Affordability and Financial Aid in California

A Pretty Good Story, Or, Not So Much?

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The Macro Story: Pretty Good on Affordability

The Price Side of the Equation

Four Year Institutions (2009-2010)
- California State University: $4,893
- University of California: $7,845 (2nd to peers)
- WICHE Average: $5,828 (6th to peers)

Community Colleges
- California Community Colleges: $780
- WICHE Average: $2,653
The Macro Story: Pretty Good on State Supported Financial Aid

• Total State Need-based Grants Awarded:
  • California: $814 Million
    • Highest Nationally
    • 14% of National Amount

• Estimated Need-based Grant Dollars per Undergraduate
  • California: $538.50
  • U.S. Avg.: $468.06
  • California Rank: 11th
States Per Capita Income, 2007

Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce Via NCHEMS
So What’s With the “Or, Not So Much”? 

Beyond the Macro Level 
Affordability in California 
Is Clearly A Mixed Bag 
And the Reason is the 
Tuition/Financial aid Mix
What Makes for Good State Financial Aid Policy in the Modern Era

Principle I: Establish a clear philosophy and identify measurable goals.

The Likely Candidates from then & now

- Access
- Merit
  - Academic Excellence Warrants Reward
  - Merit attracts the best & brightest
- Access to Success
- Incentivize Preparation
- Be cost effective

My favorite -- Oregon Shared Responsibility
Cal Grant Program:

“... Educational opportunity grant program to assist students in paying for a college education.”

Cal A: “Provide grant funds to help pay tuition/fees . . .”

Cal B: “Provide grant funds for access costs for low-income students in an amount not to exceed $1,551.”

Sounds like primarily access, though in practice is a blend of access and merit

But, to what end?
Principle 2: Align state financial aid programs with other state financing policies.

- The Likely Candidates
  - Tie to tuition
  - Tie to assessed financial need
  - Use to assuage guilt – an after thought
  - To rationalize choice based on cost
    - Eliminate cost as a factor in choice
    - Create an affordable “cost of choice”
How Does California Measure Up on Aligning Financial Aid With Other Financing Policies?

At The University Level

Cal A – A pretty good story: Well aligned with merit objective of covering direct educational costs
- Implicit philosophy: No cost of choice

Cal B – Not so pretty a story: A fixed amount that does not cover any “real” assessed need.

An example:
- Janet (3.25 GPA, family income $65K/year @ UC)
  - Cal Grant A = $7,845
- Janice (3.25 GPA, family income 65K/year @ CSU)
  - Cal Grant A = $4,893
- Jane (3.00 GPA, family income $35K/year @ CSU)
  - Cal Grant B = $1,551

The Dilemma:
- Cliff Effect
- Variability versus fixed amounts
How Does California Measure Up on Aligning Financial Aid With Other Financing Policies?

At The Community College Level

*Well intentioned, but . . .*

The Policy:

- Low tuition to assure broad access
- Tuition waivers for those “in need”
- No need-based aid for education related expenses

The dilemma:

- Starves the institutions of necessary resources
- Provides low cost to those who don’t need it
- Leaves those with real need facing financial distress

*Pell is Necessary but Not Sufficient Solution*

*Pell is significantly underutilized*
How Does California Measure Up on Aligning Financial Aid With Other Financing Policies?

- Disconnect between message for Community College Students and University Students leaves inequities and lack of transparency.

- Cheaper for a poor student to go to CSU or UC than to a Community College.
What Makes for Good State Financial Aid Policy in the Modern Era

Principle 3: Understand the significant partnership with the federal government in providing financial assistance.

- Like it or not, you are a big partner with the feds
  - Pell Is Much Larger than Cal Grants
  - And Loans are an even bigger story
- But you are not nearly as big a partner as you could be
  - No interaction: Pell goes up, Pell goes down – no impact on Cal Grants
  - California leaves a lot of federal money on the table

How so, you ask

- Community Colleges
  - Pell Grants, particularly for part-time students
  - Tuition tax credits for all students, including the most needy (new 40% refundable tax credit)
- Universities -- Tax credits for Cal A students
Principle 4: Adopt clear metrics for measuring whether your goals (Principle 1) are being achieved

Does evidence assure you that you are achieving your objective

Today you know: how many applicants, how many recipients, and average awards.

Do you know:

Profiles of recipients versus applicants not receiving, by system

Academic success of recipients compared to other students (including transfer students)

Distribution of aid by income, race/ethnicity, age, dependency
Principle 5: State policy must be both transparent and predictable

Absent good information, the best program will fail –
market information is necessary to have markets work

And, mixed messages become negative messages

So, how does California do in this regard

Actually, quite good for traditional students
  High school students know about Cal Grants and low cost
  Community Colleges

Not so good for non-traditional students
  OK at Community Colleges
  Virtually nothing at Universities – left to institutions
What Makes for Good State Financial Aid Policy in the Modern Era

Principle 6: Programs must be scalable

- What prevents scalability
  - Resources constraints
  - Complexity

California Does Well

- Programs are simple to understand and manage
- Programs have been resourced well

But Is This Sustainable

- Resource constraints may warrant more cost-effectiveness
  - Intentionality with feds
  - Some reasonable cost of choice
- Simplicity may be costing you extra – leaving federal dollars on the table
California has a long, strong, proud tradition in financial aid

- Has been a national leader
- But remember – pride is one of the deadly sins

The “New Normal” may require change

Questions to ask -- and answer

- Can you afford the programs you have?
- Should you target your aid more?
- Do you have the right goals – do you even have goals?
- How well do your programs reach your goals?
- How can you better take advantage of federal partnership?
What “New Normal” Looks Like Around The Country

Benign neglect – Illinois, New York

Forget equity
- Most of the South and Some of the West (Louisiana, Georgia, Florida, South Carolina, West Virginia, and Nevada)

A strong focus on incentives for or requirements of students to prepare well and keep up the good work.
- Oregon Shared Responsibility
In sum, how do you get the biggest bang for the buck

Two Trite Sayings

To the Issues of Goals & Metrics
If you don’t know where your going, any path will get you there.

To the Issues of Strategies & Performance
“Insanity is doing the same thing over and over again and expecting different results.” Albert Einstein

INTENTIONALITY MATTERS