

AGENDA

JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE

Meeting: 3:45 p.m., Tuesday, November 7, 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
Jonathan Molina Mancio
Jose Antonio Vargas
Darlene Yee-Melichar

Committee on Finance

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

Consent 1. Approval of Minutes of the Meeting of September 13, 2023, *Action*
Discussion 2. Chancellor's Strategic Workgroup on Financial Aid, *Information*

**MINUTES OF THE JOINT MEETING OF
THE COMMITTEE 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**

September 13, 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
Jose Antonio Vargas

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Anna Ortiz-Morfit
Jose Antonio Vargas

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 September 13, 2023 were approved as submitted.

Chancellor's Strategic Workgroup on 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, provided a brief introduction by summarizing the origin of the workgroup and its members. The workgroup has met on five occasions with a strong focus on data to help develop an accurate picture of student and family financial need and how to maximize available support. The workgroup is also exploring a more consistent approach

systemwide in how the cost of attendance is defined, how financial aid is distributed and how financial aid opportunities are communicated. Dr. Evans then outlined the workgroup's key policy principles that will inform a financial aid policy: affordability of a CSU education must be defined and measured based on total cost of attendance and student financial need; an amount equal to one-third of tuition revenue is to be set aside for institutional aid; continued work to maximize state and federal aid; maintain a consistent share of non-tuition coverage for undergraduates; address a portion of total cost of attendance, including housing, for lowest income students with institutional aid; and streamline the financial aid process while providing a consistent student and family experience. With these principles in place, the workgroup is now working with consultants on modeling based on current CSU student populations. Dr. Evans shared the workgroup is working on two policies – one based on current state financial aid circumstances and the second to accommodate potential Cal Grant reform elements.

Trustee Julia Lopez, co-chair of the Chancellor's Strategic Workgroup on Financial Aid, further elaborated on the data review. She shared the workgroup's focus on the topic of affordability and how to reduce the costs of housing, transportation and food contributing to the overall cost of attendance. Trustee Lopez underscored that financial aid policy is not solely under the discretion of the CSU as state and federal grants are the oversight of governmental agencies. As a result, having an infrastructure that ensures a consistent experience is essential.

Trustees posed questions regarding certain student populations, the possibility of the State University Grant (SUG) funding housing costs based on campus location, how to leverage SUG for student recruitment and outreach and campus fees.

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

JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE

Chancellor's Strategic Workgroup on Financial Aid

Presentation By

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

Julia I. Lopez
Trustee

Introduction and Charge

This item provides a report on the progress of the Chancellor's Strategic Workgroup for Financial Aid and its efforts to date to maximize financial aid and ensure affordability for the CSU's current and future students.

Interim Chancellor Koester appointed the group in June 2023, 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. As the workgroup addressed its charge, in September 2023, the Board of Trustees approved a multi-year tuition proposal that includes a commitment of an additional \$280 million for student financial aid over five years in the form of the State University Grant, or SUG.

Policy Framework

The Financial Aid Workgroup has met on seven occasions, with additional sessions scheduled this fall. Through comprehensive data analysis and in-depth discussions on current and potential systemwide practices, the workgroup has arrived at the following tentative precepts for a systemwide financial aid policy:

- The affordability of a CSU education will be measured based on total cost of attendance, as stated in the adopted tuition policy, and student financial need.
- The CSU must continue to aim for the maximum state and federal aid, for the benefit of students and the university.
- The CSU must continue to address tuition with non-loan financial aid for a share of our undergraduate population similar to current practice.

The workgroup is further considering options and methodologies to:

- Distribute available State University Grant funds, beyond those used for tuition, to meet a portion of the total cost of attendance for the CSU's lowest income students.
- Streamline and align processes across campuses for the awarding of financial aid to provide students with consistent communication and experience, including (1) packaging methodologies, (2) a consistent format for financial aid letters that allows students to easily distinguish grant aid from loans and compare between campuses, and (3) a consistent methodology for computing campus cost of attendance.

Financial Modeling to Identify Options

This fall, the workgroup is reviewing complex financial modeling and simulations in an effort to identify the key policy and value choices within the CSU's control that affect the availability of SUG funding to address affordability. In the starkest sense, the choices fall somewhere in between reducing student tuition costs for the greatest numbers of students or limiting tuition coverage to reduce the total cost of attendance for a smaller proportion of high-need students.

