

Financial Aid and the State Budget

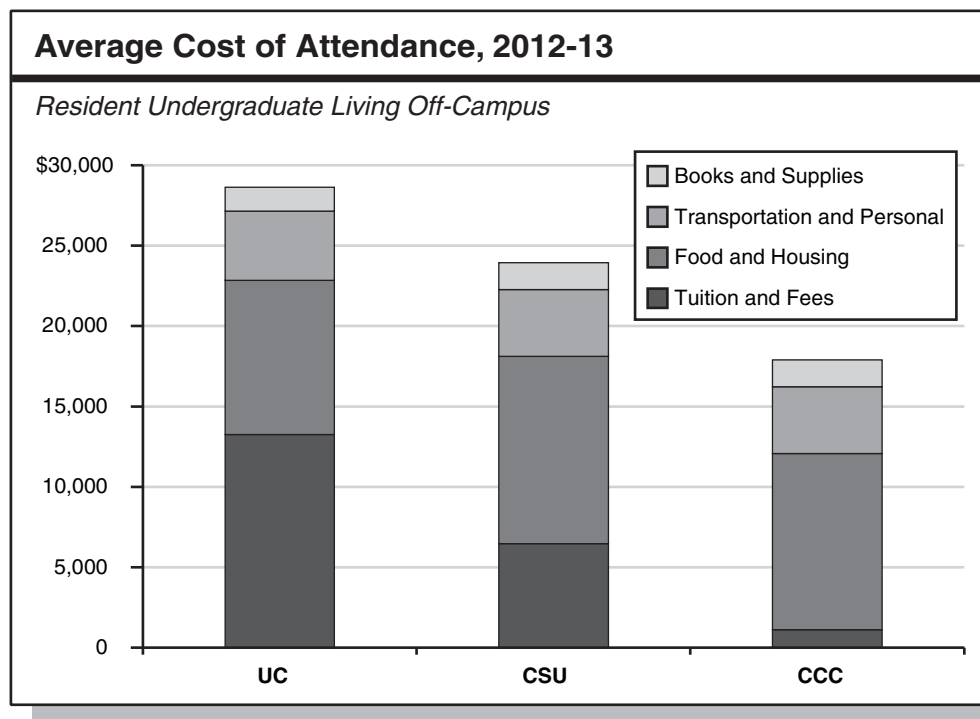
LEGISLATIVE ANALYST'S OFFICE

Presented to:
Assembly Budget Subcommittee No. 2 on Education Finance
Hon. Susan Bonilla, Chair





Costs of College Attendance



Food and Housing Largest Cost of Attendance (COA) for Most Students

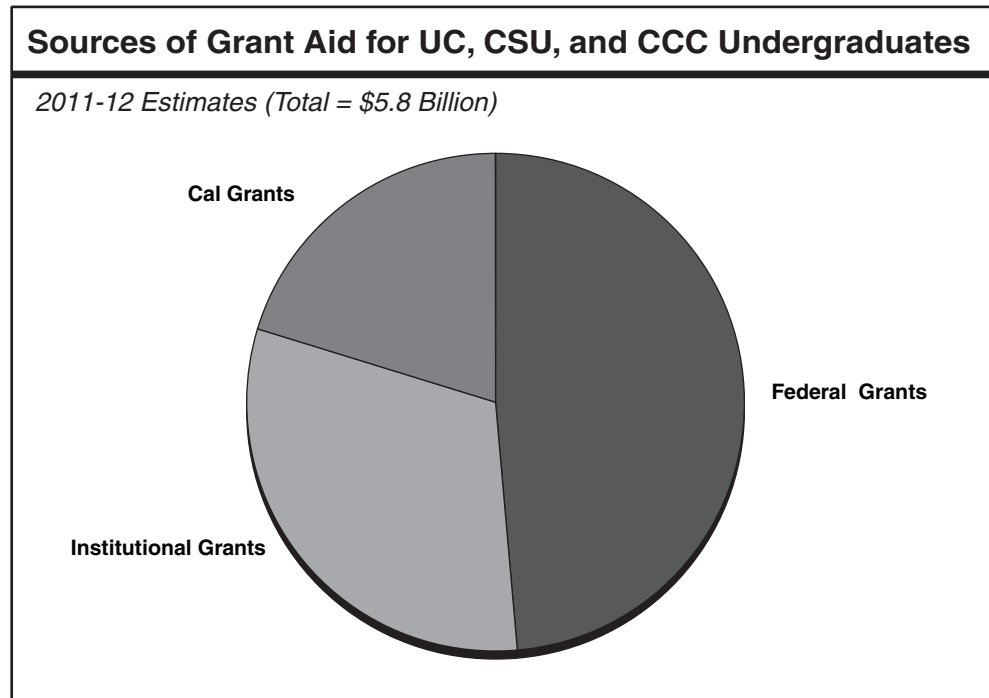
- Tuition and fees at the California Community Colleges (CCC), California State University (CSU), and University of California (UC) are about 5 percent, 25 percent, and 45 percent, respectively, of a typical student's COA. (These charges are often more than two-thirds of a student's COA at a private college.)



