

**Testimony of Debbie Cochrane, Research Director**  
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*As Prepared for Delivery*

California State Assembly Committee on Budget, Subcommittee 2 on Education Finance  
*Cal Grants and College Affordability*  
March 18, 2015

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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, discussions about college costs and financial aid revolve around 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.

The table below 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 <u>cost</u> ?			Is the cost of college <u>affordable</u> ?					
	2012-13 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	\$8,847	\$6,717	\$5,832	29%	22%	19%	65%	49%	43%
\$30,001 - \$48,000	\$9,976	\$8,903	-	21%	19%	-	32%	28%	-
\$48,001 - \$75,000	\$13,334	\$13,148	-	18%	18%	-	23%	22%	-
\$75,001 - \$110,000	\$20,974	\$18,177	-	19%	17%	-	22%	19%	-
> \$110,000	<b>\$28,173</b>	<b>\$19,946</b>	-	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=980](http://www.ticas.org/pub_view.php?idx=980).)

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 about \$28,200 for students from families with incomes above \$110,000. At CSU, the true cost of college ranges from \$6,700 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.

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 \$28,200 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.

What this analysis so clearly shows 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,<sup>1</sup> 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.<sup>2</sup> 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 be clear, college is not *easily* affordable for any of these income groups. However, the pervasive belief that low-income students are insulated from college costs, thanks to the availability of grant aid from federal, state, and institutional sources, is not grounded in reality. The facts are that a decreasing share of low-income students in the state receives state Cal Grants, and the grants they receive have stagnated.

If students who meet Cal Grant eligibility standards move quickly from high school to college and apply for aid before a March 2<sup>nd</sup> deadline, they are entitled to Cal Grants. All other applicants – the majority of eligible Cal Grant applicants – must compete for one of 22,500 grants.<sup>3</sup> In 2001-02, there were four eligible applicants for each available competitive grant.<sup>4</sup> In 2014-15, there were as many as seventeen eligible applicants for each available grant.<sup>5</sup> Put another way, students now have a greater chance of winning in a Las Vegas casino or getting into an Ivy League school than they do of getting a competitive Cal Grant.<sup>6</sup>

Using data provided to TICAS by the California Student Aid Commission, we have for the first time been able to look more closely at the students who meet financial and merit standards for Cal Grants yet are not offered grants due to the 22,500 grant limit. Among the hundreds of thousands of eligible applicants who did not get Cal Grants in 2014-15:

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<sup>1</sup> Calculations by TICAS on data from the U.S. Department of Education, 2012 National Postsecondary Student Aid Study.

<sup>2</sup> Ibid.

<sup>3</sup> In 2013-14, approximately 173,000 applicants were offered an entitlement grant. Since all eligible entitlement grant applicants are offered an award, the number of applicants offered an entitlement award should reflect the number of eligible applicants. That same year, there were over 300,000 eligible competitive grant applicants. See: California Student Aid Commission (CSAC). 2015. *2013-14 Cal Grant Offered Awardees*. [http://www.csac.ca.gov/pubs/forms/grnt\\_frm/2013-14\\_cal\\_grant\\_program\\_offered\\_awardees.pdf](http://www.csac.ca.gov/pubs/forms/grnt_frm/2013-14_cal_grant_program_offered_awardees.pdf). CSAC. Operations Memos. May 17, 2013 and October 1, 2013. <http://www.csac.ca.gov/secured/operationmemos/2013/GOM%202013-14.pdf> and <http://www.csac.ca.gov/secured/operationmemos/2013/GOM%202013-24.pdf>.

<sup>4</sup> Calculations by TICAS on data from CSAC. 2005. *The Competitive Cal Grant Program – A Report on the First Three Years*. [http://www.csac.ca.gov/pubs/forms/grnt\\_frm/2001-04CompetitiveCalGrantReport.pdf](http://www.csac.ca.gov/pubs/forms/grnt_frm/2001-04CompetitiveCalGrantReport.pdf).

<sup>5</sup> Calculations by TICAS on data from CSAC Operations Memos. May 22, 2014 and October 15, 2014.

<http://www.csac.ca.gov/secured/operationmemos/2014/GOM%202014-15.pdf> and <http://www.csac.ca.gov/secured/operationmemos/2014/GOM%202014-31.pdf>.

<sup>6</sup> TICAS. 2014. *Playing the Cal Grant Odds*. <http://views.ticas.org/?p=1327>.

