

AGENDA

JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE

Meeting: **8:30 a.m., Wednesday, September 13, 2023**
 Glenn S. Dumke Auditorium

Committee on Educational Policy

Diego Arambula, Chair
Christopher Steinhauser, Vice Chair
Diana Aguilar-Cruz
Raji Kaur Brar
Jack Clarke, Jr.
Mark Ghilarducci
Leslie Gilbert-Lurie
José Antonio Vargas

Committee on Finance

Julia I. Lopez, Chair
Jack McGrory, Vice Chair
Larry L. Adamson
Douglas Faigin
Mark Ghilarducci
Leslie Gilbert-Lurie
Anna Ortiz-Morfit
José Antonio Vargas

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| Consent | 1. Approval of Minutes of the Meeting of July 11, 2023, <i>Action</i> |
| Discussion | 2. Chancellor's Strategic Workgroup on Financial Aid, <i>Information</i> |

**MINUTES OF THE JOINT MEETING OF
THE COMMITTEES ON EDUCATIONAL POLICY AND FINANCE**

**Trustees of The California State University
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, California**

July 11, 2023

Members Present

Committee on Educational Policy

Diego Arambula, Chair
Christopher Steinhauser, Vice Chair
Diana Aguilar-Cruz
Raji Kaur Brar
Jack Clarke, Jr.
Mark Ghilarducci
Leslie Gilbert-Lurie

Committee on Finance

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Anna Ortiz-Morfit

Wenda Fong, Chair of the Board
Jolene Koester, Interim Chancellor

Trustee Arambula called the meeting to order.

Approval of the Consent Agenda

A motion to approve the consent agenda without discussion passed. The minutes from the meeting on January 24, 2023 were approved as submitted.

Chancellor's Strategic Workgroup on Financial Aid

Dr. Dilcie D. Perez, deputy vice chancellor for Academic and Student Affairs, provided a brief introduction of the origins of the Chancellor's Strategic Workgroup on Financial Aid which was an outcome of the Chancellor's Sustainable Financial Model Workgroup that had been convened the previous year. The Sustainable Financial Model Workgroup presented its recommendations to

the Board of Trustees in May 2023 of which one included the need for a tuition policy that clearly states the CSU's commitment to affordability; ensures that tuition increases are gradual and predictable; and stipulates that a portion of any increase should be dedicated to financial aid.

Dr. Nathan S. Evans, deputy vice chancellor of Academic and Student Affairs and co-chair of the Chancellor's Strategic Workgroup on Financial Aid, continued the presentation by acknowledging the workgroup's members and outlining their charge: to recommend a broad financial aid strategy and policy for the CSU that considers federal, state and institutional aid resources; to develop a complementary implementation plan to ensure that our universities are equipped with the infrastructure and capacity needed to enact the policy; and link the new policy with a clear message to Californians about the affordability, access and value of a CSU degree. He highlighted that 60 percent of all CSU undergraduates currently have the full cost of tuition covered by grants, scholarships or waivers, an intentional effort by the system to prioritize non-loan aid. Dr. Evans also outlined the various factors that contribute to cost of attending a CSU and how financial aid is determined.

Trustee Julia I. Lopez, co-chair of the Chancellor's Strategic Workgroup on Financial Aid, then summarized the group's guiding principles and the items currently under discussion. She shared that the workgroup is reviewing data at the campus level in order to better understand differences in fees and other costs such as housing. Trustee Lopez discussed the workgroup's next steps including finalizing a comprehensive policy framework that guides CSU's financial aid; developing a plan for implementation with increased consistency across campuses; and communicating a strong message that CSU is not just affordable, but a great value.

Trustees posed questions regarding pending Cal Grant reform and its impact on financial aid, how to more effectively communicate financial aid opportunities to prospective students, how to simplify the aid process and evaluating the process of dropping students for nonpayment. A trustee posed a concern about scholarships displacing financial aid packages. Another trustee highlighted the need to reach out to parents and families regarding financial aid. Interim Chancellor Koester concluded the discussion by reminding board members that the workgroup will come back in September with an update, however, that update may not yet include a policy recommendation.

Trustee Arambula adjourned the meeting of the Joint Committees on Educational Policy and Finance.

JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE

Chancellor's Strategic Workgroup on Financial Aid

Presentation By

Nathan D. Evans
Deputy Vice Chancellor, Academic and Student Affairs
Chief Academic Officer

Julia I. Lopez
Trustee

Workgroup Background and Charge

In June 2023, the Interim Chancellor appointed the Chancellor's Strategic Workgroup on Financial Aid, charged with: (1) recommending a comprehensive financial aid strategy and policy for the CSU; (2) developing an implementation plan to ensure that universities are equipped with the procedural requirements, infrastructure and flexibility to make student-by-student adjustments (within a set of consistent parameters); and (3) linking the policy to a clear message to Californians about CSU affordability.

