

Opening Doors to Earning Credentials

Money Matters

**How Financial Aid Affects
Nontraditional Students
in Community Colleges**

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Abstract

In recent years, interest has grown in the role community colleges can play in helping low-wage workers advance out of poverty and toward economic self-sufficiency. Unfortunately, high attrition rates among these nontraditional students limit community colleges' success in this arena. MDRC has identified three strategies that might enable colleges to serve working adults more effectively: enhanced student services; curricular and instructional innovation; and, the focus of this paper, supplemental student financial aid. Examining federal, state, and institutional programs, the paper presents a framework for understanding challenges to securing comprehensive financial assistance for low-income working students. The paper identifies promising approaches for supplementing student financial aid based on a range of programs implemented in the past and planned for the future. It also raises issues that bear consideration in designing a program that would be both effective in ways that can be measured through random assignment studies and replicable.

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Introduction

MDRC's Opening Doors to Earning Credentials ("Opening Doors," for short) is centered on finding effective strategies to help low-wage working adults earn a degree or certificate from community college as the pathway to better jobs and higher earnings. To advance this goal, MDRC plans to work with community colleges in three to five states to implement and evaluate interventions in the areas of financial aid, student services, and curricular reform. The rationale for Opening Doors is compelling. The Bureau of Labor Statistics projections for 2010 are that 70 percent of the fastest-growing jobs in the country will require some postsecondary education. Yet 65 million adult workers do not have a postsecondary credential. Low-wage workers without a postsecondary credential, including former welfare recipients, have limited opportunities for career advancement and wage progression.¹

There is evidence that postsecondary education in general, and community college in particular, is strongly related to higher earnings among the working poor. A review of economic research indicates a clear payoff from earning a community college credential and even higher returns from further postsecondary education.² One study, for example, found that women who completed an Associate in Arts (AA) program increased their earnings by 19 percent to 23 percent, compared with women who did not.³ Similar economic benefits were found for those receiving a high school diploma or General Educational Development (GED) certificate, and, in the case of certificate programs, the payoff can be moderated by both occupation and gender.⁴

While the potential is there, it is well known that the percentage of community college students who complete an AA or even a certificate program is low. National Center for Education Statistics (NCES) studies demonstrate that more than 40 percent of all community college students leave before attaining a degree.⁵ Low-income students tend to be overrepresented in remedial, noncredit programs in community colleges, and these programs have even lower completion rates than certificate or degree programs.⁶ Fully 40 percent of community college students nationally need to take at least one remedial course when they begin their programs.⁷ In urban colleges, that can rise to 75 percent. At least a quarter of students fail their remedial courses, and the more remedial courses a student needs to take, the less likely he or she is to earn a degree.⁸ For those low-income students who manage to complete remedial programs, the

¹Strawn and Martinson, 2000.

²Greenberg, Strawn, and Plimpton, 2000.

³Kane and Rouse, 1995.

⁴Grubb, 1995, 2001.

⁵Dougherty, 1994.

⁶Grubb, 2001.

⁷Adelman, 1999.

⁸Adelman, 1999.

“bridges” to credit-granting certificate and degree programs have weak links, so that the most disadvantaged students and those with the poorest skills may end up enrolled in an entirely separate track from other members of the student body.⁹

The current fiscal environment could exacerbate the problems for low-wage working college students. Unprecedented state budget deficits are forcing states and colleges to raise tuition; competition for a fixed or declining financial aid pool is intensifying; and student services are often most vulnerable to budget cuts on college campuses.

Despite these disturbing trends, community colleges are still well positioned to help low-wage workers earn credentials. They are well-rounded institutions offering both academic instruction and occupational/technical training. Their students can earn an AA, certificates in many areas of occupational training, and professional licenses, and these credentials can be the springboard to better jobs or to transfer to a four-year institution. Through remedial, basic skill, and GED programs, community colleges can address the needs of students who have low basic skills. Most community colleges have an open-door policy, and tuition is relatively affordable when compared with tuition at four-year colleges.

The initial Opening Doors research — including focus groups with current, former, and potential community college students — points to three broad areas of policy and program interventions that have the potential to significantly improve persistence in college, increase graduation rates, and ultimately lead to greater success in the job market: (1) supplemental student financial aid, (2) enhanced student services, and (3) improvements in remedial and developmental education.¹⁰

One survey found that 87 percent of the working adults whose household income was at or below 200 percent of the federal poverty line were concerned about earning enough money just to support their family; nearly three-quarters were “very or extremely” concerned.¹¹ MDRC, like many researchers, has also identified extensive material hardship among working-poor or near-poor families.¹² One can imagine that putting money toward postsecondary education is especially challenging for this group, who have barely enough money to cover basic needs for food, clothing, health care, and housing.

The need to earn sufficient income to support a household often means that adult students combine work and school. The price of attending school is more than tuition, in part

⁹Fitzgerald and Jenkins, 1997.

¹⁰Matus-Grossman and Gooden, 2002.

¹¹John J. Heldrich Center, Rutgers University, and the Center for Survey Research and Analysis, University of Connecticut, 1999.

¹²Polit et al., 2001.

because it includes the lost income resulting from a reduction in work hours to attend school. Adult students are forced to make this tradeoff each semester as they juggle work, school, and parenting. According to the National Postsecondary Student Aid Study (NPSAS), nearly half (41 percent) of independent students working full time (35 hours per week or more) attend college exclusively on a less-than-half-time basis.¹³ Although this is less than the majority of the working-poor student population, it is a significant proportion and is of particular interest to the Opening Doors project. To begin to address the financial challenges faced by low-income students attending community college, this paper outlines the Opening Doors approach to student financial aid.¹⁴

Existing Student Financial Aid

Estimating the Need for Financial Aid

Students apply for federal and most state aid by completing the Free Application for Federal Student Aid (FAFSA), which is used to compute the amount that the student and his or her family will be expected to pay for education — the expected family contribution (EFC). Each school also estimates the price of attendance (POA) for students at that school.¹⁵ Essentially, the process of determining student financial aid is as follows: The school estimates the price of higher education (the POA), subtracts what the federal government thinks the student and his or her family can afford (the EFC), and tries to bridge the gap between the two with a combination of grants, loans, and work-study. If the EFC exceeds the POA, then the student is not eligible for aid; if the POA exceeds the EFC, then the student may receive aid (including grants, work-study, and need-based loans) to help offset the remaining costs.¹⁶ The following sections consider the ways in which these calculations and financial aid strategies serve low-income working adults, particularly those attending college less than half time.

In reading this section, keep in mind the following question, central to financial aid policy and research: How can students from low-income families best be distinguished from students from wealthier families who are temporarily low-income because they are in school? In

¹³U.S. Department of Education, National Center for Education Statistics, 2001.

¹⁴This paper is accompanied by two papers that focus, respectively, on enhanced student services and on curricular and instructional innovations.

¹⁵Schools have much latitude in estimating the POA, but the federal government constrains the types of expenses that can be included (for example, tuition for all students, room and board only for students attending half time or more).

