

California Fact Sheet

SIMPLIFYING FEDERAL STUDENT AID: Grants, Loans, & Repayment Plans



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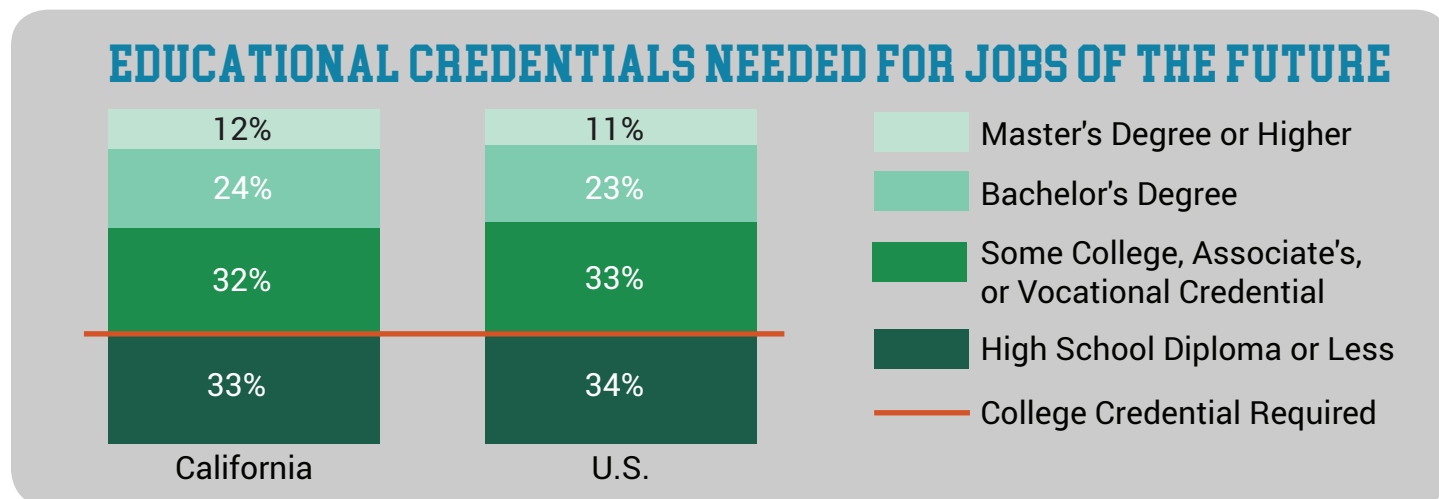


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INTRODUCTION

The need for a college education has never been greater. Degrees at all levels, from vocational certificates to Master's degrees, allow individuals to enjoy greater economic and social success. In fact, individuals with a bachelor's degree will earn over \$1.3 million more over their lifetimes than someone with only a high school diploma. For first-generation, low income and minority students, access to college opportunity yields a pathway to increased economic stability and prosperity for future generations.

The jobs of the future require college credentials. By 2020, 65% of all jobs across the United States will require some type of college credential. The same holds true for the State of California: 68% of all jobs by 2020 will require future workers to have college credentials.



Unless immediate action is taken, and current trends persist, California will be short 2.4 million college educated workers to meet workforce demands. To succeed in this new economy, California must ensure that more of its residents are on track to enter college and graduate with a degree or credential.

Keeping college affordable is key to meeting California's economic demands and ensuring opportunity to a better future for the state's residents. Congress can play a key role in helping more students and their families make a college education a reality by acting to simplify, expand, and streamline federal student aid.

Each year far too many students leave federal financial aid money on the table. In California, more than \$250 million dollars in Pell Grants were left on the table in 2014-2015 because one-third of California's more than 400,000 high school graduates did not complete the Free Application for Federal Student Aid (FAFSA). Among those graduates are some of our most vulnerable students, including low income, first-generation, African American and Latino students.

Among California's high schools where more than 75% of students are eligible for the Free and Reduced Meal Program, 24% of eligible students did not complete the FAFSA. This is a significant burden on low-income students and their families. Households with an annual income of \$30,000 and below will have to spend a greater share of their discretionary income to attend one of California's public colleges than would a student whose family earns \$150,000 or more.

