

Making College More Affordable
For New Yorkers Who Need the Most Support
A Proposal to Fund Non-Tuition Expenses
for Low- and Middle-Income College Students

A Working Paper from
The Community Service Society of New York
March 2017¹

EXECUTIVE SUMMARY

Governor Cuomo has proposed a new plan to cover the costs of public college tuition for middle-income families in New York. The benefits of his proposal would largely accrue to students in families with incomes too high to receive current state or federal assistance. We strongly support the governor's goals of making college more affordable. While middle-income families are deserving of assistance, even greater need is faced by low-income students, whose financial need far exceeds the amount of aid for which they currently qualify. In particular, non-tuition expenses, which typically account for as much as 60 percent of a college student's budget, stand in the way of their success.

We propose a non-tuition assistance initiative—based on research into a similar model, CUNY's ASAP program—that would not only make college more accessible for low-income students, but support them to achieve and graduate at higher levels. Our proposal calls for a \$1,000 grant to an estimated 178,000 full-time public college students with family incomes less than \$55,000 per year, to cover costs of transportation, books, and supplies. We estimate the cost of our proposal at \$178 million at full implementation, but present options to phase in the grant at \$89 million or \$97 million. Given the current complexity of state aid sources that make it difficult for low-income students to predict how much they are expected to contribute in order to attend college, we are also recommending that all state grant aid be combined into a single program with a single application process and single award notification.

The benefits of our proposal would extend far beyond the recipients themselves. Supporting low-income students to enroll in and graduate from college is an investment that will drive up economic productivity and associated tax revenues, and lead to reductions in spending across the state on public assistance, criminal justice, and public health. New York State is positioned to set the tone of the debate on college affordability around the nation with this bold plan, thus it's important to move forward with the right foundation, namely recognizing the outside burden of non-tuition expenses on lower-income families. We urge the governor and the state legislature to consider this proposal as a complement to any efforts they consider for moderate- and higher-income students.

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INTRODUCTION

In January 2017, Governor Andrew Cuomo announced a plan to make public colleges tuition-free for students in New York State whose families earn up to \$125,000 per year. Known as the Excelsior Scholarship, this “last dollar” plan would cover the balance of a student’s tuition after other financial aid sources have been applied, including the New York State Tuition Assistance Program (TAP), federal Pell Grants, and tuition waivers for a subset of students.²

The governor’s proposal would ease the financial burden on a subset of middle- and upper-middle-income families throughout the state—those who are able to earn passing grades on a full-time course load.³ Total grant aid from both Pell Grants and TAP covers the full tuition bill for low-income families, but as family income rises the amount of total grant aid falls, leaving families with unmet need for tuition expenses beginning above \$40,000. Families earning between \$40,000 and \$125,000 would thus receive Excelsior funds, with the full tuition benefit going to students in families earning between \$80,000 and \$125,000 that do not receive any Pell Grant or TAP aid.

But tuition at the State University of New York (SUNY) or City University of New York (CUNY) only represents 20 to 40 percent of student budgets; non-tuition costs for fees, books and supplies, housing, transportation, and living expenses range between \$8,800 and \$19,700 per year, depending on the institution (CUNY/SUNY, two-year/four-year), location, and whether or not a student resides in their parents’ home while at school.⁴ These costs can be prohibitive for low-income families, in some cases limiting college completion as students drop out or reduce the intensity of attendance because they need to work more hours to cover these costs. In other cases, higher college-related expenses can lead low-income, first-generation and minority students to enroll in less costly and less selective institutions, or even forgo enrollment altogether.⁵

The simple reality is that a family earning \$100,000 a year is in a far better position to contribute to covering these college expenses than a family earning \$30,000. According to CSS’s annual Unheard Third survey, 44 percent of low-income New Yorkers working full time reported that they had less than \$500 in savings to fall back on in case of an emergency, compared to just 11 percent of moderate- and higher-income families with such low savings. Moreover, higher-income parents are much more likely to be able to tap into home equity to help finance their children’s education, and can serve as a backstop if a recent graduate is unable to make a student loan payment.⁶

² CUNY and SUNY waive tuition costs over \$5,000 for students receiving the maximum TAP award.

