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As Prepared for Delivery

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Cal Grants and College Affordability
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Thank you for inviting me to join you today. 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 students complete meaningful post-secondary credentials without burdensome debt.

As an organization, we focus on financial aid because it's crucial to both 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 start a family, buy a house, or start a business.

Increasingly, these aspects of college costs and financial aid are boiled down to one central question: whether college is affordable. But what does it mean to be affordable? Too often, affordable is assumed to mean low cost. However, to people with few resources, even something low cost can be unaffordable, jeopardizing their ability to meet their basic needs of food and shelter, whereas something with a far greater price tag may be manageable for those with more resources. Today I'll discuss some new perspectives on college costs and affordability, along with policy recommendations for the budget subcommittee to consider.

The document I've shared with you today, entitled "College Costs and Affordability in California," includes net prices for federal aid recipients at California's public colleges, which enroll the vast majority of undergraduate students in the state. Net price is the total cost of college – including not just tuition but also textbooks, transportation, and living expenses – minus any of the state, federal, and institutional grants and scholarships that students don't have to repay. Only data for the lowest income students at the community colleges is available, because so few community college students with family incomes above $30,000 receive any federal aid.

Income Range	What does college cost?			Is the cost of college affordable?					
	2011-12 Net Price by Family Income			Share of *Total Income* Required to Pay the Cost			Share of *Discretionary Income* Required to Pay the Cost		
	UC	CSU	CCC	UC	CSU	CCC	UC	CSU	CCC
$0 - $30,000	$8,808	$6,563	$5,815	29%	22%	19%	64%	48%	42%
$30,001 - $48,000	$10,126	$8,945	-	21%	19%	-	32%	28%	-
$48,001 - $75,000	$13,771	$13,387	-	18%	18%	-	23%	23%	-
$75,001 - $110,000	$21,234	$18,572	-	19%	17%	-	23%	20%	-
> $110,000	$28,282	$20,021	-	19%	13%	-	21%	15%	-

(For data sources and methodological notes, please see the full document, "College Costs and Affordability in California," available at *http://www.ticas.org/pub_view.php?idx=930**.)*

For both the University of California and the California State University, where we have data across income groups, the net price of college increases with family income. For instance, at UC, the net price for one year of college starts at $8,800 for students from families with incomes of $30,000 or less, and reaches $28,300 for students from families with incomes above $110,000. At CSU, the true cost of college ranges from $6,600 to $20,000, depending on family income.

While net price is a much better gauge of what students pay for college than looking at colleges' tuition or total published costs, it's not the same as college affordability. Net price tells you what students and their families actually pay, but it doesn't tell you anything about whether they can afford to pay it. In other words, college affordability isn't about making sure the dollar amount students are asked to cover is as low as possible; it's about whether the dollar amount students are asked to cover is manageable given their resources.

Comparing students' net costs to their family incomes gives a sense of how manageable those costs are. Troublingly, we see that the net cost of college represents the largest share of family income for the lowest income families, and the smallest share of family income for the highest income families. So while that $8,800 cost for UC may look like a bargain, it represents an expectation that families with incomes of up to just $30,000 spend almost two-thirds of their discretionary income paying for college. For the highest income group, their cost of $28,300 may look high, but it represents a much smaller, albeit significant, 21% of their discretionary income. Indeed, from an *affordability* perspective, the cost of UC for higher income families is more affordable than the cost of community college is for the lowest income families.

I am not suggesting that college is easily affordable for any of these groups. However, too often, we assume that low-income students are insulated from college costs, thanks to the availability of grant aid from federal, state, and institutional sources. As the LAO has pointed out, the Cal Grant program, along with strong institutional grant programs at the public colleges, has helped to minimize net price increases for low-income students in recent years. That is true, and yet a separate issue from whether the net prices they are expected to pay are reasonable given their resources.

What I am trying to point out with this analysis is the imbalance between the income groups. And as disheartening as this picture is, it is truly a vision of college affordability as seen through rose-colored glasses, particularly for the lowest income students.

First, the methodological choices we made were conservative. For instance, we assumed that families with incomes between zero and $30,000 in fact had incomes of $30,000. We also assumed a family size of one, which greatly overstates the amount of discretionary income available to families with three or four people. In both of these cases, making less conservative assumptions in favor of more realistic assumptions would serve to increase quite sharply the imbalance between the highest and lowest income groups.

Second, most financial aid programs, including all federal aid programs and Cal Grants, use a federal assessment of students' and families' financial strength to determine who is eligible. After students apply for aid, the U.S. Department of Education provides each applicant with an "expected family contribution" or EFC, which is an estimate of what the family can afford. For federal aid recipients with incomes above $110,000, their average EFC is just above $30,000, which is higher than their net price at either UC or CSU. This means that, in the federal government's estimation, those families can afford those college net prices. For federal aid recipients with incomes of $30,000 or less, their average EFC is only about $500. Their net price does not reflect an amount they can afford, but it does reflect the gap between college costs and the grant aid available to help them cover those costs.

