

March 13, 2014

# Financial Aid Overview

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LEGISLATIVE ANALYST'S OFFICE

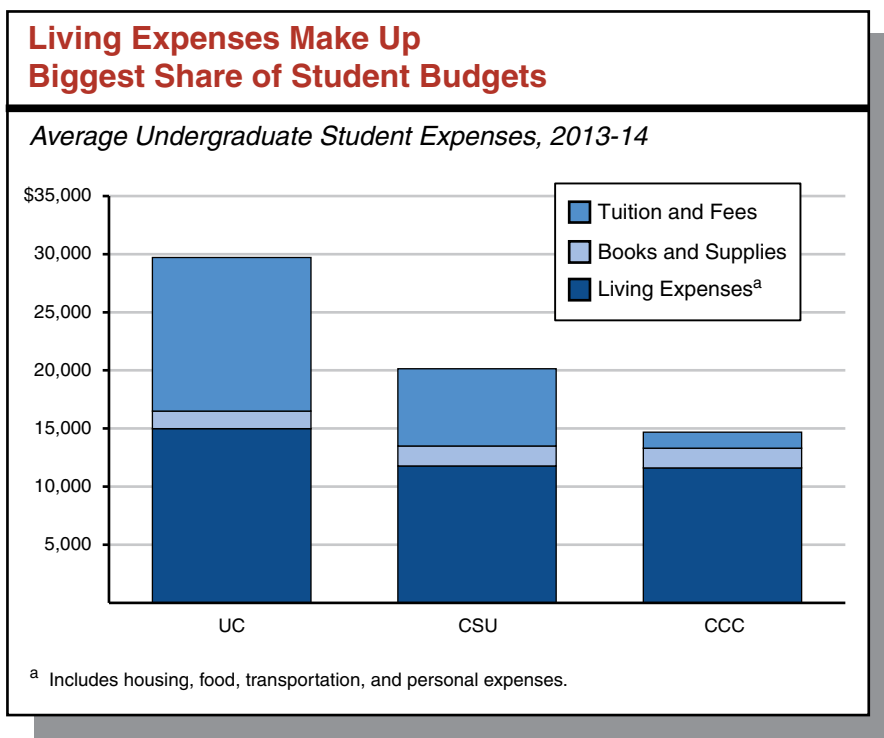
Presented to:  
Senate Budget and Fiscal Review  
Subcommittee No. 1 on Education  
Hon. Marty Block, Chair





## 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.



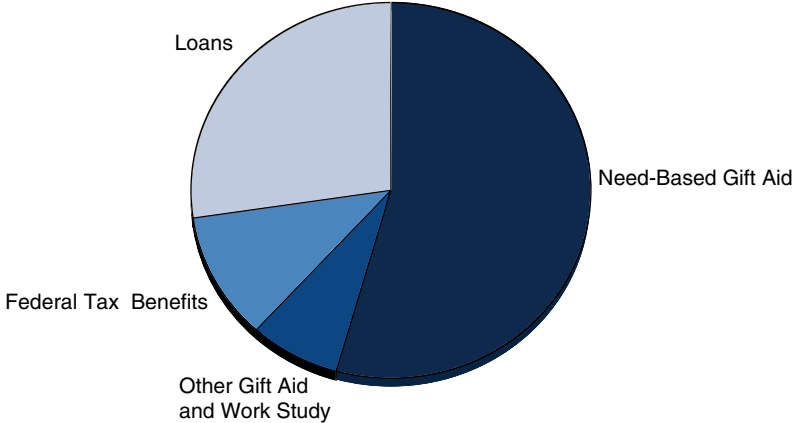


# Financial Aid Programs

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

2012-13 (In Billions)

Need-Based Gift Aid	
Federal Pell Grants and supplemental opportunity grants	\$2.8
Institutional grants and waivers	2.2
State Cal Grants	1.5
Subtotal	\$6.4
Other Gift Aid and Work-Study	
Scholarships and fellowships	\$0.7
Non-need-based fee waivers	0.1
Federal and institutional work-study	0.1
Subtotal	\$0.9
Federal Tax Benefits	
Federal tax deductions and credits	\$1.3
Loans	
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.