Costs Vary Across and Within Public Segments

- Average COA ranges from about \$18,000 at CCC to \$29,000 at UC.
- Costs also vary within each segment due to local costs of living. For example, the average COA at CSU Monterey Bay is about \$20,000 while the average COA at Sonoma State is nearly \$26,000.

Aid Programs Help Financially Needy Students Cover These Costs



- Most Students Receive Some Form of Financial Aid**

 - More than 70 percent of CSU students, more than 55 percent of UC students, and about 40 percent of CCC students receive some form of need-based financial aid.

- Federal, State, and Institutional Financial Aid Programs**

 - In 2011-12, federal aid programs provided \$2.8 billion in grants to more than 750,000 students at CCC, CSU, and UC.
 - In the same year, campuses provided \$1.8 billion in grants and tuition/fee waivers to about 1.2 million California students.
 - The state's Cal Grant program provided \$1.2 billion in grants to 211,000 students in our public segments.



Campuses Package Aid to Help Meet Student Need

Typical CSU Financial Aid Packages			
<i>Family of Four With One Child in College, 2011-12</i>			
Parent Income	\$20,000	\$60,000	\$100,000
Parent contribution	—	\$4,115	\$15,663
Federal grants	\$6,350	1,400	—
Cal grant	1,473	5,472	—
Institutional grant	5,472	—	—
Student responsibility (loan/work)	10,458	12,766	8,090
Totals	\$23,753	\$23,753	\$23,753

- Families Submit Information on Free Application for Federal Student Aid (FAFSA)**
 - The federal Department of Education determines Expected Family Contribution.

- Campuses Determine Eligibility for Pell Grants, Other Federal Aid, and Institutional Aid Based on Financial Need**
 - Pell Grants provide up to \$5,550 toward COA. Other federal aid awarded by campuses includes supplemental grants, work-study, and federal loans.
 - Institutional aid generally covers tuition and fees, ranging from \$46 per unit at CCC to \$12,192 at UC.

- The California Student Aid Commission Determines Cal Grant Eligibility**
 - Most Cal Grant and institutional aid awards have same function: cover tuition and fees.



Cal Grants Awards and Eligibility Criteria

- Three Main Types of Cal Grant Awards**
 - Entitlement awards.
 - Competitive awards.
 - Awards for occupational, technical, and vocational programs.

- Entitlement Awards Guaranteed for Eligible Students**

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



Cal Grants Awards and Eligibility Criteria

(Continued)



To Qualify for Any of These 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.



Cal Grant Awards and Amounts Differ by Segment



Cal Grants for Students at Public Institutions

- Students at UC primarily receive Cal Grant A awards covering full tuition (\$12,192) for four years.
- Students at CSU primarily receive Cal Grant B awards including access grants, or stipends, of \$1,473 each year and full tuition coverage of \$5,472 after the first year.
- Students at CCC primarily receive Cal Grant B access awards. These students also receive CCC fee waivers (about \$1,100 annually for a full-time student).



Cal Grants for Students at Private Institutions

- Students at private nonprofit institutions primarily receive Cal Grant A awards contributing up to \$9,223 toward tuition for four years.
- Students at private for-profit institutions can receive Cal Grant A awards (contributing \$9,223 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).



