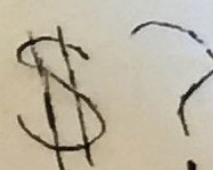


Executive Summary

ALIGNING AID WITH ENROLLMENT

Interim Findings on
Aid Like A Paycheck

Evan Weissman
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- 
- rent
 - transportation
 - food
 - help out mom

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Overview

Evidence shows that financial aid increases college enrollment. For many students at low-cost community colleges, this aid is intended to cover more than tuition and fees; after those are paid, the remainder is paid out, or “refunded,” to students to help with their living expenses while they are enrolled in school. Often, however, the total amount of aid does not come close to covering the cost of attendance for full-time students. Many still struggle to find the means to support their studies and pay their bills, and the majority of students enrolled at two-year public institutions report feeling financial stress related to paying for school.

Most colleges distribute financial aid refund amounts to students in one or two lump sums during the term. Aid Like A Paycheck is a study of an alternative approach, in which financial aid refunds are disbursed biweekly, with the goal of helping students stretch their financial aid (including federal Pell Grants, state aid, and loans) to cover expenses throughout the term. MDRC is conducting a mixed-methods study of biweekly disbursements at two community colleges in the metropolitan area of Houston, Texas. The study includes qualitative research on the program’s implementation and a randomized controlled trial to rigorously estimate the impacts of the policy on students’ academic and financial outcomes.

Results at the midpoint of the evaluation present a mixed picture:

- The colleges were able to disburse aid biweekly as intended, but communications about the policy and about financial aid in general were often unclear to students.
- It appears that students assigned to receive biweekly disbursements were more likely than those receiving a standard lump sum to feel that their finances caused significant stress at the start of the term. By the end of the semester, students in the two groups reported comparable levels of financial stress.
- Biweekly disbursements reduced students’ use of federal loans and debt to the college after one semester, without reducing the overall aid they received.
- On average, there is little consistent evidence of biweekly disbursements improving students’ key academic outcomes. However, at one college, students in the biweekly group experienced a 6 percentage point increase in enrollment in the second semester of school.
- Although the policy raised the possibility of cost savings for the colleges and the federal government, there is little evidence of such savings so far.

These interim findings should be viewed with caution, but colleges interested in moving to biweekly disbursements may find useful lessons from the early implementers, as discussed in this report.

In 2018 MDRC will present final results based on further research, including additional students and longer follow-up, to better understand the impacts of biweekly disbursements at the two Houston-area colleges. The final report will also include a deeper look at the program’s implementation at a third community college district, where biweekly disbursements of financial aid refunds recently became the standard policy for all students.

Preface

In recent years, college leaders and policymakers have paid growing attention to the ways that students' finances affect their academic success. Research demonstrates that financial aid helps students enroll and succeed in college. Yet even with financial aid, many low-income students are compelled to work while attending college, and many struggle to afford rent, food, and transportation to and from school. College financing, and student loans in particular, has also garnered public attention, as policymakers consider ways to maintain or improve students' access to higher education while limiting potentially harmful debt, which some students carry for years.

Aid Like A Paycheck is MDRC's study of a new policy intended to improve the distribution of financial aid. Traditionally, colleges disburse student aid at the start of the semester, first covering the costs of tuition, fees, books, and supplies, then paying any remaining aid to the student in one or two lump sums near the start of the term. Students are expected to use these refunds to support their studies throughout the term. If they withdraw from classes, they may be required to return part of their aid to the college (and the college may be required to pay back these funds to the federal government). In Aid Like A Paycheck, by contrast, students receive their aid refunds — including Pell Grants, loans, and state aid — in smaller amounts, biweekly. The study is designed to answer several questions: Can incremental disbursements help students stretch their limited aid refunds throughout the semester? Do biweekly disbursements reduce the amount of students' debt? Can this modest intervention increase students' academic success? Or, conversely, does the policy unintentionally hurt students?

Halfway through the study's follow-up period, it appears that students are not harmed — and by some measures are helped — by biweekly disbursements of financial aid. While the impacts of the policy do not appear large, it is promising that a change in financial aid disbursement that does not include additional funds may offer benefits to students. This report provides details of these interim findings and sets the stage for a final report in 2018, which will include data on additional students with longer follow-up to better understand how colleges may be able to change financial aid disbursements to best support their students.