¹⁶In addition to the financial eligibility requirements described here, Appendix A outlines some nonfinancial eligibility criteria.

other words, does the person have low income because she or he is a student? Or was the person already low-income before attending college?

The Price of Attendance (POA)

From a student's perspective, the price of postsecondary education is made up of direct costs and indirect costs.¹⁷ Tuition, fees, books, supplies, transportation, and some child care expenses are usually considered *direct expenses* because they are due directly to a student's attending school. Room and board are considered *indirect expenses* because they are incurred outside of school attendance. One could argue that these expenses are not just indirect but are irrelevant, since students would have to pay for room and board regardless of whether they were attending school. However, this paper assumes that fully participating in school takes time that could otherwise be devoted to earning money to pay for room and board. Indirect costs can be a way of reflecting these lost wages. In estimating the POA, colleges also use a category of expenses called "personal and miscellaneous costs," for expenses like a personal computer, which are considered indirect expenses (although many such expenses are incurred as a direct result of attending school).

Both direct and indirect costs vary substantially by student and by school. Variations by student include household arrangements (differences between living expenses of dependents supported by parents or of parents raising their own children) and enrollment status (differences among taking one, two, or four classes at a time). By school, there is of course wide variation in tuition, fees, and the local cost of living.

In order to determine how much aid a student can receive, each school estimates the price of full-time enrollment per year and adds other related expenses that it expects students to incur. Some schools use a standard budget for all students; others create separate budgets for different types of students, such as students living on campus, students living at their parents' home, students with dependents, and so on.

Given the variation in costs from school to school, a quick and informal survey was done at four of the community colleges in the Opening Doors project. Table 1 presents the budgets for working parents at these colleges. Note that these are school estimates of the POA for *full-time* students. However, at community colleges in general, and among low-income working adults in particular, full-time attendance is not the norm. For example, the National Center for Education Statistics estimates that 65 percent of all students at public two-year degree-granting institutions — regardless of their employment or parenting status — are enrolled

¹⁷From the institution's perspective, the POA is the total per student cost of running the institution minus subsidies for higher education, some of which go to the student and others of which go directly to the institution.

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Table 1

Price of Attendance (POA) for Full-Time Students with Dependents, per Nine-Month School Year

Cost (\$)	Lorain County Community College, OH ^a	Delgado Community College, LA ^b	Sacramento City College, CA	Cabrillo College, CA	Average POA ^c
Tuition and fees	2,038	1,544	308	308	1,050
Books and supplies	955	1,000	910	846	928
Transportation	554	1,281	900	846	895
Personal and miscellaneous (e.g., computer)	853	1,476	1,200	1,800	1,332
Room and board	2,857	6,908	6,776	8,046	6,147
Child care	Included in personal ex- penses	As reported to a max of 2,516	Included in personal ex- penses	May request a budget ad- justment	
Total	7,257	14,725	10,094	11,846	10,352

SOURCES: Based on budgets from Lorain County Community College, Delgado Community College, Sacramento City College, and Cabrillo College.

NOTES:

^aFor students with dependents who live in the county; based on 26 credits in the nine-month school year.

^bDelgado Community College also includes “other expenses” on a case-by-case basis.

^cThis column shows the average POA across Lorain County Community College, Delgado Community College, Sacramento City College, and Cabrillo College.

part time.¹⁸ While work or family circumstances likely influence students’ decisions about their enrollment status, course scheduling conflicts within schools may also encourage students to attend part time.

In addition, the annual POA is based on the assumption that students attend school for nine months out of the year — two traditional college semesters. While this is a safe assumption for many college students, who traditionally attend school during the academic year and work during the summer, the assumption is less true for low-income, nontraditional students. First, to the

¹⁸U.S. Department of Education, National Center for Education Statistics, 2002, Table 16. Note that this estimate is taken from the year 2000, the last year for which the tables present empirical rather than projected data. The projection for 2003 is roughly the same.

extent that remedial or developmental education occurs in “summer school,” many Opening Doors students are enrolled over the summer. Perhaps more important, when one is working full time during the school year anyway, there is less reason to stop attending school over the summer.

Current policy allows students who attend school at least half time to include both direct and indirect expenses in their POA calculation; students who attend less than half time can include only their direct expenses. As is shown below, there are many ways that the needs of less-than-half-time students may fall through the cracks in current student financial aid policy. Financial aid programs are vulnerable to being cast as income maintenance programs, and policymakers in the current budget environment are reluctant to extend coverage under these programs. Therefore, in thinking about how the Opening Doors project would define the POA for working-poor students, it was decided to use estimates of the *direct costs* of attending college. Based on school budgets and national estimates of tuition and fees, Table 2 presents calculations of the actual expenses directly related to attending school, by enrollment and parenting status. (Note that the estimates are not necessarily what is included in the formula for costs that are eligible for coverage through financial aid.)

The Expected Family Contribution (EFC)

The expected family contribution (EFC) is the amount that a student and/or family must contribute to the cost of education before any aid can be awarded to cover the remaining cost of attending school. The EFC is calculated using a formula that takes into account first the student’s family situation (dependent, independent, or independent with dependents) and then where the student lives and the family’s income and assets. For some students, the number of other family members enrolled in postsecondary education and the age of a dependent student’s parents are also included in the EFC calculation. For an independent student who has dependents, if the family’s earnings are less than \$13,000 — about 90 percent of the federal poverty line for a single mother of two — there is an automatic EFC of zero dollars. This means that the student would be eligible for the maximum aid available for a particular enrollment status and POA. Unlike the POA, however, the EFC does not vary by where the student chooses to enroll.

Table 3 shows some sample EFC estimates for a range of family configurations at 150 percent and 200 percent of the federal poverty line.¹⁹ For the sake of simplicity, these estimates assume that the student lives in Louisiana, is the only family member enrolled in postsecondary

¹⁹These calculations are based on the College Board’s Student Financial Aid Calculator. Web site: <http://apps.collegeboard.com/fincalc/servlet/efcCalculatorServlet>. Also see College Entrance Examination Board, 2002, 2003a, 2003b.

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Table 2

Estimates of Direct Price of Attendance per Nine-Month School Year

Cost (\$)	Less Than Half Time ^a	Half Time ^b	Full Time
Tuition and fees, including school, program, and course fees ^c	434	868	1,735
Books and supplies (nonbook supplies, including paper, notebooks, etc.) ^d	232	464	928
Education-related transportation	224	448	895
Miscellaneous personal educational expenses (e.g., computer)	333	666	1,332
Education-related dependent care costs (includes time for transporting to and from child care, time in class, and study time) ^e	Up to 1,258	Up to 2,516	Up to 2,516
Total direct costs (with young children)	2,481	4,962	7,406
Total direct costs (without young children)	1,223	2,446	4,890

SOURCES: College Entrance Examination Board, 2002; budgets from Lorain County Community College, Delgado Community College, Sacramento City College, and Cabrillo College; and discussions with administrators at Delgado Community College.