³ In order to receive the Excelsior benefits, students need to complete 15 credits per semester and achieve at least a C grade in all courses, separate from their income eligibility.

⁴ City University of New York, Comparing College Costs: <http://www2.cuny.edu/financial-aid/tuition-and-college-costs/comparing-college-costs/>

State University of New York, Tuition and Fees: <https://www.suny.edu/smartrack/tuition-and-fees/>

⁵ See Roderick, Melissa, Nagaoka, J., Coca, V., Moeller, E., Roddie, K., Gilliam, J., & Patton, D. “From High School to the Future: Potholes on the Road to College.” 2008. Chicago: IL: Consortium on Chicago School Research.

⁶ CSS, 2016 Unheard Third survey. CSS conducts this survey of low-income New York City residents annually in partnership with Lake Research partners. In 2016, this survey reached a total of 1,717 New York City residents, aged 18 and older, including 1,079 low-income residents and 638 moderate- and higher-income residents.

Without as much financial support from their parents, low-income students often rely on student debt to finance college. Over a third (36 percent) of low-income New Yorkers under the age of 30 said that they had student debt, according to our latest survey data. In turn, the pressure to repay this debt has greater consequences for low-income New Yorkers who don't have the same financial safety net as their higher-income counterparts; our survey results indicate that low-income New Yorkers are more than twice as likely as those with moderate and higher household incomes to drop out of college due to student debt. Compounding the consequences of student debt, the net price of attendance has been rising faster for low-income students at four-year colleges than at two-year colleges, steering more of the most socioeconomically disadvantaged students into two-year colleges with lower completion rates and lower subsequent earnings.

In response, we propose complementing the existing and proposed grant aid programs by offering additional grant aid of \$1,000 per academic year for full-time students attending New York public colleges full time with family incomes below \$55,000, to be used towards qualified non-tuition expenses. These qualified non-tuition expenses would include books, supplies, and transportation. One thousand dollars would only cover a relatively small share of unmet need for non-tuition expenses, but has been shown to reduce dropout rates and increase the likelihood of successful college degree completion.^{7,8}

This proposed grant aid program could be phased in with a benefit of \$500 during the first year, at a cost of approximately \$89 million, before rising to \$178 million after the full annual benefit of \$1,000 is implemented. Working in tandem, the Excelsior Scholarship and proposed funding for non-tuition expenses would help low- and middle-income New Yorkers access CUNY and SUNY institutions that include some of the nation's best vehicles of upward mobility.^{9,10}

Our own polling of New York City adults has revealed strong public support for programs like Excelsior and our proposal that will make college more affordable. We find that New Yorkers across all income levels cite college affordability as a key concern, and agree that making college more affordable is one of the policy measures that has the most potential for helping low-income individuals move up the economic ladder. Moreover, New Yorkers across the income distribution support using state and local tax revenues to cover public college costs.

⁷ See Douglas-Gabrielle, Danielle. "A few hundred dollars in aid can make all the difference to some college students." *The Washington Post*, November 21, 2016. https://www.washingtonpost.com/news/grade-point/wp/2016/11/01/hundreds-of-dollars-in-aid-can-make-all-the-difference-to-some-college-students/?utm_term=.7f935659c658

⁸ One thousand dollars, or \$500 per semester, is also the amount of the scholarship provided to qualifying students as a part of CUNY's highly successful ASAP program.

⁹ Recent evidence found that City University of New York (CUNY) colleges like City College, Baruch and Lehman ranked among the top 10 colleges in the U.S. for highest upward mobility rates. See: Leonhardt, David. "America's Great Working-Class Colleges." *The New York Times*, January 18, 2017. <https://www.nytimes.com/2017/01/18/opinion/sunday/americas-great-working-class-colleges.html>.

¹⁰ Aisch, Gregor, Larry Buchanan, Amanda Cox, and Kevin Quealy. "Some Colleges Have More Students From the Top 1 Percent Than the Bottom 60. Find Yours." *The New York Times*, January 18, 2017. <https://www.nytimes.com/interactive/2017/01/18/upshot/some-colleges-have-more-students-from-the-top-1-percent-than-the-bottom-60.html>

Our discussion is organized as follows:

1. Why low-income students need more financial support for college beyond tuition assistance.
2. How to complement Excelsior with non-tuition assistance for low-income students.
3. Summary of recommendations.

