

May 12, 2010

Affordability, Student Services, And Capital Outlay

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Budget Subcommittee No. 2
On Education Finance

Hon. Wilmer Amina Carter, Chair





Higher Education Capital Outlay

Higher Education Capital Outlay Appropriations					
<i>(In Millions)</i>					
	2007-08	2008-09	2009-10	Proposed 2010-11	LAO Recommendation
University of California					
General Obligation Bonds	\$450	\$57	\$31	\$12	\$3
Lease Revenue Bonds	70	205	—	343	194
Subtotals	(\$520)	(\$261)	(\$31)	(\$355)	(\$197)
California State University					
General Obligation Bonds	\$417	\$72	\$16	\$10	\$5
Lease Revenue Bonds	—	224	—	76	19
Subtotals	(\$417)	(\$296)	(\$16)	(\$86)	(\$24)
California Community Colleges	\$536	\$444	\$194	\$111	\$111
Totals	\$1,473	\$1,001	\$241	\$552	\$332



Governor’s Budget Proposal.

- The University of California (UC) and California State University (CSU) proposals rely heavily on authorizing new lease-revenue bonds because the universities’ general obligation bond balances are minimal.
- Community college projects are funded exclusively with general obligation bonds, mainly through reversions and bid savings on previously approved projects.



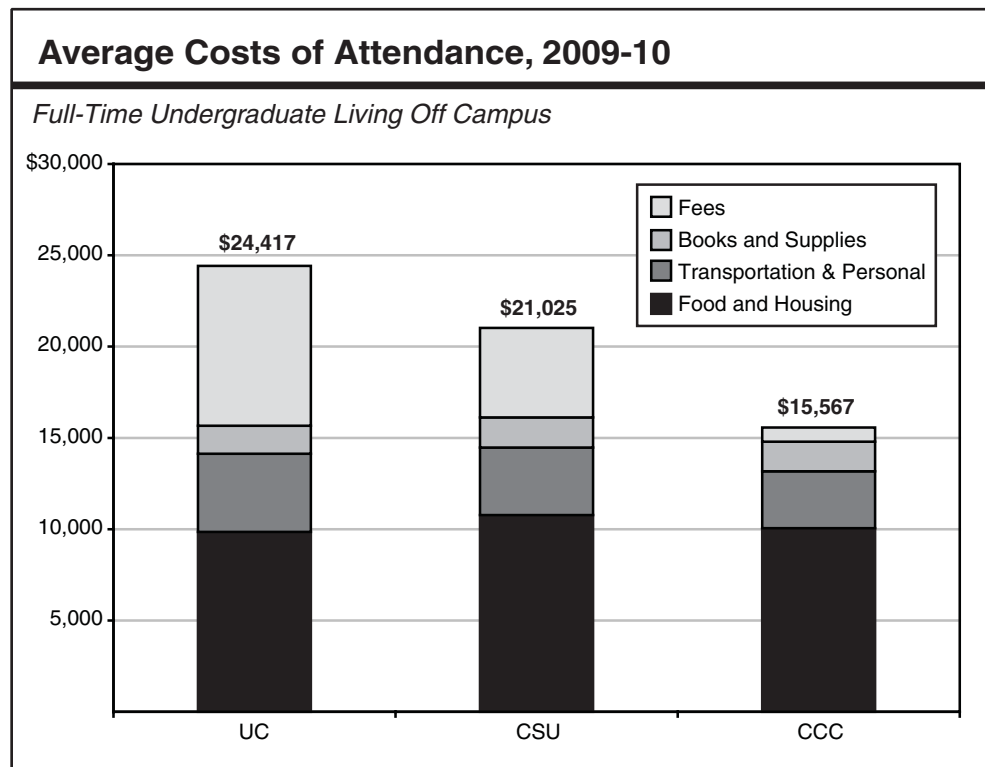
LAO Recommendation.

- We recommend downsizing the Governor’s proposal for UC and CSU to only include life-safety projects and equipment necessary to complete previously approved projects.
- Limiting bond authorizations to only these projects would reduce 2010-11 bond authorizations by \$222 million and out-year capital outlay obligations by \$143 million compared to the Governor’s proposal while still funding the universities’ most critical capital outlay projects.



Affordability

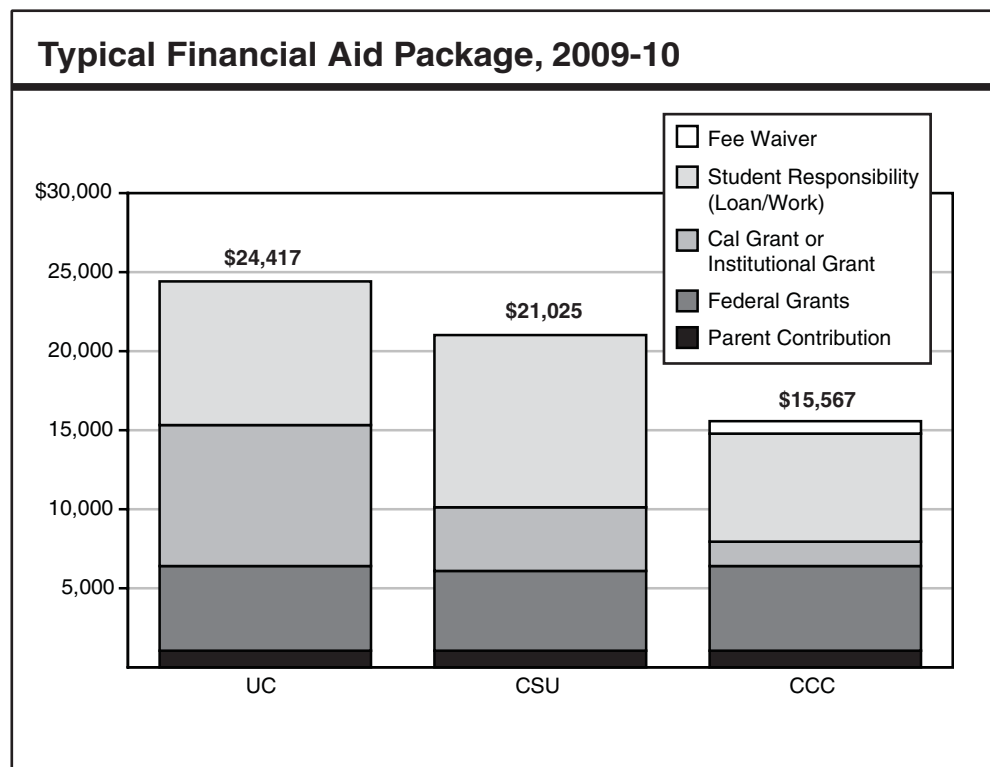
- Living expenses such as food and housing, transportation, and personal expenses are similar across segments, and make up the majority of student budgets.
- Costs for books and supplies are about \$1,600 annually at each segment.
- Fee costs differ significantly, comprising more than one-third of average student budgets at the University of California (UC), 23 percent at the California State University (CSU), and 5 percent at community colleges.