NOTES:

^aCalculated as one-quarter of full-time costs.

^bCalculated as one-half of full-time costs.

^cThe College Board estimates \$1,735 as the average tuition and fees at two-year public institutions in 2001-2002. This figure is preferable to those derived from the informal survey, which gave preponderant weight to California, which makes up half the sample and also has the lowest community college tuition in the country.

^dThe remaining estimates are based on budgets from Lorain County Community College, Delgado Community College, Sacramento City College, and Cabrillo College.

^eCost estimates are from Delgado Community College.

education, and has no assets or “above-the-line” tax deductions.²⁰ For two-parent families, it is assumed that earnings are split evenly between the adults. As Table 3 reveals, although one might not see a significant difference between 150 percent and 200 percent of the federal poverty line, there can be a substantial difference in terms of the EFC.

²⁰The estimates assume that the student’s adjusted gross income is the same as his or her earnings. In other words, the sample student’s tax forms would not have reported any deductible contributions to retirement accounts (IRAs, SIMPLE, or Keogh plans), job-related moving expenses, penalty paid on early withdrawal of savings, deduction for the self-employment tax, alimony payments, or interest on loans for higher education.

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Table 3

Family Composition, Household Income, and Expected Family Contribution

Family Composition		Household Income	Expected Family Contribution
<u>150 percent of poverty</u>			
Single parent	1 child	\$17,910	\$0
	2 children	\$22,530	\$79
	3 children	\$27,150	\$121
Married parents	1 child	\$22,530	\$79
	2 children	\$27,150	\$117
	3 children	\$31,770	\$211
<u>200 percent of poverty</u>			
Single parent	1 child	\$23,880	\$1,071
	2 children	\$30,040	\$1,556
	3 children	\$36,200	\$1,900
Married parents	1 child	\$30,040	\$1,556
	2 children	\$36,200	\$1,899
	3 children	\$42,360	\$2,290

SOURCES: College Entrance Examination Board, 2003a; and U.S. Department of Commerce, Bureau of the Census, 2002.

Identifying the Gap

In order to identify the student's need for financial aid, schools subtract the expected family contribution from the price of attendance (POA – EFC). If there are outstanding costs, the school applies any Pell Grant aid (described below) for which the student may qualify.²¹ Costs in excess of the Pell Grant are covered by whatever additional aid the student receives (state grants or loans, institutional grants or loans, federal loans) or by the student personally (from additional earnings or private loans).²²

To get a clearer picture of how financial aid might work for students in the Opening Doors study, consider a hypothetical student attending Delgado Community College in New Orleans, Louisiana. The following examples use average estimates for the POA derived above. They also include \$1,000 in child care costs for less-than-half-time students and \$2,000 in child care costs for half-time students, based on Delgado Community College's formula. However,

²¹All Pell Grant awards that are discussed in this paper are based on awards for the 2001–2002 school year.

²²The problem with using additional earnings is that the earnings are included in the calculation of the EFC for the following school year, thus covering the gap for the current year and creating an even larger gap for the next year.

not all schools allow this flexibility in determining the POA. Again, this is a hypothetical example, and it would not be precisely correct for a student at Delgado. Nor does it reflect the full variation across the country, and one cannot say with certainty that the numbers reflect a “median” experience. It is a simple hypothetical, with resources for calculating more specific examples from other schools.

Imagine a single mother of one child earning \$17,910 per year — 150 percent of the federal poverty line. This student would have an EFC of zero dollars, meaning that she would qualify for the maximum financial aid available for her enrollment status and POA. As shown in Table 4, if she enrolled less than half time for nine or more months out of the year, her eligible POA would be \$890 plus documented child care costs of up to \$1,258 (estimated here as \$1,000).

Although the program is not an entitlement, Pell Grants are awarded to every eligible applicant, regardless of the appropriation level. The EFC is the government’s estimate of what a family can afford to spend on higher education. If the EFC is above the maximum Pell Grant for a student’s enrollment status, then that student will get no grant. If the EFC is below the maximum Pell Grant, then the student gets the maximum grant amount less the EFC, so that Pell makes up the difference.

Because this hypothetical student has an EFC of zero dollars, assuming that she meets all the nonfinancial eligibility criteria outlined in Appendix A (no prior drug convictions, ability to benefit, and so on), she would qualify for the maximum Pell Grant: \$938 for a less-than-half-time student. This would leave a gap of \$1,285 that the student could theoretically cover with scarce state or institutional grants, but she would most likely have to pay the gap out of pocket. At the very least, based on these estimates, she would pay \$300 — and most likely she would pay closer to \$1,727.

If this student enrolled half time, her direct POA would be roughly \$4,500, but her eligible POA would be nearly \$8,000, because half-time students are allowed to include room and board. In this case, she would qualify for the maximum Pell Grant for half-time students (\$1,875), leaving a gap of \$2,570 in direct costs (Table 4).

Because Pell Grants only cover enrollment for the regular nine-month school year, POA formulas typically include only the costs for nine months; additional costs for summer school are often more difficult to cover. Larger gaps for 12-month enrollment are reflected in the table.

In some ways, the first sample student represents the best-case scenario for financial aid, because she has an EFC of zero dollars. Table 4 follows the same logic for a married mother of two living at 200 percent of the federal poverty line. While one might not see a significant difference between 150 percent and 200 percent of the federal poverty line, there can be a substantial difference in terms of financial aid.

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Table 4

Hypothetical Financial Aid Calculations for Delgado Community College

	Student #1	Student #2
Family composition	Single mom, one child	Married mother of two
Household income	\$17,910	\$36,200
Poverty level	150%	200%
Hypothetical expected family contribution (EFC)	\$0	\$1,899
Hypothetical eligible price of attendance (POA)		
Less than half time (tuition, fees, books and supplies, transportation, and \$1,000 in child care)	\$1,890	\$1,890
Half time (tuition, fees, books and supplies, transportation, miscellaneous and personal expenses, room and board, and \$2,000 in child care)	\$7,899	\$7,899
Hypothetical Pell Grant amount		
Less than half time (maximum = \$938)	\$938	\$0
Half time (maximum = \$1,875)	\$1,875	\$0
Hypothetical actual direct POA		
Less than half time, 9 months (tuition, fees, books and supplies transportation, miscellaneous educational expenses, and \$1,000 in child care)	\$2,223	\$2,223
Half time, 9 months (tuition, fees, books and supplies transportation, miscellaneous educational expenses, and \$2,000 in child care)	\$4,445	\$4,445
Less than half time, 12 months ^a	\$2,963	\$2,963
Half time, 12 months	\$5,927	\$5,927
Hypothetical actual direct POA after the Pell Grant		
Expected family contribution	\$0	\$1,899
Plus “the gap” in direct costs		
Less than half time, 9 months	\$1,285	\$324
Half time, 9 months	\$2,571	\$2,547
Less than half time, 12 months	\$2,026	\$1,065
Half time, 12 months	\$4,052	\$4,028

SOURCES: College Entrance Examination Board, 2003a; U.S. Department of Commerce, Bureau of the Census, 2002; calculations based on the College Board’s Student Financial Aid Calculator (see <http://apps.collegeboard.com/fincalc/servlet/efcCalculatorServlet>); and budgets from and discussions with administrators at Delgado Community College.

