

**Testimony of Debbie Cochrane, Program Director**  
**The Institute for College Access & Success**  
*As Prepared for Delivery*

Assembly Budget Subcommittee No. 2 on Education Finance  
**Overview Hearing on the Governor's Proposed Funding for the State's  
Financial Aid Programs**

March 7, 2012

Chair Bonilla and members of the committee, thank you for the opportunity to testify on the Governor's proposed changes to the Cal Grant program.

The Institute for College Access & Success (TICAS) is a nonpartisan, nonprofit research and policy organization based in Oakland. 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.

**Proposal to Increase GPA Thresholds**

The Governor proposed several changes to Cal Grants that would cut a total of about \$300 million from the program.<sup>1</sup> My comments today focus on the proposal to cut student eligibility by greatly increasing the GPAs required, not because it is the only one worthy of substantial

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<sup>1</sup> *Governor's Budget Summary 2012-13*. Sacramento, CA: Office of Governor Edmund G. Brown Jr.

discussion but because it is both the largest of the Governor's proposed cuts and also the most devastating. It would pull the rug out from under most current high school students, hitting the lowest income and underserved students the hardest. And it will discourage future high school students from pursuing rigorous and challenging coursework.<sup>2</sup>

Ahead of the March 2 deadline last week, more than one-hundred thousand high school seniors submitted applications for Cal Grants. As part of their applications, they submitted GPAs that they've long been told would earn them a Cal Grant, a ticket to a more affordable college education. By raising the required GPAs so substantially and suddenly, more than 26,000 of these applicants would be told that the ticket they worked to earn is now worthless.<sup>3</sup>

And the harm caused by the immediate implementation of higher GPA requirements would not be limited to current high school seniors. GPAs used for determining Cal Grant eligibility are based on students' sophomore and junior year grades. So it will be too late for current high school juniors to change their Cal Grant GPAs by the time the budget is finalized, and even current sophomores would face an uphill battle.

This matters because research has shown that what students know about financial aid, and what they expect to receive, influences whether or not they go to college. This is particularly the case for low-income students, as well as African-American and Latino students, the same populations that would be hardest hit by the proposed GPA increases.<sup>4</sup>

### **Low-Income and Underserved Students Would Be Hardest Hit**

While the proposals affect three types of Cal Grant awards, the most substantial cut would be to Cal Grant B.<sup>5</sup> A typical Cal Grant B entitlement award recipient comes from a family with income well below the federal poverty line.<sup>6</sup> The majority of Cal Grant B recipients attend community colleges,<sup>7</sup> where close to half – 47% – of full-time students who apply for aid are considered so low income that they cannot afford to contribute even a dollar towards their education.<sup>8</sup>

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<sup>2</sup> TICAS, 2012. "Cal Grant GPA Increases Would Hurt College Completion Rates." Oakland, CA: TICAS.

<sup>3</sup> *Governor's Budget Summary 2012-13*. Sacramento, CA: Office of Governor Edmund G. Brown Jr.

<sup>4</sup> Berkner, Lutz and Lisa Chavez. 1997. *Access to Postsecondary Education for 1992 High School Graduates*. Washington, D.C.: National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education.

<sup>5</sup> TICAS, 2012. "Cal Grant GPA Increases Would Hurt College Completion Rates." Oakland, CA: TICAS.

<sup>6</sup> California Student Aid Commission. 2011. *2010-11 Facts at Your Fingertips: High School Entitlement Cal Grant Program*. Rancho Cordova, CA: California Student Aid Commission; and U.S. Department of Health and Human Services. 2011. *Annual Update of the HHS Poverty Guidelines*. <http://aspe.hhs.gov/poverty/11fedreg.shtml>.

<sup>7</sup> California Student Aid Commission. 2011. *California Student Aid Commission 2010-11 Cal Grant Program Recipients*. Rancho Cordova, CA: California Student Aid Commission.

<sup>8</sup> TICAS. 2010. "Financial Aid Facts at California Community Colleges." Oakland, CA: TICAS.

Our analysis of data from the California Student Aid Commission suggests that more than 40 percent of applicants currently eligible for Cal Grant B entitlement awards would fall below the proposed new GPA threshold. And of all the Cal Grant applicants who would lose eligibility under the new GPA thresholds, three-quarters would be Cal Grant B students.<sup>9</sup>

These cuts to student eligibility would have truly devastating effects on would-be college students, and African American and Latino students in particular. At the three public college segments from which we could collect comprehensive data, more than half of the new Cal Grant recipients in 2010-11 were African American or Latino. But collectively, African-American and Latino Cal Grant recipients make up a much greater share - almost two-thirds - of the students whose GPAs fall below the proposed thresholds.<sup>10</sup>

It's also important to understand that Cal Grant recipients as a group are more diverse than the general student populations at the colleges they attend.<sup>11</sup> Given the particular importance of financial aid to African-American and Latino students when it comes to making decisions about whether and where to go to college, and the fact that the cuts would disproportionately affect these exact groups, the Governor's proposals could have devastating effects on the diversity of the state's college students and college graduates.

