

Assembly Budget Subcommittee No. 2 on Education Finance &
Assembly Higher Education Committee
Financial Aid Reform

**Testimony of Debbie Cochrane, Executive Vice President
The Institute for College Access & Success
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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 Executive Vice President and also lead its California program. Our mission is to improve both educational opportunity and outcomes, nationally and in California, so that more students complete meaningful postsecondary credentials without burdensome debt.

For over a decade, TICAS analyses have shown that, despite the state's longstanding focus on low tuition, and financial aid programs that cover tuition, there are reasons to be concerned about college affordability in California. The cost of college includes a whole host of costs beyond tuition, including textbooks and transportation as well as food and housing. While the ability to pay for tuition ensures students can enroll in college, they cannot succeed if they cannot afford gas to get to campus; pass their exams if they do not have the textbooks; or focus on their studies if they have not eaten or have a safe place to sleep. Yet the state's aid policies are skewed towards covering tuition costs, providing little support for the non-tuition expenses that make up the majority of total college costs across public colleges in California. That has led to far less financial aid support for students at lower tuition colleges, and far less support means far greater affordability challenges. To illustrate, while the total costs of college are 56 percent higher than those of CCC students, there is more than 300 percent more grant aid available to UC students than their CCC peers.¹

Across all public colleges in California, our research has shown that students from families with \$30,000 or less in household income have to spend about half or more of their income to cover college costs after accounting for grant aid. This group of students includes more than half of California's Latino college students (54%), three in five Native-American students (60%), and almost two-thirds of Black students (63%).²

¹ The Institute for College Access & Success (TICAS). 2019. *What College Costs for Low-Income Californians*. https://ticas.org/sites/default/files/pub_files/what_college_costs_for_low-income_californians_0.pdf.

² Calculations by TICAS on data from the U.S. Department of Education's National Postsecondary Student Aid Study, 2015-16 (NPSAS:16), and include undergraduates at all public institutions.

Untenable college costs for low-income students are not just contributing to the state's college completion challenges, then, but are also contributing to equity gaps in who completes. Compounding affordability challenges by income, most of the state's black, Latino, and Native-American undergraduates attend community colleges, where prior TICAS research has found completion (six-year graduation and transfer) rates for these groups to be appallingly low (30%, 32%, and 37% respectively).³

Further, even among those who complete, low-income and underrepresented students are much more likely to graduate with debt. While about half of all CSU graduates in 2015-16 had incurred student debt, 76% of African Americans had debt compared to 47 percent of white graduates. Moreover, nearly eight out of every ten bachelor's degree recipients who borrowed had family incomes no greater than \$54,000. And these trends are not unique to the CSU. At the University of California (UC), publicly available data indicates that the lowest income graduates are more than three times as likely to borrow as their highest income peers, and about half of UC graduates with debt come from households with family incomes no more than \$56,000.⁴

We see these trends because too many Californians are being left out of state financial aid, and those who do receive grants often get too little of it. While the Cal Grant program is well designed to reach college-bound high school graduates, the overwhelming majority of eligible applicants who are returning to school more than one year after high school do not receive grants. Most of those who do not receive grants have incomes so low that the federal government does not expect them to contribute financially to the cost of their education.⁵ And for those who do receive a grant, the value of the access award that helps students pay for non-tuition costs is worth less than one quarter of its original value. That is why we and more than two dozen other organizations have been calling for increases to the number of Cal Grants available, and for the amount of aid that students get to cover non-tuition costs to bear some resemblance to the costs they're incurring and the ability to pay them.⁶

Over the last couple of years, we have encouraged the state to think bigger, beyond what level of incremental increase the state can make in given year, and to focus instead on what students need. Experts we interviewed across the state agreed that college affordability challenges have a wide range of negative implications for California students, and for low-income and underrepresented students in particular. Experts further agreed that insurmountable college costs are holding students back from

³ Campbell, C., Cochrane, D. F., Love, I., & Brueckner, E. 2017. *Aiding Success: The Role of Federal and State Financial Aid in Supporting California Community College Students*. Association of Community College Trustees & TICAS. https://ticas.org/sites/default/files/pub_files/acct_ticas_cccco_aiding_students_2017.pdf.

⁴ University of California. 2018. *Accountability Report 2018: Indicators 2.2.2 and 2.3.3*. <https://accountability.universityofcalifornia.edu/2018/chapters/chapter-2.html>.

⁵ TICAS. 2016. *How and Why to Improve Cal Grants: Key Facts and Recommendations*. https://ticas.org/sites/default/files/pub_files/how_and_why_to_improve_cal_grants.pdf.

⁶ TICAS. 2019. *Californians for College Affordability*. https://ticas.org/sites/default/files/pub_files/ca_affordability_postcard.pdf.

completing college, or completing it in a timely way; keeping students at work, rather than focusing on their studies; and contributing to burdensome levels of debt.⁷

In 2016, TICAS challenged policymakers to deepen investments in financial aid through a bold, new “pledge” that would “offer a clearly communicated promise to students and families that college is within reach,” including non-tuition costs.⁸ At this point there is a strong emerging consensus about what that should look like, even while differences about how to get there remain.

