November 17, 2020

University of California Board of Regents
Academic and Student Affairs Committee
Office of the Secretary and Chief of Staff to the Regents
1111 Franklin Street, 12th Floor
Oakland, CA 94607

Dear Members of the Academic and Student Affairs Committee:

The Institute for College Access & Success (TICAS) is an independent, non-profit organization focused on research, design, and advocacy for student-centered public policies that promote affordability, accountability, and equity in higher education; and the University of California Student Association (UCSA) is the official voice of students from across the University of California (UC) system with the mission of advocating on behalf of current and future students for the accessibility, affordability, and quality of the UC system. We write to you today regarding Item A2, Alternative Approaches to Financial Aid,[1] with our recommendations to best support California's under-resourced and underrepresented students.

As TICAS has documented annually for 15 years, graduates of California public universities, and the UC in particular, are less likely to leave college with student loan debt and hold less of it on average than graduates of public universities in most other states.[2] However, in March 2019, our two organizations jointly released an analysis showing that these averages mask important differences in debt burdens by race and income. Our analysis, conducted with the support of the University of California Office of the President (UCOP), found that lower income students and students of color were more likely to borrow student loans than their better resourced peers. While about half of all UC undergraduates borrow student loans, two-thirds of Black, Chicano/Latino, and the lowest income undergraduates do.[3] UCOP's subsequent analysis further showed that, across all income levels,

[1] University of California Office of the President. For UC Regents Meeting on November 18, 2020. "Alternative Approaches to Financial Aid." https://regents.universityofcalifornia.edu/regmeet/nov20/a2.pdf.
[2] The Institute for College Access & Success (TICAS). 2020. *Student Debt and the Class of 2019.* https://ticas.org/wp-content/uploads/2020/10/classof2019.pdf.
[3] University of California Student Association (UCSA) and TICAS. 2019. *First Comes Diploma, Then Comes Debt: Unequal Debt Burdens among University of California Undergraduates.* https://ticas.org/files/pub_files/first_comes_diploma_then_comes_debt.pdf.

underrepresented students of color have larger debt burdens on average than their non-underrepresented peers.[4] These disparities raise serious concerns about persisting equity gaps in college access, affordability, and degree attainment by race/ethnicity and family resources.

We commend the UC Regents for exploring this important issue at the upcoming November Board meeting and for pursuing changes to the UC's Education Financing Model (EFM) to help address these inequities, especially during the pandemic which has only exacerbated the affordability challenges students face.

The merits of UC's EFM are many. It recognizes students' total costs of attendance, including the non-tuition costs that can thwart students' ability to graduate. It also strategically allocates available institutional grant aid to bring college costs into reach, so that college costs, after accounting for parents' contributions and grants and scholarships, are low enough for students to cover with modest levels of expected employment and loans. Because of its focus on the manageability of costs to students rather than simply how much aid students receive, TICAS has promoted a model similar to EFM as the foundation of state financial aid reform efforts.[5] However, given research showing that debt burdens disproportionately fall on low-income students and students of color, despite generally equal self-help expectations among all students (approximately $10,000 per academic year), we have concluded that key modifications need to be made. Specifically, we believe improving upon EFM requires that (1) self-help expectations be lowered to levels that can reasonably be earned with a modest amount of work, and (2) that less resourced students face lower self-help expectations than their better resourced peers. A working group of financial aid experts and stakeholders convened by TICAS throughout 2019,[6] as well as three annual convenings with a broader group of stakeholders, has found broad consensus on these recommendations.