- More than 160,000 (57% of applicants turned away) had an EFC of zero, meaning that the federal government estimated they could not afford to put any financial resources towards paying for college.
- More than 140,000 (51% of applicants turned away) had family incomes below the federal poverty line for their household size.
- About 24,000 (9% of applicants turned away) received means-tested benefits, such as CalWORKs, Free and Reduced Price School Lunch, or Supplemental Security Income (SSI).
- More than 20,000 (7% of applicants turned away) were dislocated workers, or had a parent who was a dislocated worker.
- More than 28,000 (10% of applicants turned away) were single parents.
- At least 110,000 (among applicants who responded to questions about parental education level for two parents, 51% of those turned away) were first generation students whose parents had no education beyond high school.

These figures are critical to understand because the state is projected to need an additional 2.3 million college graduates by 2025 – 2.3 million graduates beyond the number we can already anticipate – for California’s workforce to remain competitive.<sup>7</sup> This means we must focus our attention and resources on getting students who otherwise wouldn’t enroll in college to enroll, and getting students who might not otherwise succeed in college to succeed. Research consistently shows that low-income students are far less likely to enroll or succeed in college than their higher income peers, and that financial aid can help mitigate those gaps.<sup>8</sup> Research further shows that a major factor in college enrollment is whether students’ parents went to college.<sup>9</sup> Yet these are the types of students being denied competitive Cal Grants in droves. To target one of the greatest affordability challenges in the state, and to improve college access and success, we must help more eligible students receive grants.

Further, we must continue to strengthen Cal Grant B. 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.<sup>10</sup> After being championed by the Assembly last year, the access award was increased for the first time in over a decade in the 2014-15 budget, from \$1,473 to \$1,648. Yet the value of this

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<sup>7</sup> Projection of graduates needed includes bachelor’s degrees, associate’s degrees, and certificates. See: California Competes. 2012. *The Road Ahead: Higher education, California’s promise, and our future economy*. [http://californiacompetes.org/wp-content/uploads/2012/06/CaCompetes\\_Report\\_Final-2.pdf](http://californiacompetes.org/wp-content/uploads/2012/06/CaCompetes_Report_Final-2.pdf).

<sup>8</sup> Bailey, Martha J. and Susan M. Dynarski. 2011. *Gains and Gaps: Changing Inequality in U.S. College Entry and Completion*. National Bureau of Economic Research. Working paper 17633. <http://www.nber.org/papers/w17633>. U.S. Department of Education, National Center for Education Statistics. 2012. *The Condition of Education 2012*. Table A-34-1. <http://nces.ed.gov/pubs2012/2012045.pdf>. Dynarski, Susan. 1999. *Does Aid Matter? Measuring the Effects of Student Aid on College Attendance and Completion*. National Bureau of Economic Research. Working Paper 7422. <http://www.nber.org/papers/w7422>.

<sup>9</sup> Brownstein, Ronald. April 11, 2014. “Are College Degrees Inherited? Parents’ experiences with education strongly influence what their children do after high school.” *The Atlantic*. <http://www.theatlantic.com/education/archive/2014/04/are-college-degrees-inherited/360532/>.

<sup>10</sup> CSAC. 2013. *2014-15 Cal Grant Program Income Ceilings*. [http://www.csac.ca.gov/facts/2014-15\\_income\\_ceilings\\_new\\_apps\\_renewing\\_recips.pdf](http://www.csac.ca.gov/facts/2014-15_income_ceilings_new_apps_renewing_recips.pdf).

access award had already dwindled so much that, even after last year's increase, the grant has about one-quarter of the purchasing power that it did in 1969.<sup>11</sup>

Increasing the number of available grants and strengthening Cal Grant B are the two most important financial aid investments the state can make, and we hope the Assembly Budget Subcommittee 2 takes the opportunity in the coming months to act upon them. These recommendations have been endorsed by a wide range of organizations representing the student, civil rights, social justice, and business communities.<sup>12</sup> Improving Cal Grants will improve college affordability for low- and middle-income students at all types of colleges across the state, and provide greater incentives for all types of colleges to enroll low-income students and see that they are well served.

Thank you for your time and attention.

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<sup>11</sup> 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>.

<sup>12</sup> TICAS. 2013. *Strengthening Cal Grants to Better Serve Today's Students: Analysis and Recommendations*. [http://www.ticas.org/files/pub/Cal\\_Grant\\_Issue\\_Brief.pdf](http://www.ticas.org/files/pub/Cal_Grant_Issue_Brief.pdf).