The workgroup is examining different options along this continuum, consistent with Board priorities, to increase affordability by lowering overall cost of attendance for specified students. Under any scenario, the workgroup agrees that a new financial aid policy should allow for SUG to be used for purposes beyond tuition and fees. The models have allowed the workgroup to identify core value choices for consideration. Key questions include:

- Reducing cost of attendance and for whom:
Is it reasonable to focus resources on reducing the total cost of attendance for the CSU's lowest-income students – those with incomes below \$30,000? If so, what is a reasonable target for remaining unmet need per student? A key tradeoff would be that the CSU would no longer have the funding to cover tuition for students higher up the income spectrum.
- Considering student contributions:
Should the CSU consider a student "self-help" component – such as work income or borrowing – when computing a student's unmet need? If so, what dollar figure should be used and for which income levels should this be considered?
- Aligning SUG financial aid to graduation goals:
Is it reasonable to restrict SUG awards after a student's sixth year of study, consistent with the CSU's goal of accelerating graduation rates? Would the trade-off in terms of freeing SUG dollars to reduce the cost of attendance for other CSU's students be justified? Currently, SUG eligibility is based on student units and not the number of years enrolled (students may receive SUG for up to 150 units with certain exceptions).

- Establishing limits for SUG support:
Should students with incomes above a certain income or expected family contribution threshold be phased out of SUG support? Should the amount of SUG support for graduate students be limited to the amounts generated from graduate fee increases (as opposed to being subsidized by undergraduate tuition increases)? What are the trade-offs between placing these limitations and the additional funds that would be generated to reduce undergraduate cost of attendance?

Cal Grant Reform

As the workgroup reviews its financial modeling, the possibility of Cal Grant reform remains on the horizon. The 2022 state budget adopted the Cal Grant Reform Act that makes major statutory changes to the state's largest financial aid program. The current Cal Grant program is slated to be replaced with a new, more streamlined 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. But the program's future remains murky. Slated to begin in 2024-25, the California Department of Finance must determine – in the spring of 2024 – that the state has enough funding to support the program over a multi-year forecast. Highlights of the Cal Grant Reform Act include:

- Collapsing the current eight types of Cal Grants into two: 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 high school graduation and Grade Point Average requirements.
- Eliminating Cal Grant B access awards that many CSU students currently receive as a living allowance.

The CSU agrees with the goals of Cal Grant Reform but has concerns about its financial implications on both its students and the SUG program. The workgroup is taking great care to include simulations that illuminate how Cal Grant Reform would affect student financial aid coverage and how the CSU's financial aid policy choices may need to shift to accommodate these changes. Key questions include:

- Potential Savings to the CSU:
How many students who currently receive SUG but not Cal Grant would be covered under the new Cal Grant 4? Knowing this data point allows the CSU to understand how much funding may be freed up to reduce student total cost of attendance.

- Potential Costs to the CSU:

Theoretically, Cal Grant Reform should provide tuition coverage for an increased number of our students; however, there are still many remaining considerations. For example,

- How many Cal Grant 4 students will exhaust Cal Grant eligibility and require SUG tuition grants? What will the cost to the CSU be?
- How many transfer students will enter the CSU having exhausted their Cal Grant eligibility while attending community college and what will be the cost if CSU provides SUG tuition grants for these students?
- How many students who currently meet Cal Grant eligibility but will be excluded because they are not eligible for federal Pell Grants? What is the role of SUG in supporting these students? What role will the Middle-Class Scholarship program play?
- How many current students will remain in the existing Cal Grant Program (and thus remain under the pre-reform policy and continue to receive SUG)? What will be the total cost?

As part of its analysis, the workgroup has identified discrepancies between the CSU's data and that of the California Student Aid Commission (CSAC) in the estimate of Cal Grant 4-eligible students and the impact of implementing the reforms. The workgroup will continue to examine the financial impacts of both the status quo and the proposed reforms, including working with CSAC to resolve data discrepancies.

The CSU Board of Trustees will need additional information that clearly lays out the implications of Cal Grant Reform so that it can appropriately communicate its findings to the Department of Finance and the Legislature. While we know that Cal Grant reform will have a significant impact on available SUG funding, it is important that the CSU have a clear and decisive position on the reforms that considers the impact on CSU students and the SUG program, and that the Department of Finance is aware of these implications when determining when or if to implement the reforms.

Next Steps

Complementing the efforts of the workgroup, the CSU has joined more than 400 colleges and universities nationwide who have committed to follow a set of principles and standards recommended by the College Cost Transparency Initiative. The initiative, launched by 10 higher education associations representing college presidents, financial aid offices, and admissions and school counselors, was formed to ensure transparency, clarity, and understanding around communicating student financial aid offers. These recommendations align with the principles initially developed by the CSU's financial aid workgroup and the goal of providing students and families with consistent communication and experiences across the system.

The workgroup will continue this fall and winter to review additional modeling and address choices to develop a comprehensive policy that centers financial aid as a vital tool to expand access, affordability, equity and success for our students. 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 January.