1. Why Low-Income Students Need More Financial Support for College, in Addition to Tuition Assistance

The governor's proposal will help ease the financial burden for middle- and upper-middle-income families. But existing federal and state grant aid sources fall far short of covering the costs that low-income households face, because the cost of attending college far exceeds that of tuition alone. The neediest students may have their tuition fully covered through Pell and TAP, but still struggle with other expenses like books, food, housing, transportation, and childcare. As a result, low-income students end up taking on a greater amount of debt which keeps them from completing their education and results in additional economic hardships after leaving college. Finally, much of the current financial aid and support for low-income students not only falls short of covering costs, but also may direct them into less rigorous two-year, rather than four-year colleges, which have lower graduation rates and offer less of a payoff in terms of future earnings. Making *all* public colleges more affordable for these students would help reduce financial barriers that limit their achievement.

The governor's proposed Excelsior Scholarship: tuition aid to middle-income families.

The benefits of the Excelsior Scholarship would predominantly go to students from families whose incomes are too high to qualify for other sources of public aid. Federal Pell Grants are generally available to students from households with earnings at or below \$60,000 per year, with the highest awards going to those earning no more than \$30,000.¹¹ Similarly, TAP amounts grow progressively larger as household income falls. Unlike TAP and Pell, proposed Excelsior awards phase in as family incomes rise above \$40,000, with the highest awards going to the more affluent families that receive no other grant aid (those with family incomes between \$80,000 and \$125,000).

Currently, full-time CUNY and SUNY students in families earning above \$80,000 receive no Pell or TAP grant funding, and those between \$60,000 and \$80,000 receive only about \$500 in TAP. So, the Excelsior Scholarship would cover almost all of the tuition bill for families earning \$60,000 or more. On the other hand, students in families earning less than \$40,000 already receive an aid package that fully covers their tuition, so they would not benefit from the governor's proposal.

¹¹ All financial aid figures reported in this document are based on data for the 2016–17 academic year from the following sources: (1) the Quick TAP Estimator provided by New York's Higher Education Services Corporation (<https://www.hesc.ny.gov/pay-for-college/financial-aid/types-of-financial-aid/grants/estimate-your-tap-award/quick-tap-estimator.html>); (2) Pell estimates obtained from the U.S. Department of Education's FAFSA4Caster (<https://fafsa.ed.gov/FAFSA/app/f4cForm>); and (3) student budget estimates provided by CUNY (<http://www2.cuny.edu/financial-aid/tuition-and-college-costs/student-budgets>) and SUNY (<https://www.suny.edu/smarttrack/tuition-and-fees>) institutions.

Non-tuition costs are especially challenging for low-income students.

Tuition and fees are only part of the financial burden that families with college-going children face. According to CUNY and SUNY student budgets, non-tuition expenses to cover the cost of living, books and supplies, and transportation total \$10,270 per year for students living at home, and \$19,706 for students living away from home. These non-tuition costs represent 60 to 80 percent of the total costs of attendance.

For students earning \$40,000 or less, their total grant aid from Pell, TAP, and tuition waivers covers the full cost of tuition but falls far short of covering the cost of their non-tuition expenses. After using up their grant aid sources, a four-year CUNY student with \$40,000 in family income still has to come up with \$9,726 for living expenses, supplies, and transportation—that’s nearly one quarter of their family income, and this is just to attend college while living at home with their parents or relatives. And for the lowest income students—those with incomes of \$10,000 or less—unfunded non-tuition costs exceed half of their total family income. Middle-income families, on the other hand, have more resources at their disposal to cover their non-tuition expenses. Many of them, especially those living upstate, also own their homes and take out home-equity loans at lower interest rates than many student loans. For low-income renters, on the other hand, these non-tuition costs can be prohibitive, and can deter many of them from attending college altogether.¹²

Lower-income students in particular also face higher opportunity costs that require specialized supports. In many cases these students must devote a substantial portion of their time towards working and contributing to family resources or other family responsibilities. More than half of CUNY students worked for pay and over a third of those with a job believe that employment has negatively impacted their academic performance.¹³ Forgoing some of these contributions to attend college is simply a more costly proposition for many lower-income students.

