

Assembly Select Committee on the Master Plan for Higher Education in California

Marc Berman, Chair

Introduction

Thank you Chair Berman and members for the opportunity to testify before you today. As the Executive Director of the California Student Aid Commission, which administers more than **\$2 billion dollars** in grant aid to California college students, I am pleased to provide an update on the status of financial aid in California and discuss the Commission's vision for a 21st century financial aid system that serves the needs of today's students.

Who is served by the current financial aid system?

I'd first like to start out by thanking the Administration and the Legislature for your strong support of our financial aid programs, which serve over 400,000 California undergraduates.

California has the most robust and progressive financial aid system in the country in terms of supporting low- and middle-income students:

- The Cal Grant High School Entitlement Program ensures that **all current or recent high school graduates that meet income and GPA requirements are entitled to State grant aid**. This program makes the dream of attending college a reality for many students and lifts low-income students and their families out of poverty. This grant provides up to four years of support for full-time students, paying **100 percent of tuition and fees** at a UC or CSU campus, or up to \$9,000 dollars at a private four-year institution.
- Similarly, the Cal Grant Transfer Entitlement Program provides that **a student who attends a California Community College, transfers before age 28, and meets income and GPA requirements, is entitled to a Cal Grant at a four-year institution**. These entitlement programs are important because they set us apart from most other states.
- It is also important to recognize California's support for undocumented and Dreamer students. The **California Dream Act Application** allows Dreamers to access State financial aid, which is critical to helping this population afford college, since they are currently ineligible for federal financial aid, such as the Pell Grant or Federal Work Study programs.

We are proud of the fact that **California has one of the most generous and progressive financial aid systems in the country.** However, the ongoing student debt crisis and the focus on food and housing insecurity have provided an opportunity for us to reexamine our system, and to discuss how it can be modernized to serve the needs of *today's* student.

What are the shortcomings of the current financial aid system?

There are several gaps in our current financial aid system that should be addressed through comprehensive Cal Grant reform.

Competitive Program

Students that do not qualify for a High School or Transfer entitlement may still be considered for financial aid through the Competitive Cal Grant program, which is not an entitlement program and offers a fixed number of awards per year, currently **25,750**. However, each year, over 350,000 students apply, meaning **less than eight percent** of applicants will receive an award. Most of the students that are considered for a Competitive Cal Grant are non-traditional, returning, or older students. In a rapidly changing economy, policymakers should consider whether we should limit the financial aid available to older adults who need to attend college to learn new skills or compete in new industries.

Cal Grant B Access Award

The major statewide grant program that provides support for college expenses beyond tuition is the Cal Grant B Access Award (which can be used to finance any non-tuition educational expenses including textbooks/ educational supplies, housing, transportation, etc.). Currently, the **Access Award provides eligible students with up to \$1,672 dollars per year.**

The Access Award has not kept pace with inflation and is an insufficient amount of support in the face of rising housing costs. According to historical sources, the Access Award was set at approximately \$900 dollars when first implemented in the late 1960s – **an amount equivalent to roughly \$6,000 in 2017 inflation-adjusted dollars.** The Access Award is thus worth only 25 percent of its original value.

The Commission strongly encourages the Legislature to appropriate funding to phase in an increase to the Cal Grant B Access Award. While an increase in funding for this award carries with it a substantial fiscal impact to the State, it would also pay significant dividends, by reducing student food and housing insecurity, and reducing reliance on loan debt.

The Cal Grant Gap

In the High School Entitlement program, the differing income ceilings and GPA requirements between Cal Grant A and Cal Grant B create **a gap that causes over 30,000 low- to middle-income students to be ineligible for a Cal Grant**. The Cal Grant B program requires eligible students to have at least a 2.0 high school GPA, while the Cal Grant A program requires a 3.0 GPA. However, the income ceiling for Cal Grant A (\$98,900 for a family of four) is higher than that for Cal Grant B (\$58,200).

Consider, for example, a student from a family of four that earns \$60,000 – approximately half of what economists say a household needs to earn to afford an apartment in San Francisco or San Mateo counties. If this student has a high school GPA below 3.0, regardless of the college to which they are admitted, they **will not be eligible for an Entitlement Cal Grant under our current program rules**.

First-Year Tuition Coverage for Cal Grant B

Currently, nearly all students receiving a Cal Grant B award and attending a four-year institution (public or private) receive the access award for books and supplies (\$1,672 dollars) in their first year of attendance, but **do not receive a Cal Grant for tuition and fees**. This is due to a 1970s-era provision in law that assumed all students from a low-income background would automatically attend a community college first and thus did not “need” tuition and fees coverage.

