Testimony of Robert Shireman

Joint Committee Hearing: Assembly Budget Subcommittee No. 2 on Education Finance,
and
Assembly Higher Education Committee

February 26, 2019

Assemblymember Medina and Assemblymember McCarty, thank you for having me here to speak today about reforms to the state financial aid system. I am Robert Shireman, the Director of Higher Education Excellence and a Senior Fellow at The Century Foundation.

Last year, the California Student Aid Commission awarded TCF a contract to analyze the state's financial aid system and propose reforms. With help from other experts, we spent several months interviewing stakeholders, analyzing available data on financial need and gaps in available aid for low- and moderate-income students, and developing policy recommendations on how the state can better provide affordable college options to its residents.

The Century Foundation is a think tank with a mission to reduce inequality, and so even after our contract with CSAC ended, we decided to continue this work independently. With so much momentum and a growing acknowledgement that the state can and should do more to make college affordable, there is an important opportunity this year for lawmakers to go beyond studying the issues and take concrete, bold steps to overhaul the system. Below I provide a summary of our initial report and then lay out more specific strategies for the legislature to implement a transformational policy overhaul.

In our first report, *Expanding Opportunity, Reducing Debt*, our research led us to recommend three major reforms.[1] First, we found that the current eligibility limitations on the Cal Grant create unnecessary barriers to aid and significant operational complexities. We proposed that the state consolidate existing Cal Grant options and remove existing restrictions such as age, time out of school, and GPA requirements. Doing so would open up access to the Cal Grant to hundreds of thousands of low- and moderate-income students and eliminate barriers that often confuse and mislead potential students.

Next, we found that many students face significant affordability gaps caused by non-tuition expenses, such as rent or food. We recommended a shift and expansion in the state's focus so that there is a priority on covering not just tuition but also addressing non-tuition costs. That shift

---

[1] Robert Shireman, Jennifer Mishory, and Sandy Baum. *Expanding Opportunity, Reducing Debt: Reforming California Student Aid.* The Century Foundation, April 4, 2018.

requires a more comprehensive assessment of non-tuition costs, student work expectations, and how much a family can reasonably afford to pay. The shift also involves taking a broader view of state-financed aid beyond the Cal Grant program to include resources allocated through institutional aid programs that cover some non-tuition costs – such as the CSU's State University Grant and the University of California's UC Grant – and the gaps that remain after all sources are considered.

Finally, we found that today's complicated system means that even families who *would* qualify for aid may never apply because they have no idea they would be eligible – or when they do apply, they may receive that information too late to influence their college decisions. To remedy that, we recommended that CSAC and other agencies work together to provide financial aid information specific to the student's own financial and family situation. One approach would be a partnership with the state income tax agency so that requesting a financial aid estimate is as simple as checking a box on state taxes.[2] We also proposed that CSAC provide students with a calculator to more easily compare financial aid offers across institutions.

This week, we released a set of issue briefs with more detailed strategies for the legislature to use in pursuing those initial recommendations:

- Creating a Fair Formula for Allocating Financial Aid: The Cost-of-Living EFC
- Calculating Student Budgets: State Grant Aid and Cost of Attendance
- Financial Aid for the Full Cost of College: A "Tuition Plus" Model

The briefs are attached. I summarize the two major themes below: the establishment of a system that addresses tuition plus other needs, and better analysis of need at the local and statewide aggregate level.

A "Tuition-Plus" Cal Grant system

In our initial report, we laid out a number of ways to change existing grant programs that would de-link state aid from merely focusing on tuition. Below we recommend the state pursue a "Tuition-Plus" model.

First, we recommend that CSAC continue its role in providing tuition-specific grants – what we're calling **Cal Grant - Tuition Scholarships** – but expand eligibility for those grants to include students previously excluded due to GPA, time out of high school, and age restrictions. CSAC can still provide "safe harbor" guarantees to cover full tuition for anyone who would qualify for a full Cal Grant under existing thresholds *and* any family earning below $80,000 (regardless of assets),

[2] Research shows that when students receive early estimates of aid and are assisted in filling out the FAFSA, they are more likely to enroll in college.

similar to the promise made by the UC system through their "Blue and Gold Commitment." But above those thresholds, CSAC should provide Cal Grant - Tuition scholarships up to the amount of their "unmet financial need," defined as the difference between (a) the total cost of attendance and (b) the amount a family can afford to contribute (the expected financial contribution, or "EFC"), plus the amount a student is able to work ("self-help"), plus any other grant aid available such as Pell. If new appropriations from the state are limited, the "self-help" amount may also include loans.