NOTES: Delgado Community College has a complex system for calculating tuition and fees. Due to this, the numbers in this table do not exactly correspond with the numbers in Table 1.

^aFinancial aid is not calculated using a 12-month estimate for POA. The estimate is included here to give an idea of which costs a student might be facing.

In either case, a substantial portion of the direct educational expenses would need to be paid by the student personally or by state or institutional grants, loans, or federal tax credits. These programs are described in the following sections.

Federal Programs

Grant Programs

Grant programs are the first resource for very low-income students, and Pell Grants are the most commonly used grant program for the Opening Doors population. After subtracting the expected family contribution from the eligible price of attendance (POA – EFC), full-time students could qualify for a maximum Pell Grant of \$3,750 per nine-month enrollment in the 2001–2002 school year. This was increased to \$4,000 in the 2002–2003 school year. Three-quarter-time students could receive a maximum of \$2,813 in 2001–2002. Half-time students could receive \$1,875, and less-than-half-time students could receive \$938. Students can receive a Pell Grant every semester that they work toward an undergraduate degree, as long as they are making “satisfactory progress” as defined by individual schools. Some schools consider it satisfactory to accumulate any credit during one and one-half times the published length of the program (for example, three years for a two-year Associate in Arts program); others consider it satisfactory progress to maintain a C average for any length of time.

Although working students who are enrolled in fewer than six credit hours (less than half time) are technically eligible for federal Supplemental Educational Opportunity Grants (SEOGs), very few get them, and those who do, get limited funding. SEOGs are restricted to students who have “exceptional financial need,” and the program is funded very modestly by Congress — at less than 1 percent of the total Title IV budget. Moreover, this is a campus-based program, meaning that each school has flexibility in determining a student’s eligibility. Less than one-half of 1 percent of all less-than-half-time students receive SEOGs. One possible explanation for low participation in this program is that community colleges have little SEOG money to start with, and, particularly when facing difficulties retaining students, campuses need to focus their aid on students who are most likely to complete their degree or certificate program — those who attend at least half time.

The Pell Grant is a “semi-entitlement” program, in that students who qualify are guaranteed some aid. Pell is not a full entitlement, because the limited funding for the program means that “benefits may be reduced from those anticipated under a fully-funded system,” but this has yet to occur in practice.²³ Over the past few years, Congress has underappropriated for the Pell Grant program. Because students continue to receive the maximum grant for which

²³U.S. Department of Education, Office of Postsecondary Education, prepared by NCS Pearson, 2001.

they are eligible, the program has run a deficit each year. Traditionally, this deficit is paid for in the next year's appropriation. Given these deficits, it is clear that federal policymakers have underestimated the need for grant aid and the participation of low-income students — both traditional and nontraditional — in the Pell Grant program. Low-income working adult full-time students with earnings at or below 200 percent of poverty generally qualify for some Pell aid; however, few who earn above 100 percent of poverty receive the maximum Pell Grant.

In 2000, only 1 percent of Pell Grant recipients were enrolled less than half time. In 1999–2000, only 3.5 percent of working parents who took classes less than half time received a Pell Grant. However, analysis of data from the National Postsecondary Student Aid Study suggests that among students whose income was less than 150 percent of the federal poverty line — whom one would expect to qualify for Pell Grants — less than half even applied.²⁴ There is much to learn about participation in student financial aid programs. Generally, no one knows what is the most important factor in nontraditional students' decisions *not* to participate: limited knowledge of the availability of funds, opaqueness of the financial aid forms and application processes, the small size of grants, difficulty in meeting academic or nonfinancial requirements (Appendix A), and/or other factors.

The Hope Scholarship and the Lifetime Learning Tax Credit

The Taxpayer Relief Act of 1997 created the Hope Scholarship and the Lifetime Learning Tax Credit to help make college more affordable for millions of American students and families and to expand access to education and skill development for working adults.

The Hope Scholarship provides a tax credit up to \$1,500 for the first two years of postsecondary education. Tax filers can claim 100 percent of the first \$1,000 spent on qualified expenses (tuition and fees) and 50 percent of the second \$1,000 for themselves or their dependent(s). Students qualifying for this credit must attend school at least half time. Because, as is noted above, most working adults are unlikely to pursue higher education at this pace, the current structure of the Hope Scholarship makes it irrelevant to their needs.

The Lifetime Learning Tax Credit allows students (or taxpayers claiming them as dependents) who are studying beyond the first two years of undergraduate coursework or those taking courses on a less-than-half-time basis to claim a credit of up to \$1,000 — 20 percent of the first \$5,000 of qualified educational expenses (tuition and fees).²⁵ In 2003, this maximum increased to \$2,000, or 20 percent of the first \$10,000. While the Lifetime Learning Tax Credit does allow for less-than-half-time enrollment, the structure of this program still limits its potential bene-

²⁴King, 2003.

²⁵A taxpayer may not claim both a Hope Scholarship and the Lifetime Learning Tax Credit for the same student or the same expenditures.

fit for working adults. First, the percentage of qualified educational expenses allowed under this program is low — 20 percent, versus 100 percent under the Hope Scholarship. Second, the pending increase in the cap on qualified educational expenses from \$5,000 to \$10,000 is a windfall for full-time students who have high tuition and fee costs, such as dependent undergraduates in middle-income families and independent graduate students. However, this increase does nothing to increase support for working parents' skills development, because their spending on education is far below both caps. Theoretically, an increase in the percentage of qualified educational expenses, rather than in the maximum limit on qualified expenses, would be much more likely to help this group of students. The current logic rewards students for attending more expensive schools. Third, the Lifetime Learning Tax Credit presents a cash flow problem for many workers. They often do not have the discretionary income to pay for classes at the beginning of a semester, in anticipation of receiving a credit as much as 15 months later, when taxes have been filed. Finally, tax filers must owe taxes in order to benefit from a tax credit; however, many very low-income workers do not owe taxes and do not benefit from this tax credit.

One study has confirmed that relatively better off students are more likely to take advantage of these tax credit programs, but questions remain about why. From a survey of students in the 1999 tax year, the University of California system estimated that the total value of the Lifetime Learning Tax Credit for its students was \$44.7 million. Main campus students (mostly dependent undergraduates and independent graduates with excellent prospects) received \$30.7 million, while extension school students (generally working adults) received only \$14 million.²⁶ One reason for this disparity is that some extension school students did not apply for the credit, because they did not think that they were eligible. However, comments on the survey indicated that many were confused about the eligibility requirements. Additionally, many students did not know about the credit. These findings suggest the need for better education and marketing efforts for these programs. Still, whatever the reasons, the estimates of the University of California indicate that the Lifetime Learning Tax Credit may be making more progress toward its goal of helping traditional students afford college than the goal of assisting working adults to develop career skills.

