

March 5, 2014

# Financial Aid Overview

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LEGISLATIVE ANALYST'S OFFICE

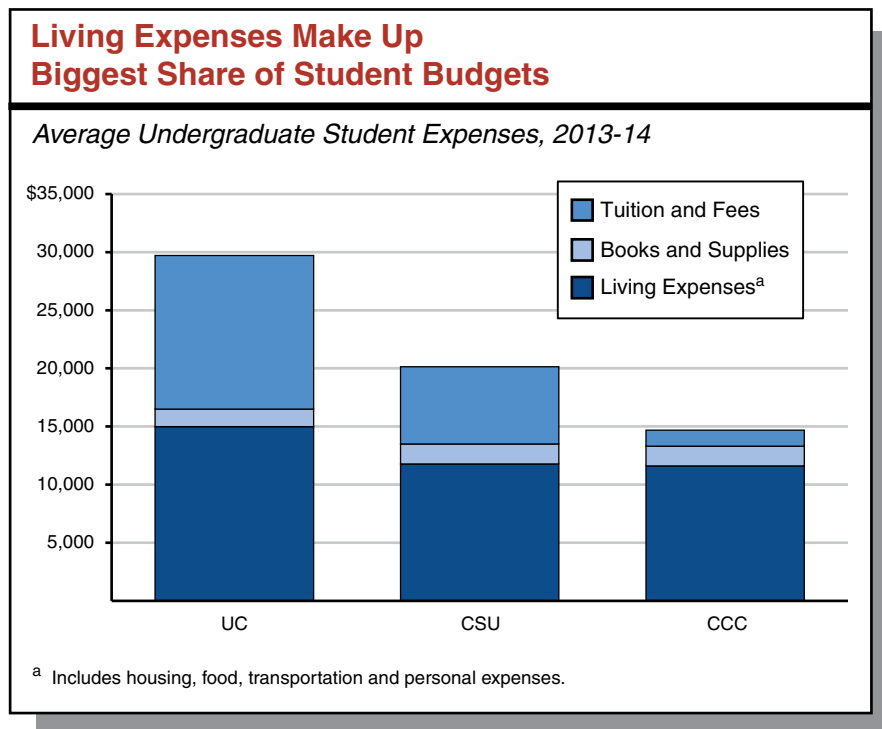
Presented to:  
Assembly Budget Subcommittee No. 2 on  
Education Finance  
Hon. Al Muratsuchi, Chair





## Students' Costs of Attendance

- Living Expenses Make Up Majority of Student Budget.** These expenses, including housing, food, transportation, and personal expenses, are similar across segments.
- Tuition and Fee Levels Differ Significantly Across Segments.** Education fees comprise roughly 45 percent of average student budgets at the University of California (UC), 33 percent at the California State University (CSU), and 9 percent at California Community Colleges (CCC).
- State's Institutional Subsidies Not Reflected.** In 2013-14, the state is providing institutional subsidies of about \$13,700, \$8,100, and \$6,100 per full-time equivalent student at UC, CSU, and CCC, respectively. These educational costs do not show up in students' budgets.



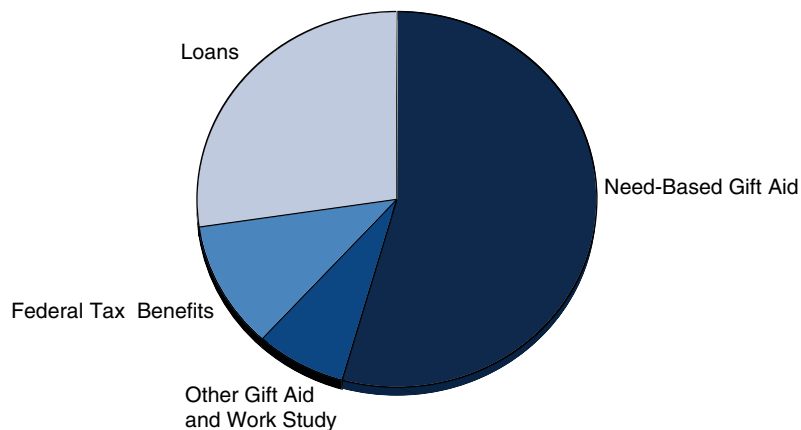


## Aid Programs Help Financially Needy Students Cover Costs

### Major Sources of Financial Aid Received by California's Public College Students<sup>a</sup>

2012-13 (In Billions)