There are many consequences to eligible students not completing the FAFSA. When eligible students do not have access to Cal Grant and Pell Grant dollars, many students forego college all together or families opt to take out private loans to fund a college education and student debt balloons. Student loan borrowing is rising significantly in California where the average debt for California's students is \$21,382. The impact of this growing debt is felt in California's economy as graduates with unmanageable debt are more likely to postpone home and auto purchases, are unable to contribute to personal retirement accounts and other investments, and many students default on their student loans negatively impacting their financial futures.

SOLUTIONS

SIMPLIFYING THE FREE APPLICATION FOR FEDERAL STUDENT AID

The FAFSA is the first step a student takes to secure college aid. In addition to grant programs – California’s Cal Grants and the federal Pell Grants – federal aid also includes subsidized student loans and federal work study. Federal aid makes it possible for students – who may not otherwise attend college due to cost – to afford and stay in college. In fact, students who receive grant aid are more likely to enroll and complete a postsecondary degree.

Unfortunately, when students work to complete the FAFSA, they find a long and complex form, requiring students to answer 100+ questions that may not be relevant to their family’s economic situation.

Congress must act to simplify the FAFSA by utilizing better-matched questions and making it easier for students to retrieve tax information which will allow students to submit their applications on time to make better informed choices about where to go to college.



EXPANDING FEDERAL STUDENT AID

The Pell Grant has opened doors for millions of California’s low-income students to go to college. Yet, the purchasing power of the Pell Grant has declined significantly in light of rising college costs. In 1979-80, for example, a Pell Grant covered 77% of the cost to attend a public university, and 99% of the costs of attending a two-year public college. In 2013-14 the max Pell Grant of \$5,645 only covered one-third of the average cost of going to college. Students, already facing sticker shock over the price of college may choose not to go to college upon realizing their grants will not adequately cover the price of attendance. Therefore, the maximum Pell Grant award should be increased to cover a greater share of college costs. Additionally, Pell Grant eligibility should be restored for students taking courses year-round so they can finish college sooner and surplus funds should stay within the program.

MAXIMUM PELL AWARD AS SHARE OF TOTAL COST OF COLLEGE ATTENDANCE		
	1979-80	2013-14
2-year public college	99%	52%
4-year public college/university	77%	31%
4-year private college/university	36%	14%

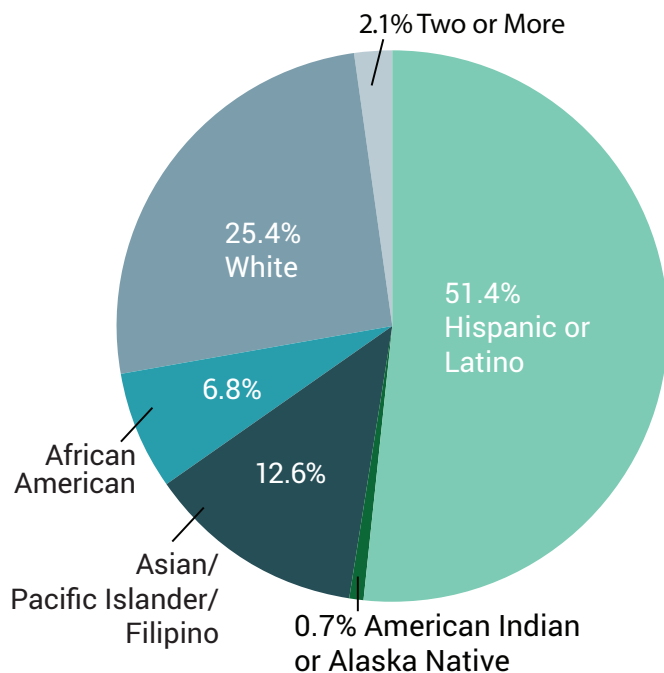
STREAMLINE FEDERAL STUDENT AID

Students are currently presented with a confusing array of loan and repayment program options. Streamlining financial aid options, and making those options much easier to understand (subsidized vs. unsubsidized, federal/state vs. private loans) will improve access and success and minimize potential risks for students. Consolidating the four income based repayment plans and increasing awareness about repayment eligibility will ensure students can afford to pay back their loans by capping monthly payments and prevent students from going into default.