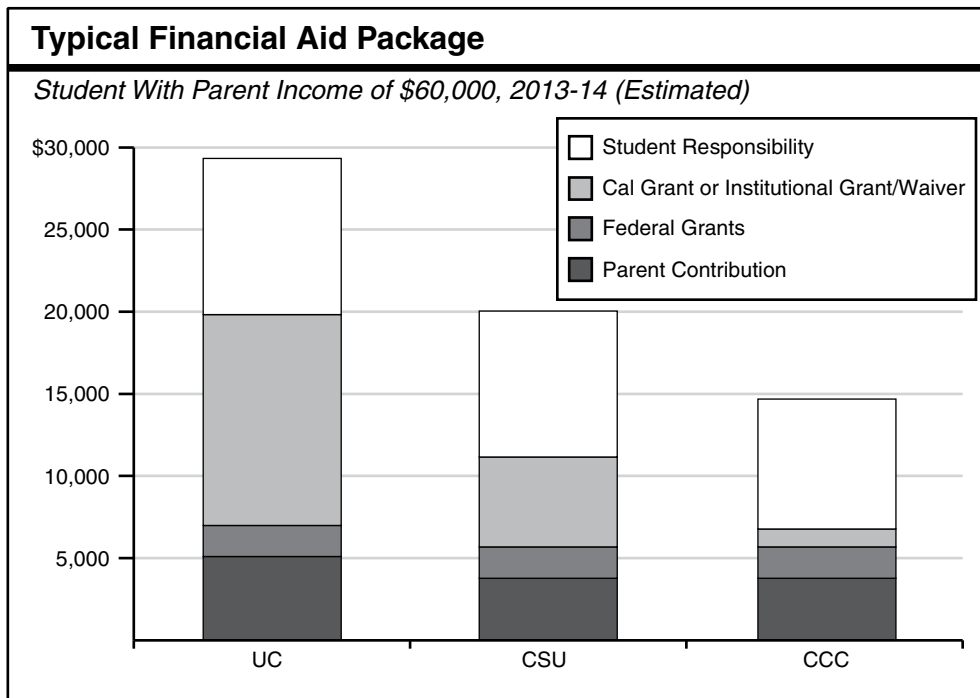


## Financial Aid Packages



### Typical Financial Aid Packages Vary Across Segments

- Most financial aid is based on a student’s financial need.
- The federal Department of Education determines an Expected Family Contribution (EFC) based on information families submit through the Free Application for Federal Student Aid (FAFSA).
- A student’s need is defined as a campus’ cost of attendance minus the student’s EFC.
- Because Cal Grants fully cover tuition at UC and CSU, they make up a larger share of packages for students at the universities.





## Many Students Receive Full or Partial Tuition Coverage

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- ☑ ***Grants Fully Cover Tuition for More Than Half of UC and CSU Students.*** Between Cal Grants and institutional aid, many lower- and middle-income families pay no tuition.
  - The UC's Blue and Gold Opportunity Plan guarantees full tuition coverage for students with family incomes up to \$80,000.
  - At CSU, students with family incomes up to about \$75,000 typically pay no tuition.
  
- ☑ ***Nearly Half of CCC Students Pay No Fees.*** The Board of Governors (BOG) Fee Waiver covers more than 60 percent of units taken.



## Cal Grant Awards and Eligibility Criteria

- Entitlement Awards Guaranteed for Eligible Students**
- 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.

<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>	



## General Cal Grant 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. 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).