Gordon L. Berlin
President, MDRC

Acknowledgments

The authors are particularly thankful to the financial aid directors and others at the pilot and evaluation colleges who worked closely with MDRC to test a new way of operating financial aid with the goal of improving student success. These individuals successfully implemented the Aid Like A Paycheck policy while maintaining compliance to a complex web of financial aid rules and regulations, and patiently explained the many intricacies of financial aid to the Aid Like A Paycheck team. In particular, the program was first piloted with the support of Susan Jones, Manuel Cerda, and Audrey Yamagata-Noji (with later guidance from Chau Dao) at Mt. San Antonio College and Patricia Zinga, Cathalene Cortez, Carol Zimmerman, and Mary-Rita Moore at Triton College. The randomized controlled trial was implemented with invaluable help from Robert Merino, Jennifer Anderle, SanJuanita Gonzalez, and Joanna Zimmerman at San Jacinto College and JoEllen Soucier, Roy Torrecampo, and Diana Pino at the Houston Community College System. The West Hills Community College District has more recently joined the project, and we offer thanks to Deborah Soria, Mary Mello, Sylvia Dorsey-Robinson, Sandy McGlothlin, and Rita Grogan. Numerous others at these colleges, including the financial aid advisers, information technology staff, and others, provided important assistance and guidance as well.

The Aid Like A Paycheck Advisory Group — including Sandy Baum, Debbie Cochrane, Michael Lawrence Collins, Michelle Asha Cooper, Amy Ellen Duke-Benfield, Nate Johnson, Andrew Kelly, Amy Laitinen, Cindy Lenhart, Jesse O’Connell, and Mamie Voight — provided invaluable expertise into initial key questions, as well as insight into interpretations and the relevance of the evaluation’s emerging findings. The Aid Like A Paycheck student survey included items from surveys by the Center for Community College Student Engagement and the Center for Financial Services Innovation and benefited from their review and comments. Thanks also to the funders listed at the start of this report for their ideas and insight, as well as their generous financial support.

We would like to thank current and recent members of the MDRC Aid Like A Paycheck team, including Alexander Mayer, Elizabeth Calmeyer, Barrett Montgomery, Katherine Blessing, Andrew Levine, Rachel Pedraza, Timothy Rudd, Michelle Ware, Drew McDermott, and Phoebe Richman. Thanks also to our senior advisers and reviewers — Rob Ivry, John Hutchins, Lashawn Richburg-Hayes, Gordon Berlin, Mary Visser, Katie Beal, and Caroline Schultz — for their careful reading and thoughtful feedback during the review process. We thank Jennie Kaufman for editing this report and Carolyn Thomas for preparing it for publication.

Last, but most important, we would like to thank all the students in the Aid Like A Paycheck study. In particular, we recognize those who, through focus groups and surveys, shared stories of successes and challenges they faced while balancing educational pursuits with financial, work, and family obligations. We appreciate their honesty and hope that our research contributes to increasing their ability to succeed in college.

The Authors

Executive Summary

When community college students receive a financial aid refund after their tuition and fees have been paid, the amount of the refund may elicit a reaction like this:

Students need more money for college, in my mind. It's not enough for me. I need more to pay for my courses, food, gas, and to pay all my bills like car and insurance.

Yet at the same time, a lump sum refund may inspire caution:

[I have] seen friends get huge sums of money — \$2,000 to \$3,000 — all at once and go ballistic. [I'd prefer to get it biweekly, because I] don't like so much money just sitting there.¹

Evidence shows that financial aid increases college enrollment and success.² For many students at low-cost community colleges, this aid is intended not only to cover tuition and fees, but also to help with their living expenses while they are enrolled in school. Often, however, the total amount of aid does not come close to covering the cost of attendance for full-time students. Many still struggle to find the means to support their studies and pay their bills, and the majority of students enrolled at two-year public institutions report feeling financial stress related to paying for school.³

In standard financial aid practice, colleges first apply students' awards to tuition and fees, then often allow students to use the aid for book purchases at the start of the term, and finally disburse any remaining funds as a financial aid "refund." Most colleges distribute this

¹Quotes are from students in focus groups and an online survey of students in the study.

