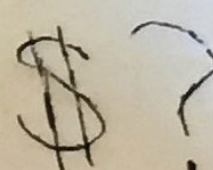


ALIGNING AID WITH ENROLLMENT

Interim Findings on Aid Like A Paycheck

Evan Weissman
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- rent
 - transportation
 - food
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June 2017



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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.

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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

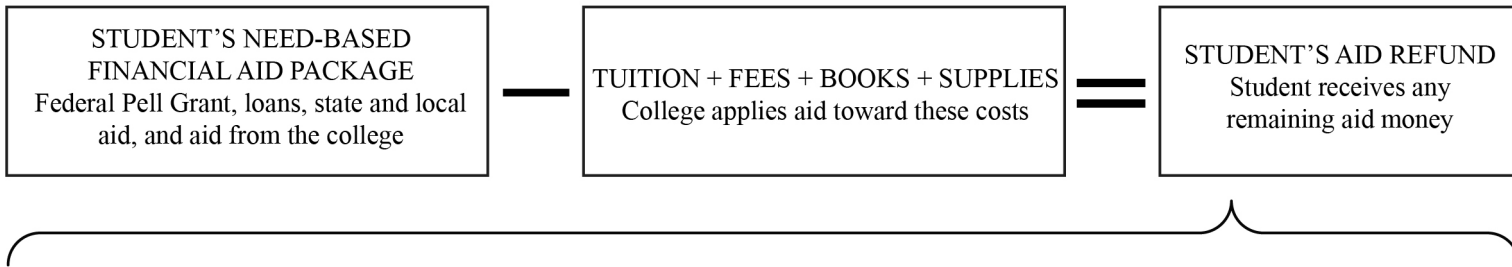
⁴Jonathan Morduch and Rachel Schneider, *Spikes and Dips: How Income Uncertainty Affects Households* (New York: U.S. Financial Diaries Project, 2013).

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>).

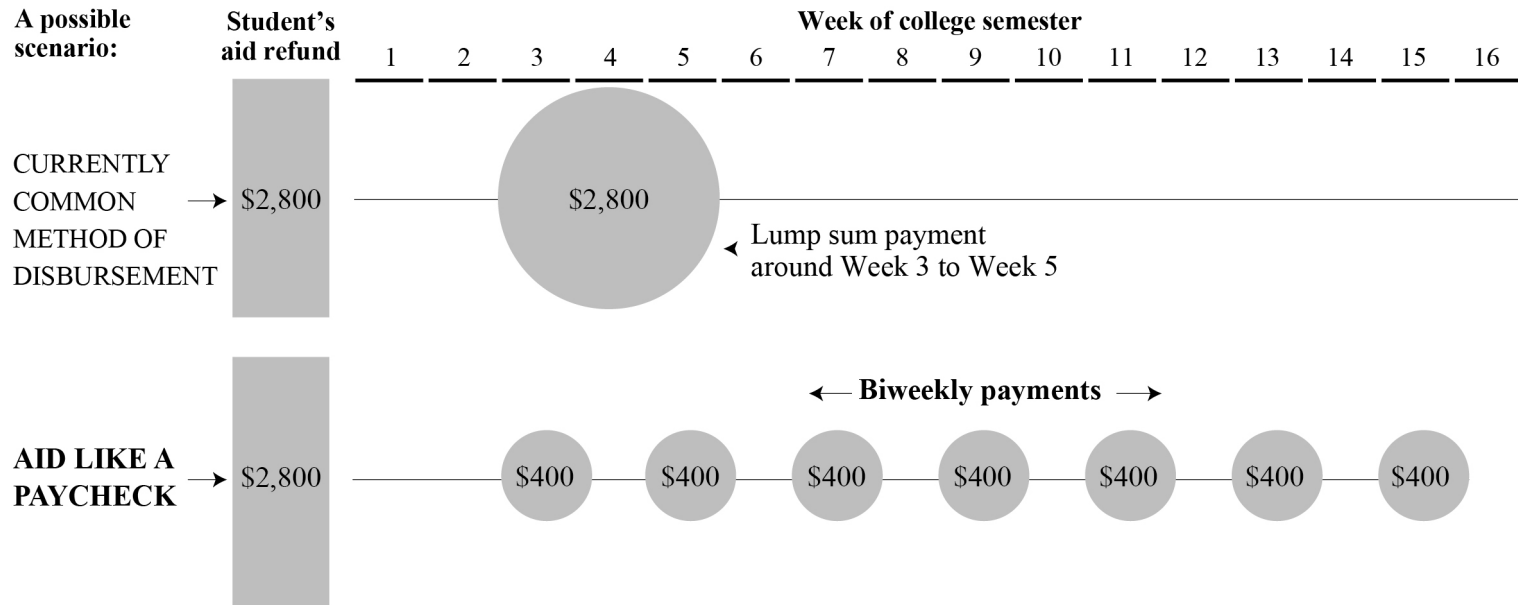
⁶IPEDS.

Figure ES.1

Two Methods of Disbursing Aid



ES-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.

Introduction

Fewer than 40 percent of community college students receive a degree within six years of enrollment; for low-income students, this percentage is even smaller.¹ Low-income community college students face a number of nonacademic obstacles to completing their college education, including unreliable transportation, job responsibilities, personal emergencies, and arranging for housing, food, and child care.² In addition to these challenges, financial stress can limit students' success in postsecondary institutions, and the majority of students enrolled at two-year public institutions report feeling financial stress related to paying for school.³

Federal Pell Grants and loan programs are the two largest sources of economic aid for college students, with additional support from emergency aid, state aid, and other limited resources.⁴ Evidence shows that financial aid increases college enrollment and success, and programs that offer funds in addition to Pell Grants and other federal and state aid, such as performance-based scholarships, have been shown to have modest positive effects on student outcomes.⁵ However, the complexity of financial aid can actually add to students' financial stress and may undermine aid programs' effectiveness. Pell Grants require students to complete the Free Application for Federal Student Aid (FAFSA), a complex and lengthy process that has been shown to discourage low-income individuals from successfully applying for aid.⁶ College staff members report that students are often unfamiliar with the financial aid award process, despite financial aid offices' attempts to communicate with them.⁷ And students are often unaware of the satisfactory academic progress requirements tied to eligibility for certain types of financial aid. Failure to meet academic standards can lead to a loss of Pell Grant funding, which may contribute to a reduction in college persistence and degree attainment.⁸

¹Ma and Baum (2016); Ginder, Kelly-Reid, and Mann (2015); Juskiewicz (2015).

²Matus-Grossman and Gooden (2002) discuss how child care issues, rocky personal relationships, and lack of employer support are common challenges among low-income students who are also parents. Over half the survey respondents in Goldrick-Rab, Broton, and Eisenberg (2015) had experienced at least marginal food insecurity in the last 30 days, and Wood, Harris, and Delgado (2016) note that about one-third of California community college students reported experiencing housing insecurity.

³Letkiewicz et al. (2014) find that undergraduate students who feel significant amounts of financial stress are more likely to take longer than four years to complete their degree. The National Student Financial Wellness Study (Ohio State University, 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.

⁴Dynarski and Scott-Clayton (2013).

⁵Dynarski (2003); Castleman and Long (2013); Patel, Richburg-Hayes, de la Campa, and Rudd (2013). Also see Scott-Clayton (2017).

⁶Bettinger, Long, Oreopoulos, and Sanbonmatsu (2012).

⁷Cochrane (2007).

⁸Schudde and Scott-Clayton (2014).

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 refund to students in one or two lump sums during the term. This system of financial aid disbursement is common at colleges nationwide, but students are most likely to receive refunds in states or at colleges with low costs or with relatively generous state or institutional aid covering tuition and fees. Such institutions tend to have the highest portion of students with remaining financial aid available for refund.⁹

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.

Aid Like A Paycheck

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.¹⁰

Anecdotal evidence suggests that many students who receive refunds use this financial 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.¹¹

In many policy areas, there is growing interest in innovative programs that work through existing funding and structures to improve participant outcomes. For example, a program offering periodic payments of the Earned Income Tax Credit (EITC) — which would

⁹Ware, Weissman, and McDermott (2013).

¹⁰Quotes are from students in focus groups and an online survey of students in the study.

¹¹Morduch and Schneider (2013).

seek to improve money management and financial health by changing the disbursement schedule of preexisting funds — has gained traction among researchers and the U.S. Congress in recent years.¹² Research has shown that low-income families often use EITC money disbursed in a lump sum for larger purchases rather than treating these funds as part of their regular income stream.¹³ A 2015 study of the Chicago Periodic Payment Pilot found that this disbursement schedule is administratively feasible, is preferred by taxpayers, and has been shown to improve financial stability by matching the timing of the disbursement with the need of the individuals.¹⁴ Likewise, several promising money management apps and products targeted to financially underserved populations seek to promote financial health through encouraging saving and mindful spending as well as cash-flow smoothing by nudging users to stretch limited funds over the course of a month.¹⁵

Aid Like A Paycheck differs from these interventions in many ways, but the policy takes a similar approach of innovating with existing resources to improve the academic and financial circumstances of community college students. By evenly distributing a student's existing aid rather than offering additional financial support, Aid Like A Paycheck is a modest intervention, yet it may have positive impacts. Biweekly financial aid disbursements — including federal Pell Grants, loans, and other aid — are theorized to help students by means of *mechanical* changes in the timing and disbursements of aid as well as changes in *messaging* about budgeting their aid to last through the semester. In addition, by distributing aid as it is earned rather than in advance, biweekly disbursements may reduce debt, which is sometimes incurred when students reduce their course loads or withdraw from college. Such enrollment changes can result in student debt to the college or college debt to the Department of Education.

MDRC is conducting an implementation and impact evaluation of the Aid Like A Paycheck policy at two community colleges in and around Houston, Texas: San Jacinto College (San Jacinto) and the Houston Community College System (HCC). This report presents 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 randomly assigned to receive biweekly disbursements have different financial and academic outcomes from those of students assigned to receive their aid in the standard lump sum. Overall, the interim results present a mixed picture. The colleges were able to implement the mechanics of biweekly disbursements as intended; however, college communications about the policy and about financial aid in

¹²Holt (2015).

¹³Barrow and McGranahan (2000); Goodman-Bacon and McGranahan (2008).

¹⁴Bellisle and Marzahl (2015).

¹⁵Sneller (2016).

general were often unclear to students. It appears that biweekly disbursements did not relieve financial stress, but 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.

How Could Biweekly Disbursements Affect Student Outcomes?

