

“What are the challenges California students face in achieving access to, selection of, and success in higher education?”

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Good morning, commissioners, and thank you for inviting me to join you here today. I’m honored to have been asked to come speak with you and help open up the conversations you’ll be having over the next two days.

The Institute for College Access & Success (TICAS) is a nonpartisan, nonprofit research and policy organization based in Oakland. I serve as the organization’s research director and also lead its California policy work. Our mission is to improve both educational opportunity and outcomes, nationally and in California, so that more underrepresented students complete meaningful post-secondary credentials without burdensome debt. As an organization, we focus on financial aid because it’s crucial to college access and success. Students who believe that financial aid is available are more likely to apply to college. How much financial aid they’re offered influences which college they choose, and whether they attend full time or part time. Once enrolled, financial aid can help students limit their work hours, so they can spend enough time studying to pass their classes, stay in school, and make steady progress towards a degree. And even after they graduate, the amount of student debt they have, and their ability to repay it, can affect what kind of job they take and when or whether they get married, buy a house, start a family, or start a business.

I'm a bit in awe of the question posed on the agenda with my name next to it, "What are the challenges California students face in achieving access to, selection of, and success in higher education?" Where does one even start with such a question?

The challenges are severe and many. Not enough of our high school students are getting their diploma, and many of those who do aren't sufficiently college ready. Not enough high schools graduates are enrolling in college, and not enough of those who enroll are completing college. Those who are most in need of high-quality information on how colleges stack up are the least likely to know that it exists or where to find it. In other words, there are many leaks in our pipeline from high school through college, with performance gaps by income, ethnicity, and region at virtually every one of them.

Since most of you would like to spend Thanksgiving with your families rather than me, I figured I'd better quickly focus in more on the types of financing issues most aligned with my expertise and the Commission's charge. So in preparation for today's meeting, I've prepared a SWOT analysis of the Cal Grant program. For those unfamiliar with SWOT analyses, SWOT is an acronym that stands for Strengths – Weaknesses – Opportunities – and Threats, and it's a useful evaluation technique. Particularly because so many of the entities that weigh in on Cal Grant issues have a stake in the program themselves, I thought it might be helpful at this point in your conversation to inject an external landscape analysis.

Particularly for Cal Grants, strengths is a useful place to dive in because there are so many strengths of the program.

1. First and foremost, the Cal Grant provides more dollars in need-based grant aid than any other state grant aid program in the country. It comes fifth in state grant programs in the number of students served. The grants that students receive are often large, and two or three times as large as the state grants students in other states receive. The one exception there is the community college sector, where Cal Grants are about the same size as in other states.

2. These large grants for students at four-year colleges are likely a key reason why California bachelor's degree graduates have relatively low debt compared to graduates in other states. TICAS is the home of the Project on Student Debt, and we recently completed our seventh annual analysis of student debt for bachelor's degree graduates. California has been on our list of low-debt states in every year we've done this report – this year, only Utah and Hawaii had lower debt loads than California. And about half of California's Class of 2011 had no loan debt. Students borrow when they don't have enough in savings, earnings, or grants to cover college costs, so the large Cal Grants for recipients at public and nonprofit colleges serve to keep the need to borrow down.
3. Another strength is the message of the Cal Grant program: that public college tuition or fees are simply taken care of for students who meet eligibility requirements. For students with little knowledge of college and financial aid, these types of clear and straightforward messages can help to overcome the sticker shock associated with double-digit fee increases like we've seen in recent years.
4. Of course, not all Cal Grant recipients go to the public universities at which full fees are covered, but Cal Grant recipients at private colleges also receive grants that are generous in terms of national comparisons. This will be true for both nonprofit and for-profit colleges even after the stepped decreases in grant sizes are implemented in the coming years.
5. In fact, the state's policy on college participation in Cal Grants has positioned it as a national leader in college accountability. Since 2011, California has used its financial aid subsidy to direct students to colleges where they've got a better chance at succeeding, and a smaller chance of ending up in default on student loans. This is a win-win for students and the state.
6. And thankfully, the Cal Grant program has had the strong support of the legislature. Without this support, there's no question that the program would have realized far more extensive cuts in recent years.

Hopefully at this point everyone here is feeling pretty good about the Cal Grant program. Which means it's time to turn to the second part of my SWOT analysis, the weaknesses.

1. Many students' grants have stagnated in recent years. Students who attend public universities where tuition is automatically covered by Cal Grants, and who also receive a grant that includes a tuition award, have seen the value of their awards increase substantially in recent years. Those awards haven't simply increased, they've actually kept pace with college costs. Unfortunately, other Cal Grant recipients aren't as lucky. Cal Grant B recipients – who, on average, have family income below the poverty line – have seen no increase to their awards during that same time period. In fact, their award just decreased for 2012-13, from \$1,551 to \$1,473. Had this grant award kept pace with the costs it's designed to cover, it'd be about \$5,900 this year.
2. And it isn't just the Cal Grant B recipients at community colleges who don't get tuition coverage – it's virtually all first-year Cal Grant B recipients, regardless of which college they attend. Only 2% of high school entitlement Cal Grant B recipients get tuition and fee coverage in the first year, and no competitive Cal Grant B recipients do. This is a form of “back-loading” grants, or giving more grant aid to students in later years, and after they've demonstrated they can succeed in college. In contrast, the first year of college is when students need the most support, and research shows that “front-loading” grants, or giving larger grants in the first year – not smaller ones – can help students persist.
3. Some of these issues stem from the fact that neither the Cal Grant program nor the state has a solid definition of what college affordability means. Of course we don't want costs to be a barrier to enrolling, but what about succeeding? Providing students enough aid to cover tuition or fees enables them to step foot in a classroom. But it doesn't do much to enable them to keep showing up in that classroom, day after day, week after week, instead of going to a job that pays for their gas, food, or other costs. To the extent that we have a definition of affordability, these costs are insufficiently factored in. Related to the definition of affordability, consider the UC, where Cal Grants are worth over \$12,000. Do we truly believe that students living on the margins of poverty are no more