### **Cal Grant Recipients Are Successful Students**

The rationale cited for the proposal is that students with lower GPAs are less likely to be successful in college.<sup>12</sup> This argument, however, doesn't consider how likely *Cal Grant* recipients are to be successful in college, or how receiving Cal Grants and other types of financial aid can help them to succeed.

According to data from the California Student Aid Commission, more than three-quarters of all those who first received Cal Grants in 2009-10 received a second grant award in 2010-11 – meaning that they had enrolled in college for a second year. Looking just at Cal Grant B recipients, who would bear the brunt of the cut, 73% of Cal Grant recipients persisted to a second year. And even two-thirds of Cal Grant recipients with GPAs below 2.75 persisted.<sup>13</sup> At CSU and UC, Cal Grant recipients were about as likely to graduate as non-recipients.<sup>14</sup> Given that Cal Grant recipients at CSU and UC are lower income than non-recipients, the fact that their graduation rates are comparable is significant.

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<sup>9</sup> TICAS, 2012. "Cal Grant GPA Increases Would Hurt College Completion Rates." Oakland, CA: TICAS.

<sup>10</sup> TICAS calculation based on data provided by the California Community Colleges, the California State University, and the University of California.

<sup>11</sup> Ibid.

<sup>12</sup> *Governor's Budget Summary 2012-13*. Sacramento, CA: Office of Governor Edmund G. Brown Jr.

<sup>13</sup> TICAS calculations based on data provided by the California Student Aid Commission.

<sup>14</sup> TICAS calculations based on data provided by the California State University and the University of California.

Data from the California Community Colleges Chancellor's Office also show that Cal Grant recipients are successful. Looking at a degree-seeking cohort of students, the community colleges found that even Cal Grant recipients with GPAs below the proposed cutoff of 2.75 were more likely than the overall cohort to stay enrolled for a second year and more likely to earn 30 units.<sup>15</sup>

It's important to understand that financial aid like Cal Grants can actually help to increase the odds of success for students with low incomes and lower levels of academic preparation. As the LAO mentioned, new research on the effects of need-based grant aid suggests that students with lower GPAs see the most significant increases in college persistence as a result of receiving grant aid.<sup>16</sup> This means that students who would lose eligibility for Cal Grants because of the proposed GPA change are the exact group where financial aid appears to have the best bang for the buck.

Additionally, other recent research focused on African-American and Latino students suggests that need-based aid plays a critical role in their success. Specifically, low-income African-American and Latino college students who received need-based grant aid were not only more likely to graduate, but they were also more likely to have majored in STEM fields than their peers who didn't receive need-based aid.<sup>17</sup>

### **Proposal Would Create a Harmful Incentive**

These are the types of behaviors that we want to encourage, and also the types of behaviors discouraged by ratcheting up the GPAs required for state grants. In introducing his budget ideas, Governor Brown referred to California as "the innovative state," but our ability to innovate depends directly on the number and strength of residents in the fields of science, technology, engineering, and math. California already has its work cut out to meet the future demand for skilled workers in these areas,<sup>18</sup> and there's research that suggests that this Cal Grant proposal would make the job harder.

Research on Georgia's state aid program, the HOPE Scholarship, suggests that its high GPA requirements may lead students to avoid math and science classes to make sure their grades stay

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<sup>15</sup> TICAS calculations based on data provided by the California Community Colleges.

<sup>16</sup> Goldrick-Rab, Sara, Douglas N. Harris, James Benson and Robert Kelchen. 2011. *Conditional Cash Transfers and College Persistence: Evidence from a Randomized Need-Based Grant Program*. Madison, WI: University of Wisconsin-Madison.

<sup>17</sup> Flowers, Lamont A. 2011. *Attaining the American Dream: Racial Differences in the Effects of Pell Grants on Students' Persistence and Educational Outcomes*. Columbus, Ohio: Kirwan Institute for the Study of Race and Ethnicity, The Ohio State University.

<sup>18</sup> Offenstien, Jeremy and Nancy Shulock. 2009. *Technical Difficulties: Meeting California's Workforce Needs in Science, Technology, Engineering, and Math (STEM) Fields*. Sacramento, California: Institute for Higher Education Leadership & Policy, California State University-Sacramento.

high enough.<sup>19</sup> The proposed GPA increases for Cal Grants could create the same harmful incentive here, deterring students from taking challenging math and science courses when the state desperately needs more STEM graduates. Research also suggests that the HOPE Scholarship has widened racial and income gaps in college attendance, particularly for African-American students<sup>20</sup> – a population that would be disproportionately harmed by the Cal Grant proposal as well.

## **Conclusion**

In essence, then, the proposed changes to Cal Grant GPA requirements would hurt students we can't afford to hurt, and prompt students to change their behavior in ways we don't want them to change. Thank you for the opportunity to testify in front of you today, and I welcome your questions at the end of the panel.

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<sup>19</sup> Cornwell, Christopher, Kyung Hee Lee and David B. Mustard. 2006. *The Effects of State-Sponsored Merit Scholarships on Course Selection and Major Choice in College*. Bonn, Germany: The Institute for the Study of Labor (IZA).

<sup>20</sup> Dynarski, Susan. 2000. *Hope for Whom? Financial Aid for the Middle Class and Its Impact on College Attendance*. Cambridge, MA: National Bureau of Economic Research.