Retaining a benchmark on tuition coverage, even as the overall system is focused on covering tuition and non-tuition costs, allows for clear messaging to students and families while allowing other pieces of the aid system to provide non-tuition costs. A new study[3] from the University of Michigan shows how useful that message can be. When the University of Michigan sent letters to low-income, high performing students guaranteeing free tuition if they were accepted, those students were more than twice as likely to apply compared to students in the control group, and they were more than twice as likely to enroll. In randomized trials like the Michigan study, effects of the magnitude they found are rare. Making it very clear that the specific student's *tuition is covered* is a powerful motivator.

But tuition coverage is not nearly enough. As a part of this restructuring, we recommend that institutions expand their role in covering non-tuition costs for students with financial need through **Cal Grant - Plus Scholarships**, made available through *existing* institutional aid dollars and *new* state-provided resources to institutions. State policymakers would need to allocate sufficient dollars (a) to CSAC to provide Cal Grant - Tuition awards, and (b) to institutions who do not currently have enough institutional aid dollars to cover non-tuition costs for students with leftover financial need after considering Cal Grant - Tuition awards, Pell grants, "self-help," and EFC.

The importance of covering non-tuition costs for students with financial need cannot be overstated. A few months ago I heard from a student in New York where there had been a lot of publicity about a program that would cover students' tuition. This student had enough aid to cover tuition, but she did not have adequate support for food and housing expenses. She was struggling, and she sought help from her community. But she was confronted by people who told her that she must be doing something wrong, because the state had this great new program that she was benefiting from. Here in California, high cost of living and limited non-tuition aid can push the net cost of community college as high as $19,000, even after tuition is waived by the College Promise program and grant.[4]

---

[3] Susan Dynarski, C.J. Libassi, Katherine Michelmore, and Stephanie Owen. "Closing the Gap: the Effect of a Targeted, Tuition-Free Promise on College Choices of High-Achieving, Low-Income Students." *NBER Working Paper Series,* Working Paper #25349. December 2018.
[4] The Institute for College Access and Success. "What College Costs for Low-Income Californians," January 2019.

Assessing the needs of families and of the colleges

A Tuition Plus framework relies on a consistent assessment of non-tuition expenses, including housing, food, transportation, and other personal expenses. Assessing those costs becomes critical to allocating new Cal Grant Plus dollars to institutions. Currently, institutions differ on how they calculate for those expenses. The UC system conducts its own survey of students every other year, while the CSU and community college systems use a CSAC-administered survey as a foundation for their estimates.[5]

In this strategy we recommend that CSAC create a consistent methodology for assessing aggregate non-tuition costs and unmet financial need in order to drive the allocation of additional Cal Grant - Plus dollars to schools – while still having schools set individual budgets and package aid based on localized decisions and circumstances. First, CSAC would need to develop methodology to consistently measure costs facing students living at home. Dependent students, especially those from the most impoverished families, who commute to school from their family home not only face food costs while on campus but may also need to contribute to housing and food costs in the home.

CSAC will also have to determine standard costs for students living away from home – either on campus or in apartments – taking into account geographic differences. Currently, institutions in the same city often utilize very different living costs assumptions. A standard methodology can create consistency even while allowing for local nuance: for example, it can account for local housing costs and even local housing stock but make the same general assumptions about the size of an apartment and which data source to use on assessing local market rate. A similar localized yet consistent approach would need to happen for health insurance, child care, and food assumptions.

Once those methodologies are set, CSAC can use that assessment, combined with aggregate data from institutions on financial need on their campuses, to allocate additional aid (new Cal Grant - Plus dollars). This would allow schools some flexibility: if a school wanted to charge more for dormitories than the typical local cost of housing in their region (as determined by the CSAC methodology), they could do so. But they would not receive additional dollars to cover the difference.

Finally, we recommend improvement to aid delivery through analysis of, and adjustments to, the formula for determining a family's expected family contribution, or EFC. First, when CSAC sends new Cal Grant - Plus dollars to institutions, it should incentivize schools to fill need gaps facing students with the lowest incomes and no expectation that the family can contribute to college expenses, or zero-EFCs. But even amongst students with incomes that qualify them for a

[5] The Student Expenses and Resources Survey, or SEARS, is currently being updated. It was last conducted in 2006 and has been adjusted for inflation each year.

zero-EFC, incomes range widely, and schools should be incentivized to cover the unmet need for the most impoverished families first.

Second, this formula currently does not take into account the large variance in cost of living in California, and as a result, two families could receive the same sized Cal Grant despite one family having to pay three times as much on rent. CSAC should use the existing federal formula as the first step in determining the ability of families to pay, but then adjust using a formula based on where the family lives in the state and the local cost of housing, according to federal data sources. As long as they establish the federal EFC formula as the baseline for the lowest cost area in California, so that no student would face a higher EFC than the federal formula provides, it would provide welcome relief for students and families living in high-cost regions.