Loan Programs

There are three main federal loan programs in which higher education students can participate: the Stafford Subsidized, Stafford Unsubsidized, and Perkins Loan programs. Perkins Loans are designed for students with "exceptional need," and enrollment in a formal certificate or degree program is not required. Further, schools receiving Perkins Loan funds are required to

²⁶Hoblitzell and Smith, 2001.

offer a “reasonable proportion” of these funds to independent or less-than-full-time students, including less-than-half-time students.

However, this “reasonable proportion” is based on the amount of federal capital funds that schools receive to cover these students. If this amount is low, the reasonable proportion will be low. Moreover, Perkins Loans received only \$100 million in new appropriations for 1999–2000. According to NPSAS data for that school year, less than one-half of 1 percent of working adults taking classes on a less-than-half-time basis received a Perkins Loan.

The Stafford Loan programs are not available to students taking courses on a less-than-half-time basis. To qualify for these programs, students must be enrolled at least half time and must be enrolled or accepted for enrollment in a certificate or degree program. Although Stafford Loans are by far the largest source of federal student aid resources, they are almost never available to the working adults who are the focus of this paper. Finally, findings from the Opening Doors focus groups indicate that very low-income populations are not interested in loans because they can’t pay them back and because they may have had bad experiences in the past. Experts concur on this point:

Higher education is a far riskier investment decision for low income students because they characteristically demonstrate less promise for academic success, and hence are less likely to earn the higher incomes following graduation that enable them to repay their loan obligations.²⁷

Section 127 Employer Assistance

This program and similar state and local programs offer tax incentives to employers to encourage them to reimburse employees for education expenses. Although these programs have the potential to help working adults gain postsecondary credentials, only 8 percent to 9 percent of eligible employees receive education assistance from Section 127. Employers generally favor higher-paid and better-educated workers when providing such assistance, leaving lower-paid workers few options for financing their education and skill development.²⁸

State, Local, and Institutional Programs

Most state grant programs (there are very few state loan programs) tend to have eligibility requirements that are similar to requirements for federal grant programs, which may make them less accessible for nontraditional students. Further, many state programs restrict eligibility to students coming directly out of high school. This means that working-poor adults

²⁷Mortenson, 1990.

²⁸Bosworth and Choitz, 2002.

face barriers from both state financial aid programs and federal policies. However, about 15 states have established policies or programs either to provide special funding for students attending school on a less-than-half-time basis or to open their main need-based grant programs to include students taking courses at any enrollment level, including less than half time.

Although innovative state and institutional strategies to support low-wage working adults who are seeking postsecondary education on a limited-enrollment basis vary significantly, the following list categorizes them according to the level of financial support that they provide:

- **Package programs.** These programs provide a fuller set of supports and services than most traditional student aid programs. They might include academic counseling and planning assistance, help with child care and transportation costs, and other academic and social services. Programs profiled under this category include California's CalWORKs program, Louisiana's use of Temporary Assistance for Needy Families (TANF) dollars for students, the Gifford Scholarship at Onondaga Community College in New York, and the Access to Better Jobs program at Sinclair Community College in Ohio. These programs are often aimed at TANF recipients and low-wage adults and are funded by TANF monies. One significant challenge to including them in a demonstration is that state TANF budgets have recently been cut in response to the economic downturn.
- **Tuition, fees, and living allowances for less-than-half-time students.** Unlike federal student aid policy, state financial aid programs allow less-than-half-time students to participate in the state's main need-based student grant program. Illinois and Minnesota, for example, have established such a policy. Under such programs, less-than-half-time students can include some living allowances in their calculations requesting financial aid, which is not allowed under federal formulas or those of most states. Including less-than-half-time students in the state's main grant program reduces the risk that they might lose funding due to a program cut. However, these funding sources might not be designed for working adult students and might not be generous enough to meet their needs. For example, traditional students' budgets do not factor in the higher costs of living that are associated with supporting children, child care costs, or lost income as a result of attending college. Providing working adult students with aid packages that are based on traditional students' financial needs is likely to leave a significant funding gap.
- **Tuition-assistance programs for less-than-half-time students.** Generally, these programs include assistance with tuition and fees only, although some

also help cover the cost of books. Most such programs are funded through the state's student aid program, although some are funded through TANF. States that offer programs in this category include Georgia, Ohio, Oregon, Washington, and West Virginia.

- **Gap fillers.** These programs provide “last-dollar aid,” or aid that is not provided by any other source — federal, state, or local. Often, institutions will fill some of the gaps in nontraditional students' funding, although this practice varies widely, usually is not systemic, and is difficult to document on a wide scale. One well-established, private, foundation-supported program in this category is the Cleveland Scholars program, which targets very low-income youth who have met certain academic standards.
- **Other student financial aid programs.** Colorado's student aid program and New York's Aid for Part-Time Study are two innovative community college programs in terms of student services and curricular reform.

In addition to providing more or less generous aid amounts and services, the foregoing programs vary in other important ways:

- **Determining eligibility and need-based versus merit-based aid.** For low-income, nontraditional students, need-based programs are generally more helpful than merit-based programs, but the eligibility criteria for most financial aid programs draw on both considerations. Variations in and determination of needs are discussed earlier in the paper.
- **Source of funding.** Most programs are funded through state student aid programs. However, some innovative programs are funded through TANF or private dollars. There are key issues relating to how much money might be available for a demonstration program and how flexible the funds might be. For example, cuts in TANF funding have reduced the aid available in at least two states. Although institutions can provide aid to students, their pots of money are often small and are usually used to attract students on a merit — not need — basis.
- **Inclusion of remedial or developmental courses.** At urban community colleges, the large majority of students require at least some remediation in order to succeed in college-level courses and programs. However, definitions of “remedial” — both in terms of which students need remediation and which courses count as remedial — vary widely from college to college. Further, these definitions are often influenced by financial aid policy, which var-

ies from state to state. Some institutions grant credit for remedial or developmental courses as a way to allow students to qualify for financial aid to cover the cost. Unfortunately, though, many remedial courses that are covered by financial aid do not count toward graduation requirements, creating problems meeting “satisfactory progress” requirements for the Pell Grant.

The Opening Doors Approach to Student Financial Aid

The foregoing overview of existing programs sets the backdrop for an Opening Doors model for student financial aid. In order to justify studying a financial aid intervention, a model must be sufficiently distinct from the status quo that the planned methodology will be able to detect meaningful differences in outcomes.²⁹ At the same time, the Opening Doors model should not be so far outside the mainstream that policymakers and college administrators would not consider adopting it. In the current budget environment, affordability is also a key issue. One way to balance these concerns is to view the proposed interventions as add-ons to existing benefits. Opening Doors seeks to capitalize on and supplement existing student financial aid programs, not replace them entirely.

Innovative Approaches to Student Grants

This section elaborates on three broad models of student financial aid that aim to improve student retention and accelerate certificate completion in community colleges:

- More fully cover the direct price of attendance by providing more generous grants.
- Encourage less-than-half-time students to increase their enrollment to half time by providing funding that could cover forgone wages.
- Offer direct incentives for academic participation and outcomes.
- Provide financial aid counseling to ensure that students apply for and receive all the aid to which they are entitled.