To target the greatest affordability challenges in the state, we must improve the Cal Grant B and help more eligible students receive grants. Many of the students in the bottom two income groups, though far from all of them, receive state Cal Grants and most likely Cal Grant B awards. Cal Grant B is available to students in 2014-15 with family incomes of up to $45,900 for a family of four, and provides recipients with up to three years of tuition assistance and up to four years of an "access award" to cover students' other, non-tuition expenses.[1] Our analyses have shown that the value of this access award has dwindled over time and now holds just one-quarter of the value it did previously.[2] In large part because of this, our analyses have also found that our lowest income Cal Grant recipients get grants that are significantly smaller than the awards received by those with higher incomes.[3]

Over the past year, there's been unprecedented attention to the need to improve Cal Grant B for the lowest income students. Most Cal Grant B recipients have family incomes well below $30,000, and are included in the group our analysis shows to face the greatest affordability challenges.[4] However, despite widespread support, we have yet to see any such proposals implemented, in large part due to their cost.

Our specific recommendations are to:

1. Increase the Cal Grant B Access Award, which helps low-income recipients limit their work hours and focus on their studies. Since 2012-13 – after the access award was reduced by 5%, saving the state approximately $12 million per year[5] – the maximum stipend has been $1,473.

2. Serve more Cal Grant-eligible students. At the community colleges, which enroll two-thirds of the state's undergraduate students, only 16 percent of the lowest income aid applicants receive Cal Grants.[6] One of the primary reasons for this is the grossly insufficient number of awards available to students who do not go directly to college after high school – the 22,500 competitive Cal Grants. In 2013-14, there were sixteen eligible applicants for every competitive award available.[7] These hundreds of thousands of students turned away have an average family income below $21,000 for a family size of three.[8]

3. Include tuition awards for all first-year Cal Grant B recipients to enable low-income students to choose the college that is right for them. Through Cal Grant A, the state already provides four years of tuition and fee support, but the lowest income students, who receive Cal Grant B, do not receive tuition and fee support until their second year of college. This works to steer Cal Grant B recipients away from four-year colleges, where they are most likely to complete a degree.

These recommendations have been endorsed by a wide range of organizations representing the student, civil rights, social justice, and business communities.[9] All three recommendations would help to improve Cal Grants, and college affordability, for low and truly-middle income students enrolled at colleges of all types across the state. In fact, colleges of all types would see greater incentives to enroll low-income students and see that they are well served.

In addition to the Cal Grant adjustments described in your agenda, this year's budget includes $107 million in new resources for the Middle Class Scholarship created as part of last year's budget agreement. This program focuses on bringing the *costs* down for upper middle and higher income families, those with incomes generally between $80,000 - $150,000. However, students from low- and lower middle-income families will not be able to benefit.[10]

If the legislature were to find another $107 million to deepen investments in college affordability for low-income students as well, it would be enough to increase the Cal Grant B access award from $1,473 to over $2,000.[11] Alternatively, $107 million could be used to increase the number of new competitive Cal Grants paid next year by roughly 50,000 awards.[12] Neither of these steps would solve the affordability challenges I've highlighted today, but they would be down payments towards doing so. Thank you.

[1] 2014-15 Cal Grant Program Income Ceilings. California Student Aid Commission. 2013. http://www.csac.ca.gov/facts/2014-15_income_ceilings_new_apps_renewing_recips.pdf.
[2] Calculation by TICAS of Cal Grant B stipend value based on data from the California Postsecondary Education Commission. 2010. Fiscal Profiles 2010. Display 45. http://www.cpec.ca.gov/completereports/2010reports/10-22/42-46.pdf. 1969-70 figure adjusted for inflation using the California Consumer Price Index. http://www.dir.ca.gov/OPRL/CPI/EntireCCPI.PDF.
[3] Calculations by TICAS using data from NPSAS:08. Compares state grant recipients with a zero EFC and an EFC greater than zero. Recipients with an EFC greater than zero had an average EFC of 4836.
[4] 2012-13 Cal Grant Program Recipients. California Student Aid Commission. http://www.csac.ca.gov/pubs/forms/grnt_frm/2012-13_cal_grant_program_recipients.pdf.
[5] Wednesday, May 22, 2013 Agenda. Assembly Budget Subcommittee No. 2 on Education Finance. http://abgt.assembly.ca.gov/sites/abgt.assembly.ca.gov/files/Sub%202%20MR%20Agenda-%20May%2022.pdf.
[6] Calculations by TICAS using data from NPSAS:08. Includes students who applied for federal aid and had an 'expected family contribution' or EFC of zero, meaning that they were not expected to be able to contribute anything financially toward college costs.
[7] Calculations by TICAS from California Student Aid Commission Operation Memos. May 17, 2013 and October 1, 2013. http://www.csac.ca.gov/secured/operationmemos/2013/GOM%202013-14.pdf & http://www.csac.ca.gov/secured/operationmemos/2013/GOM%202013-24.pdf.
[8] Facts at Your Fingertips 2012-13: Cal Grant Competitive Program. California Student Aid Commission. http://www.csac.ca.gov/facts/fayf_competitiveprogram_2012-13.pdf.
[9] Strengthening Cal Grants to Better Serve Today's Students: Analysis and Recommendations. The Institute for College Access & Success. April 2013. http://www.ticas.org/files/pub/Cal_Grant_Issue_Brief.pdf.
[10] Students who receive publicly funded student financial aid, such as the Pell Grant or Cal Grant, that covers at least 40% of their mandatory systemwide tuition and fees are not eligible for a Middle Class Scholarship award.
[11] TICAS estimates based on California Student Aid Commission Baseline Budget Forecast for Budget Year 2014-15
[12] Ibid.