Polling: college costs keep low-income New Yorkers from getting ahead.

New Yorkers are quick to cite the challenges of college affordability in their responses to polling surveys, emphasizing the barrier it represents to upward mobility for low-income individuals.¹⁴ When working-age (under 65) individuals in low-income families (earning at or below 200 percent of the federal poverty level) were asked in 2016 to list the two most important ways for them get ahead economically, 35 percent cited more affordable college. This figure rises to 53 percent for low-income individuals under the age of 30. Similarly, 45 percent of those under 30 in higher-income families (above 200 percent of the federal poverty level) cited college affordability as a top choice for helping low-income New Yorkers get ahead economically.

High costs for low-income students lead to unsustainable levels of debt.

¹² Stolper, Harold. “Home Equity Credit and College Access: Evidence from Texas Home Lending Laws.” Columbia University, 2014.

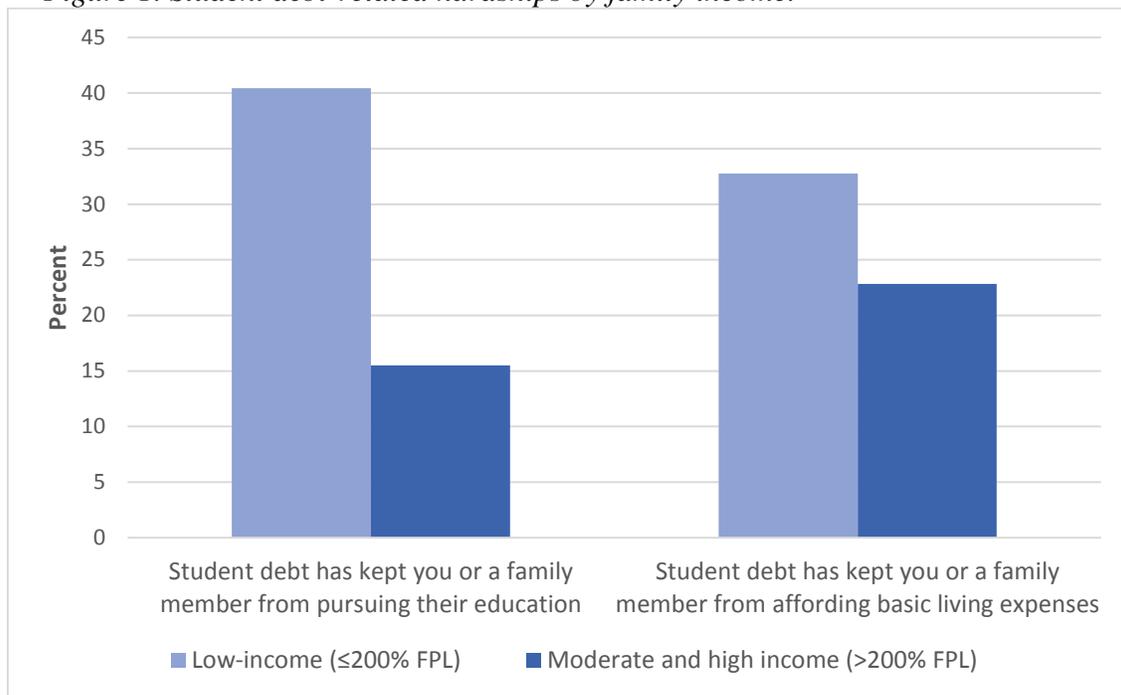
¹³ CUNY, 2016 Student Experience Survey: a survey of CUNY undergraduate students. http://www2.cuny.edu/wp-content/uploads/sites/4/page-assets/about/administration/offices/oira/institutional/surveys/2016_SES_Highlights_Updated_10112016.pdf

¹⁴ CSS, 2016 Unheard Third survey.