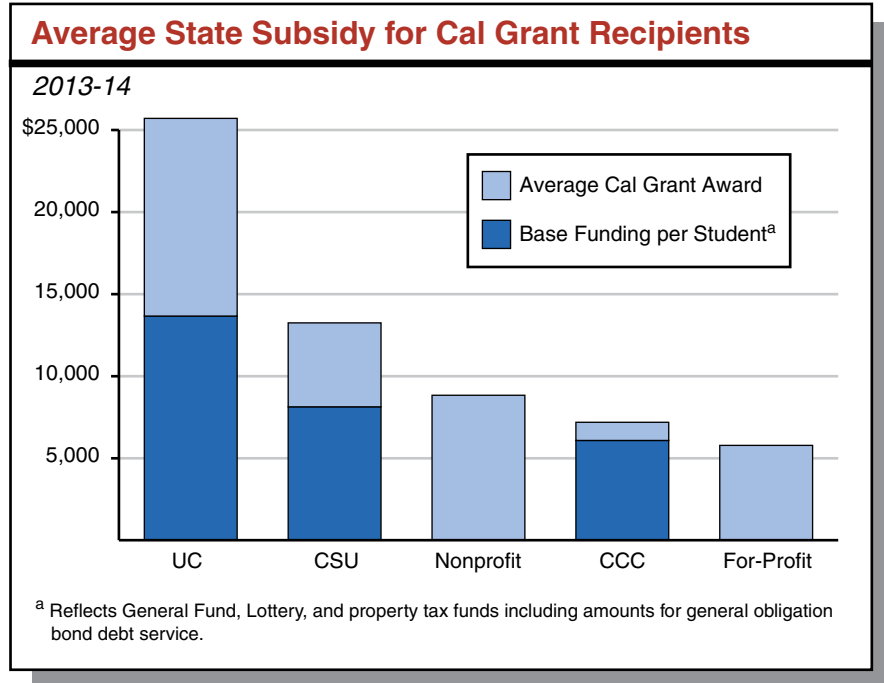
## Cal Grant Recipients and Funding Differ by Segment

(2013-14)

	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>



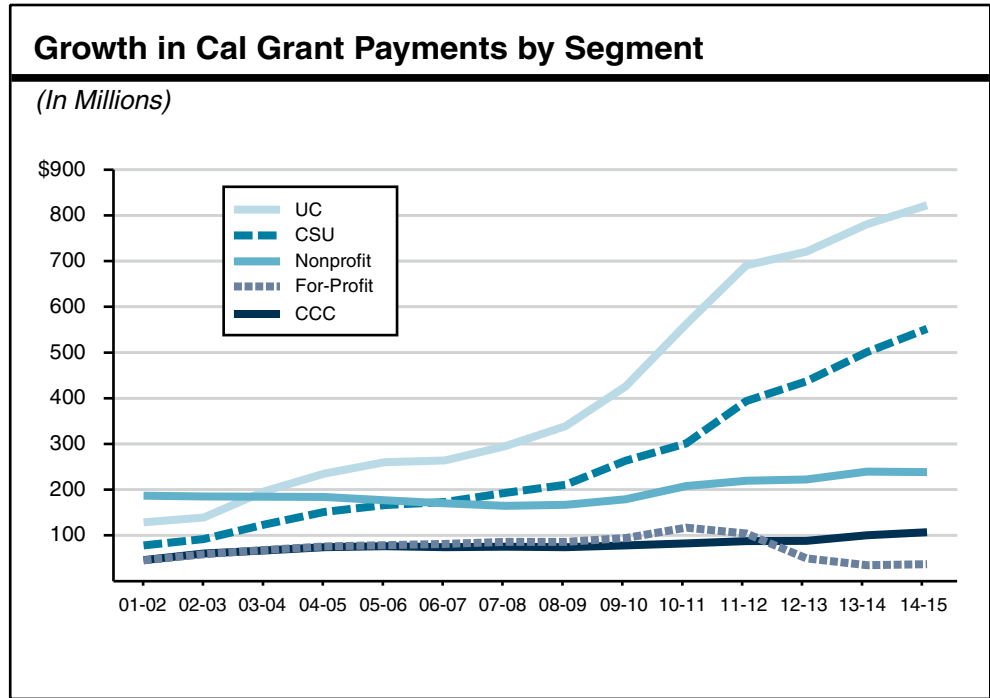
## Differences in Total State Subsidy by Segment



- The State Provides Base Funding to the Public Segments in Addition to the Cal Grants Paid to Students**
- Private Colleges Receive No Base Funding**



## 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)**
- Funds First-Year Implementation of Middle Class Scholarship Program (\$107 Million)**
- 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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- Tuition Freeze Likely to Have Negative Consequences**
  - Recommend share-of-cost policy.
  
- Middle Class Scholarships Likely to Be Prorated**
  - Consider prioritizing scholarship awards.
  - Recommend time limit consistent with other financial aid programs.
  
- 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.