²Susan Dynarski, "Does Aid Matter? Measuring the Effect of Student Aid on College Attendance and Completion," *American Economic Association* 93, 1 (2003): 279-288; Benjamin L. Castleman and Bridget Terry Long, *Looking Beyond Enrollment: The Causal Effect of Need-Based Grants on College Access, Persistence, and Graduation*, Working Paper 19306 (Cambridge, MA: National Bureau of Economic Research, 2013). Also see Judith Scott-Clayton, *Undergraduate Financial Aid in the United States* (Cambridge, MA: American Academy of Arts and Sciences, 2017).

³The National Student Financial Wellness study in 2015 found that while 70 percent of all postsecondary students feel stress regarding their personal finances, students at two-year public institutions are more likely to worry about having enough to pay for school (Ohio State University, *National Student Financial Wellness Study: Key Findings Report* [Columbus: Ohio State University, 2015]). Letkiewicz and colleagues (2014) found that undergraduate students who felt significant amounts of financial stress were more likely to take longer than four years to complete their degree; see Jodi Letkiewicz, Hanna Lim, Stuart Heckman, Suzanne Bartholomae, Jonathan J. Fox, and Catherine P. Montalto, "The Path to Graduation: Factors Predicting On-Time Graduation Rates," *Journal of College Student Retention: Research, Theory & Practice* 16, 3 (2014): 351-371.

refund to students in one or two lump sums during the term. Anecdotal evidence suggests that many students who receive refunds use that aid to pay for substantial expenses, such as rent, car loans, or large credit card payments, and the lump sum sometimes runs out before the end of the semester. Furthermore, research has shown that unexpected spikes and fluctuations in income may interfere with budgeting and financial planning.⁴

Aid Like A Paycheck is a study of whether biweekly — as opposed to lump sum — financial aid disbursements can help students stretch their financial aid to cover expenses throughout the term and whether such a policy can improve students’ academic and financial outcomes. By evenly distributing a student’s existing aid, as depicted in Figure ES.1, rather than offering additional financial support, incremental disbursements are a modest intervention yet may have positive impacts. Disbursing aid refunds in biweekly increments is theorized to help students by means of *mechanical* changes in the timing and disbursements of aid as well as changes in *messaging* about how to budget the aid to last through the semester.

In addition, by distributing aid as it is earned rather than in advance, biweekly disbursements may reduce debt that may be incurred because of later enrollment changes — students’ potential debt to the college or colleges’ potential debt to the Department of Education. The policy might thus provide financial benefits to students and cost savings to colleges.

MDRC is conducting a mixed-methods study of the Aid Like A Paycheck policy at two community colleges in the metropolitan area of Houston, Texas: San Jacinto College and the Houston Community College System (HCC). HCC is the fifth largest community college system in the country, comprising six colleges and more than 15 campuses spread across the city and serving about 90,000 students per academic year.⁵ San Jacinto has three campuses and serves about 40,000 students per academic year.⁶

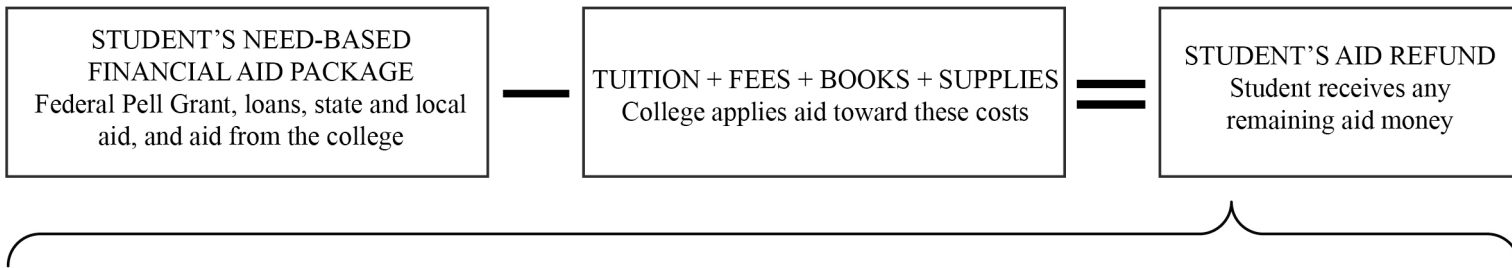
Beginning in 2014, eligible students at these colleges were randomly assigned to either the program group, whose members received their financial aid refunds — including federal Pell Grants, loans, and other aid — in biweekly disbursements, or to the standard group (also known as the control group), whose members received their financial aid refunds under the