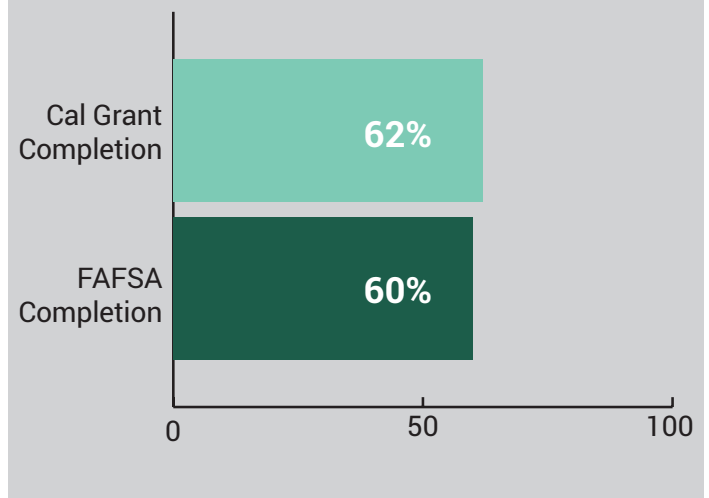
Without these improvements, the process of applying for aid, maintaining aid, and repaying federal loans will continue to be confusing for far too many students. Consequently, these challenges deter students from applying, leaving many of them unable to take advantage of all the aid they qualify for and take advantage of programs available to them as they begin to repay loans.

THE CHALLENGE

CALIFORNIA GRADE 12 ENROLLMENT BY RACE: 2014-15



FINANCIAL AID APPLICATIONS COMPLETED: CALIFORNIA 2015



The importance of a college degree has never been greater, but rising tuition costs make college out of reach for many of California's students. Federal and state-based financial aid can help, but as the data show, large numbers of students are losing out on their eligibility to access grant funds for lack of completing the FAFSA. Only 62% of high school seniors completed the Cal Grant application and 60% completed the FAFSA. More than 150,000 high school seniors did not apply for aid – that is simply not good enough.

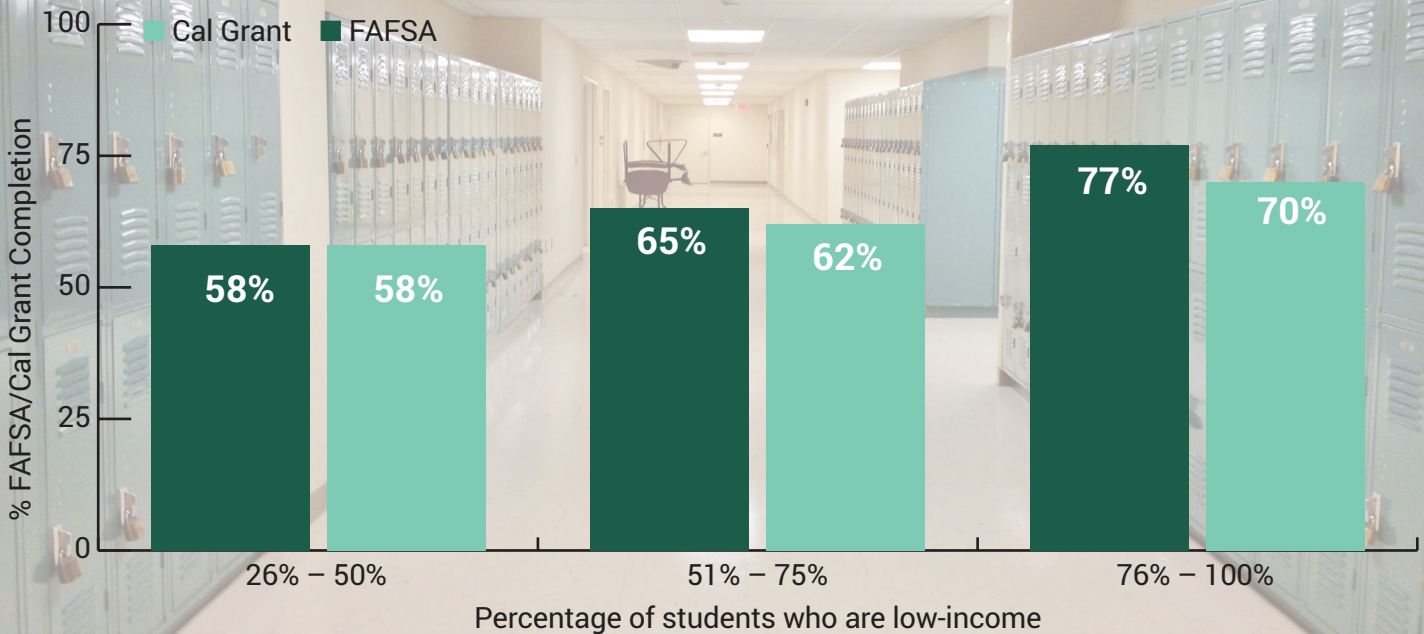
The challenge is significantly greater in schools with a high proportion of enrolled students from low-income families.