In order to finance the balance of college-related expenses after their grant aid has been exhausted—a balance that can represent a prohibitively large share of their family income—low-income students often have no choice but to take out student loans to pay for their non-tuition expenses (in addition to working part time). CSS’s latest polling data found student loan debt gets in the way of New Yorkers’ ability to finish or continue higher education. Forty percent of low-income respondents with student debt claim that this debt has kept them or a family member from finishing or continuing their education, compared to just 16 percent of moderate- and higher-income households.¹⁵

Meeting student debt obligations may also trigger other types of economic hardships. Among respondents with student loan debt, a third of those with low incomes reported that payments kept them from affording basic necessities such as rent or food, or from getting approved for a rental application or loan in the last year, compared to less than a quarter (23 percent) of those with moderate and higher incomes.¹⁶

Figure 1. Student debt-related hardships by family income.



Source: CSS, 2016 Unheard Third survey.

Making college more affordable for low-income students can incentivize higher levels of achievement.

Another negative side effect of the increasing costs of college is that it can limit attainment and completion for low-income students, by steering them towards two-year colleges where they are less likely to succeed. Gaps in college affordability are widening at a faster rate for the neediest

¹⁵ CSS, 2016 Unheard Third survey.

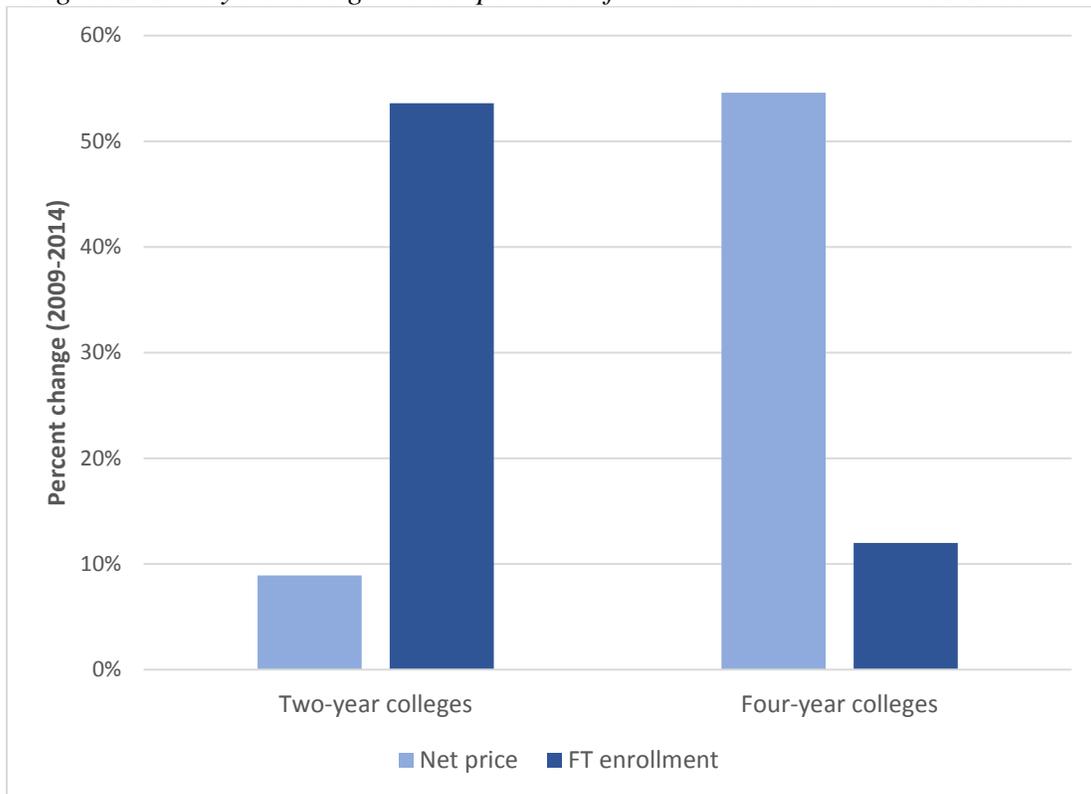
¹⁶ CSS, 2016 Unheard Third survey.

students at four-year institutions than for other groups, including low-income students at two-year colleges.

