

August 14, 2018

# Financial Aid: Major Budget Trends

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LEGISLATIVE ANALYST'S OFFICE

Presented to:  
Assembly Select Committee on the Master Plan for  
Higher Education in California  
Hon. Marc Berman, Chair





## Major Financial Aid Developments

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- ☑ ***State Provides Large Subsidies to All Three Public Higher Education Segments.*** Historically, the state has provided large amounts of funding directly to the California Community Colleges (CCC), California State University (CSU), and University of California (UC). These subsidies significantly reduce tuition costs for all students (those with and without demonstrated financial need).

  - In 2015-16, these state subsidies covered 95 percent of the education cost at CCC, 68 percent at CSU, and 62 percent at UC.
- ☑ ***First State-Funded Aid Program Provided Tuition Assistance at High-Cost Colleges.*** In 1956, the state funds its first financial aid program, which provides tuition assistance to students attending private institutions.
- ☑ ***Federal Government Expands Aid Opportunities in Mid-1960s.*** In 1965, Congress establishes several grant and student loan programs. These programs are the precursors for the Pell Grant, the Supplemental Educational Opportunity Grant, and federal loan programs.
- ☑ ***State Creates Cal Grants in Late-1970s.*** In 1977, the state replaces various aid programs with the Cal Grant program, comprised of Cal Grant A (tuition assistance only), Cal Grant B (tuition assistance and a living allowance), and Cal Grant C (book and supply allowances for students enrolled in occupational training programs). Though the state increases financial aid funding at this time, funding remains contingent upon annual budget appropriations and qualifying students are not guaranteed Cal Grants.
- ☑ ***Aid Opportunities Further Expanded in 1980s.*** During this decade, institutional aid programs are established at CCC and CSU to provide tuition assistance. UC already had been funding its own tuition assistance and living allowance program for many decades.