In contrast to the standard financial aid practice of disbursing financial aid refunds in one or two lump sums, colleges could divide students' remaining aid into roughly equal incremental disbursements throughout the term, as depicted in Figure 1. This policy of incremental disbursements fits within the Department of Education regulations that allow any college to "pay a student at such times and in such installments as it determines will best meet the student's needs."¹⁶

An early pilot evaluation in 2010 to 2013 at Mt. San Antonio College in California and Triton College in Illinois demonstrated that it is administratively possible to implement biweekly payments of financial aid refunds at community colleges; the model showed promise for positive impacts.¹⁷ The Aid Like A Paycheck study began in 2014, with two large Houston-area community colleges disbursing financial aid biweekly to a randomly selected group of students, with the goal of helping students achieve greater academic success.

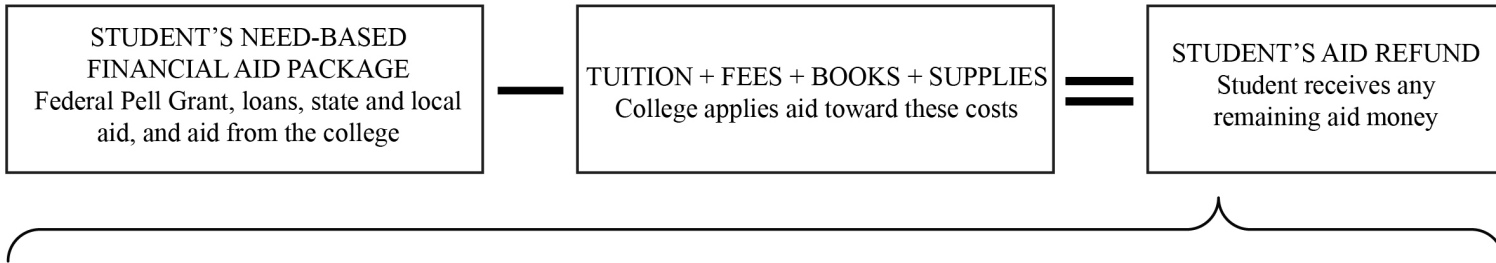
The Aid Like A Paycheck model aims to assist students who may have difficulty managing relatively large lump sum refunds and who lack financial support when they need it. When students receive incremental, biweekly aid refunds, they may experience increased financial stability and reduced financial stress, which may enable them to stay in college, reduce their borrowing, and ultimately persist in college with less debt. Incremental refunds may also help reduce Returns to Title IV (known as "R2T4"), in which federal financial aid must be repaid when students withdraw from classes. (Box 1 explains that policy and its consequences in more detail.)

Altering the timing of aid does not increase the total amount of aid available to low-income students. Biweekly disbursements are unlikely to change the fact that Pell Grants and

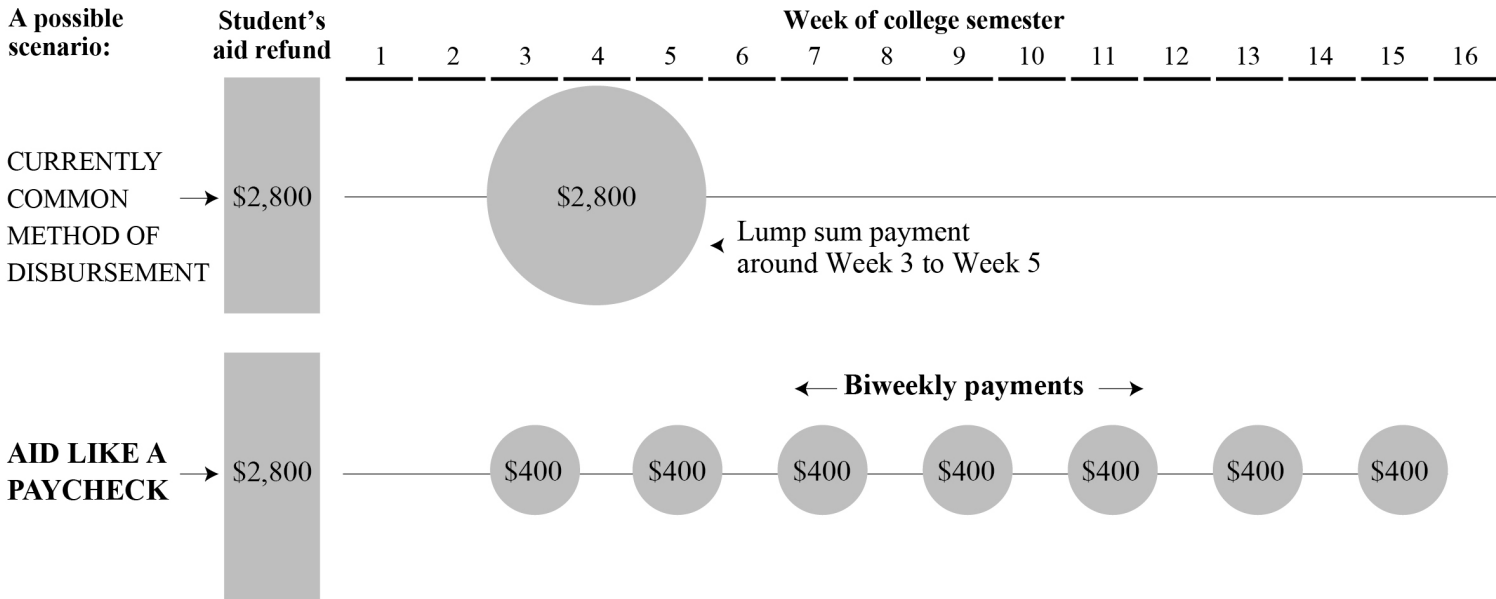
¹⁶This explicit permission to colleges to determine how federal financial aid is disbursed pertains to all grant and loan funds under Title IV of the Higher Education Act, which provides the majority of federal student aid.

¹⁷See Ware, Weissman, and McDermott (2013) for the origins of this evaluation and further description of the biweekly disbursement policy pilot, which was launched in 2009 by MDRC and the Institute for College Access & Success (TICAS).

Figure 1
Two Methods of Disbursing Aid



5



Box 1

Return to Title IV

Title IV of the Higher Education Act, which provides the majority of federal student aid, includes a policy that requires the calculation of a Return to Title IV (commonly known as R2T4) when a student withdraws from all courses before completing 60 percent of the semester. In these instances, colleges can be required to repay unearned aid funds to the Department of Education. In turn, colleges may attempt to recoup these funds from students and may bar students who do not repay them from future enrollment. Returns to Title IV are thus generally seen as a problem for both students and colleges.

Financial aid administrators at the two study colleges discussed in this report explained that beyond the primary goal of helping students perform better in school, an important secondary benefit of implementing Aid Like A Paycheck was the potential for reductions in R2T4 as a result of aligning disbursement of aid more closely with the time that it is earned.

other aid often do not come close to covering the cost of attendance for full-time students, and that students may still struggle to find the means to support their studies and ongoing living expenses.¹⁸ The typical annual cost of attendance for a community college student is around \$15,000, yet a full Pell Grant is only \$5,775, suggesting that the refund amounts — whether paid in one lump sum per semester or biweekly throughout the term — may leave many students with unmet need.¹⁹ Furthermore, the smaller biweekly disbursements could feel less substantial to students, leading them to feel additional financial stress, increase borrowing, or increase their work hours.

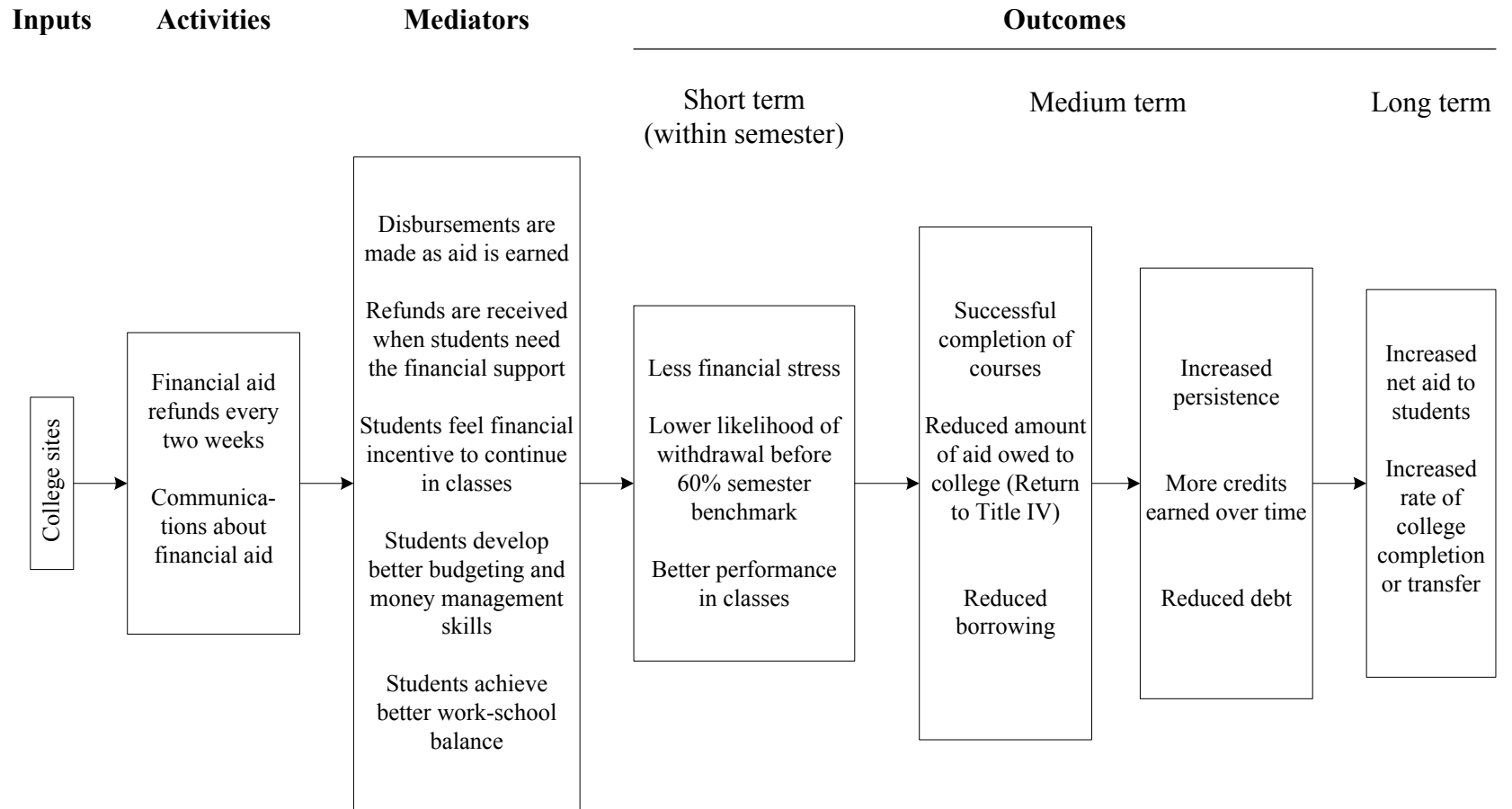
In addition to the *mechanical* changes in the disbursements of aid discussed above, colleges can change their *messaging* about financial aid; the combination is the basis for the theory of change shown in Figure 2. Communications from colleges that accompany biweekly disbursements could potentially alter students' attitudes and behaviors about financial management, helping them plan how to use their aid to partially offset ongoing expenses such as rent, food, or child care over the course of the term. These communications could include email reminders from colleges about the financial aid disbursement schedule, conversations with financial aid or academic advisers, or financial literacy workshops in first-year orientation or student success courses. Together with ongoing financial support, explaining the system may

¹⁸Cochrane (2007).