Conclusion

Last fall, CSU Chancellor White and UC President Napolitano laid out a set of principles for reform. They recommended that any changes build on success, do no harm, retain coverage for tuition expenses, and expand the reach of the Cal Grants covering tuition. Our Cal Grant - Tuition Scholarship retains coverage for students who currently receive grants, building on the success of that program, while expanding eligibility beyond current recipients. Next, they recommend maintaining the institutions' focus on covering non-tuition costs. By supplementing institutional aid through a Cal Grant - Plus program that incentivizes institutions to close affordability gaps, we give campuses the flexibility to serve their students and state policymakers the certainty that students with financial need will receive needed help. And the community college system recently requested an additional allocation of resources to cover non-tuition costs for students with financial need, which this proposal would also do.

In other words, we believe these strategies align well with the research on financial aid, the expressed needs of public institutions in the state, and most importantly, the affordability challenges facing students and families as they pursue a college education.

Creating a Fair Formula for Allocating Financial Aid

The Cost-of-Living EFC

FEBRUARY 25, 2019 — JEN MISHORY AND PETER GRANVILLE

A growing chorus of voices across California are calling for a bold investment into financial aid in the state—one that takes a comprehensive approach to assessing overall college costs by addressing both tuition and non-tuition costs.[1] Making such an investment would require a number of reforms to the current aid system, including a more rigorous assessment of how much a family can actually afford to pay in a state with such a high cost of living.

In order to make that determination, we recommend that policymakers:

- shift California's assessment of financial need, as well as the related calculation of the amount of money a family can reasonably be expected to spend on college, to better align with federal formulas used to determine Pell eligibility;
- send new resources appropriated for non-tuition aid dollars to the lowest-income families first, identifying them through data they already submit as part of the aid process;
- ask the state's congressional delegation to support a change in federal financial aid formulas that would better account for regional differences in the cost of living; and
- use available data to model a formula adjusted for cost of living and adjust state aid eligibility formulas to account for some of those differences.

Background

In order to receive federal financial aid, each prospective student must fill out the Free Application for Federal Financial Aid (FAFSA) to determine their expected family contribution (EFC). This figure is then used to calculate their financial need in covering their tuition and non-tuition costs, as well as the amount of federal student aid (Pell grants, for example) for which they may be eligible. The federal government sends that record to the California Student Aid Commission (CSAC), which uses some of the record's data to calculate whether a student meets the criteria of CSAC's own income and asset test. If they do, the student is awarded a Cal Grant.[2] The income and asset cut-off for receiving a Cal Grant is written into statute and is adjusted each year based on changes in cost of living.[3] Anyone just above the income and asset cut-off receives no Cal Grant at all.

This issue brief can be found online at: https://tcf.org/content/commentary/creating-fair-formula-allocating-financial-aid-cost-living-efc/.

In an April 2018 report, The Century Foundation recommended that the state base Cal Grant eligibility on a modified version of the EFC formula.[4] In doing so, policymakers would better align their aid system with the federal government's and base aid on a family's ability to pay both tuition and non-tuition costs, while also removing the cliff effects created by the existing Cal Grant income and asset thresholds. While policymakers could still guarantee full tuition coverage up to a certain income threshold, the Cal Grant (or a combination of Cal Grant and institutional aid) could also focus on covering non-tuition costs for families with financial need, as determined by a localized version of the EFC.[5] The Cal Grant could phase down its coverage of non-tuition expenses as EFC increases and financial need decreases.

Under this new system, TCF recommended that, in calculating how much a family could afford to pay toward the total cost of attendance, California policymakers use data already submitted by families to identify the highest-need students, and use data on local housing and other costs for developing an EFC that is adjusted for regional cost-of-living differences. TCF recommends ultimately that this cost-of-living EFC be adopted at the federal level, but that it would in the meantime be used for the state aid program.

Creating a Cost-of-Living Expected Family Contribution

By using federal EFC data, California can align its assessment of financial need with the federal government's to determine Pell grant eligibility, while using that same information to make a fairer assessment of the resources available to California students and families.

As it stands, the EFC formula looks at both a given family's annual income received and assets held, taking into account the number of children the family has in college. The formula makes a number of adjustments, such as excluding assets like a primary residence, retirement funds, or a portion of net worth owned through a small- or medium-sized business.

Prioritizing Lowest Income Families First

Currently, all families that are judged by the federal aid formula to be unable to put any resources toward college are deemed "zero-EFC," meaning that they qualify for a full Pell grant and in California would also likely quality for a Cal Grant. However, those zero-EFC families vary in the extent of their need, and those students would still likely have significant unmet financial need—the balance left over after the Pell Grant, a Cal Grant covering tuition, and work (and/or loans) are subtracted from the cost of attendance.