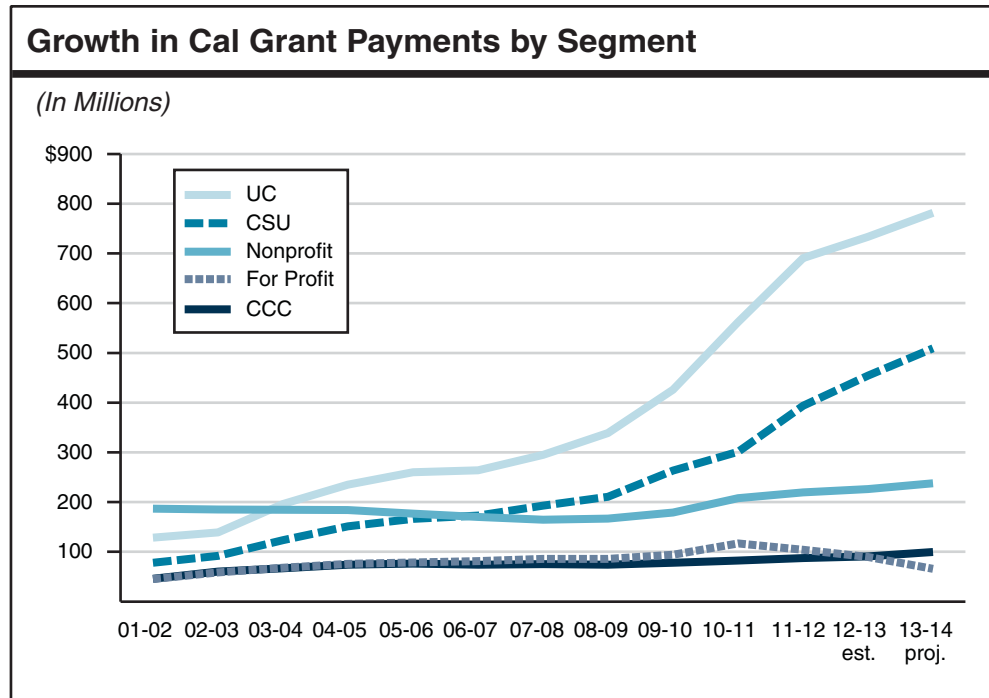
Cal Grant Awards and Amounts Differ by Segment

(Continued)

Cal Grant Recipients and Funding by Segment					
<i>(Dollars in Millions)</i>					
	2011-12 Actual	2012-13 Revised	2013-14 Proposed	Change From 2012-13	
				Amount	Percent
Recipients					
CSU	77,485	88,645	97,426	8,781	10%
CCC	76,062	80,786	87,926	7,140	9
UC	57,394	60,687	64,885	4,198	7
Nonprofit	23,798	25,483	26,840	1,357	5
For profit	15,220	13,278	11,542	-1,736	-13
Totals	249,959	268,879	288,619	19,740	7%
Funding					
CSU	\$394	\$454	\$509	\$55	12%
CCC	88	91	99	9	10
UC	691	733	782	48	7
Nonprofit	219	226	238	12	5
For profit	104	90	66	-24	-27
Totals	\$1,496	\$1,594	\$1,694	\$100	6%



Cal Grants and the State Budget



- ☑ **Cal Grant Growth Accelerated in Recent Years**
- ☑ **Participation Has Grown by 30 Percent Since 2007-08**
- ☑ **Expenditures Have Doubled During This Period**
- ☑ **Public University Tuition Has Been Major Cost Driver**



A Look Back at Major Cal Grant Policy and Budget Actions



Few Major Policy Changes Between 1955 and 2011

- New program components added in 1968 and 1973.
- Converted from competitive to entitlement program effective 2001-02.



Major Budget Actions in 2011 and 2012

- Required students to recertify income and assets (in addition to financial need) annually and increased minimum need threshold.
 - Corrected unintended consequence by allowing co-eligible Cal Grant B recipients to switch to Cal Grant A awards.
- Limited institutional eligibility based on student outcomes (cohort default rate and graduation rate).
- Reduced maximum award amounts for students with Cal Grant B access awards, Cal Grant C awards, and Cal Grant A and B awards at private nonprofit and for-profit colleges through Governor's veto.
- Further reduced maximum award amounts for students at private nonprofit and for-profit schools beginning in 2013-14 (see figure on the next page).
- Transferred \$804 million in federal Temporary Assistance for Needy Families funds from CalWORKs to Cal Grants, offsetting a like amount of General Fund costs. This transfer had no programmatic effect on Cal Grants.



A Look Back at Major Cal Grant Policy and Budget Actions *(Continued)*

Lower Maximum Amounts for Certain New Cal Grant Awards					
	2011-12	2012-13	2013-14	2014-15	Change From 2011-12
Maximum Initial Cal Grant A and B Tuition Awards^{a,b}					
Nonprofit and WASC-accredited for-profit institutions	\$9,708	\$9,223	\$9,084	\$8,056	-17%
Non-WASC-accredited for-profit institutions	9,708	9,223	4,000	4,000	-59
Other Maximum Awards					
Cal Grant B access awards	1,551	1,473	1,473	1,473	-5
Cal Grant C tuition and fee awards	2,592	2,462	2,462	2,462	-5
Cal Grant C book and supply awards	576	547	547	547	-5
^a Represents new award amounts. Current law allows renewal awards up to the maximum amount in effect when the student first receives a Cal Grant award. ^b Maximum award amounts at public universities continue to cover full systemwide tuition and fees as established by the universities' respective governing boards. As of March 2013, these amounts are \$5,472 for CSU and \$12,192 for UC. WASC = Western Association of Schools and Colleges.					