This item provides a report on the progress of the workgroup and its discussions to date about options to maximize available federal, state and university financial aid so that the CSU remains affordable to students. Separately, the Finance Committee will consider a tuition policy aimed at making any tuition increases gradual, modest and predictable. Importantly for the Financial Aid Workgroup, the proposed tuition policy articulates that the affordability of a CSU education must be measured based on the total cost of attendance and student financial need. The proposed policy also stipulates that the CSU shall increase funding for need-based institutional aid by an amount not less than one-third of incremental systemwide tuition revenue. The tuition policy is an action item on the agenda at this meeting.

Conversations and Considerations

The Financial Aid Workgroup had met on five occasions, with additional sessions scheduled this fall. The group's preliminary focus has been to collect, review and digest pertinent data, supplied by the Chancellor's Office, the California Student Aid Commission and other public sources. This data has provided the group with a comprehensive overview of how financial aid is currently distributed and for what purposes.

Specifically, the group centered its discussions on the following questions, with the intent of creating the framework for development of a financial aid policy:

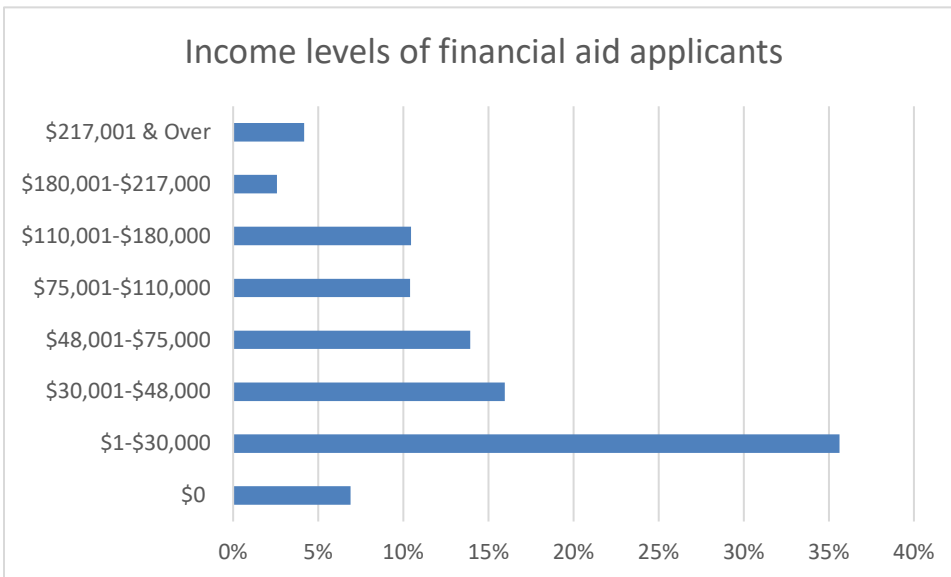
1. How is the student body distributed across income brackets?
2. What portion of students in each category receive grant aid, and specifically for tuition?

The following charts document the large proportion of CSU students who come from households with income levels at or below \$75,000. They also show that the majority of available non-loan financial aid is distributed to these students and, for almost all, financial aid fully covers their tuition.

Chart A breaks out the CSU's financial aid applicants by income levels. In 2021-22, this included 402,000 California resident students. This chart reveals two considerations:

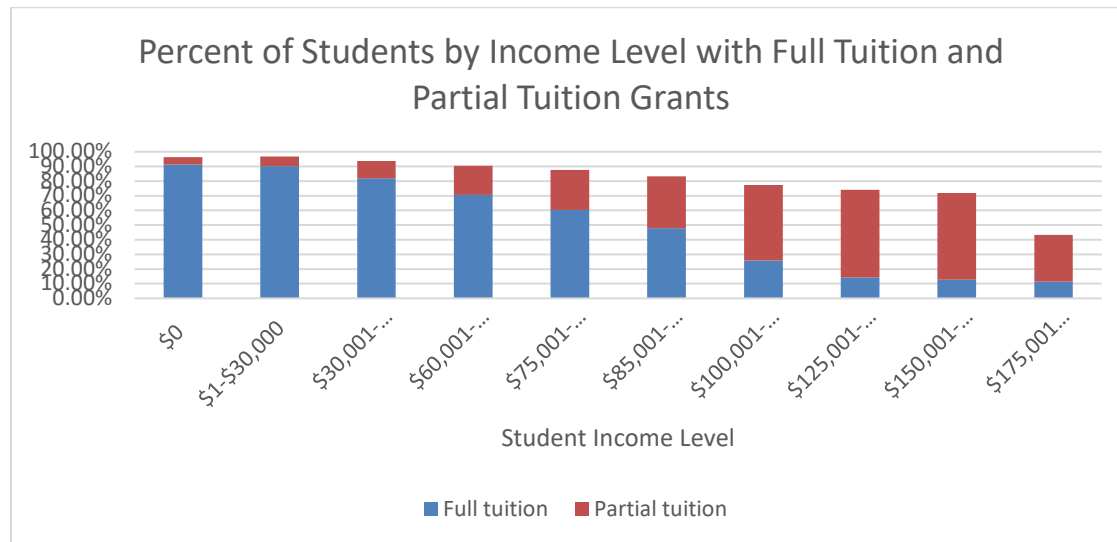
1. During this time period, 86% of the CSU's student body applied for financial aid by submitting a Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA). FAFSA and CADAA are used not only for determination of eligibility and disbursement of federal and state aid, but also for the CSU's State University Grant (SUG), scholarships and other support. The reasons why the remaining 14% did not submit one of these forms vary. Some potential reasons are that they did not require financial aid to cover college costs, they were unwilling to complete the forms, they did not know they needed to fill out a FAFSA to receive financial aid, or they were international students. California high school students are now required to complete a FAFSA or CADAA as a high school graduation requirement, so we expect to see higher percentages of applicants applying for and qualifying for financial aid into the future.
2. Almost three fourths (72%) of students who applied for financial aid were from households with incomes under \$75,000.

Chart A: Income Levels of Financial Aid Applicants



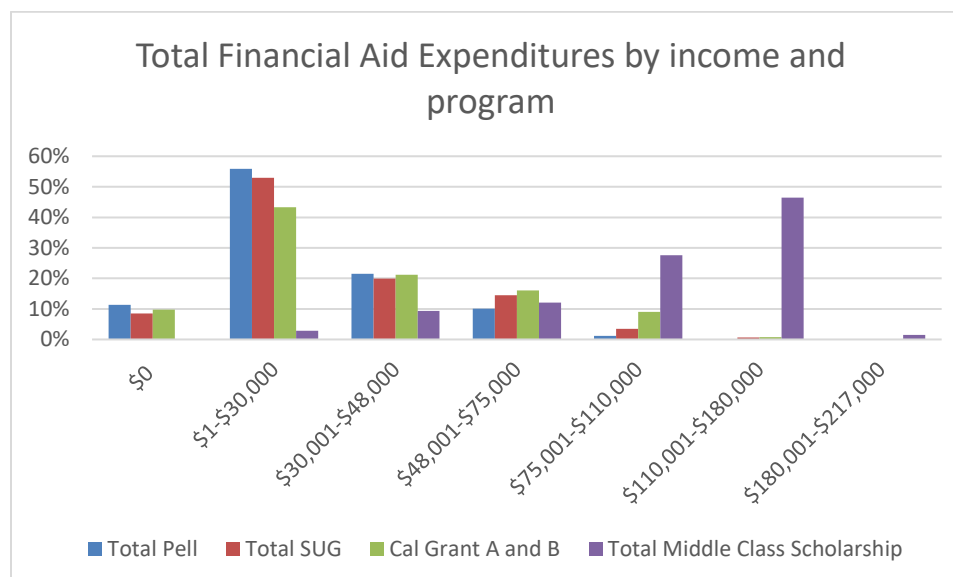
The next chart shows the percentage of students whose tuition is paid by financial aid. Grant aid, including waivers and scholarships, is widely available and disbursed to students, but the odds of receiving non-loan financial aid to pay for tuition is highest among students from households earning under \$75,000. More than 90% of students in households with income under \$30,000 have their tuition fully covered by financial aid, and an additional 5% receive partial aid. Eighty six percent of students from household incomes below \$75,000 have their tuition fully covered by non-loan aid and an additional 9% receive some grant aid for tuition.

Chart B: Tuition Grants by Income Levels



The final chart documents how current federal, state and SUG funds are allocated among income groups. The chart shows that, with the exception of the Middle Class Scholarship that is designed to help households with higher incomes, the great proportion of each program is awarded to students from households under \$75,000.