<b>Need-Based Gift Aid</b>	
Federal Pell Grants and supplemental opportunity grants	\$2.8
Institutional grants and waivers	2.2
State Cal Grants	1.5
Subtotal	\$6.4
<b>Other Gift Aid and Work-Study</b>	
Scholarships and fellowships	\$0.7
Non-need-based fee waivers	0.1
Federal and institutional work-study	0.1
Subtotal	\$0.9
<b>Federal Tax Benefits</b>	
Federal tax deductions and credits	\$1.3
<b>Loans</b>	
Subsidized federal student loans	\$1.3
Unsubsidized federal student/parent loans	1.8
Nonfederal loans	0.1
Subtotal	\$3.2
<b>Total</b>	<b>\$11.8</b>



<sup>a</sup> Reflects our estimates using multiple data sources, including data from the segments and federal government. Though some of the data shown are readily available for private college students (such as Pell Grants), other data (such as institutional aid) are not.



## Campuses Package Financial Aid

<b>Typical CSU Financial Aid Packages</b>			
<i>Family of Four With One Child in College<sup>a</sup>, 2013-14</i>			
<b>Parent Income</b>	<b>\$20,000</b>	<b>\$60,000</b>	<b>\$100,000</b>
Parent contribution	—	\$3,780	\$14,926
Federal grants	\$6,445	1,895	—
Cal grant	1,473	5,472	—
Institutional grant	5,472	—	—
Student responsibility (loan/work)	9,450	11,693	7,914
<b>Totals</b>	<b>\$22,840</b>	<b>\$22,840</b>	<b>\$22,840</b>

<sup>a</sup> Assumes student is an entering freshman.

**Families Submit Information on Free Application for Federal Student Aid (FAFSA)**

- The federal Department of Education determines Expected Family Contribution (EFC). Financial need is defined as a campus' cost of attendance minus EFC.

**Federal Aid Packaged First, Institutional Aid Last**

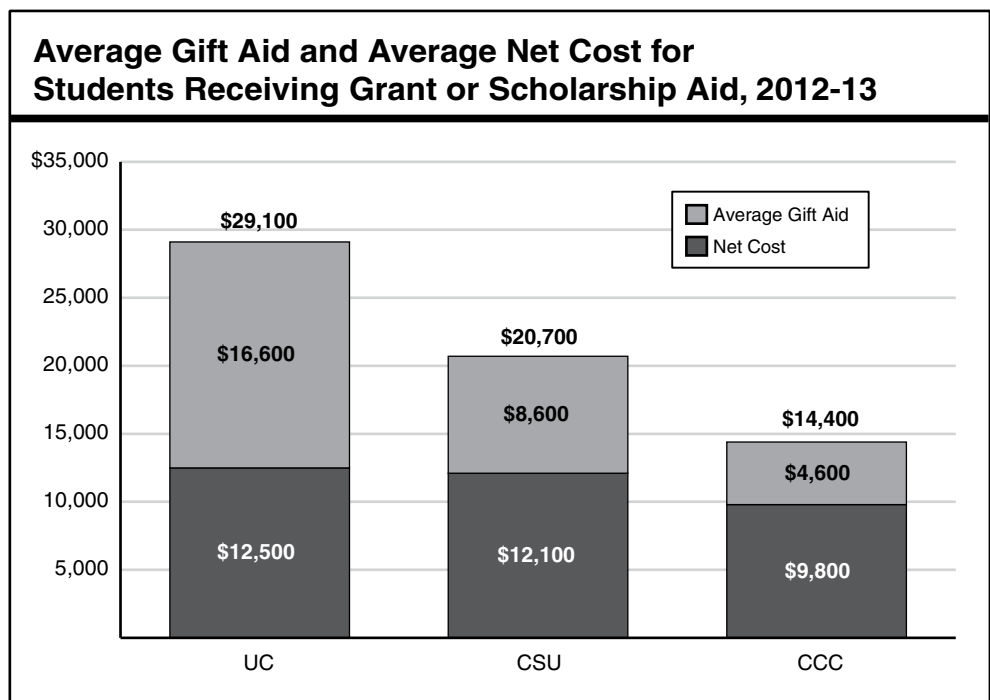
- Pell Grants provide up to \$5,645 toward costs of attendance. Other federal aid includes supplemental grants, work-study, and federal loans.
- Cal Grants provide tuition support at UC, CSU, and private colleges. For some recipients (including CCC students), they also provide stipends for books and supplies.
- Institutional aid generally covers tuition and fees, ranging from \$46 per unit at CCC to \$12,192 per year at UC. At UC, aid also may help cover living costs.