²⁹The Opening Doors project will use a random assignment methodology: One group of randomly selected students will be assigned to an enhanced financial aid program that is created for the project, and another randomly selected group will receive the current package of benefits; then outcomes for the two groups will be compared over time, in order to identify the effects of the program.

Model 1: More Generous Up-Front Grants

The hypothetical examples presented earlier show that — even at 150 percent of poverty, with an expected family contribution (EFC) of zero dollars — a student would need to pay well over \$500 per year to attend Delgado Community College, after the Pell Grant. Although \$500 is not a significant price to pay for an investment in one's skill development, it can be an insurmountable barrier for working-poor adults who are concerned about earning enough money just to support their families. This model assumes that working adult students who are attending college part time (less than full time) apply for current financial aid programs and receive some aid but that the aid package is too limited to support them while attending school.

In this first model, program participants who earn 200 percent of poverty or less would apply for and receive a fully funded flat Pell Grant of the maximum amount for their enrollment status. All students would still be required to meet the five nonfinancial eligibility requirements outlined in Appendix A. The financial eligibility requirements could be changed to reflect a calculation of annual earnings at or below 200 percent of poverty. Thus, any student whose earnings are at or below 200 percent of poverty and who is enrolled less than half time would receive a grant of \$938. For the first hypothetical student at Delgado, for example, \$513 would come from Pell, and the remaining \$425 would come from Opening Doors (review Table 4). Those students who are enrolled half time would receive \$1,875 — \$1,325 from Pell and \$550 from Opening Doors (based on Pell Grant award amounts in 2001–2002).

It's difficult to say in general how much the maximum Pell Grant would cover, because there is so much variation from place to place. However, based on the calculations presented earlier, even excluding child care, the direct costs — tuition, fees, books, supplies, and transportation — are likely to exceed \$1,000 for less-than-half-time students and \$2,000 for half-time students. Therefore, at \$938 for less-than-half-time students and \$1,875 for half-time students (per year), a maximum Pell Grant would likely cover only some of the direct costs of education for those who attend nine months out of the year. At this level, student financial aid would not contribute to room and board — or other indirect costs — in most cases. In order to meet existing financial aid policy, however, the question that needs to be addressed is: Who would qualify for such aid? At the moment, almost no one gets to go to school for free.

Model 2: Increasing the Grant Aid to Include Forgone Wages

Studies show that the more intense a student's enrollment rate, the more likely that student is to persist toward the completion of a degree.³⁰ This model tests the effects of providing students with incentives to increase their enrollment status and complete their programs more

³⁰King, 2002.

quickly. The goal is to encourage less-than-half-time students to increase their enrollment to half time and, therefore, to complete their programs more quickly. One option would cover the forgone wages of students who agree to move from full-time work and less-than-half-time school enrollment to half-time work and at least half-time school enrollment. Another option would simply provide funding above what is needed to cover direct educational expenses and would assume that students would follow their interest in completing school as quickly as possible.

In this model, all students would receive Pell Grants appropriate to their enrollment status, as well as any additional aid from federal, state, institutional, or private sources. On top of the Pell Grant, however, the program group would receive additional aid to recover lost wages. This stipend could be calculated in a variety of ways. One option would be to base the buy-back on the federal minimum wage. If students reduce their work hours from 40 hours per week to 20 hours per week, the stipend would be \$4,017 for the school year ($\$5.15 \text{ per hour} * 20 \text{ hours per week} * 39 \text{ weeks per school year}$).³¹

For example, if a single mother of one child were working full time and attending school less than half time and agreed to participate in this model, she would increase her enrollment to half time. She would also reduce her work hours from full time to part time (from 40 hours to 20 hours per week). If she earned the federal minimum wage of \$5.15, her annual earnings of \$10,712 would put her below the federal poverty level, and her EFC would be zero dollars. As a half-time student with an EFC of zero dollars and a POA of \$8,035, she qualifies for the maximum Pell Grant of \$1,875. As a participant in this MDRC demonstration program, however, she would also receive a wage buy-back stipend of \$4,017. With these two grant aid sources, she would have covered \$5,892 of her \$8,035 POA. The remaining \$2,143 — and any additional living expenses — would be covered by her earnings at 20 hours per week plus federal, state, or institutional grants or loans (most likely loans).

However, the participant might not choose this option, given that even full-time work would still result in an EFC of zero dollars. Her POA would have been reduced to \$3,406 (including child care), and her Pell Grant would have been reduced to the maximum for a less-than-half-time student: \$938. After the Pell Grant, she would have a POA deficit of \$2,468 to cover with state or institutional grants or loans. As a less-than-half-time student, she would not qualify for federal loans; and state grants and loans are virtually nonexistent for less-than-half-time students. If she chose to continue working full time and to attend school less than-half time, she would have to cover the same amount of POA after the Pell Grant, but she would have access to less financial aid, and it would take longer to complete her program.

³¹This option assumes that the wage buy-back would be 100 percent of the minimum wage, but the model could also be structured to recover 75 percent of the lost wages or various alternatives.

This model would be very difficult to implement. Unlike welfare offices that have apparatuses in place for checking employment and income on a monthly or quarterly basis, financial aid offices rely on the prior year's annual tax return to make eligibility determinations. It would likely be prohibitively difficult for financial aid offices to determine, midway through a semester, whether or not a student had again started working full time. However, MDRC, the Workforce Commission, and Delgado Community College (DCC) in New Orleans have been working to design a student financial aid program that would both provide an incentive for students to increase their enrollment status and be flexible enough to avoid these implementation pitfalls.

As part of a major overhaul of the state's education system, the Louisiana Community and Technical College System (LCTCS) was created in July 1999 as the new governance structure overseeing both technical and community colleges. Louisiana is one of the few states with a TANF surplus, and it has committed these funds to several efforts that serve low-income parents (below 200 percent of poverty). In addition to student support services, the TANF-1 Initiative, a partnership between LCTCS and the Workforce Commission, provides full coverage of tuition, books, and fees. On top of this aid, the Opening Doors program group would receive a financial stipend that would be flexible funding and could be used to offset potential losses in earnings as students reduce work hours to increase their school hours. Although the details of the delivery of the stipend are under development, the overarching goal is to allow students to attend more hours of class, preferably full time, and thus to attain their credentials more quickly.

Model 3: Academic Incentives

Incentives in the two models described above are not linked to academic outcomes, such as class attendance or grades. This third model provides incentives for working adult students at key times during their enrollment. For example, one design for this model would reward students for good grades. Eligible students might receive \$200 for every A they receive. Alternatively, students could receive flat bonuses either weekly or per semester for remaining in school and consistently working toward their degrees.

