

TO: [REDACTED]

FROM: Debbie Cochrane and Matthew La Rocque (The Institute for College Access & Success – TICAS)

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RE: California Student Grant Aid Consolidation

There are a multitude of financial aid programs which help California students and families pay for college. Current California state financial aid programs include Cal Grants, University of California (UC) University Grants, California State University (CSU) State University Grants, the California Community College (CCC) Board of Governor’s Fee Waiver, the Middle Class Scholarship, and the CCC Full-Time Student Success Grant. Each of these programs has different eligibility criteria and is designed to cover different college costs.

The number and complexity of these programs undermine families’ ability to understand how much aid will be available (as well as how much they might want to save) and the state’s ability to send a clear message that every Californian can afford college. For this reason, the state may want to consider ways to implement a “statewide college affordability pledge,” which sets aside program details to instead offer a clearly communicated promise to students and families that college is within reach.

As the legislature considers how to more effectively harness financial aid dollars to serve California’s students, TICAS offers the following framework to facilitate those conversations. We also provide rough estimates on the cost of implementing a “statewide affordability pledge” under specified parameters.

I. Questions to consider in consolidating state financial aid programs:

As with any financial aid program, a statewide affordability pledge (which effectively becomes a consolidated grant program) needs parameters specifying which students and costs are covered, and what amount students will be expected to cover. In a robust and comprehensive statewide affordability pledge, these parameters will remain broad to include as many students and costs as possible. However, cost constraints may require that pledge parameters be limited; such limitations must be considered carefully to ensure that cost-driven limitations do not keep the students who most need a statewide affordability pledge from benefiting from it.

To the extent that eligibility criteria exclude certain students, the state will also need to consider how to fill in the gaps. For instance, the Cal Grant entitlement program is currently limited to students who are no more than one year removed from high school graduation, but a competitive program is able to serve some of those who are left out. If a consolidated grant program includes a similar limitation, how are older students covered? And, to the extent that students covered by existing programs would lose some or all of their financial aid eligibility as a result of eligibility changes, would current grant recipients be held harmless?

The questions on the following page are intended to help explore issues related to the breadth of the pledge.

- **Which costs should be covered by a pledge?** While tuition features prominently in conversations about college affordability, most of students' costs are those beyond tuition. For CCC students, non-tuition costs often represent more than 90 percent of their total college costs. The more of students' costs that grant aid covers, the less students need to work to pay the bills. Students' total college costs include all of the following:
 - Tuition and fees
 - Books and supplies
 - Transportation
 - Room and board

- **Which students should be covered?** A consolidated grant program could be limited on the following basis:
 - A single college segment, or public colleges only
 - An income threshold. For instance, UC's Blue & Gold Opportunity Plan covers tuition for students from families with incomes under \$80,000.
 - Pell eligibility or other EFC threshold. Rather than relying on income, using an estimate of families' ability to pay for college is a more nuanced way of targeting resources to students based on financial strength, but it is more complicated to describe.
 - Age, or timing of transition between high school and college
 - Enrollment status (full time vs. part time)
 - Students who are "college ready" (e.g., students with minimum GPAs)

- **What amount should students reasonably be expected to cover?** Most colleges package grant aid on the assumption that families can and should contribute a reasonable amount to students' college education, and use the federal government's estimate of what that amount should be (the EFC, below). Many schools (including UC) assume students can also contribute money earned or borrowed, beyond their EFC.
 - "Expected Family Contribution" (EFC). Note that "need-based aid" is provided to students to help cover college costs that students' EFCs do not cover; if a student's EFC is larger than his or her total college costs, the student does not have need for financial aid as defined in federal law.
 - Part-time work during the school year and/or summer work. Note that research suggests that a modest amount of work (under 15 hours per week) while enrolled can facilitate college success, while more than 15 hours per week of work hinders college success.
 - A certain amount in loans

- **Should expectations vary by type of school, living status, or level of need?** Students might be asked to assume higher or lower expectations depending on:
 - Where they enroll – a CCC, CSU, or UC campus. For instance, students who attend a CCC might have their full costs covered without borrowing, whereas a student choosing to attend a CSU or UC might be asked to borrow a modest loan.
 - Whether they live on campus, off campus in an apartment, or off campus at home
 - Whether the student is Pell-eligible, or below a certain income or EFC threshold. Such a policy might help to account for the fact that lower income students have less financial cushion, and/or have access to jobs with lower hourly wages than higher income students.

