debt of students with debt who started and completed their degree at the same institution, and thus,

do not take into account transfer students or the stranded learners who began, but have not yet completed, their bachelor’s degree.

The average student debt of those who completed a bachelor’s degree from UMS in AY2019-20 with student debt was \$28,194. This is \$369 less than for those who graduated with debt in AY2018-19. Please note this includes both Maine students and those from out of state, as the System is unable to calculate debt levels by residency. This UMS debt average is 15% below the average for those who started and completed their bachelor’s degree at a New England public four-year institution that same academic year (\$33,167), but 5.9% above the national public four-year institutional average (\$26,627). The percentage of students who had zero college debt upon AY19-20 graduation from a UMS university ranged from 39% at UMM to 17% at UMF. As the figure below shows, the total debt of UMS graduates with debt is above the maximum allowable federal direct subsidized loan amount and below the direct unsubsidized loan amount, though the true average debt load of *all* graduates would be significantly less.

Average Student Debt for Bachelor Degree Completers With Debt & Maximum Subsidized and Unsubsidized Federal Loan Limits



In addition to the affordability efforts detailed already in this report, UMS is working to reduce the burden of student debt through many completion initiatives, including the following:

☑ **UMS TRANSFORMS:** UMS is using \$20 million of the historic gift from the Harold Alfond Foundation (to be matched by at least \$25 million the System must raise through private and public sources) to improve student success and retention, including through high-impact first-year research learning experiences (piloted in 2021 at UMaine/UMM), redesigning curriculum of gateway courses that are barriers to academic progress, and creating better pathways from education to careers.

☑ **UMaine Think30:** This education and awareness initiative launched at UMaine in 2015 encourages students to complete 30 credits per year so they can graduate in four years to save money, reduce debt and enter the Maine workforce more quickly. To support students' ability to do so, the university concurrently expanded course opportunities during winter and summer sessions and online. According to UMaine, the average student debt for its graduates increases by 54% when they finish in five years instead of four. For those who graduate in six years, it is 78% higher. A similar effort, 15 To Finish, is underway at the University of Southern Maine (USM).

☑ **UMS Make the Grade:** Launched under Chancellor Dannel Malloy in 2019, this initiative allows UMS first-year students who are struggling with making the transition to college to retake a course they failed in their first semester for free, provided they commit to accepting additional supports. In its first year, this effort helped increase first-to second-year retention by 5 percentage points, despite the pressures of the pandemic. "The Make the Grade offer made a big difference for me. After falling short in my first semester of college algebra, I was able to get extra help and worked with a tutor to pass the class and make the Dean's List in the spring," explained UMM student Kaylee Weston of Machias, who is majoring in elementary education and plans to teach in Washington County after graduation. "I am a better, more confident student now and will be a better teacher knowing that second chances are a great learning opportunity."

RECOMMENDATIONS TO ADVANCE AFFORDABILITY, REDUCE DEBT

In 2018 at the request of UMS Trustees, a group of System and university leaders analyzed existing programs and progress, and suggested strategies to further increase affordability and reduce student debt. While progress has been made at both the System and State levels since, their key recommendations remain relevant and are provided below with current context:

☑ **Increase direct State appropriation for UMS:** Maine is among the bottom 15 states for per capita spending on public higher education. Over the past 15 years, State appropriation for UMS has increased annually on average by 0.9%. It took

eight fiscal years after the Great Recession for the System's State appropriation to return to FY08 levels.

From FY18-22, the average annual increase has been greater at 1.6%, but still falls short of the System's ever-increasing operating expenses. For example, the Legislature and Governor Mills generously increased the System's appropriation for education and general activities (E&G) by more than \$5 million in FY22, but the System's personnel costs as a result of agreements with its six bargaining units are expected to increase by more than \$20 million this fiscal year alone.

As the System has maintained affordability and competitive employee compensation within this period of constrained public resources, its physical plant has paid the price. Currently, Maine's public universities are burdened by \$1.3 billion in deferred maintenance and imminent infrastructure need, and more than half of UMS academic spaces and three-quarters of residence halls have not been meaningfully renovated in at least 50 years. Beyond basic safety and accessibility concerns, this challenges the System's ability to attract and retain students – especially those from out of state who typically pay a higher tuition rate and further subsidize and stabilize costs for Maine students while growing our future workforce and economy.

Increasing investment in UMS (via E&G, debt service, Maine Economic Improvement Fund, etc.) will allow the System to maintain affordability, grow institutional aid to better meet student need, and modernize public facilities to address the demands of 21st-century learners, Maine employers and the state's 10-year economic plan. Additional appropriations would also help UMS expand navigational and other support for vulnerable learners – including first-generation students and returning adults – so they can equitably enroll, persist and earn their degree.