As the net price of attendance rises faster for low-income students at four-year colleges than two-year colleges, it shifts some socioeconomically disadvantaged students into two-year colleges. These schools largely have lower completion rates and lower subsequent earnings for both graduates and non-completers. Figure 2 shows that between 2008–09 and 2013–14, average net price for full-time, in-state federal aid recipients with family incomes under \$30,000 rose by 55 percent at four-year CUNY institutions, compared to only 9 percent at two-year CUNY institutions. Over the same time period, full-time enrollment for these low-income, in-state federal aid recipients rose by only 12 percent at four-year CUNY institutions, compared to 54 percent at two-year institutions. In other words, enrollment growth among the lowest income families was relatively slow at four-year institutions where price rose the fastest, while enrollment grew much faster for these families at two-year institutions where price growth was minimal.

While there are no doubt other factors influencing enrollment patterns over time, the strong negative correlation between price growth and enrollment growth, coupled with faster net price growth at four-year colleges, suggests that rising tuition and financial aid policies are increasingly steering the lowest income families into two-year colleges. The data reveal a similar pattern at SUNY institutions.

Figure 2. Five-year changes in net price and full-time enrollment at CUNY institutions.



Source: Authors' calculations based on data from the National Center for Education Statistics' Integrated Postsecondary Education Data System.

To expand access for the neediest students at better colleges, college affordability policy needs to direct resources in such a way that students who are already able to succeed in four-year colleges are not steered towards two-year colleges. There is evidence that many low-income students who attend less selective colleges (including two-year colleges) are in fact capable of succeeding at more selective four-year colleges.¹⁷ Making college more affordable for low-income students can lower the financial risk they may perceive in choosing a four-year over a two-year college.

Current state aid policy and the Excelsior proposal fall short of addressing the needs of low-income students.

Another source of aid to the lowest income CUNY and SUNY students qualifying for the maximum TAP award (\$5,195) comes in the form of a tuition waiver for the remaining tuition balance for students with tuition of \$5,000 or more. This generates what has become informally known as the “TAP gap.” The TAP gap is a product of 2011 legislation, known as NYSUNY 2020, that requires CUNY and SUNY to use funds from their operating budgets to cover the gap for eligible low-income students who receive the maximum TAP award and have tuition costs exceeding this amount. This legislation was passed despite decreased aid going to colleges during the recession. Unfortunately, this law puts further financial strain on CUNY and SUNY institutions without offering state funds to offset the lost revenue to institutions. The cost to CUNY for 2017 is estimated at \$51 million.¹⁸

Compounding the TAP gap, the Excelsior proposal has the potential to further strain CUNY and SUNY operating budgets. Excelsior would only reimburse colleges for any tuition balances (with tuition frozen at 2016–17 levels) for students who complete 15 credits with at least a C average. This reimbursement policy would pass the buck on under-performing students to the colleges themselves. Given declining state aid and the current TAP gap, the Excelsior proposal leaves CUNY and SUNY colleges with little recourse to recover tuition balances from students who are unable to meet academic requirements or provide additional support to students struggling to meet those requirements. As a result, Excelsior’s restrictive reimbursement policy may have a limited impact on graduation rates among low-income students.

Moreover, the Excelsior proposal would ensure that aid recipients would never face fully tuition-free college since the proposal would freeze college reimbursement rates at 2016–17 tuition levels, while actual tuition is set to rise at legislatively determined levels. Current proposals call for annual tuition hikes of up to \$250.

Alternative proposals to the Excelsior plan continue to broaden eligibility to families with even higher incomes.

Several groups of state legislators have begun to discuss the governor’s plan, with some counter-proposals beginning to take shape. The governor has estimated that his proposal would cost the

¹⁷ Angrist, Joshua, David Autor, Sally Hudson, and Amanda Pallais. “Leveling Up: Early Results from a Randomized Evaluation of Post-Secondary Aid.” Discussion paper Prepared for School Effectiveness and Inequality Initiative. 2014. Cambridge, MA: MIT Department of Economics and National Bureau of Economic Research.

¹⁸ Based on the author’s communication with a senior member of the CUNY Professional Staff Congress (PSC) on March 8, 2017.

state \$163 million per year. But critical lawmakers and others have claimed that it would cost more, while offering aid to only 32,000 of the approximately 650,000 students enrolled in public colleges throughout the state, and arguably, not the students who most need support.¹⁹

The Independent Democratic Conference (IDC) of the New York State Senate has proposed its own college affordability plan, an expansion of the TAP program that also largely targets middle-income families up to even higher income levels, raising the eligibility of the current program from \$80,000 to families earning as much \$200,000 per year. The IDC plan would also increase the minimum TAP award that goes to the highest earning families, from \$500 to \$1,000, and increase the maximum award by \$700 for the lowest income students.²⁰ The overwhelming share of the new awards under the IDC plan would still go to students from middle- and high-income families in the state.