We have recommended California expand its non-tuition grant aid to, over time, close those unmet need gaps and reduce that loan expectation. As the state increases the dollars it sends to students with unmet need to cover those non-tuition expenses, it should incentivize schools to fill those gaps in need for the lowest income students first—students from zero-EFC families. If the initial dollars are limited, it may require further analysis to determine who within that cohort has the deepest need—the poorest of the zero-EFC families—to direct new non-tuition dollars to those families first.

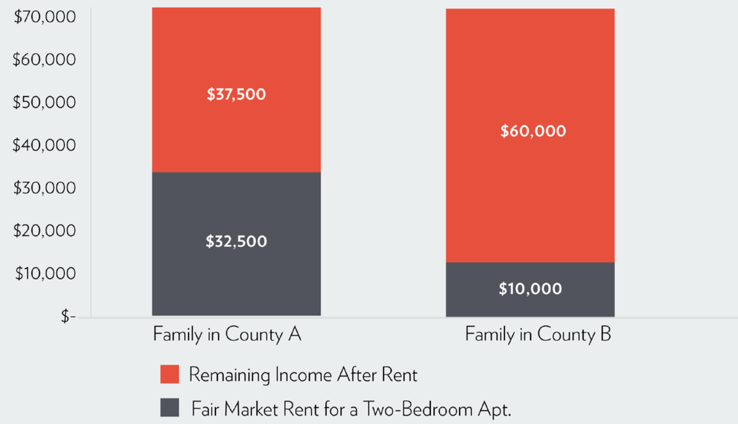
Adjusting for Local Costs

Despite all of its complexity, other than an adjustment for state income taxes, the federal EFC formula fails to use information that the department already possesses to take into account other state-by-state, or even intra-state, variations.

Housing costs are a particularly severe oversight. Under the federal formula, a family of four with a household income of $70,000 will be expected to contribute the same amount of money to their child's college costs as a family with the same income and assets, but living in an area where the cost of living is far higher. This means that, for example, the same family facing higher rent may have thousands of dollars less in discretionary income that could go to paying down college costs. Those differences are substantial even within California: there are counties of California where rent costs four times as much as they do in low-cost counties in

FIGURE 1

HIGHER RENT BURDEN, SIMILAR AID



Based on region alone, rent can cut into a $70,000 income by a little, or a lot. If a family lives in County A, we expect their post-rent income will be $22,500 less than if they lived in County B. Despite this difference, their financial aid package will be the same under EFC calculations.

Source: Rent for a two-bedroom apartment based on U.S. Department of Housing and Urban Development Fair Market Rent System for two selected counties in CA. Values rounded by <%100

other states.[6] Figure 1 illustrates the impact of rent for two adjacent California counties with vastly different rent prices

While the state cannot change the EFC formula for purposes of federal aid, we recommend petitioning Congress to adjust the EFC to take cost of living into consideration. Further, the state can model the approach by using a cost-of-living adjustment to the formula when using it to determine eligibility for state aid. This approach would use the federal formula as the minimum baseline, but then set aside additional income for families living in high-cost rent areas of the state. Because the state already knows where a student's family lives, it would require no additional information from the student.

There are several ways that a formula could account for higher living costs. One could base an adjustment off commuting zones, which tend to delineate local economies.[7] The military creates adjustments for their GI Bill housing allowances by zip code,[8] another generally reliable point of delineation. Maryland does something similar: it adjusts the EFC used to calculate two of their grant aid programs based on geographically clustered zip codes.[9] One could also make adjustments according to both housing prices and available housing stock, though researcher Robert Kelchen argues that an adjustment based on housing quality may be difficult to perform accurately.[10] Instead, he recommends adjusting based on county-level cost estimates from a crowd-sourced cost of living index known as COLI.[11] However, this valuable dataset does not currently cover all counties, and so would not be immediately usable across the state.

We recommend a similar approach to Kelchen's, focusing on housing but using a federal dataset, the United States Department of Housing and Urban Development (HUD)'s Fair Markets Rent system, which it uses to calculate housing vouchers,[12] covers all of the counties in California, and would not rely on state or external entities for updates.

In order to make the EFC calculation work for California, we recommend that policymakers:

- use the federal EFC formula as the first step in determining the ability of families to pay;

- Adjust the EFC for families with no expected family contribution to identify the lowest income families and prioritize those families when allocating additional cost of living dollars (though such an adjustment becomes unnecessary and can be phased out if the state funds the full cost of attendance for students from families with a zero-EFC); and

- adjust upward the income protection allowance (IPA) in the EFC formula to protect at least a percentage of the extra income spent on housing costs in high cost regions, basing the adjustment on housing data available through HUD's Fair Markets Rent system.