¹⁹U.S. Department of Education Federal Pell Grant Program (CFDA 84.063). The maximum federal Pell Grant for the 2017-2018 award year will increase to \$5,920 (<https://financialaidtoolkit.ed.gov>). The typical annual cost of attendance of a two-year public college was estimated at \$15,286 by the College Board (<https://bigfuture.collegeboard.org>) at the time of publication.

Figure 2

Aid Like A Paycheck Theory of Change



give students an incentive to stay in school — in order to continue receiving their aid and avoid having to repay it — and also encourage students to work less (particularly during finals) and study more, which could lead to better performance in classes.

The myriad of influences and communications present at any college may limit the influence that this one policy can have on students' behaviors and attitudes. Many students also work for pay, receive housing or other support from family members, or have other means of sustaining themselves. Additionally, the aid being refunded is — for many students — just one part of their financial support.²⁰ But while the intervention of biweekly disbursements may be modest and only a part of students' overall financial picture, the potential for short-term beneficial impacts outlined above may be sufficient to lead to increased persistence and greater credit accumulation, which ultimately may lead to increased rates of graduation or transfer.

In addition to the potential impacts on students' academic and financial outcomes, biweekly disbursements may provide financial benefits to colleges, particularly if the policy can reduce R2T4 or other student debt to the college.²¹ The federal government could potentially reap financial benefits as well, and changes in student use of federal loans would affect the federal budget, although it is not clear whether a decrease in loans should be seen as a benefit or cost to the government.

The Study Design

Aid Like A Paycheck is MDRC's mixed-methods study to test the theory of change described above. The study includes a randomized controlled trial, an evaluation design that is widely accepted to yield the most credible estimates of a program or intervention's effects because it makes it possible to determine the counterfactual, or what would have happened in the absence of the intervention. In Aid Like A Paycheck, eligible students were randomly assigned either to the program group, whose members received financial aid under the new biweekly disbursement policy, or to the standard group (also known as the control group), whose members received financial aid under the colleges' standard aid disbursement policy. Because of random assignment, members of the two groups can be expected to be alike in measurable traits (such as education and economic status) as well as other characteristics that are difficult to measure (like

²⁰Researchers have raised concerns that federal financial aid remains a small amount of money in comparison to increases in the cost of college attendance, and about the often unstable availability of additional aid such as state grants, institutional grants, or work-study arrangements (Goldrick-Rab, 2013).

²¹The costs and burden of R2T4 fall primarily on colleges, which must pay back the federal government and are only sometimes able to recoup these funds from students. Other student debt to the college can result from students' enrollment changes or factors such as parking tickets, library fines, student fees, and other charges which may be deducted from a student's financial aid refund or billed to the student.

motivation). When the two groups are followed over time, the differences in their outcomes provide a reliable estimate of the program's effects, or impacts.

The Aid Like A Paycheck study is designed to evaluate the implementation and impacts of biweekly disbursements at San Jacinto and HCC.²² This report presents findings based on the experiences of more than 6,000 students enrolled over three semesters at each college — with one to two semesters of follow-up — to estimate whether students assigned to receive biweekly disbursements have better financial and academic outcomes than students assigned to receive their financial aid under the colleges' standard lump sum policy.²³ A final report scheduled for 2018 will include findings for over 2,500 additional students, with two to six semesters of follow-up. MDRC has also launched a third phase of the evaluation to examine implementation of the policy at two colleges in the West Hills Community College District in California's rural Central Valley. At these schools, biweekly disbursements of financial aid refunds became policy for *all* students in the 2016-2017 academic year. This third phase will enable MDRC to study how the policy of biweekly aid disbursements works in a different setting and when implemented as a campus-wide policy, rather than applied only to a subset of students.

MDRC researchers have collected multiple forms of institutional and site visit data that describe the implementation of Aid Like A Paycheck at HCC and San Jacinto, and student-level financial aid, account, and academic transcript data are being collected for every student in the study sample. Between fall 2014 and spring 2016, MDRC conducted focus groups and interviews with more than 50 students in the program and standard groups, more than 25 financial aid advisers or office staff members, and 11 administrators. The purpose of the focus groups and interviews was to better understand the context in which biweekly refunds were implemented, how these different stakeholders experienced the policy's implementation, and how these factors provide insight into the treatment contrast and impact findings. Additionally, approximately 1,000 students (half in the program group and half in the standard group across both study sites) were invited to complete a survey once per month throughout their first semester in the Aid Like A Paycheck study.

Description of the Study Colleges and Students

The two colleges participating in the Aid Like A Paycheck randomized controlled trial are located in the metropolitan area of Houston. HCC is the fifth largest community college system in the country, comprising six colleges and more than 15 campuses spread across the

²²The Aid Like A Paycheck analysis plan (2014) is posted at: <https://osf.io/ext8h/>.

²³Financial aid data presented in this report are from students' first semester in the study; academic data are from students' first and second semesters. The first program semesters at HCC were spring 2015, fall 2015, and spring 2016. The first program semesters at San Jacinto were fall 2014, spring 2015, and fall 2015.

city, and serving about 90,000 students per academic year.²⁴ HCC offers more than 100 areas of academic study and over 50 certificate and skills training programs.²⁵ San Jacinto College has three campuses in Houston's southeastern suburban region, serves about 40,000 students per academic year, and offers over 185 academic and career technical programs.²⁶

Students 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, allowing for book expenditures. (This cutoff amount was selected so that the biweekly disbursements would not be very small.) Table 1 shows several demographic and financial aid characteristics of students at the time of randomization, before their first program semesters began. Students participating in the Aid Like A Paycheck study were 23 years old on average, with students at HCC somewhat older and less likely to be dependent on their parents than those at San Jacinto. At HCC, roughly one-third of students in the sample are Hispanic, and over half are black. At San Jacinto, two-thirds are Hispanic. At both colleges, over half the participating students are female.

Students' planned academic load varied between the two colleges during the 2014-2016 academic years. At HCC, roughly the same proportions of students in the sample were enrolled full time, three-quarter time, or half time. At San Jacinto, students in the sample enrolled in more courses on average, with nearly two-thirds of students enrolled full time and about one-third enrolled three-quarter time. About one-third of students in the sample at HCC needed developmental courses, while over half did at San Jacinto.

By design of the program and study, an overwhelming majority of students in both colleges' samples received Pell Grants. Far more students expected to take out loans in the HCC sample than the San Jacinto sample (about half compared with about one-sixth), causing the average expected refund at HCC to be substantially higher. This difference is reflective of the general trends regarding loans at the two colleges: 22 percent of full-time beginning undergraduate students take out loans at HCC, compared with only 6 percent at San Jacinto.²⁷ As a result of the colleges' decisions regarding student enrollment in the study, all students in HCC's sample were new to HCC and had never received financial aid at the college before, while the San Jacinto sample includes students who had attempted up to 14 credits at the college and may have received aid in prior semesters.

²⁴Houston Community College (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>).

²⁵Houston Community College (2017a, 2017b).

²⁶San Jacinto College District (2016); IPEDS.

²⁷IPEDS.

Table 1**Characteristics of Aid Like A Paycheck Study Participants, Houston Community College and San Jacinto College, Fall 2014 to Spring 2016 Cohorts**

Characteristic	Houston Community College	San Jacinto College
Age (years)	24.7	20.8
Male (%)	43.7	40.1
Race/ethnicity (%)		
Hispanic	33.0	63.6
White	8.1	16.8
Asian	6.1	4.0
Black	51.5	14.7
Other	0.8	0.0
Planned academic load at baseline (%)		
Less than half time (1 to 5 credits)	6.4	0.0
Half time (6 to 8 credits)	30.4	6.5
Three-quarter time (9 to 11 credits)	26.1	32.4
Full time (12 credits or more)	37.1	61.0
In need of developmental education (%)	34.7	53.6
Cost of attendance ^a (\$)	11,090	9,897
Expected Family Contribution greater than zero (%)	24.0	17.1
Expected refund (\$)	3,285	2,479
Expected financial aid package includes ^b (%)		
Pell grant	90.9	100.0
Pell only	31.3	55.2
State aid	24.9	30.5
Loans	51.0	17.1
Other aid/scholarships	1.4	1.7
Received aid in prior semesters (%)	0.0	17.5
Prior credits attempted ^c (%)		
None	100.0	84.3
1-14	0.0	15.7
Dependent on parents (%)	51.6	71.6
Sample size (total = 6,264)	2,980	3,284

SOURCE: MDRC calculations using baseline data from Houston Community College and San Jacinto College.

NOTES: Rounding may cause slight discrepancies in sums and differences.

The first program semesters for the three student cohorts were fall 2014, spring 2015, and fall 2015 at San Jacinto College and spring 2015, fall 2015, and spring 2016 at Houston Community College.

^aCost of attendance refers to the average cost of attending college full time for one academic year (fall through spring), including tuition and fees, books and supplies, room and board, transportation, and personal expenses.

^bDistributions do not sum to 100 percent because categories are not mutually exclusive.

^cAt San Jacinto College, prior credits attempted includes courses from semesters before random assignment. Courses that students were enrolled in at the time of random assignment are not included.

Monthly surveys of students in the sample assigned to receive their aid as a standard lump sum disbursement may provide insights into the typical financial conditions of students at these colleges.²⁸ While the survey results provide the context of the student experience at HCC and San Jacinto, the response rates suggest that the survey findings — particularly the differences between program and standard groups, and the moderate changes seen over time — should be interpreted with caution.