Financial Aid Is “Packaged” for Individual Students

- ☑ Typical financial aid packages vary across segments.
 - Most financial aid programs, including federal Pell grants, are based on student financial need.
 - The students’ need is calculated from family information submitted through Free Application for Federal Student Aid (FAFSA) and total costs of attendance.
 - Because Cal Grants fully cover fees at UC and CSU, they make up a larger share of packages for students at the universities.
 - The student’s contribution is a specified amount at UC, and a varying amount at the other segments.





Many Students Receive Full or Partial Fee Coverage

- Nearly half of CSU students have fees fully covered by grants.
 - Between Cal Grants and Institutional Aid, students from families with incomes of \$75,000 or less pay no fees, according to CSU.

- More than one-third of UC students have fees fully covered by grants.
 - The UC's Blue and Gold Opportunity Plan guarantees full fee coverage for students from families with income of \$60,000 or less (\$70,000 in 2010-11).
 - In addition, about 20 percent of students receive partial fee coverage from UC.

- Fees are waived for about 40 percent of community college enrollment.
 - Board of Governors Fee Waivers are available to all residents who demonstrate financial need. In recent years, about 30 percent of community college students (representing 40 percent of units taken) have received fee waivers.
 - A community college student from a family of four with a family income up to approximately \$65,000 if living at home, or \$80,000 if living off campus, could qualify for a fee waiver.



Student Debt Is Relatively Low in California

- ☑ Relatively few California students report high student debt levels.
 - In a recent survey, 96 percent of public college and university students in California reported cumulative debt of \$6,000 or less, with most reporting no debt.

- ☑ In 2008-09, 58 percent of CSU baccalaureates graduated with no student loan debt.
 - Nationally, the corresponding figure is 38 percent.
 - Among students who borrowed, the average debt upon graduation was \$14,330, compared with a national average of \$23,200.

- ☑ In 2006-07, 48 percent of UC baccalaureates graduated with no student loan debt.
 - Among those who borrowed, the average debt upon graduation was \$14,665.

- ☑ In 2006-07, more than 80 percent of community college students reported having no student debt.



Governor Proposes to Suspend New Cal Grant Competitive Awards



Suspension Contained in Budget Bill Language

- Prohibits commission from making new awards for the Cal Grant Competitive Program.



Competitive Program Is Part of California's Comprehensive Affordability Strategy

- About one-fifth of Cal Grant awards (and 14 percent of Cal Grant dollars) awarded in 2008-09 were from the competitive program.
- Unlike the Cal Grant entitlement program, the competitive program is selective.
- A limit of 22,500 new awards are authorized annually. Only about one in six eligible applicants is selected for an award.
 - Selection criteria are weighted with 70 percent based on grade point average (GPA) and 30 percent based on various measures of disadvantage (such as parents' educational level, family income, and household size).
 - Recipients tend to be older, nontraditional students. About two-thirds are community college students. All are academically successful and financially needy.

Cal Grant Recipient Characteristics		
<i>(2007-08)</i>		
Averages	Entitlement Program^a	Competitive Program
Age	18	30
GPA	3.10	3.27
Income	\$28,771	\$14,895
Family size	4.1	3.0
^a High school component only.		
Source: California Student Aid Commission		



Alternative Reductions



Alternatives Would Preserve Structure of Financial Aid System

- Other alternatives could yield General Fund savings with less damage to the structure of California's financial aid system.
 - ***Increase minimum GPA for Cal Grant B eligibility from 2.0 to 2.5.*** Students with a GPA below 2.5 have low rates of persistence and success in college. (\$13 million, 13,500 students)
 - ***Eliminate non-need-based fee waivers.*** State financial aid resources should be targeted to students who could not otherwise afford college. (\$20 million, 5,000 students)
 - ***Restrict new competitive awards to stipends only.*** This saves the majority of new grant funds while preserving access for recipients. (\$25 million)
 - ***Reallocate proposed augmentations.*** A portion of the proposed augmentations to university budgets could instead be used to maintain student financial aid programs.
- For predictability and consistency, preserving the entitlement programs should be the highest Cal Grant priority, followed by preserving the competitive program.
- Governor's proposed trigger cuts (freezing income eligibility limits and no longer covering full fees at the universities) would undermine the entitlement program.