Conclusion

Creating an EFC formula tailored to the realities of life in California will better respond to the financial demands facing California families. Creating it will require no additional information on the part of students and families, and would also provide a model for federal lawmakers to consider in future congressional reforms.

Authors

Jen Mishory is a senior fellow at The Century Foundation, working on issues related to workforce and higher education, and a senior policy advisor.

Peter Granville is a senior policy associate at the Century Foundation, focusing on state policy to improve college access and affordability.

Notes

1 Debbie Cochrane, "California Students Need a Major Investment in Financial Aid," Institute for College Access and Success, January 7, 2019, https://ticas.org/blog/california-students-need-major-investment-financial-aid.
2 Robert Shireman, Jen Mishory, and Sandy Baum, "Appendix 5: Analysis of Administrative Steps," in "Expanding Opportunity, Reducing Debt," The Century Foundation, April 4, 2018, https://tcf.org/content/report/expanding-opportunity-reducing-debt/.
3 See Ca. Edc. Code Ann. Title 3 §5(42)(1.7).
4 Robert Shireman, Jen Mishory, and Sandy Baum, "Appendix 5: Analysis of Administrative Steps," in "Expanding Opportunity, Reducing Debt," The Century Foundation, April 4, 2018,
5 See The Century Foundation's issue brief "Financial Aid for the Full Cost of College," published February 25, 2
6 "FY 2019 Fair Market Rent Documentation System," U.S. Department of Housing and Urban Development, https://www.huduser.gov/portal/datasets/fmr.html.
7 "FY 2019 Fair Market Rent Documentation System," U.S. Department of Housing and Urban Development, https://www.huduser.gov/portal/datasets/fmr.html.
8 "Payment Rates for 2017 Academic Year (August 1, 2017 – July 31, 2018)," in Post-9/11 GI Bill, chapter 33, U.S. Department of Veteran Affairs, as updated March 31, 2017.
9 "Howard P. Rawlings Educational Assistance (EA) Grant," Maryland Higher Education Commission, available at https://mhec.maryland.gov/preparing/Pages/FinancialAid/ProgramDescriptions/prog_ea.aspx (accessed February 22, 2019).
10 Robert Kelchen, "Adjusting COA and EFC for Living Costs," in *Designing Financial Aid for America's Future*, The Institute for College Access and Success, November, 2018, https://ticas.org/sites/default/files/pub_files/designing_financial_aid_for_californias_future.pdf.
11 C2ER, The Council for Community and Economic Research, http://coli.org/. Kelchen notes that a drawback of using this index is that it focuses on the typical expenditures for married urban professional households in the top income quintile, which may be well above those of most college students and their families. However, he points out that the relative differences in expenditures across areas may be reasonable.
12 "Fair Market Rents," U.S. Department of Housing and Urban Development, available at https://www.huduser.gov/portal/datasets/fmr.html (accessed February 22, 2019).

Calculating Student Budgets

State Grant Aid and Cost of Attendance

FEBRUARY 25, 2019 — ROBERT SHIREMAN

When colleges determine how much aid a student should receive, they must first calculate how much it will cost the student to attend college. The total cost is also an important piece of consumer information, guiding the public in understanding the full costs associated with attending a particular college.

The unique financial circumstances facing families and communities mean that colleges need flexibility in setting that cost of attendance. At the same time, as California considers overhauling its student aid system to cover more non-tuition costs and reduce debt burdens, the attendant analysis of cost of attendance on an aggregate level will require consistency.

Any financial aid reforms should assess students' cost of attendance by:

- allowing campuses to set individual budgets that detail a student's expenses beyond tuition that may be covered by financial aid, retaining an individualized assessment to account for unique family financial challenges and specific campus goals or challenges; and
- requiring the California Student Aid Commission (CSAC) to develop a standard methodology for calculating the aggregate cost of attendance for students in different regions, living situations, enrollment intensity, and institution types, for use in driving state-level decisions in allocating grant aid to colleges. Analyses of the financial need faced by students on each campus, as determined by that standard methodology, will likely require more data sharing between the colleges and the agency.

Background

Once a student has applied to a college and for financial aid, their financial aid equation involves two parts:

- The budget: also called the cost of attendance, the budget includes the various expense categories that may need to be covered: food and housing; transportation, which varies depending on housing (on- or off-campus); personal care expenses, which may include health insurance; books and other school supplies, including a computer; and of course tuition and fees. In addition, some students need support for child care, while others have

This issue brief can be found online at: https://tcf.org/content/commentary/calculating-student-budgets-state-grant-aid-cost-attendance/.

disabilities that require assistance to enable them to go to school.