With respect to proposed EFM changes, our organizations encourage the adoption of a hybrid approach that incorporates both differential self-help by family resources and a debt-free college pathway. In recognition that the current financial climate may challenge UC's ability to expand aid availability substantially at this point, ***lowering self-help contributions to $8,000 for students with an expected family contribution (EFC) of $0, and insulating all Pell-eligible students from any increases, should be the first steps taken towards both debt-free UC and addressing debt disparities.***

As a longer-term approach to EFM, our organizations recommend that the UC move forward in four ways:

[4] University of California Office of the President. For UC Regents Meeting on July 17, 2019. "Student Loan Debt Patterns among University of California Undergraduates." https://regents.universityofcalifornia.edu/regmeet/july19/a2.pdf.
[5] TICAS. 2019. *Charting the Course for Redesigning Financial Aid in California*. https://ticas.org/wp-content/uploads/2019/10/charting-the-course.pdf.
[6] TICAS. February 19, 2019. Press release. "Experts Kick Off Series of Financial Aid Reform Discussions in Sacramento." https://ticas.org/files/pub_files/ca_aid_work_group_public_announcement.pdf.

1. We strongly support the UC option to create differential self-help levels by family resources (Option 6), without which disparities in debt burdens – or work if borrowing is discouraged – among underrepresented students will persist. Specifically, we urge the adoption of lower self-help expectations for students with all Pell Grant-eligible EFCs, starting with those with EFCs of zero. The item before you shows that, on average, Pell Grant recipients earn around $600 more annually in paid work than their non-Pell Grant counterparts due to greater funding shortfalls. This points to how utilizing one formula does not produce equal outcomes for all students. Further, recent research by UC has found that, among the lowest income students (those with parent contributions of $0), students who are able to lower their self-help contributions (by way of scholarships or other means) are less likely to experience food and housing insecurity. This suggests that across-the-board self-help levels are unmanageably high for low-income students, and contribute to students' struggles to secure food and stable housing.

2. Once disproportionate debt burdens have been addressed, we support lowering self-help contributions across the board to a maximum of $8,000 annually (Option 7). This is similar to what students can earn through 15 hours per week, at state minimum wage, throughout the academic year, and as such provides students a more realistic path towards graduating from UC debt-free. However, it is critical that this step not be the only one taken to address the debt disparities that inspired a fresh look at the EFM two years ago, because there is little reason to believe that lowering self-help expectations across the board will be sufficient to meet the goal of a debt-free UC educational path or close equity gaps. For instance, according to UCOP's analysis, most low-income Black UC graduates leave college with $22,000 in student loan debt, and lowering their self-help expectations by $2,000 per year – or $8,000 over a four-year period – is unlikely to mitigate their need to borrow.[7] These disproportionate debt burdens illustrate that equal expectations do not always lead to equal outcomes, and that many students will still need to borrow even with the proposed self-help reduction.

3. Further, in order to truly create debt-free pathways and address debt disparities, we encourage UC to continue to explore the factors contributing to debt burdens, affordability challenges, and basic needs insecurity. Differences in students' reliance on debt could be attributed to inaccurate estimates in the costs students pay, differential access to employment amongst different groups of students, or the need for a so-called "negative EFC" that recognizes a broader conception of students' financial responsibilities. Only by better understanding the problem will appropriately targeted solutions be crafted. Our organizations offer support and partnership in such continued inquiry and analysis.

[7] University of California Office of the President. For UC Regents Meeting on July 17, 2019. "Student Loan Debt Patterns among University of California Undergraduates." https://regents.universityofcalifornia.edu/regmeet/july19/a2.pdf.

4. We request a process whereby students with limited or no work capacity due to uncontrollable factors can make a request for waiving their self-help contribution. These reasons include lacking work authorization, having a debilitating disability, or caretaking full time for a dependent.

Closing persisting equity gaps in higher education access, affordability, and completion requires well-targeted investments in and allocations of all types of financial aid, including institutional resources. We applaud the UC for taking steps to ensure its aid award packaging is more equitable, robust, and better targeted. We thank you for your continued commitment to college affordability and closing equity gaps, and stand ready to work alongside you in your efforts to better support under-resourced and underrepresented students.

Sincerely,

Debbie Cochrane
Executive Vice President
The Institute for College Access & Success

Aidan Arasasingham
President
University of California Student Association

CC: Shawn Brick, Executive Director, UCOP Student Financial Support