APPENDIX 1

Fiscal Analysis

As a part of our recommendations, we worked with CSAC, institutions, and RTI International to analyze the cost of our proposals. However, the challenges in obtaining data limited our options for crafting those estimates. We can begin to understand likely cost drivers and ascertain imprecise ranges, but cannot provide reliable cost estimates for all aspects of our recommendations.

Background on Data Constraints

A reliable estimate of the costs of a change in financial aid policy is best conducted with a database that includes all students who applied for financial aid (with information regarding income, assets, and dependency status), where they were actually admitted to college and enrolled, their enrollment status (such as part time versus full time), year in school, and their living situation as a student.

CSAC has information regarding every Californian who has applied for financial aid and anyone outside of California who applied to a California school. However, CSAC does not have data on whether or where any Californian has applied, or been admitted, or decided to attend, except for students who are ultimately awarded a Cal Grant. CSAC does know which schools that a financial aid applicant listed on the FAFSA. For some data analysis purposes, CSAC can infer that a student's intention is to attend the school listed first on the FAFSA. This approach is imprecise, though, since CSAC does not know whether the applicant applied, was admitted, or chose to attend that institution.

To get an impression of the effects of different Cal Grant criteria on student eligibility, we asked CSAC to separate FAFSA filers by first-time filers and others, and to allocate each to the segment that they had listed first on the FAFSA. Those data were separated into various categories of income, assets and EFC, as well as high school GPA or community college GPA, if relevant. Based on those data, we are able to get a sense of the effects of some of the current provisions limiting Cal Grant eligibility.

GPA cutoffs

The data indicate that impact of the GPA cutoffs is relatively small. The larger impacts may be for students whose GPA data fails to match with their FAFSA data.

- Out of 86,266 applicants income-eligible for a Cal Grant A and aiming to attend UC or CSU, *only one* had a GPA below 2.0, meaning they would not have been eligible for

either the Cal Grant B or A. The Cal Grant A's 3.0 GPA requirement affected under 10 percent of the UC-intending students, and about two out of five CSU-intending students. At both UC and CSU, a large proportion of those students with GPAs between 2.0 and 3.0 were low income and likely qualified for Cal Grant B using the 2.0 GPA cutoff.[1]

- At the community colleges, of the 66,504 applicants income-eligible for the Cal Grant B, less than 2 percent were ineligible due to the GPA requirement.
- Of the 16,883 income-eligible for a Cal Grant A and aiming to attend a nonprofit/WASC institution, a fourth were not eligible due to their GPA; most of those were poor and likely eligible for Cal Grant B.[2]
- Of the 1,265 applicants income-eligible for a Cal Grant A and intending to enroll at other for-profit institutions, three-fourths had a GPA below 3.0. Most of those likely qualified for Cal Grant B.[3] Of those income-eligible for Cal Grant B, 9 percent had an ineligible GPA.

In addition to the high school GPA requirement, there is a community college GPA requirement of 2.0 or 3.0 in order for applicants to qualify for the Transfer Entitlement Cal Grant B or A. The patterns by segment are similar to the high school grades. Perhaps more significant, though, are the large numbers of applicants who appeared to be eligible for a transfer entitlement award but for whom no match was identified between the FAFSA data that CSAC has and the GPA data provided by the community colleges.[4]

Asset cutoffs

The Cal Grant uses a combination of income and asset cutoffs, depending on family size, to determine whether a student is eligible for a Cal Grant or not (with the figures varying depending on whether it is Cal Grant A or B, except independent students which have the same cutoffs). The federal EFC also considers income, assets, and family size, as well as other factors. But rather than discrete cutoffs, the EFC is an index that attempts to balance the various factors.

Data from CSAC indicate that among FAFSA filers who are income-eligible for the Cal Grant or Middle Class Scholarship, the asset cutoffs do not have a dramatic impact on eligibility for the Cal Grant or Middle Class Scholarship. (Some families may have been deterred from filing a FAFSA because of the cutoffs; those numbers are not known.)

---

[1] At CSU and UC, 85 and 84 percent, respectively, of those ineligible for the Cal Grant A based on their GPA had EFCs below $3,000.
[2] 78 percent had an EFC below $3,000.
[3] 81 percent had an EFC below $3,000.
[4] It appears that a match is found only about half the time, though more analysis is needed to determine how meaningful the numbers are, since CSAC does not have enrollment records.

Aid applicants ineligible due to the asset cutoffs (recent high school graduates)

	Cal Grant A	Cal Grant B	MCS
UC-intending	6%	3%	5%
CSU-intending	2%	1%	0%
CCC-intending	2%	1%	
Nonprofit/WASC	6%	3%	
Other private	1%	0%	

The data are similar for potential transfer entitlement students, except at UC where about 12 percent are ineligible due to the Cal Grant A asset ceilings.