In brief, that consensus is that the state should take students’ total college costs into account, rather than just their tuition costs, and expect that students and families would make financial contributions that were reasonable given their own financial circumstances. The rest would be covered by federal, college, and state grant aid. In addition to TICAS’s 2016 challenge, this is an approach articulated by the Legislative Analyst’s Office in 2017⁹ and by The Century Foundation’s work with the California Student Aid Commission (CSAC) in 2018,¹⁰ and it is reflected in the community colleges’ proposed framework introduced by Senator Leyva in 2019.¹¹

This framework should serve as a North Star for the state as it figures out how to sort through important policy questions that need further attention. In October, we hosted a conference to begin exploring some of these questions, as well as commissioned several papers designed to move the conversations forward. We published a compendium of these papers, which you have in front of you, that address several outstanding policy questions including: whether colleges’ cost of attendance estimates and the federal government’s calculation of EFC should be adjusted in some way for local or regional living costs faced by the student and/or the student’s family; what level of student out-of-pocket costs is realistic for California’s students to be able to contribute, beyond what their families can afford; and how can we make financial aid communications more accessible, understandable, and resonant for students and families¹² Subsequently, earlier this month we kicked off a working group aimed at better understanding and articulating areas of agreement and disagreement on some of these policy details, to inform the statewide debates.¹³

⁷ TICAS. (2018). *Unpacking California College Affordability: Experts Weigh in on Strengths, Challenges, and Implications*. https://ticas.org/sites/default/files/pub_files/ticas_report_ca_affordability_final.pdf.

⁸ Cochrane, D.F., & La Rocque, M. 2016. *California Student Grant Aid Consolidation*. TICAS. https://ticas.org/sites/default/files/pub_files/2016_memo_on_ca_student_grant_aid_consolidation.pdf.

⁹ Legislative Analyst’s Office. 2017. *Creating a Debt Free College Program*. <https://lao.ca.gov/reports/2017/3540/Debt-Free-College-013117.pdf>.

¹⁰ The Century Foundation. 2018. *Expanding Opportunity, Reducing Debt: Reforming California Student Aid*. <https://tcf.org/content/report/expanding-opportunity-reducing-debt/?session=1&agreed=1&agreed=1>.

¹¹ Senate Bill 291. *Postsecondary Education: California Community College Student Financial Aid Program*. Regular Session 2019-2020. (CA 2019). http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200SB291.

¹² TICAS. 2018. *Designing Financial Aid for California’s Future*. https://ticas.org/sites/default/files/pub_files/designing_financial_aid_for_californias_future.pdf.

¹³ TICAS. “Experts Kick Off Series of Financial Aid Reform Discussions in Sacramento.” February 19, 2019. <https://ticas.org/content/pub/experts-kick-series-financial-aid-reform-discussions-sacramento>.

For instance, during our first meeting we discussed how to deal with widely divergent estimates of what college costs within a particular region – for example, nearby schools with different estimates for rent – and there was general agreement that greater state involvement in setting estimates would be warranted. We also discussed the idea of making regional adjustments to the federal EFC calculation for California state aid. While the group generally agreed that the federal EFC was not perfect, there were also some concerns about the complexity of adding a second, state-specific EFC calculation, and a general recognition that low-income students would be unlikely to benefit from such an adjustment.

There are also other questions that warrant greater attention than they have gotten to date, and that we intend to explore with our working group in subsequent meetings. For instance:

- Eliminating all student eligibility barriers may not be feasible; which barriers are most important to reduce or repeal?
- Are there reforms that colleges need to pursue to maximize the impact of new financial aid investments?
- How should the state think about private colleges, which are an important part of California’s higher education landscape but do not fit as well into a cost-of-attendance driven model?
- How should large-scale reforms be phased in to ensure they are both operationally feasible and ensure that the most underserved students are prioritized at each step?

We see these as important questions that warrant some focus; and yet it is also true that the state cannot wait to act until all of the questions are resolved. Each year, hundreds of thousands of eligible applicants are excluded from the Cal Grant program because not enough awards are available. Even those who get grants struggle to cover their costs, including their basic needs. In a letter to CSAC last November, UC President Napolitano and CSU Chancellor White pointed to the need to eliminate unnecessary barriers to Cal Grant eligibility and increase the Cal Grant B access award.¹⁴ These are in line with the recommendations of Californians for College Affordability, and the California Higher Education Basic Needs Alliance.¹⁵ Making a sizeable down payment towards these ends this year, with a timeline for additional investments in future years, is the least the state can do to capitalize on the momentum and relative consensus on a policy issue that is so critical to the state’s future.

Broader reform is absolutely warranted. But at a time when there is so much agreement on what our North Star should be, the worst outcome at this point would be for the state to fail to make progress

¹⁴ Napolitano, Janet and Timothy White. “Principles to Guide Cal Grant Reform: build on Success.” November 28, 2018. UC and The CSU. https://www.csac.ca.gov/sites/main/files/file-attachments/uc_csu_letter_ajose_alcala_cal_grant_reform_112818.pdf.

¹⁵ California Higher Education Basic Needs Alliance. “Holistic Support to Address Student Basic Needs.” https://www2.calstate.edu/impact-of-the-csu/student-success/basic-needs-initiative/Documents/CHEBNA_Briefing.pdf

towards it because we spend so much time staring at the roadmap. Whether through broadening the reach and scope of Cal Grants within the program's current structure, or sorting out the details of what a new structure could look like, the state cannot afford to wait.

Thank you for the opportunity to speak with you today, and I am happy to answer any questions.