needy than those with family incomes just below the income ceilings? Or further, do we truly believe that a family with income just above the income ceiling has \$12,000 more to put towards college costs than a family with income just below the cutoffs? Of course not. We need a better definition of affordability.

4. Of course, I've been talking about the students who receive Cal Grant awards. Many students don't. Recent high school graduates who meet eligibility requirements are entitled to awards, but those who aren't recent graduates or missed application deadlines compete for a set number of grants each year. For the current academic year, there were as many as 17 eligible applicants for every one competitive grant award authorized, and many authorized grants go unused. In all, federal survey data show that less than three in ten of California's lowest income college students who apply for aid receive state grants.

Typically in a SWOT analysis, weaknesses are followed by opportunities. I'm going to switch it up a bit by skipping to threats next.

1. Clearly, the 800 pound threat in the room is the state's fiscal climate. Declining state support of public colleges means tuitions have increased, which, because Cal Grant awards increase in line with public college tuition, have in turn led to increases in Cal Grant costs. As a result, the program has doubled in cost in the last six years, from about \$760 million in 2006-07 to over \$1.5 billion in 2012-13. Programs simply can't grow that sharply without developing a target on their backs, and that's certainly what we've seen in recent years. Even with the passage of Proposition 30 and the assumption of modest tuition increases at UC and CSU, the Legislative Analyst expects double-digit program cost increases annually over the next few years, making it the fastest growing major state program. So the passage of Proposition 30 didn't solve this budget challenge – it just bought the state some time to figure out how to address it.
2. Uncertainty about who will define the problem and the options, and with what goal in mind, is another threat to the program. It isn't about simply making the numbers add up – it's about figuring out how to serve the state's students in a way that aligns with our values and priorities. Many of the proposals we've seen

floated in recent years with the goal of saving money – like cutting out more than 40% of low-income, would-be Cal Grant B recipients because their high school grades aren't high enough – would not likely pass our values test.

Now I'm pleased to move onto the final section of the SWOT analysis, the opportunities for the Cal Grant program, and in many cases, for the Commission.

1. The first is the passage of Proposition 30. As mentioned earlier, it's not a silver bullet, but it may buy breathing space to open up many of the discussions we as a state need to have. These include asking questions about who the state is serving with Cal Grants, and also importantly, who is it not serving. This includes the question of how well the program serves the state's needs in 2012, and not simply the state's intent in 2000. It doesn't have to be the Commission who seeks the answers to these questions, but they're questions that the Commission is well positioned to ask.
2. Proposition 30 may also allow the Commission the room to explore where administrative decisions could improve students' access to grants. For instance, I mentioned earlier that there were as many as 17 eligible applicants for every one competitive grant award authorized, and many authorized grants go unused. Here's why: The education code authorizes 22,500 new competitive awards each year, but generally only 16-17,000 students receiving new competitive grant offers actually get paid grants. In other words, in a program that's oversubscribed by a factor of 17, a quarter of the authorized awards go unused every year. How could that be addressed?
3. Finally, the Commission's data is a treasure trove of policy-relevant information, ready to be explored. I'm not talking about the data colleges are required to report on graduation rates and job placement per SB 70, though that will certainly be informative. I'm talking about the administrative data collected by running the Cal Grant program day after day, year after year. Here are just some of the types of policy-relevant questions that the Commission's data are uniquely positioned to answer:

- i. How many financial aid applicants in California have zero EFCs but either don't apply or aren't eligible for Cal Grants? What do we know about why?
- ii. How many applicants are offered Cal Grants but don't take them, and what can we tell about who they are?
- iii. How many Cal Grant recipients put awards on hold and never come back to reclaim them?
- iv. Do many community college Cal Grant recipients use their entire four years of eligibility while at the community colleges?
- v. During periods of budget uncertainty, when particular students' grants hang in the balance, is there any evidence that Cal Grant applicants modify the types of institutions they consider or eventually enroll in?
- vi. What can we tell about students' transfer patterns, or swirling, by looking at where students receive their Cal Grants from year to year?
- vii. For a state with such a strong tradition of and reliance on transfer, why are there so few transfer entitlement grants awarded each year?

These and other questions could so readily be used to both inform existing policy conversations, as well as sparking new ones. And it's the Commission's choice on how to take the best advantage of this opportunity.

The Commission's goal over the next two days is to strategize how the Commission can work to achieve its policy priorities. My goal with the SWOT analysis was to help spur thought about how to weigh policy priorities, and hopefully inject some new ideas about the avenues there are for the Commission to explore. With that, I welcome your comments and questions.