- The financial aid award: sometimes referred to as a package or offer, the award consists of the grants, loans, and work-study offered to a student to cover some of the costs in the budget. Portions of the student's cost of attendance not included in the award may represent amounts assumed to be available from the student's or family's resources (as represented by the expected family contribution (EFC)) or from the student's work during the school year or breaks—all costs the student must cover without grant assistance. For the purposes of this brief, the gap between the family resources and grant aid awarded to a student, and the student's total budget, is called the student "self-help" amount. The self-help amount is sometimes referred to as the loan-and-work burden.

Student success in college can be seriously compromised when students must spend too many hours at an outside job in order to be able to afford rent and groceries.[1] At the University of California campuses, which have the highest on-time graduation rates of the state's public institutions, fewer than one in ten undergraduates work more than twenty hours per week, and nearly half do not have a job other than schoolwork during the academic year.[2] Covering non-tuition costs can help bring down the number of hours a student must work, and also reduces debt burdens when students leave campus. Determining how to calculate those costs for purposes of an aid award becomes a critical question.

Create Individual Student Budgets Locally

The amount of money a student needs will vary depending on the options available and the choices made by both campus officials and students, and often involve conundrums that are best managed locally. For example, if a student decides to economize and spend less money on rent by living with roommates or with a family member instead of in more expensive college dorms, should the student's award still be based on living in a dorm? Should the amount of aid received change? What if campus officials strongly believe that it is important to live in the dorms to promote student success, but other campuses do not?

The responsibility to target aid for effectiveness in serving individual students locally should fall on the three public segments and their individual campuses. They should set student budgets and determine aid amounts for non-tuition expenses as they deem appropriate.[3] However, even as institutions have autonomy to set individual budgets, the state should have a say in aggregate resource allocations to colleges to cover non-tuition costs.

Set a Statewide Methodology for the Purposes of Affordability Analysis and Aid Allocations

In order to ensure that California provides students with enough aid to keep college affordable, while also encouraging cost containment by schools and students, CSAC should establish its own model versions of student budgets for use in analyses.

With student-level data provided by institutions, CSAC can create and use a consistent methodology for calculating and analyzing costs and unmet financial need facing students across the different segments and regions of the state. They can encourage schools to account for costs that may be currently underreported, such as child care costs. Further, they can understand what contributes to larger or smaller gaps in financial need. For example, if a college has dormitories that cost more to live in than local apartments, rather than provide more grant aid, the state should be incentivizing reduced costs. As a part of that analysis, CSAC will also need to determine how much a student should be expected to work or borrow to cover non-tuition costs—a student's "self-help." These analyses can inform the legislature's decisions in providing increased grant aid and how it should be distributed across institutions to cover non-tuition costs. It can also provide the public with an understanding of how expensive a college is relative to the standard assessment, and how far the institution may be from closing gaps in financial need as compared to its peers.

For example, if the lawmakers were to allocate enough aid to reduce the need to borrow by half, they would determine the necessary amount and allocation across segments by calculating the need to borrow based on CSAC's standard calculation of costs and the resulting financial need of students at various institutions. This would provide a fair way to distribute aid that also incentivizes schools to limit costs, like books and housing, that are at least partially within their control. As a part of that analysis, CSAC should develop:

- a clear standard for assessing the costs facing students living at home, particularly the larger needs for food and housing contributions for students from the most impoverished families; dependent students who commute to school from their family home may also need to contribute to housing and food costs in the home: of these commuter students at UCs, two-thirds pay for groceries and nearly half of those in lower-income families pay rent, too;[4]

- a methodology for estimating rent/dorm costs that both takes into account market rates in the locality of the institution and the impact of housing stock on living arrangements, as well as a way to localize cost assessments of expenses such food and health care;[5]

- a consistent assessment of how much a student should reasonably be expected to work and/or borrow to contribute toward their "self help," taking into account local minimum wage laws, research into levels of work that may be harmful to student success, and other barriers to work that students may face, such as local unemployment levels;

- guideposts to reduce and eliminate the need for borrowing, including a consideration as to whether self-help amounts should be lower for more disadvantaged students; and

- a consistent way to include child care needs for students who are parents. The state should also consider requiring colleges to include child care expenses in budgets, which is consistent with laws for federal financial aid.[6]

Conclusion

Giving schools the ability to make on-the-ground assessments of costs, while using a state-wide definition for purposes of allocation across institutions, will allow students to receive the aid they need while allowing California to bring down costs and fairly distribute grant aid.

Author

Robert Shireman is director of higher education excellence and senior fellow at The Century Foundation working on education policy with a focus on affordability, quality assurance, and consumer protections.

Notes

1 While there are positive and negative effects of work on college achievement, "[l]ow-income students, especially low-income African Americans and Hispanics, tend to experience the more negative effects of working on their educational achievement and educational attainment." Anthony P. Carnevale, Nicole Smith, and Michelle Melton, "Learning While Earning: The New Normal," Georgetown University Center on Education and the Workforce, 2015, 16, https://cew.georgetown.edu/cew-reports/workinglearners/.