As seen in Figure 3, survey findings from the first month of the semester indicate that around 40 percent of respondents assigned to receive lump sum aid at both colleges agreed (or strongly agreed) that their “finances cause significant stress.” The percentage of San Jacinto respondents who reported the same at the end of the semester increased somewhat, while the percentage of HCC respondents remained about 40 percent. Roughly one-quarter of respondents in the standard group at both colleges reported feeling worried “often” or “always” in the past week about paying bills, and about having money to spend on daily needs, both during the first month of the semester and during the fourth month of the semester.²⁹

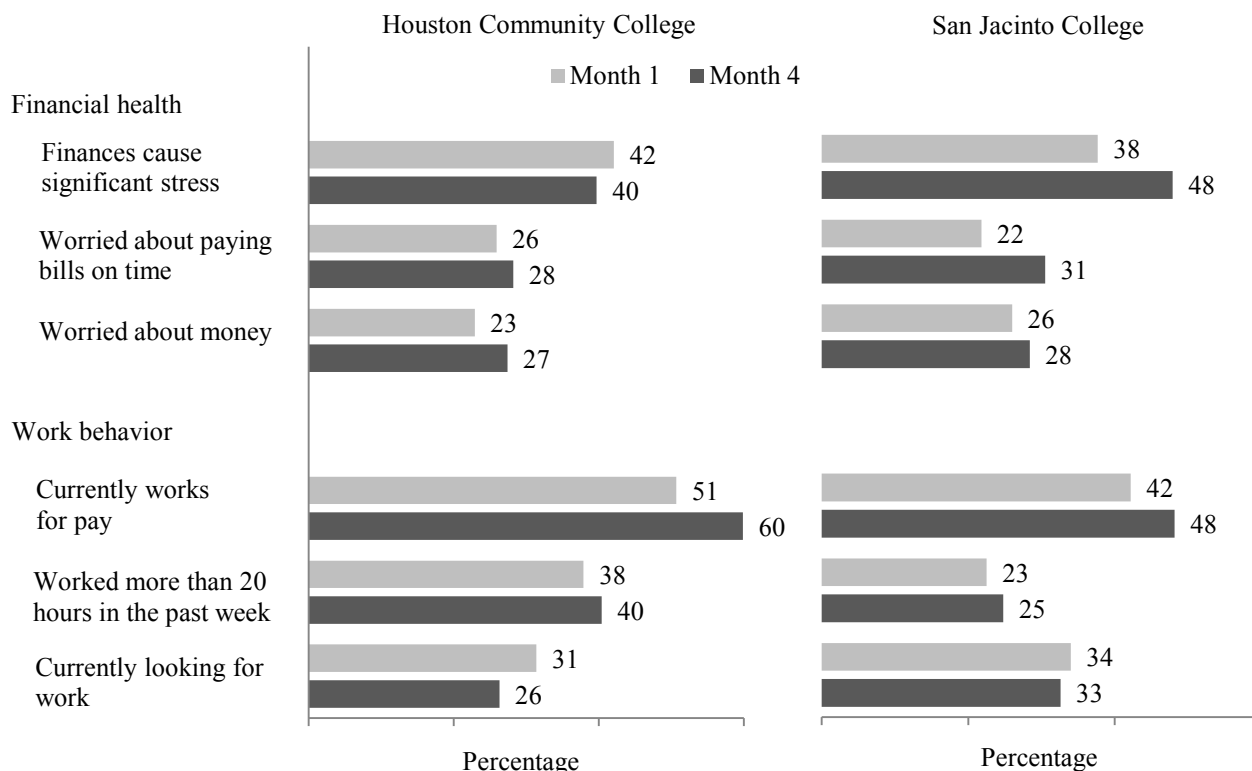
Survey results of students assigned to standard lump sum aid also show that many spent a considerable amount of time working while enrolled in classes. At HCC, about half the survey respondents in the standard group reported that they were currently working for pay when asked in the first month of the semester. At San Jacinto, this portion was about 40 percent. This suggests that the need to work while taking classes may have been greater at the larger urban

²⁸About 1,000 students were randomly selected from the program and standard groups and invited to respond to a survey about their academic and financial attitudes, behaviors, and circumstances. The survey questions were developed primarily by MDRC, in partnership with the Center for Financial Services Innovation and the Center for Community College Student Engagement. The survey was administered once per month for four months during the students’ first semester in the study at HCC and San Jacinto. The average response rate was nearly 60 percent, but it differed somewhat across months, colleges, and research groups. The surveys administered in the first and fourth months generally had the highest response rates. Surveys in the second and third months had somewhat lower rates, and because the findings in those months do not indicate notable changes in trends, this report focuses on responses in the first and fourth months. Full survey responses for each month at both colleges, as well as a description of response rates and potential response bias, are available upon request to ALAP@mdrc.org.

²⁹Findings from this study pose an interesting contrast to findings from a financial health survey by the Center for Financial Services Innovation in which one-quarter of low-income households surveyed reported feeling significant stress due to their finances (a smaller portion than the respondents in the Aid Like A Paycheck survey sample). However, over half of those households reported difficulties paying their bills on time, and one-quarter reported having too much debt (Gutman, Garon, Hogarth, and Schneider, 2015). In contrast, and despite their higher levels of reported stress, the majority of Aid Like A Paycheck survey respondents assigned to receive standard aid disbursements agreed or strongly agreed that they “usually pay [their] bills on time,” that they “know how to manage [their] finances well,” and that they budget weekly or daily. Moreover, very few students reported agreeing or strongly agreeing that they had “too much debt right now.”

Figure 3

Month 1 and Month 4 Survey Responses from Standard Group Students



SOURCE: MDRC calculations using responses from the Aid Like A Paycheck student surveys at Houston Community College (HCC) and San Jacinto College.

NOTES: At HCC, the Aid Like A Paycheck student survey was sent monthly to 236 students in the standard group. In Month 1, 142 students responded; in Month 4, 139 students responded. At San Jacinto, the Aid Like A Paycheck student survey was sent monthly to 235 students in the standard group. In Month 1, 147 students responded; in Month 4, 141 students responded.

college, which had more students who were independent of their parents, than at the suburban college with younger students. At both colleges, the portion of respondents who reported currently working for pay increased somewhat when students were asked again during the last month of the semester, although this observed moderate increase over time may not be representative of the full sample.

During small student focus groups at both schools early in the semester, students who received their aid in the standard lump sum disbursement often stated that their normal life costs — such as rent, child care, and groceries — prompted them to continue working while taking courses, because financial aid alone would not have been enough to cover all their expenses. A few students expressed fear of losing their jobs if they were to attempt to work fewer hours while attending school.

When standard group students were surveyed in the first and fourth months of the semester, about 40 percent of HCC respondents and almost one-quarter of San Jacinto respondents reported working more than 20 hours per week. This is important given research suggesting that students who work more than 20 hours a week during their first college year suffer academically as a result.³⁰ While notable percentages of respondents from both colleges reported working while taking courses, the amount of time they reported working is lower than national findings from the Community College Survey of Student Engagement (CCSSE), in which half the students reported working more than 20 hours per week.³¹

When it came to their academic behaviors (not shown in Figure 3), most survey respondents in the standard aid group reported that they spent at least 6 to 10 hours a week studying and attended all their classes (although the proportion declines somewhat between the first and last month of the semester), which is consistent with CCSSE national survey findings.³² In small focus groups, some working students mentioned their struggles to find enough time to study because of their work schedules, and others reported that their work hours took time and energy, preventing them from completing their course assignments to the best of their abilities.

The survey and focus group responses of students assigned to receive standard lump sum financial aid disbursements do not fully support some of the assumptions made in Aid Like A Paycheck's theory of change. For instance, the theory of change suggests that receiving financial aid in a lump sum at the beginning of the semester could result in students' experiencing large increases in financial stress or worry by the end of the semester. However, the survey findings indicate that for respondents assigned to the standard group at HCC, there was no increase from the beginning to the end of the semester in the percentage who reported that their finances caused them significant stress, and at San Jacinto, the change in survey responses over time does not appear large enough to attribute with confidence to students feeling hardship due to spending their aid before the end of the term.

The prediction that students receiving their aid in a lump sum would be more likely to report working for pay later in the semester than at the start was not strongly substantiated by either the survey or focus group findings. Many survey respondents assigned to lump sum aid from both colleges reported working at various points in the semester, but there was only a moderate increase in the percentage of respondents who reported working near the end of the

³⁰Pike, Kuh, and Massa-McKinley (2008).

³¹Center for Community College Student Engagement (2015).

³²Center for Community College Student Engagement (2015).

semester. In focus groups, students reported that they often made choices to try to keep their work hours consistent throughout the semester.

Finally, the prediction that receiving financial aid in the standard lump sum at the beginning of the semester could lead students to mismanage their finances or to regress in academic behaviors did not appear to be reflected in the survey responses of students assigned to the standard group. Most respondents reported being able to manage their money well and to prepare for and attend classes regularly, although anecdotal evidence from focus group participants suggested that some students are unable to make their aid refunds last until the end of the semester.

Implementation of Aid Like A Paycheck

Mechanical Aspects of Aid Disbursements

Both colleges revised their financial aid software systems to automate biweekly disbursements for students assigned to the Aid Like A Paycheck program. As noted above, the colleges selected students with an expected refund of over \$800 for enrollment in the study, and MDRC randomly assigned students to receive refunds according to each college's rules and procedures for biweekly or standard lump sum disbursements.

- Students assigned to the program group were expected to receive seven roughly equal disbursements throughout the term. In practice, most students in the program group received six to eight refunds, averaging between \$300 and \$500 per refund.
- Students assigned to the standard group followed their college's standard policies and procedures, which generally entailed a lump sum disbursement of grant aid about three or four weeks into each term, sometimes followed by a lump sum disbursement of loans soon after. In practice, most students in the standard group received one or two refunds, averaging between \$1,500 and \$2,000 per refund.
- Variations from the intended refund schedules were typically the result of financial aid rules and regulations or changes in students' circumstances, rather than mistakes in the processing or refunding of aid.

To calculate and generate biweekly disbursements, each college created policies based on federal financial aid rules and regulations, its own internal financial aid policies, and its vision for implementing Aid Like A Paycheck. At both colleges, creating and implementing these policies was challenging and required adjustments — often completed manually — based

on student enrollment changes, late-start classes, loan changes, and other factors. While the overall programs looked similar, there were notable differences in the colleges' policies. For example, at San Jacinto, students in the program typically received their first biweekly refund one week before the standard lump sum refunds at the college, while at HCC, the first biweekly refund was typically at the same time as the standard refund. At San Jacinto, students in "part-of-term" (less than 16-week) courses received aid based on their current active course load; students in both program and standard groups may have received additional aid later as they began late-start courses. At HCC, biweekly aid amounts were calculated based on the number of credits a student had enrolled in, including part-of-term courses that began later in the semester, thus providing more steady aid throughout the semester for students who registered early for late-start courses. The implications of these decisions on student outcomes are briefly considered in the conclusions of this report.