Chart C: Total Financial Aid Expenditures by Income and Program



With this information as background, the workgroup has now turned its attention to the following questions:

1. How many students in each income category who have unmet need *did not* receive grant aid sufficient to pay tuition – and why not?
2. How can the SUG be used to complement Pell and Cal Grants?
3. What portion of the total cost of attendance does grant aid cover for students in each income bracket?
4. Should the CSU clearly document students' individual contributions to a portion of the cost of their education, beyond expected family contribution?
5. Finally, and most fundamentally, as affordability of a CSU education is the ultimate goal, how do we allocate current and future financial aid resources to 1) ensure that every student can pay their tuition and 2) provide additional aid to reduce the total cost of attendance, including housing, beginning with those who can least afford it.

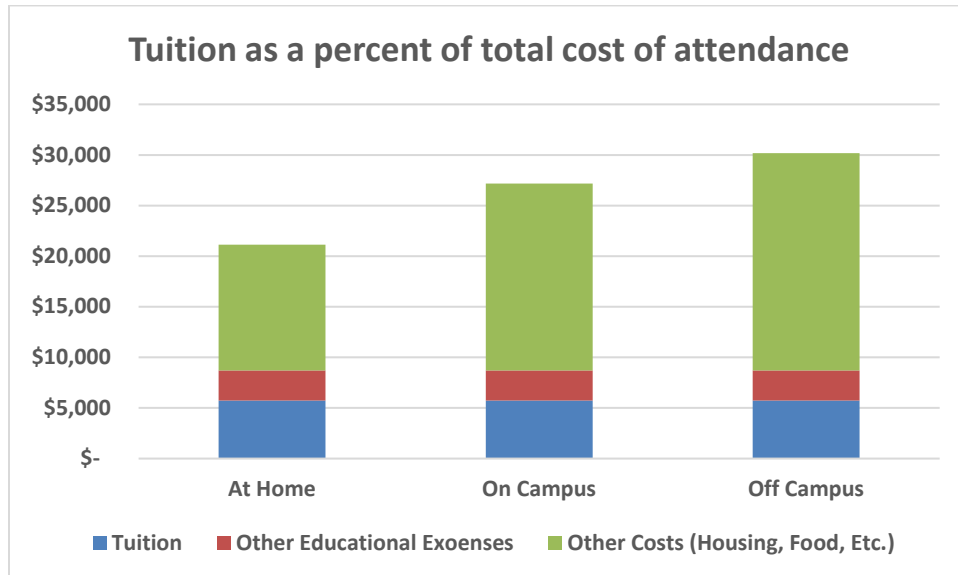
Affordability as the North Star

An affordable education is central to the CSU's mission, and a core value we hold dear. In support of the tuition policy proposed on today's agenda, the financial aid workgroup fully endorses the CSU's continued practice of designating at least a third of any tuition revenue for student financial aid, in the form of SUG. All of the workgroup discussions to date have assumed this investment. In addition, through ongoing discussions, the group has zeroed in on a preliminary consensus that the CSU should continue to fully cover tuition with non-loan financial aid for a consistent portion of the undergraduate population similar to current practice.

Tuition has been the main topic of conversation about affordability, for good reason – it is the price of admission to a CSU education. California is unique among states in having an entitlement program – Cal Grant – which pays the full cost of tuition for CSU undergraduate students who meet eligibility criteria. SUG complements and supplements state and federal aid for students who need additional assistance. In addition, federal Pell grants will cover other educational expenses, but housing, transportation and other living expenses fall on the students or their families.

As reported to the Board in July and as shown on the chart below, on average at the CSU, tuition is less than 27% of the total cost of attendance, depending on housing arrangements.

Chart D: Tuition as a Percent of Total Cost of Attendance



This discussion brought into stark relief the range of policy choices before the workgroup:

1. Should SUG continue to be used to cover solely tuition for those who are not currently receiving aid, including students up the income scales? Or,
2. Should SUG be used to reduce the total cost of attendance; that is, provide grants to help pay for housing, transportation and other expenses associated with attending school for students in the lower income brackets?

The workgroup has begun to consider these questions more deeply, a necessary exercise to subsequently develop a policy framework for board consideration. The questions here are framed as either/or, but the group has suggested that we consider a both/and approach. The emergent option would maintain tuition coverage for a consistent share of undergraduates and use additional SUG resources to address a portion of the total cost for the lowest-income students. This will require looking at different options to allocate existing funds and as well as modeling how additional SUG funds, should the tuition policy and proposal before the board be adopted, can best and most effectively be deployed. The next step is to develop different financing scenarios to inform subsequent discussions.

