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The Institute for College Access & Success
As Prepared for Delivery

Assembly Budget Subcommittee No. 2 on Education Finance
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. 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 <u>cost</u> ?			Is the cost of college <u>affordable</u> ?					
	2011-12 Net Price by Family Income			Share of <i>Total Income</i> Required to Pay the Cost			Share of <i>Discretionary Income</i> 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 \$28,000 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 \$28,000 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.

As I mentioned previously, the data we have on net price is for students who received federal aid, but these net prices take all types of grants into account. 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 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 at or 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. In contrast, the most recent new investments in college financial aid focus instead on bringing the *costs* down for upper middle and higher income families – where college affordability is most manageable.⁵

To target the greatest affordability challenges in the state, we must improve the Cal Grant B and help more eligible students receive grants. 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. This stipend was worth \$900 in 1969-70, the year of its inception. Since 2012-13, after the award was reduced by five percent, it has been worth \$1,473 – one quarter of what the original award would be worth had it kept pace with inflation.⁶
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.⁷ 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.⁸ These hundreds of thousands of students turned away have an average family income below \$21,000 for a family size of three.⁹
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.¹⁰ The Assembly Speaker and Budget Chair also recently incorporated all three of these Cal Grant recommendations into their *Blueprint for a Responsible Budget*, released last December.¹¹

These reforms may not be low cost, but they are affordable and within reach if the legislature chooses to make college affordability a priority. Thank you.

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- 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 Facts at Your Fingertips 2012-13: Cal Grant High School Entitlement Program. California Student Aid Commission. http://www.csac.ca.gov/facts/fayf_hsentitlementprogram_2012-13.pdf.
- ⁵ “Cal Grants: California’s Original Middle Class Scholarship.” Institute for College Access and Success. June 13, 2013. <http://views.ticas.org/?p=1089>.
- ⁶ 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>.
- ⁷ 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.
- ⁸ 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>.
- ⁹ 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.
- ¹⁰ 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.
- ¹¹ 2014-15 Blueprint for a Responsible Budget. California State Assembly Democratic Caucus. 2014. p. 18. <http://asmcd.org/issues/budget-blueprint/images/2014-15-blueprint-for-a-responsible-budget-v7cw.pdf>.