This arcane provision leaves low-income students without any State grant aid for tuition and fees during their first year (UC and CSU have stated that they generally provide institutional aid to cover these students’ first-year tuition costs). This provision also excludes students attending private institutions from receiving up to \$9,084 in Cal Grant aid for tuition and fees. This exclusion unnecessarily adds to the complexity of the Cal Grant program, and is based on obsolete assumptions about low-income families.

What is the future of financial aid?

Beyond addressing administrative issues with the Cal Grant program, the State needs to do more to better address the Total Cost of Attendance beyond just tuition and fees, considering that the costs associated with living expenses are outpacing rising tuition/fee costs.

One of my top priorities as Executive Director of the Student Aid Commission has been reinstating SEARS – the Student Expenses and Resources Survey. This comprehensive survey of students at all five segments of higher

education was conducted every three years from the early 1970s through 2006-07, then suspended due to funding cuts. SEARS was used to build a statewide Student Expense Budget – an annual estimate of what a typical California student can expect to pay for non-tuition costs of attending college, including housing, food, transportation, and books and supplies.

Since 2006-07, the Commission has used the Consumer Price Index to simply apply the cost of inflation to the previous year's Student Expense Budget estimates – but since we know that some costs, especially housing, have increased *much* faster than the rate of inflation, it is imperative that we develop more reliable, accurate estimates of the actual out-of-pocket costs borne by today's college student.

I am pleased to report that, in 2018, the Student Aid Commission will be reinstating this survey for the first time in more than a decade. A pilot version conducted this spring was sent to over 80,000 students attending dozens of community colleges, and this fall we will roll out the full SEARS survey to hundreds of thousands of students attending our UC, CSU, community college, and private institutions (including both nonprofit and for-profit colleges).

We have also, as you know, been requested by the Legislature to develop recommendations for reforming California grant aid programs and simplifying our overall financial aid system. Through a partnership with the Century Foundation and a team led by Mr. Robert Shireman, we commissioned a report, released this spring, that includes these and many other recommendations for a modern, 21st-century financial aid system.

Our vision for financial aid is **a streamlined, single State grant aid program that makes the overall cost of attendance manageable for all low- and middle-income students** by reducing the need to rely on loan debt, increasing the amount of aid provided to students with the highest overall need, and doubling down on the State's commitment to college affordability.

The handout in front of you depicts a model of financial aid that consolidates the Cal Grant A, Cal Grant B, and Middle Class Scholarship programs into a single, unified Cal Grant.

- The Cal Grant would continue to cover full tuition and fees, for all low-income students, for the full four years of attendance.
- Support for non-tuition costs (currently the Cal Grant B Access Award) would increase as the student's family income decreased, ensuring

that students with the greatest amount of need receive the most support for their college costs.

- At the middle-income cut-off, the Cal Grant award would phase out to cover a percentage of tuition and fees, just as the Middle Class Scholarship program currently does, but without such dramatic “cliffs.”
 - The “cliff” effect refers to the fact that the Cal Grant A covers 100 percent of tuition and fees at a public university, but the MCS maxes out at 40 percent of tuition and fees, meaning that a difference of \$1,000 dollars (or less) in family income could cost a student several thousands of dollars in grant aid.
- This vision of financial aid reform still retains the original intent of the Cal Grant and Middle Class Scholarship programs but streamlines the program so that it more closely aligns with how federal Pell Grants are administered.
- Additionally, this reform model will eliminate administrative barriers that keep students out of the program, including the Cal Grant Gap and the lack of tuition coverage for first-year Cal Grant B students.
- The benefit is that it removes the complexity from the student’s perspective and from a messaging standpoint.
 - This means that the Commission, legislators and other policymakers, high school counselors, and campus financial aid offices can simply communicate that a student qualifies for a Cal Grant at a specific amount rather than having to explain the differences in award amounts, eligibility requirements, etc., between each program. We are essentially putting the complexity of the program “behind the curtain.”

The administrative details, statutory language, and cost estimates associated with this reform are still in development. However, the Commission believes Cal Grant reform can be achieved with buy-in from all stakeholders: students, segments, the Legislature, and Administration.

Thank you for the opportunity to testify and we look forward to further discussion on creating a 21st century master plan with a robust financial aid system. I am happy to answer your questions.