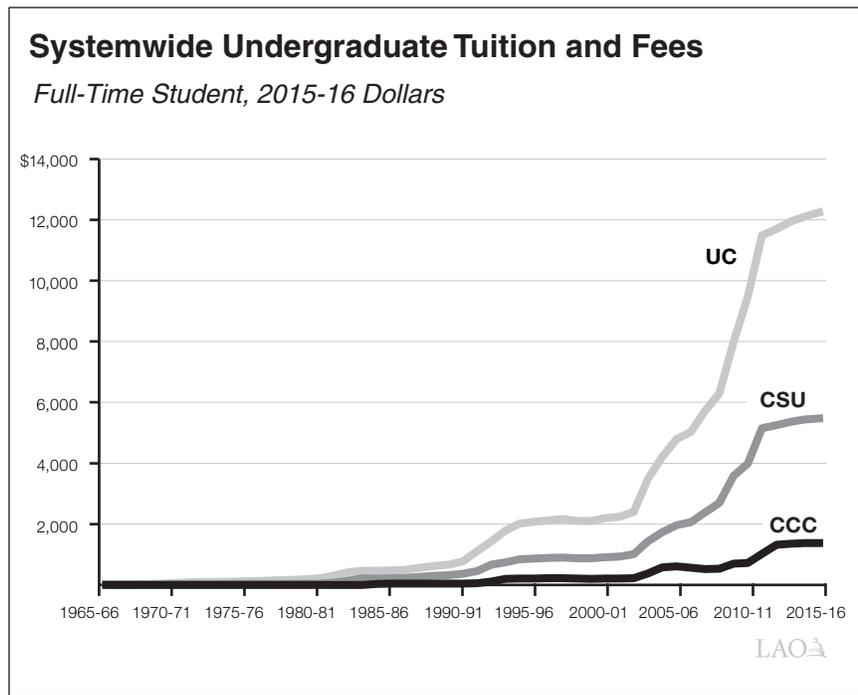


## Major Financial Aid Developments *(Continued)*

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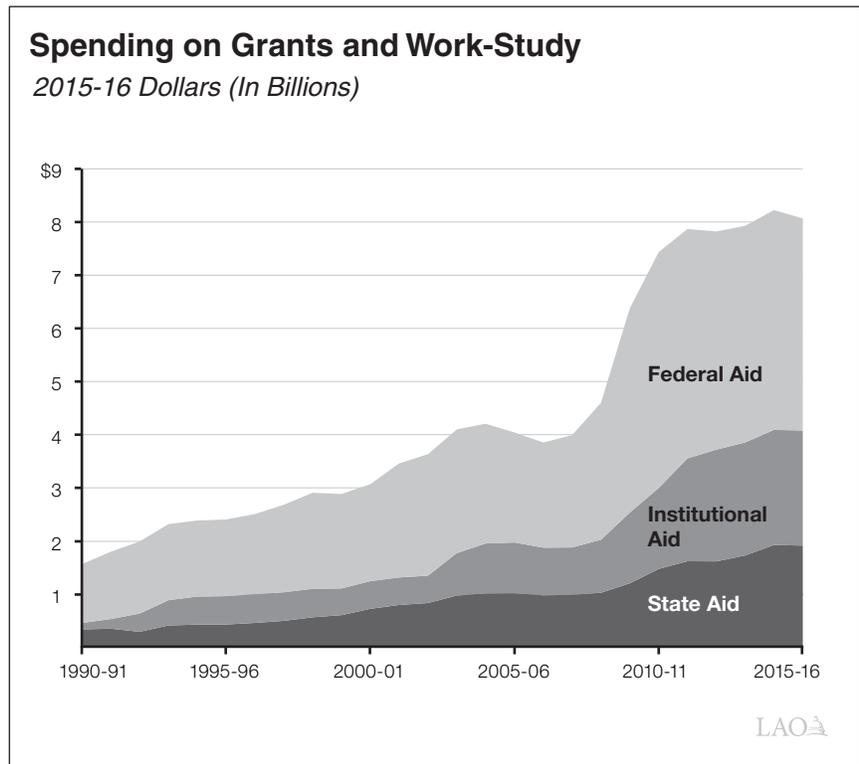
- State Makes Cal Grants an Entitlement for Certain Students in 2001.*** In the 2000s, the state (1) makes Cal Grants an entitlement for recent high school graduates and certain transfer students, (2) creates a limited number of competitive grants, and (3) changes the Cal Grant C to ensure the program focuses on areas of high workforce demand and students from disadvantaged backgrounds.
- State Extends Aid to Certain Undocumented Students.*** In 2001, the state adopts legislation allowing undocumented students meeting certain eligibility criteria to qualify for the resident tuition charge at the public segments. In 2011, the state adopts legislation allowing undocumented students also to qualify for Cal Grants. In 2014, the state adopts legislation allowing undocumented students to apply for loans from CSU and UC.
- State Recently Expands Focus to Include More Middle-Income Students.*** As part of the 2013-14 budget package, the state creates the Middle Class Scholarship program to provide tuition assistance to middle-income CSU and UC students who do not qualify for Cal Grants. The state provides the first round of these scholarships in 2014-15.
- State Recently Prioritizes Full-Time Attendance.*** During the past few years, the state has taken action to incentivize community college students to attend full time. Specifically, the state has granted financially needy students enrolled full time with more aid for their living costs (intended to reduce their need to work and/or borrow).

## Tuition Trends



- ☑ **Tuition Charges Tend to Fluctuate With Economic Cycle.** At all three segments, tuition tends to remain flat during economic recoveries and increase during economic recessions.
- ☑ **Tuition Increases Have Outpaced Inflation.** Compared with 25 years ago (1990-91), inflation-adjusted tuition levels are about 15 times higher at CSU and UC and about 30 times higher at the community colleges.
- ☑ **California Tuition Levels Relative to Other States Differs by Segment.** Resident tuition charges at CCC and CSU are low relative to comparable institutions across the country, whereas the UC tuition charge is somewhat higher than the average of comparable institutions across the country.

## Financial Aid Trends



- Aid Increases as Tuition Increases.*** Because Cal Grants provide full tuition coverage, Cal Grant spending increased significantly as tuition charges increased.
- Increases in Aid Have Been Substantial Over Past 25 Years.*** State spending on financial aid programs has increased five-fold in inflation-adjusted dollars over this period.



# Aid Results in Lower Cost of Attendance for Lower-Income Students

<b>Share of Students and Net Price by Family Income</b>			
<i>2015-16</i>			
	<b>CCC</b>	<b>CSU</b>	<b>UC</b>
<b>Share of Students</b>			
\$0–30,000	67%	41%	36%
\$30,001–48,000	20	21	20
\$48,001–75,000	11	17	18
\$75,001–110,000	1	10	11
Over \$110,000	—	12	14
<b>Net Price</b>			
\$0–30,000	\$5,731	\$6,851	\$9,266
\$30,001–48,000	6,386	8,244	10,287
\$48,001–75,000	8,672	12,099	13,580
\$75,001–110,000	10,093	16,607	20,627
Over \$110,000	11,989	18,815	29,290

Note: Net price is the total cost of attendance (tuition and living costs) less gift aid. The figure shows net price for first-time, full-time resident undergraduates who apply for any form of federal student aid.

- A Notable Share of Undergraduates Receive Grant Aid.** In 2015-16, 58 percent undergraduates at CCC, 67 percent at CSU, and 66 percent at UC received grant aid.
  
- Net Price Is Lower for Low-Income Students/Families.** After factoring all gift aid (grants and scholarships), low-income students face notably lower costs than higher-income students.



## Major Budget Issues Facing Legislature Today

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- Weighing the Trade-Offs of Untargeted vs. Targeted State Subsidies.*** The Legislature faces the perennial policy issue of how to weigh unrestricted state funding for each of the three segments, which benefits all students, versus targeted state financial aid for financially needy students. Should the state place greater emphasis on keeping tuition charges flat or increasing aid for financially needy students?
  
- Prioritizing Financial Aid Dollars.*** The Legislature faces the perennial policy issue of how best to prioritize financial aid dollars among financially needy students. To date, the state has linked aid with student age, length of time from high school graduation, income and assets, academic criteria, type of educational program, and number of units taken per term. Should the Legislature revisit any of these criteria?
  
- Considering the Most Effective Ways to Increase Aid for Living Costs.*** To date, the state has increased tuition assistance much more rapidly than assistance with living costs during college. Should the Legislature increase aid for living costs? Should it link aid for living costs with expectations that students enroll full time and graduate on time?
  
- Reducing Complexity While Still Taking Individual Factors Into Account.*** While targeting aid helps ensure individual student needs are taken into account, targeting tends to involve complexity. In recent years, many legislators have expressed concern that California's financial aid system has become too complex for students to navigate. Navigating the current patchwork of aid programs requires considerable knowledge about each of those programs, including their eligibility criteria, application deadlines, award coverage, duration, and interactions. What should the state do to streamline and simplify the financial aid system for students?