II. Cost estimates:

TICAS previously conducted some back-of-the-envelope cost estimates for an “affordability pledge” designed to provide California public college students with a uniform grant aid policy. While none of the details shared below constitute an endorsement of any particular policy choice, we share our work in case it is of help in furthering the concept of a statewide affordability pledge. We found the following:

Our most fleshed-out analysis estimated the cost of covering public college costs for full-time federal aid recipients with family incomes less than \$80,000. We assumed that all students would be responsible for their EFC, a \$4,500 per-year work expectation,¹ and a borrowing expectation linked to their campus of choice, ranging from \$0 at community colleges to \$4,500 per year at CSU and UC.² This policy roughly mirrors UC’s financial aid packaging policy, which leaves students with an annual “self-help” contribution of about \$9,000-\$10,000 regardless of living status (actual self-help expectations vary year-to-year and campus-to-campus).

Using available data, our estimate for covering public college students in this way is about **\$1 billion annually**, above current financial aid spending. Eliminating the income cap and borrowing expectation raises this estimate to about **\$1.85 billion**. However, we believe **this is likely a substantial underestimate** of the actual cost of such a policy (see data caveats below).

Data caveats:

The following caveats explain why the above costs may be underestimated.

- Our estimates only account for full-time federal Title IV³ aid recipients in 2013-14: We don’t have a way of estimating costs to cover students who don’t receive federal Title IV aid by income. Students excluded from this analysis include those in the middle- and upper-income ranges at four-year schools, as well as many CCC students, generally; since few CCC students get federal loans or grants, the CCC population in our analysis is relatively small. Including all full-time students at public colleges could add significantly to the cost. **This may be the most substantial data limitation in the analysis.**
- Our estimates don’t account for behavioral change: Our cost estimates are based on enrollment counts that assume no behavioral change as the result of a statewide pledge. Should an affordability pledge entice more students to enroll and/or become eligible, that will increase the cost.
- Federal cost of attendance data understates true cost of attendance: The primary federal survey (IPEDS) used for reporting an institution’s cost of attendance, which we relied upon for some components in this analysis, contains limitations that serve to understate students’ true costs. This results in understating students’ unmet financial need, and the cost of covering that need, especially at the CCCs.

Additional caveats suggest that estimates may be skewed in unknown ways.

- Distribution of students by dependency and living status is unclear: We made assumptions about the distribution of students by dependency and living status within each of the relevant income brackets

¹ We assumed a typical student would be expected to work 15 hours per week, at \$10 per hour, for 30 weeks in the year. In future years, the total amount that may be reasonably earned may be higher, due to California’s pending minimum wage increase to \$15 per hour.

² \$4,500 roughly represents the average amount in federal subsidized loans that undergraduate Dependent students are eligible to borrow each year. Limits vary depending on how many years the student has been enrolled. Source: U.S. Department of Education. Federal Student Aid. Subsidized and Unsubsidized Loans.

³ The programs authorized under Title IV of the Higher Education Act of 1965 provide grants, loans and work-study funds from the federal government to eligible students enrolled in college or career school. American colleges and universities are classified as “Title IV eligible” if they are approved to award Title IV aid.

considered in our analysis, which may not align with the true distribution. The effect of these assumptions on cost is unclear.

- Net price estimates are based on Los Angeles-area colleges: Our estimates use net price calculator data for students at LA City College, Cal State LA, and UCLA, for students of varying incomes and living statuses. However, if students' costs or grant aid at Los Angeles area colleges differ from those at other colleges in significant ways, the net prices and unmet financial need levels for students at these schools may not be representative of the state at large. The estimated cost of covering all students may therefore be skewed upwards or downwards, but it is unclear which.

Other caveats explain why the above costs may be overestimated:

- No aid redirected from existing awardees: Due to existing institutional grant aid policies, it is possible that some students currently receive more grant dollars than the policy described above would warrant, suggesting a possible source of savings. However, our analysis holds these students harmless and does not reduce their current grant amounts.
- Recent financial aid expansions not fully reflected: The net price calculator data used to produce estimates incorporate federal, state, and institutional grant aid students already receive, but these calculators are often based on historical aid uptake and may not reflect financial aid increases from the 2015 and 2016 California state budget agreements, including additional funding for Cal Grant B, the expansion of the competitive Cal Grant program, and the creation of the Full-Time Student Success Grant program. For example, the net price calculator for LA City College currently estimates how much students are likely to pay to attend the college for the 2013-14 academic year. The aforementioned funds, as well as savings from the Middle Class Scholarship program, may be available to reduce the overall cost of a pledge.

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Please feel free to contact Matthew La Rocque (mlarocque@ticas.org) or Debbie Cochrane (dcochrane@ticas.org) with questions.