⁴Jonathan Morduch and Rachel Schneider, *Spikes and Dips: How Income Uncertainty Affects Households* (New York: U.S. Financial Diaries Project, 2013).

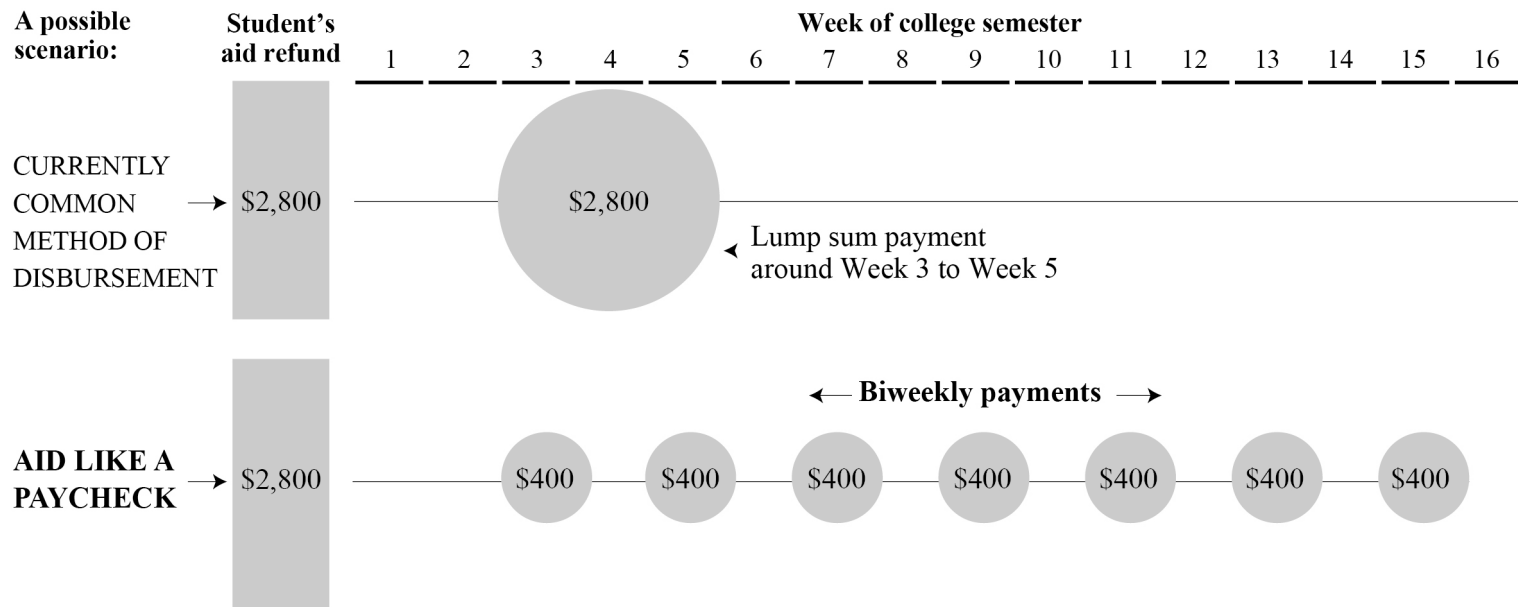
⁵Houston Community College, *Houston Community College 2015-2016 Fact Book*, revised September 30, 2016; Integrated Postsecondary Education Data System (IPEDS), U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics (<https://nces.ed.gov/ipeds>).