2 "Findings from the Undergraduate Cost of Attendance Survey 2015-16," Office of the Vice President for Student Affairs, Student Financial Support, University of California, February, 2017, https://regents.universityofcalifornia.edu/regmeet/mar17/a1attach.pdf.

3 In projecting out those costs to students and families considering applying to college, however, the data available are frequently inaccurate. For example, net price calculators available on many college websites do not accurately account for costs facing students living at home by paying rent, or for child care expenses—even if the institution ultimately decides to include those expenses when it sets the student's budget. Schools should report out accurate information to prospective students.

4 "Findings from the Undergraduate Cost of Attendance Survey 2015-16," Table 9, Office of the Vice President for Student Affairs, Student Financial Support, University of California, February, 2017, https://regents.universityofcalifornia.edu/regmeet/mar17/a1attach.pdf.

5 These can use existing federal and data sources. For example, CSAC could use the market-price rents determined by the U.S. Department of Housing and Urban Development, and Covered CA data for assessing health insurance costs.

THE CENTURY FOUNDATION

Financial Aid for the Full Cost of College

A "Tuition Plus" Model

FEBRUARY 25, 2019 — JEN MISHORY

In TCF's April 2018 report, "Expanding Opportunity, Reducing Debt," we proposed overhauling California's state financial aid system, specifically recommending that the state a) eliminate restrictions on Cal Grant access, such as maximum age and minimum GPA requirements, and b) shift from a tuition-centric aid system to one that takes into consideration each student's full college expenses when determining award levels, including things like books, transportation, housing, food, and child care expenses. This brief provides additional detail on how to restructure existing programs to meet that goal, recommending that the state pursue a **"Tuition Plus" Cal Grant**, building aid for non-tuition costs on top of an expanded tuition-based Cal Grant.

Specifically, we propose that:

• the California Student Aid Commission (CSAC) continue its role in providing tuition-specific grants, now called Cal Grant–Tuition scholarships, but expand eligibility to include students previously excluded due to GPA and age restrictions;

• CSAC provide Cal Grant–Tuition scholarships to students from families with financial need, as determined by a formula described below; CSAC should also provide "safe harbor" guarantees to cover full tuition for anyone who would have qualified for a full Cal Grant under current law and any family earning below $80,000;

• institutions expand their role in covering non-tuition costs for students with financial need through Cal Grant–Plus scholarships, made available through existing institutional aid dollars and new state-provided resources; and that

• state policymakers allocate sufficient dollars a) to provide Cal Grant–Tuition awards to the expanded pool of eligible students, and b) to ensure that institutions have adequate funds to award grants to cover non-tuition costs for students with leftover financial need after considering Cal Grant–Tuition awards, Pell grants, and potential income from "self-help" (working while in school).

Background

CSAC currently provides Cal Grants, which primarily cover tuition, to students who meet certain GPA, age, and income requirements.[1] Families below certain income and

This issue brief can be found online at :https://tcf.org/content/commentary/financial-aid-full-cost-college-tuition-plus-model/.

asset thresholds receive Cal Grant dollars to cover the full cost of tuition—but other than a very limited number of "competitive awards," those grants are limited to students who have earned a high school GPA above a certain threshold and enroll in school soon after high school. Students from families earning above that threshold, or with assets above the published threshold, receive no Cal Grant at all. These restrictions make the grants inaccessible to many Californians who need them.

Increasing the program's accessibility and coverage will require new thinking in terms of both structure and funding. Eliminating restrictions unrelated to income on who qualifies for Cal Grants can be done relatively simply. By removing age and GPA from the grant restrictions, hundreds of thousands of students would qualify right away, and state policymakers would need to allocate new resources to the program. Reducing income restrictions would likewise require increased resources, but would also be more logistically complex, requiring a restructuring of Cal Grants' income and asset parameters so that they can cover non-tuition costs, as well better aligning the program with federal need-based grant aid.

California currently sends state-funded financial aid to students through two separate funding streams: CSAC-provided funds and institutionally-administered aid. We recommend maintaining two funding streams while consolidating, restructuring, and expanding the programs currently provided to create a "Tuition-Plus" model.

Cal Grant–Tuition Scholarship

In order to reform the existing Cal Grant program, policymakers should collapse all types of Cal Grants—competitive, entitlement, and A, B, and C—into one program, and remove age and GPA restrictions. Doing so would provide the basis for the Cal Grant–Tuition scholarship, which would cover the tuition portion of the Cal Grant.