The Changing Landscape

As the workgroup performs its complex, detailed and systemwide analysis of available data and strives to anticipate the implications and impact of any policy recommendations on the CSU's current and future students – and on the institution itself – its work is further complicated by the shifting landscape of financial aid at the state and federal level. As first presented at the Board of Trustees meeting in January 2023, several changes loom on the horizon. The workgroup is contemplating developing two financial aid policies – one based on current data and circumstances and the second to accommodate the following confirmed and potential changes, which will alter the financial aid picture for our students.

FAFSA Simplification Act

The FAFSA Simplification Act and the follow-up legislation, the FAFSA Simplification Act Technical Corrections Act, were passed in 2021 and 2022 respectively. Both bills were part of the Consolidated Appropriations Acts. These acts make important amendments to the Higher Education Act of 1965. The majority of changes will go into effect for the 2024-25 financial aid award year. Changes were originally enacted with a general effective date of July 1, 2023. In 2022, the FAFSA Simplification Act Technical Corrections Act pushed the general effective date back one year to July 1, 2024. Although the effective date was pushed back, some changes will go into effect for the 2023-24 financial aid award year.

This overhaul updates the FAFSA form, need analysis and many policies and procedures for schools to participate in the federal student aid programs.

Major highlights of the legislation include:

- 2023-24 Award Year Changes
 - Reinstates Pell Grant eligibility for students in federal and state penal facilities starting in the 2023-24 award year.
 - Restores Lifetime Eligibility Used (LEU) regarding loan discharges associated with closed schools, false certifications, identity theft and successful borrower defense claims.
 - Changes some components of cost of attendance (COA).
 - Updates determination process for unaccompanied homeless youth.
 - Implements additional flexibilities for assisting students with unusual circumstances and who cannot provide parental information.
 - Updates professional judgement provisions.

- 2024-25 Award Year Changes
 - Replacing the Expected Family Contribution (EFC) with the Student Aid Index (SAI).
 - Decreases the number of questions on the FAFSA and allows for a higher number of fields to be imported from a federal income tax form.
 - Ties federal Pell Grant eligibility to federal poverty guidelines based on adjusted gross income (AGI). The AGI threshold is either 175% or 225% depending on student's dependency status and marital status.
 - Removes consideration of the number of children in college at the same time from eligibility for need-based financial aid.
 - Provides Education Department authority to regulate all COA components except tuition and fees.

The FAFSA Simplification Act requires changes to most aspects of the policies, procedures, processes and systems used to award federal student aid.

Cal Grant Reform

The 2022 state budget committed to prioritize the Cal Grant Reform Act that makes major changes to the state's largest financial aid program. The current Cal Grant program will be replaced with a new version that provides a Cal Grant 2 for California Community College students and a Cal Grant 4 for students attending eligible four-year public or private universities. *The program will begin in 2024-25 if a determination is made in the spring of 2024 that California General Funds are available to support the program over a multi-year forecast.* Highlights of the changes include:

- Collapsing the current eight types of Cal Grants to Cal Grant 2 and Cal Grant 4.
- Aligning eligibility for Cal Grant with the new federal Student Aid Index (SAI).
- Removing age limitations, time since graduation and Grade Point Average requirements.
- Eliminating Cal Grant B access awards that CSU students currently receive as a living allowance.

The changes to the Cal Grant program could significantly impact the awards provided to CSU students. The Chancellor's Office and the California Student Aid Commission are currently undertaking data analysis and modeling to better understand the impact to students. If the decision is not made until the spring of 2024 to enact this reform, for the 2024-25 aid year, significant delays in awarding and packaging state aid will most likely occur. In addition, the changes to the Cal Grant program may necessitate SUG policy and awarding changes, so these awards could also be delayed. The CSU aims to award newly admitted students in the February/March time frame so

students and families can make informed decisions regarding enrolling and paying for college. The timing of these changes could negatively impact students starting college in 2024-25. Continuing students, receiving Cal Grant, will continue to be funded under the current program.

Next Steps

The workgroup has concentrated its work on understanding how financial aid is currently deployed as well as alternative ways to do so. The CSU takes tremendous pride in providing access to a high-quality education to students across the economic spectrum. This fall the workgroup will continue its work to develop a recommended financial aid policy that serves as a central component of the CSU's student success agenda. Once a policy framework is finalized, the workgroup's next focus will be to develop an implementation plan that provides for the flexibility, tools, resources, administrative capacity and infrastructure required by our campuses to meet the unique financial needs of their students. The workgroup will also delineate a communication strategy to highlight to potential students and their families the affordability and value of a CSU education, as well as clear, timely and easy-to-understand information on available financial support. The workgroup will once again report its progress to the Board of Trustees in November.