⁶IPEDS.

Figure ES.1
Two Methods of Disbursing Aid



3



colleges' standard lump sum aid disbursement policy.⁷ This report presents interim findings based on the experiences of over 6,000 students enrolled over three semesters — with one to two semesters of follow-up — to estimate whether students assigned to receive biweekly disbursements have different financial and academic outcomes from those of students assigned to receive their aid in the standard way. MDRC researchers also fielded a student survey, conducted small focus groups of students, and spoke with financial aid staff members and administrators at the colleges to understand their experiences, attitudes, and behaviors.

Key Findings

Results at the midpoint of the evaluation present a mixed picture:

- **The colleges were able to implement the mechanics of biweekly disbursements as intended.** In their first semester, most students in the program group received six to eight refunds, averaging between \$300 and \$500 per refund, and most students in the standard group received just one or two refunds, averaging between \$1,500 and \$2,000 per refund.
- **College communications about the policy and about financial aid in general were often unclear to students.** The colleges worked to improve their program communications over the first two years of implementing Aid Like A Paycheck.
- **Students who receive financial aid refunds after payment of tuition and fees are by definition some of the lowest-income students, and not surprisingly, many students in the study reported struggling financially.** Regardless of whether they received their aid in a lump sum or biweekly, many students reported using their financial aid refunds to pay for school supplies, transportation, and other living expenses, and about half the students who responded to the survey stated that they were working for pay while attending college.
- **It appears that students assigned to receive biweekly disbursements were more likely than those receiving a standard lump sum refund to feel that their finances caused significant stress at the start of the term.** By the end of the semester, students in the two groups reported comparable levels of financial stress.

⁷Students in this study were selected through college records based on the criterion of having an expected financial aid refund amount of \$800 or more after tuition and fees were paid and allowing for book expenditures.

- **Biweekly disbursements reduced the use of federal loans and students' debt to the college after one semester.** Students assigned to receive biweekly aid and those assigned to receive their aid in the standard way received the same total amount of financial aid, but students in the program group received an average of \$82 less in loan disbursements and had an average of \$24 less in debt to the college after their first semester.
- **On average, there is little consistent evidence of biweekly disbursements improving students' key academic outcomes.** However, at one college, students in the biweekly disbursement group experienced a 6 percentage point increase in enrollment in the second semester of school.
- **There is little evidence of the expected cost savings to the colleges from the policy of biweekly disbursements.** This is not surprising, given the lack of substantial impacts on overall financial outcomes at this point in the study. Nor is there evidence of substantial cost impacts for the state or the federal government.

Conclusion

Many students struggle financially, and although biweekly disbursements of financial aid cannot change the fact that existing aid often does not cover the full costs of attendance, this policy still has the potential to provide academic and financial benefits to students. At the midpoint of the study, students assigned to receive their aid biweekly were not harmed academically or financially by the policy, and on some measures were better off than those who received a standard lump sum refund.

At the current point in the research, several key questions remain unanswered: Why are academic impacts evident at one college but not at the other? Will the small financial impacts of the program accumulate, suggesting there could be substantial financial benefits or savings in the long run? If the policy of biweekly disbursements of financial aid were to be applied as a college-wide norm, could it be implemented more efficiently and communicated more clearly to students? As long as these questions remain unanswered, other colleges should look at these findings with caution. Nevertheless, biweekly disbursements may be appealing to colleges wishing to be transparent in aligning the awarding of aid with continued enrollment, to signal to students and others that financial aid refunds are intended to support students' expenses while in school. These colleges may find useful lessons from the early implementers, as discussed in the full report.

In 2018, MDRC will present final results based on further research, including an additional 2,500 students and up to three more semesters of follow-up, to better understand the

impacts of biweekly disbursements on students' outcomes at the two Houston-area colleges. The final report will also include a deeper look at the program's implementation at a separate small community college district (not included in this report's quantitative findings) where biweekly disbursements of financial aid refunds became the standard policy for all students in the 2016-2017 academic year.

About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York; Oakland, California; Washington, DC; and Los Angeles, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff members bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Children's Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.