The lack of FAFSA and Cal Grant completion means that California's students with the greatest need are leaving needed money unclaimed that can defray the costs of college attendance. While completion of Cal Grant applications are greater in low income schools, as is seen in the figures above, students attending schools where more than 50% of students are eligible for the Free and Reduced Meal Program (FRMP) have only slightly better completion rates than their peers at more affluent schools.



“The application needs to be more flexible and adjust to the needs of the students. They need to create a situation where students are not excluded from the application process because they don't check a box. Life is not a cookie cutter situation.”

2015 CAL GRANT AND FAFSA COMPLETION BY SCHOOLS WITH LOW-INCOME STUDENTS



This lack of completion has implications for free federal and state dollars that have been the cornerstone of reforms intended to increase access to higher education. Estimates done by the Campaign for College Opportunity suggest that more than \$250 million dollars are left on the table by California’s students – who would otherwise be eligible for Pell Grants – because they do not complete the FAFSA.

MONEY LEFT ON THE TABLE BY LOW-INCOME STUDENTS

Percentage of students who are low-income in a given high school.	Pell Eligible Students	Total Pell Possible	Total Pell Possibly Received	Money Left on the Table
26%-50%	86,894	\$324,201,514	\$214,630,283	\$109,571,231
51%-75%	126,173	\$470,751,463	\$329,398,851	\$141,352,612
76%-100%	1,834	\$6,842,654	\$5,182,689	\$1,659,965
TOTALS	214,901	\$801,795,631	\$549,211,824	\$252,583,807

Notes: Pell Eligible Students = G12 % Low-income graduates. Total Pell Possible = Pell Eligible Students*CA state Pell Grant average (\$3,731). Total Pell Possibly Received = (FAFSA Completion*% Low-income students)*Pell Grant average. Money Left on the Table = Total Pell Received-Total Pell Possible.

If California is to succeed in producing the credentialed workers needed for the new economy of the future Congress must act to ensure the increased simplification of the FAFSA, expanded access to financial aid, and the consolidation of loan and income based repayment programs. Simplifying, expanding, and streamlining financial aid processes and programs will ensure students and their families have the necessary information to apply for federal financial aid and to make certain college is affordable. Doing so will ensure college access and completion for California students who need it most. Our future is now – California and its students cannot afford to wait.

FEDERAL MONEY LEFT ON THE TABLE BY CALIFORNIA REGIONS

Region	Number of HS Graduates Not Completing FAFSA	Number of Pell-Eligible Grads Not Completing FAFSA	Pell Grant Dollars Left on the Table
Bay Area	21,783	9,032	\$33,699,109
Central Coast	7,452	4,108	\$15,326,150
Central Sierra	519	231	\$861,762
Imperial	538	445	\$1,659,965
Inland Empire	15,695	11,001	\$41,044,187
Los Angeles	24,513	16,748	\$62,485,690
North San Joaquin Valley	6,124	4,293	\$16,018,917
Northern California	1,032	568	\$2,118,872
Orange	12,322	5,710	\$21,304,848
Sacramento -Tahoe	9,042	4,601	\$17,165,519
San Diego	9,992	5,118	\$19,094,971
South San Joaquin Valley	8,214	5,844	\$21,803,818
TOTAL	117,226	67,699	\$252,583,807

Notes: Number of high school graduates not completing FAFSA = number of high school graduates-number of completed FAFSA applications. Number of Pell-eligible high school graduates not completing FAFSA = percentage of Pell-eligible applicants*number of high school graduates not completing FAFSA. Pell Grant money left on table = number of Pell-eligible high school graduates not completing FAFSA*average Pell Grant award.