The majority of students assigned to receive biweekly disbursements at both colleges did receive evenly timed refunds throughout the semester, as intended.³³ Financial aid records of students assigned to receive biweekly aid indicate that about 60 percent of HCC program group students and nearly 75 percent of San Jacinto program group students received between six and eight refunds at regular intervals during the semester, as shown in Tables 2 and 3. Students' refunds were often in roughly equal amounts, though for at least half the students, one or more of the refunds were substantially higher or lower than the others. These variations were triggered by factors such as students adding or dropping classes, which changed the amount of tuition due and eligible aid; taking out loans after the start of the term; or using aid not yet disbursed for large purchases at the bookstore. Fewer than 10 percent of students assigned to receive biweekly disbursement ended up receiving only a single disbursement; of these students, the overwhelming majority received only one refund because their amount turned out to be below the \$800 threshold.

Nearly all students assigned to receive standard aid as a lump sum received between one and three refunds per semester, as shown in Tables 2 and 3. Some students in the standard group received more than one disbursement because of federal loans, which have their own timing, and because of changes in enrollment. Fewer than 3 percent of students in the standard group received more than three refunds in the semester at either college.

³³At San Jacinto, students were permitted to request hardship exemptions from the biweekly disbursement policy; if granted, the college provided the student with the full remaining refund amount in a lump sum for the semester. During the three semesters covered in this report, there were 14 requests submitted and four exemptions granted by San Jacinto.

Table 2
Refund Frequency and Amount Among Enrolled Study Participants,
First Program Semester, Houston Community College

Number of Refunds	Percentage		Average Refund Amount (\$) ^a	
	Program Group	Standard Group	Program Group	Standard Group
0	4.6	3.4	0	0
1	8.3	49.4	554	1,677
2 to 3	9.7	44.8	540	1,688
4 to 5	15.3	2.3	584	1,265
6 to 8	61.6	0.1	463	—
9 or more	0.6	0.0	—	—
Sample size (total = 2,887)	1,435	1,452		

SOURCE: MDRC calculations using refund data from Houston Community College.

NOTES: Rounding may cause slight discrepancies in sums and differences.

The first program semesters at Houston Community College were spring 2015, fall 2015, and spring 2016.

^aAmounts not shown for frequencies smaller than 1 percent.

Table 3
Refund Frequency and Amount Among Enrolled Study Participants,
First Program Semester, San Jacinto College

Number of Refunds	Percentage		Average Refund Amount (\$) ^a	
	Program Group	Standard Group	Program Group	Standard Group
0	1.9	1.1	0	0
1	4.7	65.3	502	1,775
2 to 3	5.4	32.4	318	1,158
4 to 5	11.5	0.9	321	—
6 to 8	73.5	0.2	305	—
9 or more	2.9	0.1	438	—
Sample size (total = 3,196)	1,603	1,593		

SOURCE: MDRC calculations using refund data from San Jacinto College.

NOTES: Rounding may cause slight discrepancies in sums and differences.

The first program semesters at San Jacinto College were fall 2014, spring 2015, and fall 2015.

^aAmounts not shown for frequencies smaller than 1 percent.

Messaging About Aid Like A Paycheck

- College communications about biweekly disbursements — and about financial aid in general — were often unclear to students, although colleges made efforts to improve them.

Both colleges initially incorporated information about the new Aid Like A Paycheck disbursement policy into their financial aid websites and into printed and emailed messages about financial aid. Once students had been assigned to receive biweekly or standard lump sum disbursements, the colleges sent email notifications to those students informing them of their assigned refund method. Both colleges held training for financial aid staff members to introduce Aid Like A Paycheck and to assist staff members in explaining the biweekly disbursement policy to students.

Several financial aid staff members from both colleges, however, indicated that many students do not read financial aid information closely and do not understand many aspects of financial aid. Indeed, many students assigned to receive biweekly disbursements did not appear to understand the new policy and were confused about why they were not receiving all their aid in a lump sum. In response to early confusion among students assigned to biweekly disbursements — as well as among the financial aid staff about how to respond to the students' questions — financial aid administrators made considerable efforts to make the messaging about the policy change clearer and more consistent. The main communication challenge was to provide real-time information to students in the program group about the expected timing and amount of their refunds, particularly when enrollment changes or bookstore purchases would cause their future refund amounts to change.

At HCC — the larger, less centralized college system — consistency in delivering updated financial aid information across its several colleges proved more difficult than the task at San Jacinto. In interviews, many financial aid front desk and call center staff members reported having difficulties understanding how the district office adjusted students' refunds and being unsure what to tell students regarding the timing and amount of their refunds. Some financial aid staff members also struggled to understand how students' disbursements should be calculated when loan amounts were factored in.

Staff members at San Jacinto faced similar difficulties in communicating with students about Aid Like A Paycheck, but to a lesser degree. While financial aid advisers and coordinators at San Jacinto reported being well informed about how to discuss biweekly disbursements with students, some call center and business office staff members stated that they did not understand the details of the policy change and thus had little specific information to pass on to students.

In order to address the communication gaps regarding the policy change for program group students, both colleges bolstered training of all financial aid staff members on how to address student questions. For example, after the first semester of implementing biweekly disbursements, financial aid administrators at each college held staff training on how to identify students in the program, how to calculate aid in even disbursements, and when students should expect to receive their refunds.

The theory of change for Aid Like A Paycheck hypothesizes that financial aid offices would change their communications for students receiving biweekly disbursements in a way that could help students perceive an incentive to continue in classes, help them budget their aid and other income to last throughout the semester, and allow them to balance their time working and studying. However, given the challenge of clearly communicating about financial aid in general — which was magnified in the effort to communicate about biweekly disbursements — the implementation of Aid Like A Paycheck’s messaging component appears to have been weaker than the ideal model.

Students’ Experiences in the Aid Like A Paycheck Study

This section of the report examines how students experienced and reacted to the way in which their aid was disbursed, as well as to the messages they received about it. The findings are based primarily on survey responses during students’ first semester in the study. Overall, the survey provides rich information; however, different response rates between students in the program and standard groups in the first month at HCC suggest that the results in that month should be interpreted with caution. Focus groups of students were also conducted near the beginning and end of each semester; the findings were combined with the survey results to describe students’ experiences.

- In the first month of the semester, survey respondents who were assigned to receive biweekly disbursements appeared more likely to report receiving aid payments that were “less than expected” than students assigned to receive the standard lump sum aid.
- In the first month of the semester, respondents assigned to receive biweekly refunds appeared more likely to report feelings associated with negative financial health. For example, they were more likely to agree that their “finances cause significant stress” than those assigned to receive a lump sum refund. At the end of the semester, these differences were generally no longer evident.

- About half the survey respondents reported working while enrolled in classes both at the beginning and toward the end of the semester, regardless of how they received their aid.

Expectations for Aid Amounts and Timing

Although the majority of students in the study were new students, many probably had expectations of receiving their financial aid in the standard lump sum disbursement based on what they had heard from their peers, friends, or family members who had received financial aid in the past. When surveyed in the first month of their semester, many students at both schools who were assigned to receive biweekly disbursements reported that their first or second refund amounts differed from what they had expected. As indicated in the top panel of Table 4, over half the survey respondents at HCC assigned to receive biweekly disbursements reported that their early aid refunds were “less than expected,” compared with only one-third of students receiving a standard disbursement, a statistically significant difference. When asked about the timing of their disbursements, about one-third of HCC students assigned to biweekly disbursements reported that their early semester refunds “came after [they] had expected,” compared with only about one-fifth of students who received a lump sum.

A statistically significant difference in expectations of aid amounts was also evident at San Jacinto, where about 40 percent of survey respondents assigned to biweekly disbursements reported in the first month that they had received “less than expected” amounts, compared with only about 20 percent of students receiving standard lump sum aid. At San Jacinto, where the first biweekly disbursement was typically one week before the standard lump sum, about 25 percent of students in each group reported receiving their refund later than expected.

Most students in the program group who participated in small focus groups early in the semester stated that they were generally surprised to learn they were going to receive biweekly refunds rather than a lump sum, and many felt frustrated by receiving refunds less than or later than they expected. These incorrect assumptions about their aid existed despite emails from the financial aid offices describing how they would receive their aid. Some students in the program group noted that they were particularly frustrated when they learned of other students who had received lump sum refunds.

By the last month of the semester, however, a large majority of students assigned to biweekly disbursements at both colleges reported that their most recent refund was neither smaller nor later than what they expected to receive. (Because most students in the standard group typically received refunds only early in the semester, these questions were not applicable and their survey responses are not included.)

Table 4

**Financial Health, Work Behavior, Academic Behavior, and Financial Aid Expectations,
Houston Community College and San Jacinto College**

Survey Item (%)		Month 1			Month 4		
		Program Group	Standard Group	P-Value	Program Group	Standard Group	P-Value
Financial aid expectations^a							
Amount of most recent refund payment was less than expected	HCC	58.8	31.8 ***	0.001	9.2	—	
	San Jacinto	39.3	20.7 ***	0.003	6.5	—	
Timing of most recent refund payment came after expected	HCC	35.0	17.7 **	0.018	13.3	—	
	San Jacinto	24.7	25.6	0.881	19.6	—	
Financial health							
Strongly agree or agree that finances cause significant stress	HCC	55.6	42.1 **	0.018	47.4	39.7	0.185
	San Jacinto	48.1	37.7 *	0.080	43.5	47.9	0.465
Often or always worried about paying bills on time	HCC	32.5	25.9	0.205	37.4	28.2 *	0.095
	San Jacinto	27.9	21.8	0.239	29.7	30.5	0.887
Often or always worried about money to pay for daily needs	HCC	35.5	22.9 **	0.015	30.3	27.4	0.587
	San Jacinto	28.5	26.0	0.651	24.6	28.4	0.482
Work behavior							
Currently works for pay during the semester	HCC	53.0	50.7	0.694	54.5	59.9	0.356
	San Jacinto	50.0	42.2	0.194	55.8	48.2	0.207
Spent more than 20 hours working for pay in the past 7 days	HCC	36.3	37.9	0.780	34.6	40.4	0.306
	San Jacinto	25.4	22.5	0.569	31.2	24.8	0.240
Currently not working for pay, but looking for work	HCC	32.1	31.4	0.894	31.4	26.3	0.336
	San Jacinto	25.4	34.0	0.119	24.6	32.6	0.141

(continued)

Students' Financial Health

Like their peers assigned to receive aid as a lump sum, notable percentages of respondents assigned to biweekly disbursements reported financial stress. Neither the survey nor focus group findings offer evidence for the prediction in the theory of change that program group students would experience less financial stress or worry as a result of receiving aid in biweekly disbursements.