**About Half of Public College Students Receive Full Tuition Coverage**



## Many Students Pay Far Less Than Total Cost of Attendance

- ✓ Students' Net Cost Is Total Cost of Attendance Minus Gift Aid
- ✓ Despite Large Differences in Total Costs, Net Costs Are More Similar Across Segments





## Cal Grants Awards and Eligibility Criteria

**Entitlement Awards Guaranteed for Eligible Students**

<b>Entitlement Program Requirements—New Applicants</b>	
<i>Dependent Students, 2013-14</i>	
<b>Program</b>	<b>Criteria</b>
High School Entitlement Cal Grant A	<ul style="list-style-type: none"> <li>• 3.0 high school grade point average (GPA)</li> <li>• \$83,100 income ceiling (family of four)</li> <li>• Application by March 2 of year graduated high school or following year</li> <li>• Enrolled in associate, baccalaureate, or transfer program</li> </ul>
High School Entitlement Cal Grant B	<ul style="list-style-type: none"> <li>• 2.0 high school GPA</li> <li>• \$43,700 income ceiling (family of four)</li> <li>• Application by March 2 of year graduated high school or following year</li> <li>• Enrolled in degree or certificate program at least one year long</li> </ul>
Transfer Entitlement Cal Grant A and B	<ul style="list-style-type: none"> <li>• 2.4 college GPA</li> <li>• Income ceilings correspond to A and B above</li> <li>• Transfer from CCC to baccalaureate institution</li> <li>• Under age 28 as of December 31 of first award year</li> </ul>
<p>Note: Cal Grant A awards provide tuition funds for up to four years. Cal Grant B awards provide access awards (stipends) for up to four years and tuition funds after the freshman year.</p>	

**Limited Number of Competitive A and B Awards**

- Up to 22,500 new awards authorized per year for students who meet income and grade point average (GPA) criteria of entitlement programs but are not recent high school graduates or transfers.

**Cal Grant C for Occupational Programs**

- Up to 7,761 new awards authorized per year for students enrolled in occupational, technical, or vocational programs at least four months long. Funding available up to two years.



## General Cal Grants Eligibility Criteria

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### **To Qualify for Cal Grant Awards, a Student Must:**

- Be a California resident.
- Be a U.S. citizen or eligible noncitizen.
- Meet U.S. selective service requirements.
- Attend a qualifying postsecondary institution.
- Be enrolled at least half time.
- Maintain satisfactory academic progress.
- Not be in default on any student loan.
- Not owe any federal or state grant refund.
- Not have assets in excess of \$64,300.



### **To Participate in Cal Grant Programs, an Institution Must:**

- Meet federal financial aid standards.
- Maintain a student loan default rate below 15.5 percent.
- Maintain a graduation rate above 30 percent.
- Report enrollment, persistence and graduation data for all students and Cal Grant recipients as well as job placement and earnings data for occupational programs.



## Cal Grant Awards and Amounts Differ by Segment

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### Cal Grants for Students at Public Institutions

- UC students primarily receive Cal Grant A awards covering full tuition (\$12,192 annually) for four years.
- CSU students primarily receive Cal Grant B awards including access grants, or stipends, of \$1,473 each year for living costs and full tuition coverage (\$5,472 annually) after the first year.
- CCC students primarily receive Cal Grant B access awards (\$1,473). These students also receive CCC fee waivers (about \$1,400 annually for a full-time student).



### Cal Grants for Students at Private Institutions

- Students at private nonprofit and Western Association of Schools and Colleges (WASC)-accredited for-profit institutions primarily receive Cal Grant A awards contributing up to \$9,084 annually toward tuition for four years.
- Students at other for-profit institutions can receive Cal Grant A awards (contributing \$4,000 toward tuition each year), Cal Grant B awards (providing access awards annually and tuition funds after the first year), or Cal Grant C awards (providing up to \$2,462 for occupational or technical training and \$547 for books and supplies).