CSAC would define "unmet financial need" as the leftover cost of attendance after taking into account Pell grants; an "expected family contribution" determined using the federal aid program's methodology—adjusted slightly to account for California cost of living[2]—for assessing how much a family can pay;[3] and a reasonable amount students could generate through work, called a "self-help" amount. In other words, University of California (UC) students with unmet financial need of up to $12,542 (the current tuition level at UCs) would receive up to that amount in a Cal Grant–Tuition scholarship; California State University (CSU) students with unmet financial need of up to $5,742 (the current tuition level at CSUs) would receive up to that amount; and students at California Community Colleges (CCCs) with unmet need of up to $1,104 (the current fee level at CCCs) would receive up to that amount.

Even as the state financial aid system moves toward holistic coverage of both tuition and non-tuition costs, messaging the tuition portion of the Cal Grant as a distinct benefit would:

- allow CSAC to proactively reach out to students who would likely qualify for free tuition with a clear message about the benefit, even as a) other students may still have only a portion of their tuition covered, and b) additional non-tuition aid will also be available through their schools; research shows that clear messaging can have an enormous effect on low-income students' decisions to apply to and enroll in school, and the free tuition message has been effective;[4] and

- give a clear benchmark to stakeholders accustomed to understanding the Cal Grant in the context of tuition.

Safe Harbor Guarantees

When implementing a system that determines aid based on a needs formula, using that system should be made as easy as possible for students and families to understand. As such, we recommend two "safe harbor" guarantees.

First, while almost all recipients would receive the same Cal Grant–Tuition scholarship dollars as they do under the current system—in fact, families with income and assets above the current cliff would receive more—CSAC should provide safe harbor to guarantee that students who would have received the full tuition benefit under the existing formula would still qualify for the full benefit.

Second, while we recommend basing the total aid available to students using the financial assessment described earlier—in large part to bring the state grant into line with the calculations already required by the U.S. Department of Education—this approach to the formula does limit the ability of schools and CSAC to clearly message the benefits available. We recommend creating an income guarantee: an income cut-off for the full tuition award, even if, given their assets, their award may have been reduced using the federal approach to determining aid awards. This safe harbor guarantee mirrors the University of California's Blue and Gold Commitment, which guarantees California families free tuition if they earn under $80,000 per year.[5]

Cal Grant–Plus Scholarship

In order to cover the myriad costs that create financial barriers for students, students with financial need beyond covering their tuition costs would receive Cal Grant–Plus scholarships from their institutions. The UCs and CSUs currently provide some non-tuition support through their University of California (UC) grant and State University Grant (SUG) programs, although the precise distribution, and the ability to meet need, varies, particularly at the CSUs. The California Community Colleges currently do not have an institutional aid program to help students cover non-tuition costs.

In order to close the gap in unmet financial need, the legislature would need to appropriate—using the standardized methodology to calculate cost of attendance[6]—enough aggregate funding to the UCs, CSUs, and community colleges to provide Cal Grant–Plus scholarships to cover non-tuition costs for students who have unmet need. If the state did not have enough dollars to close that gap, they would need to incentivize schools to close those gaps for the lowest income families first. Schools could then make individual decisions on campuses on how to allocate those dollars and how to structure individual budgets.

Conclusion

Together, the Cal Grant–Tuition scholarship and Cal Grant–Plus scholarship would ensure that all Californians can have financial access to college. It would provide students and families with a clear message about tuition, while also taking into account the significant housing, food, and other costs that create barriers for students when they enroll in college.

Author

Jen Mishory is a senior fellow at The Century Foundation, working on issues related to workforce and higher education, and a senior policy advisor.

Notes

1 Most low-income students at community colleges receive a Board of Governors tuition waiver, also known as a "Promise Grant."

2 See The Century Foundation's issue brief "Creating a Fair Formula for Allocating Financial Aid:The California EFC," published February 25, 2019.

3 Robert Shireman, Jen Mishory, and Sandy Baum, "Appendix 5: Analysis of Administrative Steps," in "Expanding Opportunity, Reducing Debt," The Century Foundation, April 4, 2018, https://tcf.org/content/report/expanding-opportunity-reducing-debt/.

4 Susan Dynarski, C.J. Libassi, Katherine Michelmore, and Stephanie Owen, "Closing the Gap: the Effect of a Targeted, Tuition-Free Promise on College Choices of High-Achieving, Low-Income Students," National Bureau of Economic Research, NBER Working Paper Series, Working Paper #25349, December, 2018, https://www.nber.org/papers/w25349.

5 "Blue and Gold Opportunity Plan," The University of California, available at http://admission.universityofcalifornia.edu/paying-for-uc/glossary/blue-and-gold/index.html (accessed February 22, 2019).

6 See the Century Foudation's issue brief "Calculating Student Budgets: State Grant Aid and Cost of Attendance," published February 25, 2019.