Table 4 (continued)

Survey Item (%)		Month 1			Month 4		
		Program	Standard	P-Value	Program	Standard	P-Value
		Group	Group		Group	Group	
Academic behavior							
Spent more than 10 hours studying in the past 7 days	HCC	<i>29.0</i>	<i>33.1</i>	<i>0.440</i>	35.3	30.7	0.406
	San Jacinto	35.6	28.6	0.210	40.6	37.9	0.643
Attended all classes in the past 7 days	HCC	<i>74.6</i>	<i>87.9 ***</i>	<i>0.003</i>	73.3	73.7	0.927
	San Jacinto	90.9	87.1	0.311	85.5	76.6 *	0.058
Sample size							
Respondent (HCC)		171	142		157	139	
Total (HCC)		263	236		263	236	
Respondent (San Jacinto)		134	147		138	141	
Total (San Jacinto)		222	235		222	235	

SOURCE: MDRC calculations using responses from the Aid Like A Paycheck surveys at Houston Community College (HCC) and San Jacinto College.

NOTES: In the first survey month at HCC (shown in italics above), the combination of an overall response rate of around 60 percent and a 5 percent differential in response rates between the program and standard groups may have resulted in biased estimates. Consequently, these results could receive a rating no higher than "meets evidence standard with reservations" by the What Works Clearinghouse standards. During Months 2 and 3 (not shown above), similar bias may have resulted from the combination of response rates and differentials between research groups at both colleges.

A two-tailed t-test was applied to differences between research groups. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

^aDue to standard financial aid disbursements occurring in the beginning of the term, questions regarding financial aid expectations in Month 4 of the term were not applicable to the majority of standard students. Thus, the few responses are not presented here.

Table 4 shows that in the first month of the semester at HCC, over half the survey respondents assigned to biweekly disbursements “agreed” or “strongly agreed” that their “finances cause significant stress,” significantly more than the 42 percent of respondents assigned to lump sum disbursements. About one-third of HCC respondents assigned to biweekly disbursements also indicated that they worried “often” or “always” about paying their bills or having enough money for their daily needs in the past week at the beginning of the semester. This portion is higher than for students in the standard group.

At San Jacinto, nearly half the survey respondents assigned to biweekly disbursements agreed that their “finances cause significant stress” at the start of the term, significantly more than respondents in the standard group. Just over one-quarter of San Jacinto respondents assigned to biweekly disbursements reported worrying “often” or “always” about paying bills, which is more than for respondents in the standard group, although the difference is not statisti-

cally significant. Just over one-quarter of respondents in both groups reported worrying about having money for daily needs at the beginning of the semester.

These topics of stress and worry related to finances were discussed in small student focus groups at both colleges at the beginning of the semester. Students receiving biweekly disbursements at both schools mentioned wanting more of their aid up front to purchase more expensive items — such as a laptop or other school supplies — or to cover other living and transportation costs at the start of the semester. A few focus group students who were enrolled in career and technical programs — such as welding, automotive, and nursing programs — were required to purchase specific equipment early in the semester that was not available for purchase in the campus bookstore; their initial aid allotment was not sufficient to cover these supplies, and they had to find other ways to cover the costs.

By the last month of the semester, when surveyed again, respondents assigned to the program group at HCC were still more likely than those assigned to receive standard financial aid to report feeling financial stress or worry, although the differences were smaller and not statistically significant for two of the three measures. At San Jacinto, respondents in the program and standard groups reported roughly equal amounts of financial stress and worry at the end of the semester, suggesting that the program neither increased nor reduced students' financial health by these measures.

Students' Work Behavior

Much like their peers who were assigned to standard aid, about half the respondents assigned to biweekly disbursements at both colleges reported working for pay while taking classes, and many reported working over 20 hours during the previous week (Table 4). At both colleges, the portion of respondents in the program and standard groups who reported working in the past week increased somewhat from the start of the semester to the end of the semester. However, survey response rates and sample sizes are not sufficient to determine whether these small changes over time, or the differences between the program and standard groups, are due to the intervention or to chance.

Student focus groups conducted at both colleges revealed that — just like students receiving lump sum aid — many of the students receiving biweekly refunds felt pressed to work while attending college, in contrast to the theory of change. Some working students with biweekly disbursements stated that they could not reduce their work hours because their jobs required a fixed number of hours, or because they feared losing their jobs if they tried to reduce their hours. Some students receiving biweekly disbursements mentioned in focus groups that they decided to work more hours or seek out second jobs after finding out they would not receive their full refund early in the semester. Many students receiving biweekly or standard

lump sum disbursements, at both colleges, reported that the need to earn money hindered their ability to find time to study.

Students' Academic Behavior

At both colleges, between about 30 percent and 40 percent of respondents in the program and standard groups reported spending more than 10 hours studying in the prior week. There is no indication of significant differences between the groups, or of significant changes over time. Some statistically significant differences appear in students' reporting of attendance; most notably, when asked near the start of the semester if they had attended all their classes in the prior week, HCC students assigned to receive biweekly disbursements were less likely to respond "yes" than those assigned to receive a standard lump sum. However, as discussed below in the "Financial and Academic Impacts" section, academic records for the full sample of students at HCC do not indicate a difference in students' enrollment or success in earning credits.

General Perceptions of Aid Like A Paycheck

While the majority of focus group students understood the reasoning behind their colleges' decision to roll out aid disbursements throughout the semester, it was still a source of frustration. During small focus groups early in the semester, most students mentioned that although biweekly refunds seemed "like a good idea" for others who might otherwise spend all of their aid at once, they themselves "already know how to manage money" and did not need the program to spread their aid throughout the semester. Some students who were receiving biweekly disbursements and were not working at the time agreed that they would have preferred to receive their aid in a lump sum rather than on a biweekly schedule. Focus group participants who were older and those who identified as parents tended to be most vocal about not wanting their aid divided incrementally throughout the semester.

Later in the semester, however, the majority of students who participated in focus groups and received biweekly disbursements reported that they liked receiving their aid incrementally and preferred to continue receiving their aid through biweekly disbursements. These late-semester focus group participants at both colleges reported feeling that biweekly disbursements "rewarded" them as they progressed through the semester and provided them with more "self-control" in spending their money and budgeting. These students also expressed the belief that if they had received a lump sum, they would have spent it quickly, leaving them with little or no refund money later in the semester.

In comparison, most students who received standard lump sums reported in focus groups at the beginning and end of the semester that they preferred receiving a lump sum because they were able to have more control over their money, their spending habits, and their

ability to save. Some mentioned that they believed getting their refund in biweekly disbursements would have been “stressful” or “inconvenient” due to the need monitor their payment amounts every few weeks. Like the program group students at the beginning of the semester who did not like biweekly disbursements, many students who received a lump sum agreed that there could be value in biweekly disbursements but that such a disbursement schedule would be especially beneficial for students who were less diligent with money management than they believed themselves to be.

It is interesting to note that working students who participated in the focus groups generally did not express strong opinions about how they received their aid, reporting that they were relying on their employment income as their main financial source. This was the case for working students whether they received their aid biweekly or in the standard lump sum.

Financial and Academic Impacts

This section presents the estimated impacts of the Aid Like A Paycheck intervention on students who joined the study in the first three program semesters at San Jacinto and HCC, with one to two semesters of follow-up. The main findings are as follows:

- Students assigned to receive biweekly refunds and those assigned to receive their aid in the standard way received the same total amount of financial aid, yet biweekly disbursements reduced the use of federal loans (particularly at HCC) and students’ debt to the college (at San Jacinto).
- On average, there is little consistent evidence of biweekly disbursements improving students’ key academic outcomes. However, at San Jacinto, students in the biweekly disbursement group experienced a 6 percentage point increase in enrollment in the second semester of school.

Financial Aid Outcomes

Across colleges, during their first program semester, students in the program group received the same amount of total financial aid on average — about \$3,300 — as those in the standard group, as shown in the first row of Table 5. This row, with a breakdown by aid types underneath, represents the financial aid disbursements, or the amounts of aid applied to a student’s account before subtracting tuition, fees, books, and other college costs. While total aid did not differ significantly, students in the program group received an average of \$82 less in loan disbursements during the first semester; this impact is consistent with the goal of reducing student debt as described in the theory of change.

Table 5**First-Semester Financial Aid Outcomes, Houston Community College and San Jacinto College, Fall 2014 to Spring 2016 Cohorts**

Outcome	Program Group	Standard Group	Difference	P-Value
Financial aid received (\$)	3,286	3,331	-45	0.329
Federal grants	2,110	2,087	23	0.339
State grants	355	352	4	0.787
Other grants	39	29	10	0.102
Loans	782	864	-82**	0.041
Financial aid refunded net tuition and fees (\$)	2,143	2,252	-109***	0.004
Students who owe debt to the college (%)	8.0	8.5	-0.5	0.443
Outstanding debt to college including R2T4 (\$)	61	85	-24**	0.014
<i>Outstanding debt to college, including R2T4, among those who owe</i>	783	997		
Students with R2T4 penalties (%)	3.3	4.1	-0.9*	0.067
R2T4 obligation (\$)	27	27	0	0.962
<i>Among those penalized, R2T4 obligation</i>	822	644		
Official or unofficial withdrawal from college (%)	6.9	8.1	-1.3*	0.055
Sample size (total = 6,264)	3,124	3,140		

SOURCE: MDRC calculations using financial aid data from Houston Community College and San Jacinto College.

NOTES: R2T4 = Return to Title IV.

Rounding may cause slight discrepancies in sums and differences.

Estimates are adjusted by cohort.

The first program semesters for the three student cohorts were fall 2014, spring 2015, and fall 2015 at San Jacinto College and spring 2015, fall 2015, and spring 2016 at Houston Community College.

A two-tailed t-test was applied to differences between research groups. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

The college-specific analyses of financial aid received follow a pattern generally similar to the pooled results, with some exceptions. As Table 6 shows, the impact on loan disbursements is statistically significant only at HCC, where students in the program group borrowed about \$130 less on average than those in the standard group in their first semester. This reduction in borrowing is primarily a result of fewer students taking out loans (about 40 percent of students in the program group, compared with 44 percent in the standard group) at HCC (not shown). Of those who borrowed, their average loan amount was about \$3,460 in each research group. At San Jacinto, the portion of students who take out loans is generally lower than at HCC, and there are no statistically significant differences between students in the program and standard groups on these measures.