Shifting to use of the EFC means that some students who were ineligible due to income or assets will become eligible for the Cal Grant, while some who would have been eligible will no longer be eligible. We did not have enough data or time to analyze the number of students who might fit each category.

Other eligibility restrictions

Based on the analysis of the effects of the asset and GPA cutoffs, it appears that the bulk of California residents who are enrolling in college and are needy but not receiving a Cal Grant are ineligible due to the restriction limiting the entitlement to recent high school graduates, age of transfers, and complications in matching GPAs (especially for transfer students). Determining the number of students now enrolling in college who would be eligible if these restrictions were relaxed requires student enrollment data that were not available to CSAC or to us.

Costs of the Step 1 recommendations

Without student-level data available, our subcontractor aggregated UC, CSU and national data to estimate institutional grants, Cal Grants, total grant aid, EFC and enrollment by dependency status and family income for each of the California public segments. Based on that analysis, they provided estimated costs of the Step 1 spread-and-stack proposal—broadening Cal Grant eligibility, and relying on the combination of the Cal Grant and institutional aid at UC and CSU to address need up to the affordability target.

For UC, the analysis suggested that the current combination of Cal Grants and institutional aid is sufficient to meet the affordability targets. This makes sense, since our proposal for Step 1 essentially adopts the current UC policy of providing the institutional aid necessary to bring students to a self-level of no more than $11,000, considering the parent contribution portion of the EFC along with Pell Grants and other grant aid. UCOP has affirmed this logic based on prior year figures (which would need to be adjusted given changing tuition and demographics).

The CSU analysis initially indicated a cost of about $19 million. This amount seemed low given that the CSU institutional aid policy is focused on tuition and not on cost of attendance, and does

not extend as high up the income scale as UC. A further analysis considered the possibility that the model might not be adequately considering student-level differences within the amounts that were averaged in income bands. Adjusting for this possibility yielded an estimate of $425 million. The average of these two estimates lands at e at $222 million, but leaves us with a large reliability range, not ready for policy decisions. With the time available, the CSU system office was not able to provide us with any opinion regarding the potential cost of the Step 1 policy.

The analysis of the community colleges yielded a figure of $1.5 billion, but was similarly based on inadequate data and is based off of a wide range. One complication that mostly affects the community college estimate is the treatment of students who are attending less than full time. The analysis we used combined all students into full-time equivalents. Under our proposal, however, students who are attending less than half time would not be eligible, and those attending half or three-quarters time would receive lower awards. The LAO-designed debt-free college proposal was similar in design to our proposal for the community colleges, and yielded a cost estimate of $2.2 billion.[5] The difference might be partly a result of the LAO's somewhat lower self-help expectation. But other figures are not matching up. For example, the LAO's cost estimate limiting aid to just full-time students at the community colleges was only $500 million. Enrollment figures from CCCCO indicate that almost 60 percent of all FTE students are accounted for by full-time students.[6] If providing grant aid for those students costs $500 million, then one might estimate the addition of the the half- and three-quarters time students as costing no more than an additional $350 million. We ran out of time to investigate the discrepancies further.

It is clear that the largest needs are at the community colleges. A previous analysis by the Institute for College Access and Success, based on data provided on applicants for competitive Cal Grants in 2014 that were denied due to shortages in funding, showed that over 309,000 students were apparently eligible and considered for Competitive awards (in other words, met income eligibility and GPA requirements but did not qualify for other reasons such as age).[7] The state only funds about 25,000 competitive awards.

We were not able to estimate costs of the changes for the private institutions. As noted in the report, the state's ability to influence and predict the actions of the segment is more limited, so there is greater hazard of strategic responses that could increase state costs. We advise the state to take more cautious step to prevent any unintended budgetary consequences of changes to institutional or student eligibility.

---

[5] Legislative Analyst's Office, "Create a Debt-free College Program," http://www.lao.ca.gov/Publications/Report/3540.
[6] CCCCO student counts by number of units taken for Fall 2017 show about 888,000 full-time equivalent students, with almost 500,000 attending full-time, 124,000 FTES of less-than-half-time students, and 349,000 FTES of students attending at least half time but less than full time.
[7] https://ticas.org/sites/default/files/pub_files/ticas_competitive_cal_grant_modeling_memo_0.pdf.

As is evident from the wide range of potential costs, using federal level data is a weak substitute for student-level data and yields highly imprecise estimates. CSAC or the Legislative Analyst's Office should seek student-level data from the segments for purposes of developing more reliable estimates.

Finally, since the goal of financial aid is to encourage people to consider college and to enroll, or to enroll full-time instead of part-time, the broader availability of the Cal Grant could incent additional enrollment of low-income students, adding to Cal Grant costs and the need for more institutional aid. In the public segments, the size of any increase would be constrained by the fact that there is a limit to how much California resident enrollment can grow at the institutions with existing public funding, since net tuition is not enough to finance marginal costs.