Unfortunately, although direct incentives are appealing and are easy to market, they again would be very difficult to implement. For example, only rarely do professors in community colleges take or record classroom attendance. Further, rewarding students for good grades does not necessarily increase their retention or completion rates, which is the goal of the Opening Doors demonstration. Providing "retention bonuses" every semester may increase progress toward these goals; however, given the financial constraints of the working poor, it is conceivable that these incentives would have to be significant and/or accompanied by additional aid in order to overcome the types of hardships that cause these students' "stop-outs" and dropouts, that is, problems with work schedules and child care. Finally, no one wants to design an intervention that would encourage students to pressure professors to inflate grades based on financial need.

Again, though, states and colleges that are participating in the Opening Doors project have worked with MDRC to make this type of program work. For example, MDRC is working closely with leadership at Kingsborough Community College (KCC) in Brooklyn, New York, to design a curricular reform test of the new, small, intensive Learning Communities that help new students get through remedial classes and into regular college courses. The program will also include some financial support in the form of a \$200 voucher for books in the first 12-week semester and a \$100 voucher for books in the second 6-week semester. KCC staff feel strongly that students often behave as though books are optional and that this voucher plan can affect student persistence. National statistics demonstrate that, on average, college students spend \$370 to \$390 per academic year on textbooks and that the average cost of a new textbook in spring 2000 was \$68.15.³² These costs are not insignificant, and the vouchers will contribute to offsetting them.

Similarly, MDRC is working with leadership at Lorain County Community College (LCCC) in Lorain, Ohio, to build a program that will include an enriched and coherent set of student services and increased financial aid for Opening Doors students, on the model of incentives for participation. The financial aid component builds on the college's efforts to provide fill-the-gap financial aid assistance. LCCC will leverage a grant made by its foundation to provide Opening Doors students with a flexible stipend in the first week of two consecutive semesters. The stipend will be customized to each student's financial need and can be used to cover any costs not covered by federal, state, or college assistance (such as the cost of books, fees, meals, transportation, and child care). In addition to providing help at the beginning of the semester — before students receive their regular aid — this funding will serve as an incentive to enroll for the second semester. Further, the student services component represents a change in how services are delivered, by putting an increased emphasis on financial aid counseling.

Deciding on an Approach

The preceding models of student grants reflect three goals:³³

- Cover the direct price of attendance.
- Encourage less-than-half-time students to increase their enrollment to half time.

³²National Association of College Stores, 2001.

³³While policy is shifting toward loan programs over grant programs, students who could participate in Opening Doors are often reluctant to apply for student loans because of concern about absorbing debt or because of past experiences with defaults and uncertainty of the payoff to education. Therefore, this paper focuses exclusively on grant programs.

- Directly and simply relate incentives to academic outcomes and/or attendance.

To meet these goals, Model 1 provides a more generous grant to cover the direct price of attendance; Model 2 provides reimbursement for lost wages to encourage students to increase attendance at school from less than half time to half time; and Model 3 provides direct incentives for performance or participation in school. In light of implementation challenges, participants in the Opening Doors financial aid seminar concluded that the more generous grant approach to covering the direct POA — Model 1 — is also the most feasible model on which to design a demonstration. Of course, the model would have to be developed further to address issues raised below and to fit with other work in each of the sites participating in the demonstration.

The cost of attending a community college and the financial aid available for nontraditional students vary significantly by state and by institution. Although this paper has used sample numbers to explain the three models, there is still a need to resolve questions about specific grant levels for each participating site.

Participants in the Opening Doors financial aid seminar suggested several promising additions to the basic approach in Model 1. First, students may need more financial support when they first arrive at college; therefore, the model may need to include a front-loaded grant structure, providing more aid in the earlier years of attendance, when students need more support and incentive to stay in school. Second, although weekly participation or grade-based incentives — as in Model 3 — might be too difficult to implement, the idea of direct incentives is still appealing. Thus, it seems worthwhile to consider supplementing the basic grant program with additional incentives for major milestones, such as course or certificate completion.

Beyond the Basic Approach

Having chosen a basic approach, there are a number of additional issues — beyond the grant level — that remain to be resolved.

Marketing and Counseling

In the 1999–2000 school year, about 28 percent of working parents who were enrolled in college less than half time were working-poor adults, living under 200 percent of the federal poverty line. However, only 7.7 percent of all working parents received any federal, state, or institutional financial aid. Only 3.5 percent received Pell Grants, and virtually none received Perkins Loans or Supplemental Educational Opportunity Grants (SEOGs). Less than 3 percent received some sort of institutional aid; nearly 2 percent received state aid; less than 2 percent

received grants from private sources; less than 1 percent received private loans; nearly 4 percent received veterans' benefits; and about 2 percent received tuition waivers.³⁴

There could be several reasons for these low participation rates. One way to begin to address them, however, is to focus on more and better marketing of the aid programs. The Opening Doors demonstration could include such a component both to increase the general use of aid and to recruit program participants. Many organizations at the national, state, and local levels — such as the National College Access Network in Ohio — provide marketing and counseling services related to student aid; however, the services are focused almost exclusively on traditional students. Perhaps a special marketing initiative through this demonstration or a partnership with an existing marketing/counseling organization would be in order. However, given the low incomes of this target population and the limited amount of *grant* aid available, the impact of marketing alone on student retention may be minimal.

Additionally, the Pell Grant program is not an entitlement program; therefore, Congress allocates a fixed pot of money every year for this aid. If a marketing initiative were successful and increased the number of students applying for Pell Grants, the amount of each grant may be reduced. Essentially, better marketing of Pell Grants may result in more students chasing after the same amount of total money; therefore, all low-income students would be worse off. This is the scenario that advocates of low-income students seek to avoid, especially because individual Pell Grant awards are already too low to cover a significant portion of education expenses.³⁵

There is much to learn about nontraditional students' application for and take-up of financial aid programs. Many who might be eligible for Pell Grants or other financial aid programs don't apply for them, while many who do apply may not be eligible. At the same time, federal policymakers have underestimated the participation of nontraditional students, leaving the Pell Grant program operating at a deficit of \$2 billion. It would be helpful to know what the most important factors are in nontraditional students' decisions to participate (or not) in aid programs: their knowledge of the availability of funds, the transparency or complexity of the application forms and process, satisfactory or frustrating interactions with financial aid offices, the generosity or limitations of the grants, or other considerations.

³⁴Analysis of data from the National Postsecondary Student Aid Survey (U.S. Department of Education, National Center for Education Statistics, 2001) by FutureWorks. Because these aid sources are not mutually exclusive, they do not add up to the total percentage of students who received aid.

³⁵As explained above, the current practice in Congress is to run a Pell deficit, which is paid for in the next year's appropriations. However, this is practice, not law; therefore, Pell Grant awards could be cut in future years if appropriations to cover the related deficits are not authorized.

The Opening Doors researchers hope to learn more about financial aid counseling strategies by studying the recruitment efforts at all the sites in the study; the counseling component of the program at Lorain County Community College is of particular interest.

Covering Remedial or Developmental Education

Experts agree, based on an array of indicators, that the vast majority of low-income community college students need remedial education in one form or another in order to succeed in college. The key phrase is “in one form or another.”