Continue to lift the minimum award amount of the Maine State Grant: UMS commends Governor Mills and the Maine Legislature for raising the minimum award amount of the Finance Authority of Maine (FAME)-administered Maine State Grant from \$1,500 to \$2,500 this year – further narrowing the affordability gap for 6,300 UMS student recipients. (It should be noted that this increase went into effect in AY21-22, and thus, its positive impact is not reflected in the data and analysis provided in this report.) This increase was consistent with the recommendation of the 2014 Commission to Study College Affordability and College Completion in the State. A similar commission is now underway and UMS expects it too will make recommendations to further grow the state grant program (perhaps by indexing), which should be supported.

Raise the maximum federal Pell Grant award: In 2019-20, nearly 9,000 students relied on Pell to attend UMS universities (\$37.9 million total in grants). Over

time, Pell's purchasing power has plummeted from covering 75% of college costs to less than one-third, despite affordability actions like those by UMS outlined in this report. The Biden Administration has made a commitment to work toward doubling the maximum Pell grant from its current \$6,495 level and there is legislation in both the U.S. House and Senate to do so (*Pell Grant Preservation & Expansion Act of 2021* H.R.3946 and S.2081) that UMS has publicly endorsed. Meaningfully increasing Pell is among the most impactful actions Congress can take to accelerate equity in education and economic outcomes, reduce student debt and ensure the readiness of America's 21st-century workforce.

Support the growth of public early college programs: Early college allows Maine students to graduate high school having already earned up to a year of college credits at no cost. Over the past five years, participation in UMS early college programs has grown by more than 77%, while the appropriation through the Maine DOE to reimburse UMS and the Maine Community College System for these courses has increased from just \$4 million annually to \$5.5 million. As demand exceeds available resources, the two public systems will have to limit the number of early college credits a student can take, and thus, the benefits they can realize, including reduced college costs, time to completion and dependency on student debt. Ensuring the appropriation keeps pace with the growth in student participation and can cover the costs of the public institutions administering and delivering the courses is essential to realizing the full potential of this proven program.

Expand financial literacy and consider requiring FAFSA completion: In part because of Maine's relatively low rate of postsecondary degree attainment, many students lack help at home in fully understanding the costs and tremendous benefits of college and how to plan and pay for it. School counselors and other school-based resources are central to the college search and financial aid process. This was especially evident during the pandemic, when, according to FAME, there was a 5% drop in the number of 2021 filings of the Free Application for Federal Student Aid (FAFSA) overall in Maine, and an 8.8% decline in filings by those who are Pell-eligible, in-part because many Maine high schools were largely remote.

Many school counselors are not adequately resourced, and increasingly are attending to students' complex social and emotional needs. FAME has stepped up its education and outreach across the state, launching an impressive texting campaign and social media groups for parents and college access professionals, and providing more in-person and virtual assistance to aid with FAFSA completion. Last year, UMS partnered with FAME on a series of virtual events that spotlighted the success stories

of current students and alumni, and made available university enrollment professionals to answer questions and even admit and offer aid packages to prospective students. The State should invest more in these creative and necessary efforts starting in middle school to improve the financial literacy of Maine students and families.

Furthermore, some students do not fill-out the FAFSA because they incorrectly assume postsecondary education is not accessible to them. With sensitivity to the challenges a FAFSA filing mandate would need to address (e.g. how to be inclusive of those who are ineligible for federal aid or whose parents will not allow them to participate), this is nevertheless policy that should be considered to better ensure Maine students and families know their options and do not forego aid for which they are likely to be eligible.

CONCLUSION

Over the past decade, UMS has conferred more than 55,000 degrees, led by those for nursing/health care professions, business, engineering and education. With post-pandemic employment growth greatest for careers requiring a four-year or advanced degree and significantly higher earning potential for our graduates, the investment in a UMS education yields an unmatched rate of return for our students, their families, taxpayers and Maine's economy.

“We will be relentless in the pursuit of making the life-changing benefits of public higher education available to every Mainer. No one can be left behind if Maine is to move forward.”

-UMS Chancellor Dannel Malloy
2021 State of the University Address

We are proud of our progress and national leadership in accelerating affordability and reducing student debt, and are deeply appreciative of the State investment that has made this possible. That said, we take seriously our public mission and know that for some Maine families, higher education still seems beyond their reach. For this reason, our System is committed to continuing to implement and advocate for innovative approaches to close the college affordability gap for low- and middle-income Mainers who increasingly recognize the value of a UMS degree. We look forward to working with the Legislature and Governor, PK-12 and postsecondary education partners, and organizations that advance college aspirations and access (like FAME) so as to ensure all Mainers can graduate to a better life here.