Table 6

First-Semester Financial Aid Outcomes by College, Fall 2014 to Spring 2016 Cohorts

Outcome	Houston Community College				San Jacinto College				Subgroup Difference
	Program Group	Standard Group	Difference	P-Value	Program Group	Standard Group	Difference	P-Value	
Financial aid received (\$)	3,556	3,662	-107	0.165	3,042	3,030	12	0.818	
Federal grants	1,846	1,824	22	0.532	2,350	2,327	23	0.445	
State grants	306	306	1	0.965	399	393	6	0.771	
Other grants	11	12	-1	0.909	64	44	20*	0.075	†
Loans	1,392	1,521	-129*	0.060	229	266	-37	0.272	
Financial aid refunded net tuition and fees (\$)	2,441	2,580	-139**	0.031	1,873	1,955	-82*	0.054	
Students who owe debt to the college (%)	7.4	6.1	1.3	0.150	8.5	10.7	-2.2**	0.031	††
Outstanding debt to college including R2T4 (\$)	35	32	3	0.689	85	132	-47***	0.006	†††
<i>Outstanding debt to college, including R2T4, among those who owe</i>	509	542			1,014	1,221			
Students with R2T4 penalties (%)	1.9	3.1	-1.3**	0.028	4.5	5.0	-0.5	0.477	
R2T4 obligation (\$)	10	17	-7*	0.071	42	36	7	0.462	
<i>Among those penalized, R2T4 obligation</i>	526	532			936	706			
Official or unofficial withdrawal from college (%)	3.5	5.7	-2.2***	0.004	9.9	10.3	-0.4	0.670	
Sample size (total = 6,264)	1,485	1,495			1,639	1,645			

(continued)

Table 6 (continued)

SOURCE: MDRC calculations using financial aid data from Houston Community College and San Jacinto College.

NOTES: R2T4 = Return to Title IV.

Rounding may cause slight discrepancies in sums and differences.

Estimates are adjusted by cohort.

The first program semesters for the three student cohorts were fall 2014, spring 2015, and fall 2015 at San Jacinto College and spring 2015, fall 2015, and spring 2016 at Houston Community College.

A two-tailed t-test was applied to differences between research groups. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

A two-tailed t-test was applied to differences in impacts between subgroups. Statistical significance levels are indicated as: ††† = 1 percent; †† = 5 percent; † = 10 percent.

The loan impact observed at HCC may be partially the result of refund rules for students assigned to receive biweekly disbursements: Loans were disbursed only after all Pell Grants had been disbursed. For example, if a student's financial aid refund is made up of one-third Pell and two-thirds loan funds, the first two refunds would be Pell funds; the third refund would be a combination of Pell and the loan; and the remaining refunds would be loan funds. This was proposed to reduce the likelihood of borrowing for students who initially applied to take out a loan but withdrew during the semester.

Although the average amount of financial aid received was about the same for students in both research groups at each college, the amount of aid refunded to students — that is, the amount the student received directly as a bank deposit or refund check after tuition, fees, and other expenses — was about \$100 less for students assigned to receive biweekly refunds compared with those assigned to receive the standard lump sum. This impact is apparent at both colleges. The most likely explanation is that charges that arise during the semester, including books, parking tickets, library fees, or additional tuition, can be subtracted by the college from the undistributed portion of refunds for students in the program group, lowering the total. Students in the standard group who had already received their full refund in the lump sum would have to pay any further charges out of pocket or add to their student debt.

Measures of student debt, shown in the middle rows of Tables 5 and 6, indicate that being assigned to receive biweekly disbursements did not significantly affect students' likelihood of owing debt to the college at the end of their first semester but did reduce the average amount of such debt by \$24 in the pooled sample. This impact is in line with the hypotheses put forth in the theory of change. As indicated in Table 6, there was no impact on debt to the college at HCC, but at San Jacinto, the program reduced both the portion of students who owed (by about 2 percentage points), and the average amount owed (by about \$50). When accounting only for those students who had debt to the college at San Jacinto,

those in the program group owed about \$200 less than their standard group counterparts, whose average debt to the college was about \$1,200.

Why would biweekly disbursements cause the differences observed in debt to the college? One factor is that when students reduce their course load from full time to part time after receiving their full refund, colleges may charge them for the previously distributed aid in excess of their earned aid amount; students who receive their aid in a lump sum may be more likely to be subject to these charges. When a student is unable to pay, such charges show up as debt to the college.

Student debt may also arise from Returns to Title IV (R2T4): When a student withdraws before completing 60 percent of the semester, the college may have to return financial aid to the federal government and may pass this penalty on to students. Although biweekly disbursements were hypothesized to reduce R2T4, there is no significant impact on the average amount of R2T4 in the pooled sample. However, students in the program group were identified as having withdrawn from the college at a lower rate (6.9 percent as opposed to 8.1 percent in the standard group; Table 5) in the first program semester, leading to somewhat lower rates of R2T4 penalties for these students. This impact was driven by HCC, as can be seen in Table 6. At HCC, the amount of R2T4 obligation (the amount the college pays back to the government) is significantly lower on average for students in the program group. This obligation concerns only the small number of students who withdraw during the semester. The lack of an observed impact at San Jacinto may be caused in part by the timing of disbursements there, which differs from HCC. As mentioned above, San Jacinto students received their first biweekly refund about a week before the standard lump sum refund. This means that some students in the standard group who withdrew or stopped attending courses in that timeframe would not receive the lump sum, but if they were assigned to receive biweekly disbursements in the program group, they would have already received the first incremental disbursement. This could lead to an increase in R2T4 for some program group students, thus partially offsetting any decrease in R2T4 from program group students who withdrew later in the semester.

Academic Outcomes

As shown in the bottom panel of Table 7, there is no pooled impact on persistence, defined as enrollment in the second program semester; this finding is counter to the theory of change. However, as shown in Table 8, at San Jacinto persistence was 6 percentage points higher for students assigned to receive biweekly disbursements. This is a large and statistically significant impact on a key outcome in the theory of change. Increasing persistence is a primary goal for many college reform efforts, because it can be a key step to improving credit accumulation and completion rates over time. Additionally, the increase in persistence may lead to more

Table 7
Academic Outcomes, Houston Community College and San Jacinto College,
Fall 2014 to Spring 2016 Cohorts

Outcome	Program Group	Standard Group	Difference	P-Value
<u>First program semester</u>				
Enrolled (%)	97.2	97.0	0.3	0.518
Credits attempted	10.8	10.7	0.1	0.246
Credits earned	7.4	7.4	0.0	0.743
Sample size (total = 6,264)	3,124	3,140		
<u>Second program semester</u>				
Enrolled (%)	69.5	67.6	1.9	0.161
Credits attempted	7.6	7.3	0.3*	0.066
Credits earned	5.3	5.2	0.1	0.694
Sample size (total = 4,220)	2,105	2,115		

SOURCE: MDRC calculations using transcript data from Houston Community College and San Jacinto College.

NOTES: Rounding may cause slight discrepancies in sums and differences.

Estimates are adjusted by cohort.

The first program semesters for the three student cohorts were fall 2014, spring 2015, and fall 2015 at San Jacinto College and spring 2015, fall 2015, and spring 2016 at Houston Community College.

A two-tailed t-test was applied to differences between research groups. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

students in the program group receiving aid in future terms, when compared with students in the standard group who are less likely to be enrolled; this will be explored in the final Aid Like A Paycheck report.

At San Jacinto, there is also a small impact on enrollment in the first program semester. While it is possible that an aspect of the messaging to students in the biweekly disbursement group at San Jacinto may have caused them to enroll at a slightly higher rate even before experiencing incremental disbursements, the implementation research — which found that students often did not fully understand how they would receive their aid — does not point to any clear cause of this impact.

There is one significant impact on credit outcomes in the pooled sample. Program group students attempted more credits in the second semester (by 0.3 credits), as indicated in the bottom panel of Table 7. However, they did not earn significantly more credits. The impact on credits attempted is driven by San Jacinto, where students in the program group attempted about one credit more on average than students in the standard group in the second program semester (Table 8). This outcome is at least partly explained by the positive impact on second-semester enrollment at San Jacinto, which results in fewer students taking zero credits in the program

Table 8**Academic Outcomes by College, Fall 2014 to Spring 2016 Cohorts**

Outcome	Houston Community College				San Jacinto College				Subgroup Difference
	Program Group	Standard Group	Difference	P-Value	Program Group	Standard Group	Difference	P-Value	
<u>First program semester</u>									
Enrolled (%)	96.6	97.1	-0.5	0.441	97.8	96.8	1.0*	0.085	†
Credits attempted	10.1	10.1	0.0	0.759	11.4	11.2	0.2	0.158	
Credits earned	6.6	6.5	0.1	0.714	8.2	8.1	0.0	0.921	
Sample size (total = 6,264)	1,485	1,495			1,639	1,645			
<u>Second program semester</u>									
Enrolled (%)	66.8	68.2	-1.4	0.422	72.6	67.0	5.7***	0.004	†††
Credits attempted	6.5	6.6	-0.1	0.715	8.8	8.0	0.8***	0.008	††
Credits earned	4.4	4.6	-0.2	0.430	6.3	6.0	0.3	0.264	
Sample size (total = 4,220)	1,125	1,132			980	983			

SOURCE: MDRC calculations using transcript data from Houston Community College and San Jacinto College.

NOTES: Rounding may cause slight discrepancies in sums and differences.

Estimates are adjusted by cohort.

The first program semesters for the three student cohorts were fall 2014, spring 2015, and fall 2015 at San Jacinto College and spring 2015, fall 2015, and spring 2016 at Houston Community College.

A two-tailed t-test was applied to differences between research groups. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

A two-tailed t-test was applied to differences in impacts between subgroups. Statistical significance levels are indicated as: ††† = 1 percent; †† = 5 percent; † = 10 percent.

group. While program group students also earned slightly more credits, that difference is not statistically significant. The theory of change hypothesized that there would be impacts on credits earned; this will be tested again with the full sample in the final report.

Subgroup Analyses

In addition to the impact comparisons by college, several prespecified exploratory subgroups were analyzed. Generally speaking, the patterns of impacts observed did not offer meaningful insight into groups of students who were more or less likely to benefit from the intervention.