Under the Pell Grant program, students can receive aid to cover for-credit courses, but they cannot receive aid for noncredit remedial or developmental courses unless they take them within an eligible program. (This allows the students to be considered “regular students” under financial aid definitions.) In short, students cannot receive aid for noncredit remedial or developmental coursework taken as a prerequisite to acceptance into a program. As states and colleges try to serve students within the confines of these regulations, a wide variety of definitions of “remedial” and “for-credit” have emerged — in terms of both which students are considered to need remediation and which courses count as remedial or for-credit.

In addition, student financial aid can pay for only 30 semester or trimester hours (or 45 quarter hours or 900 clock hours) of remedial courses.³⁶ Further, many remedial courses that are covered by financial aid don’t count toward graduation requirements, and many students who need remedial coursework are already at risk of taking longer than the allotted time to complete their degree program. Thus, even if financial aid covers the remedial education, such courses may create a problem for students by depleting their aid money before they complete their degree.

While strategies to alter the regulations about remedial or development courses in order to better serve nontraditional students might be both robust and replicable, the existing practices vary so much from college to college that the Opening Doors team could not make decisions about a general approach. Moving forward, the researchers and study sites will work to develop strategies in this area.

Less-Than-Half-Time Enrollment

Although students who are enrolled less than half time lack access to any significant financial aid, there are competing policy goals in addressing this concern. On the one hand, the Opening Doors intervention aims to accelerate degree completion, which suggests that students who attend less than half time should not be rewarded. In addition, federal policymakers want to invest resources in those needy students who are most likely to succeed. On the other hand,

³⁶Courses in English as a Second Language (ESL) do not count toward this limit.

however, there may be good reasons why students choose to take only a single course — such as scheduling conflicts for required courses, wanting to focus on a particularly difficult course, or circumstances relating to work or family — and removing support at these times may encourage students to stop out or drop out entirely.

Two potential strategies might reconcile these competing goals. First, Opening Doors could provide additional support for less-than-half-time enrollment while also making the aid for half-time or greater enrollment proportionally more generous. (For example, rather than awarding \$938 for one course and \$1,875 for two, provide \$875 and \$1,925, respectively.) Second, to the extent that there is concern about students enrolling less than half time for their entire academic career, programs could limit the number of semesters for which students could receive the more generous aid for less-than-half-time enrollment.

Summer School

Students who work year-round may also prefer to take courses year-round, but existing financial aid calculations do not support this choice. One goal of Opening Doors is to accelerate certificate completion; thus, a deeper examination of financial aid for summer school seems in order.

Students with Dependents

Beyond child care costs, the cost of living (for housing and food, for example) is higher for students who have children than for those who do not, and it is higher for families with three children than for those with one child. While many agree on the importance of covering students' direct costs of child care, there is concern that financial aid programs not be seen as providing income maintenance. Nonetheless, the research team hopes to identify methods that address such differences in the cost of living.

Appendix A
Nonfinancial Eligibility Criteria

In addition to the financial eligibility determinations described in this paper, all students must meet the following basic eligibility requirements, per Title IV in the Higher Education Act.³⁷

1. Regular student: The student is officially seeking a degree; has declared a major or stated officially that a major is “undeclared”; or is in a degree program.
2. Eligible program: The program of study is for credit.
3. Ability to benefit: The student has a high school diploma or a General Educational Development (GED) certificate or passes an alternatively defined ability-to-benefit test.
4. Making satisfactory progress: Though defined differently at different schools, common definitions of satisfactory progress may be stated (a) qualitatively: earns appropriate grades; or (b) quantitatively: progresses through the program at a rate of at least 150 percent of its posted length.
5. The student has no drug convictions.

³⁷There are additional institutional eligibility requirements for accreditation and state licensure, but the institutions that MDRC has proposed working with have all met these requirements and are eligible to distribute federal Title IV aid. Therefore, institutional eligibility requirements have been met and are not a concern for this paper.

Appendix B

Financial Aid Seminar Participants

On December 18, 2002, MDRC convened a meeting of experts in financial aid to help identify the most promising approaches to financial aid for the Opening Doors demonstration. Seminar participants are listed below.

Dr. Thomas R. Bailey, Director
Community College Research Center
Teachers College, Columbia University

Dara Barlin, Program Associate
The Ford Foundation

Sam Cargile, Senior Program Director
Lumina Foundation for Education

Victoria Choitz, Program Analyst
FutureWorks, Inc.

John Colborn, Program Officer
The Ford Foundation

Dr. Frank Furstenburg
Department of Sociology
University of Pennsylvania

Pat Higgins, Director
JOBSplus!
Onondaga Community College

Dr. Jacqueline E. King, Director
Center for Policy Analysis
American Council on Education

Cheryl Maplethorpe, Director
Division of Student Financial Aid
Minnesota Higher Education Services Office

Chris Mazzeo, Senior Policy Analyst
National Governors Association

James F. McKenney, Vice President for
Economic Development
American Association of Community
Colleges

Derek V. Price, Director
Higher Education Research
Lumina Foundation for Education

Sheila Pruden, Director
Research, Planning and Policy Analysis
Illinois Student Assistance Commission

Dr. Cecilia Rouse, Director
Education Research Section
Woodrow Wilson School of Public and
International Affairs
Princeton University

Amy Sherman, Director
National LiLA Program
Council on Adult and Experiential Learning

Adam Stoll, Specialist in Social Legislation
Domestic Social Policy Division
Congressional Research Service
Library of Congress

Julie Strawn, Senior Policy Analyst
Family Policy
The Center for Law and Social Policy

Brett A. Visger, Program Officer
KnowledgeWorks Foundation

Tom Weco, Senior Analyst
Education, Workforce, and Income Security
U.S. General Accounting Office

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About MDRC

MDRC is a nonprofit, nonpartisan social policy research organization. We are dedicated to learning what works to improve the well-being of low-income people. Through our research and the active communication of our findings, we seek to enhance the effectiveness of social policies and programs. MDRC was founded in 1974 and is located in New York City and Oakland, California.

MDRC's current projects focus on welfare and economic security, education, and employment and community initiatives. Complementing our evaluations of a wide range of welfare reforms are new studies of supports for the working poor and emerging analyses of how programs affect children's development and their families' well-being. In the field of education, we are testing reforms aimed at improving the performance of public schools, especially in urban areas. Finally, our community projects are using innovative approaches to increase employment in low-income neighborhoods.

Our projects are a mix of demonstrations — field tests of promising program models — and evaluations of government and community initiatives, and we employ a wide range of methods to determine a program's effects, including large-scale studies, surveys, case studies, and ethnographies of individuals and families. We share the findings and lessons from our work — including best practices for program operators — with a broad audience within the policy and practitioner community, as well as the general public and the media.

Over the past quarter century, MDRC has worked in almost every state, all of the nation's largest cities, and Canada. We conduct our projects in partnership with state and local governments, the federal government, public school systems, community organizations, and numerous private philanthropies.