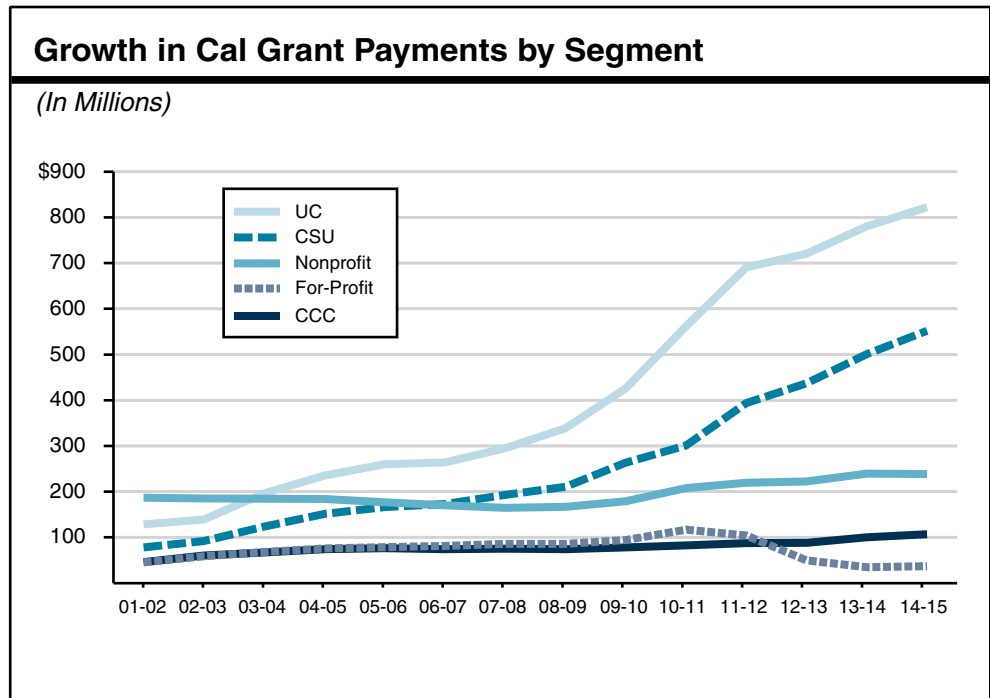
## Cal Grant Recipients and Funding Differ by Segment

(2013-14)

Cal Grant Recipients and Funding by Segment				
	Recipients	Percent of Total	Funding (In Millions)	Percent of Total
<b>By Segment</b>				
California State University	97,755	34%	\$501	30%
California Community Colleges	89,968	31	100	6
University of California	64,892	23	781	47
Private nonprofit institutions	27,128	9	240	14
Private for-profit institutions	5,991	2	35	2
<b>Totals</b>	<b>285,734</b>	<b>100%</b>	<b>\$1,656</b>	<b>100%</b>
<b>By Program</b>				
High School Entitlement	210,671	74%	\$1,331	80%
CCC Transfer Entitlement	27,224	10	214	13
Competitive	39,370	14	105	6
Cal Grant C	8,468	3	6	—
<b>Totals</b>	<b>285,733</b>	<b>100%</b>	<b>\$1,656</b>	<b>100%</b>
<b>By Award Type</b>				
Cal Grant A	102,943	36%	\$985	59%
Cal Grant B	174,321	61	665	40
Cal Grant C	8,468	3	6	—
<b>Totals</b>	<b>285,732</b>	<b>100%</b>	<b>\$1,656</b>	<b>100%</b>



## Cal Grants and the State Budget



- Cal Grant Costs Doubled From 2007-08 to 2011-12
- Increase in Public University Tuition Rates Was Major Cost Driver From 2007-08 to 2011-12
- Costs Continue to Rise Due to Increase in Participation



## Recent Financial Aid Developments

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### **Cal Grants**

- Required students to recertify income and assets (in addition to financial need) annually.
- Limited institutional eligibility based on student outcomes (cohort default rate and graduation rate).
- Reduced maximum award amounts (except for tuition awards at UC and CSU).



### **California Dream Act**

- Made certain students who are not legal residents of California eligible to receive privately funded scholarships from UC, CSU, and CCC.
- Also made these students eligible to receive state and institutional financial aid.



### **Middle Class Scholarship Program**

- Provides UC and CSU students with family incomes up to \$100,000 scholarships up to 40 percent of tuition charge. Scholarships decline from 40 percent to 10 percent of tuition charge for family income between \$100,000 and \$150,000.
- Phases in over four years.
- Provides \$107 million in 2014-15, \$152 million in 2015-16, and \$228 million in 2016-17, with funding capped at \$305 million beginning in 2017-18.



## **Governor's Cal Grant Budget Proposals**

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- Assumes Tuition Flat (For Fourth Consecutive Year)**
- Recognizes Higher Net Cal Grant Costs (\$100 Million)**
- Makes One Change to Cal Grant Eligibility (\$15 Million)**
  - Allows students who become ineligible because they exceed the income cap to become eligible again if their income falls below the cap.



## **LAO Assessment and Recommendations**

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- Recommend Adopting Cal Grant Augmentation**
- Recommend Adopting Cal Grant Eligibility Change**
- Recommend Directing Student Aid Commission to Evaluate Outreach Programs**
  - Two state outreach programs, California Student Opportunity and Access Program (Cal-SOAP) and California Cash for College, currently receive federal funding that is scheduled to expire in 2015.
  - Legislature could use evaluation to determine whether to continue funding these outreach efforts.