Subgroups explored included students who identified on the FAFSA as financially independent; students who expected to take out loans; students whose Expected Family Contribution (an estimate of the student's ability to pay for college) was zero; students under 20 years old; students required to take developmental courses; and students enrolled full time at the point of random assignment. Additionally, the impacts of Aid Like A Paycheck were examined and compared based on students' gender, racial, and ethnic identification. In most cases, there were no differences in the effectiveness of the program based on these subgroups. In cases where differences existed, the findings generally correlated with the differences between impacts at the two colleges. For example, the estimated impact of biweekly disbursements on persistence was larger for Hispanic students than for non-Hispanic students; however, this difference may simply arise from the fact that San Jacinto — where impacts on persistence were observed — had a larger Hispanic population than HCC.

These subgroups will be analyzed again in the final report. With a larger sample and longer follow-up, these analyses may provide evidence of variations in the impacts of biweekly disbursements on various groups of students.

Costs of Aid Like A Paycheck

- At HCC and San Jacinto, the transition from lump sum to biweekly financial aid disbursements required upfront investments to revise automated systems, to review and adjust calculations for additional aid or other changes, to train staff members, and to manage other aspects of the change.
- At this point there is little evidence of substantial cost savings to either the colleges or the federal government from the policy of biweekly disbursements.

Upfront Investment

Financial aid disbursement processes are fundamentally complex, and scheduling bi-weekly refund disbursements throughout the semester added to this complexity. Both colleges revised their automated systems to facilitate biweekly disbursements, and San Jacinto and HCC each spent about \$200,000 to program, test, and execute new automated disbursement rules, loan repackaging procedures, and other processes to distribute biweekly disbursements. San Jacinto hired outside information technology consultants for much of their initial systems revision, while HCC used the resources of in-house information technology personnel. Additionally, some outside consultation was provided at no charge; at HCC, representatives from PeopleSoft, an administrative software system, donated time to help with the conversion.

The transition to biweekly disbursements also entailed time commitments from a number of college staff members. For example, financial aid advisers and business office staff members were trained in the new process, senior administrators oversaw and guided the changes, and financial aid advisers reported spending time answering student questions about the new biweekly disbursement policy.

Requirements of the Randomized Controlled Trial

As required for this random assignment evaluation, each college maintained two distinct systems of disbursement. Staff members at San Jacinto, in particular, attributed some of the challenges of automating the biweekly disbursements to the fact that they needed to maintain separate systems. Maintaining both biweekly and lump sum disbursement rules may also have created confusion among the staff and students, thereby increasing the amount of staff time and resources required to address student concerns. On the other hand, having just one system and set of rules — and providing incremental disbursements to more students — could require additional resources, such as staff time in financial aid and business offices to check disbursements, generate refunds, and address student questions.³⁴

In order to better understand how the costs might differ when biweekly disbursements are universally adopted, in the absence of an experiment such as Aid Like A Paycheck, MDRC is observing how West Hills Community College in California is implementing the biweekly disbursement policy district-wide. To date, it is too early to understand how their costs compare with those of the two colleges in this study, although it appears that the cost of

³⁴At San Jacinto, where the Banner system is used, staff members predicted that shifting to incremental disbursements as their single method might significantly reduce their ongoing operating costs. At HCC, where the PeopleSoft system is used, staff members predicted that shifting to biweekly disbursements for all might increase their ongoing costs due to the amount of staff time required to check calculations, adjust disbursements, and communicate with students about their refunds.

adopting biweekly disbursements may decrease when a college adopts the new approach for all students receiving financial aid refunds.

Do Biweekly Disbursements Save Colleges Money?

Aid Like A Paycheck's theory of change identified reductions in R2T4 as the outcome with the most immediate potential for college savings. In the first program semester, there is no statistically significant impact on the colleges' pooled average R2T4 obligation. However, it is worth noting that there was a statistically significant reduction in the amount of outstanding debt owed by students to the college (driven by impacts at San Jacinto), as well as a reduction in R2T4 at HCC in the first semester. These reductions can be seen as a positive change for colleges, as well as for students.

Could Biweekly Disbursements Save the Government Money?

Biweekly disbursements may also change student outcomes in ways that affect the total amount of federal grants, state grants, and loans to students. Given the lack of substantial impacts on overall financial outcomes at this point in the study, there is little evidence of substantial cost impacts for either the state or the federal government.³⁵ The final report in 2018 will include longer follow-up on a larger sample of students to better understand how biweekly disbursements financially affect students, colleges, and the government.

Conclusions

Many students struggle financially, and although biweekly disbursements of financial aid cannot change the fact that existing aid often does not cover the full cost of attendance, this policy may still provide academic and financial benefits to students. Colleges with a significant number of students who receive refunds may be most likely to consider this policy, and it may also be particularly appealing for colleges wishing to be transparent in aligning the awarding of aid with continued enrollment, in order to signal to students and others that financial aid refunds are intended to support students' expenses while in school.

Lessons at the Midpoint of the Study

At this point in the evaluation, the findings on the results of the Aid Like A Paycheck policy are mixed. Academically, students at San Jacinto benefited on average from the program,

³⁵Disbursing refunds biweekly, rather than in a lump sum early in the term, can produce net interest savings for providers of financial aid (whether Pell Grants, state aid, or other aid). During the time of this study, however, real interest rates were at historically low levels and any interest savings would be insubstantial.

and the 6 percentage point increase in their persistence at the college is particularly promising. However, these academic benefits were not evident at HCC in the first few semesters of the evaluation. Longer follow-up, combined with additional semesters of study intake and a larger number of students in the study, may expose additional academic impacts of the program or may shed light on possible reasons that biweekly refunds were observed to have a greater academic impact at one college than at the other.

From a financial health perspective, the results are also mixed; students assigned to receive biweekly refunds appear to have experienced increased financial stress, but also some financial benefits, from the Aid Like A Paycheck program. As indicated by their survey responses, students assigned to receive biweekly disbursements were more likely than those assigned to the standard group to feel financial stress and worries early in the semester. They also often expressed uncertainty about the amount and timing of their aid, and this may have contributed to their financial stress. **Colleges that consider shifting to a policy of incremental disbursements may want to carefully and intentionally structure their messaging and communications about the policy in order to increase understanding and knowledge of the program by students. Better understanding may help students to plan financially and may mitigate some of the anxiety that students experienced as a result of the program at the Houston colleges.**

On a more positive note, measures of financial aid disbursed and debt accumulated suggest that incremental disbursements do not hurt, and in some cases help, students financially. Notably, biweekly disbursements reduced students' debt to the college and reduced the use of federal loans. Researchers have noted that community college students nationally take out less money in loans per year than students at four-year institutions, but that loan debt can still be an important factor for some of these students.³⁶ **For colleges striving to reduce the portion of their students who take out loans, biweekly disbursements may be a useful tool to achieve that goal while ensuring that students who stay enrolled are not restricted from borrowing.**

Even under a biweekly disbursement policy, however, providing students with more aid earlier in the term may increase the risk of debt from overpayments. For example, San Jacinto disbursed the first biweekly refund a week before the standard lump sum payment. Qualitative data suggest that this early payment may have been appreciated by students who needed those funds early in the term, but it may partially explain why students in the program at San Jacinto did not experience the R2T4 reductions that were seen at HCC. In a similar vein, HCC disbursed aid to students in the program based on their expected enrollment; thus some students received refund amounts based on full-time enrollment before their late term or part-of-term

³⁶Baum (2016); Barrett and Laitinen (2017).

classes had started. If those students withdrew from college or reduced their enrollment status to part-time, they may have had to pay back some of these funds. This rule may partially explain why students in the program at HCC did not experience an overall reduction in debt to the college, despite their reduction in R2T4 debt. **Within the framework of incremental disbursements, policies and rules that provide students with more aid earlier in the term may increase the risk of overpayments and student debt to the college, but these decisions can be balanced with others in order to provide overall reductions in student debt.**

These implementation decisions affect not only students' finances, but colleges' budgets as well. Although administrators at the colleges in this study are testing biweekly disbursements with the primary goal of helping students, they are also concerned about the impacts of the policy on their own budgets. Reductions in R2T4 were expected to be a key part of potential college savings, but these interim findings show that not only are R2T4 impacts less evident than expected, but the overall magnitude of R2T4 is smaller than expected for students in the standard as well as the program group. In fact, administrators at both colleges have recently reported notable college-wide reductions in R2T4 over the past few years, unrelated to the shift to biweekly disbursements for this study. This reduction in the base amount of R2T4 leaves less room (and perhaps less need) for policies to affect the amount of funds required to be returned and may make the topic somewhat less relevant for college budgets. Regardless, even small impacts or costs can add up in the long run, and R2T4 remains an important matter for the students who are penalized. Fewer than 5 percent of students in this study had R2T4 penalties, but for those penalized, average amounts were well over \$500. To put this in context, in a recent survey of community college students over half the respondents stated that they would not be able to come up with more than \$500 if an unexpected need arose.³⁷ **The potential for R2T4 savings for colleges may not be as large as imagined, but biweekly disbursements may lead to reductions in R2T4 (as well as student debt to the college) that are meaningful to students.**

Remaining Questions and Next Steps

The research to date is inconclusive on the academic benefits of biweekly disbursements, and there is no clear explanation why students at one college were observed to benefit more than students at the other. These differences in academic impacts — as well as some of the differences in financial impacts — may be a result of the unique student characteristics at each college, of the policy's implementation differences at the colleges, or of other factors. As long as these differences are unexplained, other colleges should look at these findings with some caution, knowing that their individual results may vary as well.

³⁷Center for Community College Student Engagement (2017).

Additionally, because the biweekly refund policy was new and was implemented only for a randomly selected minority of students, neither college's experience provides an indication of what a fully implemented policy of incremental disbursements might look like, or whether this policy could substantially change the way that financial aid is viewed by students and others. Leaders at the colleges have discussed ways in which broader messaging to students could potentially be achieved and have recently begun to incorporate discussions of financial aid disbursement policies into some staff and faculty training sessions. By sharing this information with staff and faculty, they hope to expand knowledge of the relationship between student enrollment and financial aid and perhaps increase understanding of students' financial circumstances as well.

In 2018, MDRC will release a final report examining the longer-term impacts of bi-weekly disbursements on students' financial and academic outcomes at HCC and San Jacinto, with up to three additional semesters of follow-up and over 2,500 additional students in the sample. The final report will also further explore the costs and potential savings to colleges and the government. These additional quantitative data and analyses may help answer some of the outstanding questions noted above. The final report will also include qualitative research on the program and students at West Hills, where biweekly disbursements are now the norm for students college-wide. The experiences at West Hills may shed light on how a college's students, faculty, and staff respond to the more pervasive messaging allowed by universal adoption of the biweekly disbursement schedule.

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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.