Similarly, the youth advocacy group, Young Invincibles (YI), has proposed the NY Student Plan, which calls for extending maximum TAP awards to families earning up to \$60,000 (as opposed to the current income limit of only \$7,000), which is the median family income in New York.²¹ Like the IDC plan, the YI plan also calls for raising the minimum TAP award, but has recommended an even higher increase to \$1,500. The YI plan also calls for an increase in the maximum TAP award from \$5,165 annually to \$6,470, and indexing these awards to tuition so that tuition growth doesn't outpace state grant aid growth.

The New York State Assembly's recently released 2017–18 Budget Proposal also includes a number of college affordability measures. Similar to both the IDC and YI plans, the Assembly has proposed an increase in the maximum TAP award, to \$5,500, but has recommended raising it to \$6,500 over the next four years. The Assembly has also proposed several additions to the Excelsior program, including enabling students to retain one-third of their federal Pell Grant to pay for non-tuition educational costs, and raising the maximum income eligibility level from \$125,000 to \$150,000 in the program's fourth year.

Compared to the existing TAP structure, all three plans would do a better job of allowing the lowest income students to use more of their federal Pell Grants to cover non-tuition expenses. However, a more targeted, state-funded assistance program for non-tuition expenses is necessary to allow for the neediest students to complete their college degree programs without shouldering unmanageable student debt burdens.

2. The Solution: Complement Excelsior with Non-Tuition Assistance for Low-Income Students

¹⁹ Silberstein, Rachel. "Assembly Members Propose Changes to Cuomo's Free-Tuition Plan:

<http://www.gothamgazette.com/state/6784-assembly-members-propose-changes-to-cuomo-s-free-tuition-plan>

²⁰ Blain, Glenn. "Bronx pol's Democrat group to call for expansion of N.Y. tuition aid program, access for undocumented immigrants." *Daily News*. January 1, 2017. <http://www.nydailynews.com/news/politics/bronx-pol-democrat-group-push-boost-n-y-tuition-aid-article-1.2929997>

²¹ Stump, Kevin. "A 'Student Plan' Will Make New York Colleges Affordable." Urban Matters blog, Center for NYC Affairs, March 2017. <http://www.centrernyc.org/college-affordability>

Evaluations of recent efforts like CUNY’s Accelerated Study in Associate Programs (ASAP) initiative demonstrate the important role of financial assistance for non-tuition expenses in improving college affordability for low-income students in New York City while also boosting retention and graduation rates. While ASAP included a number of different interventions such as comprehensive advisement and career development, tutoring, consolidated course scheduling, and enrollment in summer and winter courses, a critical component was financial supports that served to defray the costs of transportation, books, and supplies. ASAP provides students with funds for textbooks, free unlimited MetroCards, and waivers covering remaining tuition and fees after applying needs-based financial aid. In a satisfaction survey of ASAP students, 80 percent cited at least one of these financial incentives as the most important component of their decision to enroll in the program.²² As a result of these interventions, the initiative nearly doubled the graduation rates of associate-degree-seeking participants, most of whom were low-income, compared to comparable non-participants.²³ The initiative also lowered the total cost of college degrees, since participants were able to complete their degrees in less time.

Assisting low-income students with the costs of college, particularly those beyond tuition, should be a priority for our state. The lessons of the ASAP program present a strong case for offering such support more broadly. While the existing ASAP program only targets students in two-year colleges, a statewide effort targeting all low-income students seeking to attend two- and four-year colleges would increase the incentive for students to meet the pre-college preparation necessary to be accepted into more rigorous, four-year programs.²⁴

A proposal to expand state aid programs for low-income students’ non-tuition expenses.

New York State should complement the current and proposed set of grant aid programs with additional funds to help cover non-tuition expenses for low-income families that face the highest unmet need relative to their income. These funds could be used for expenses such as transportation to school, books, computers, or technical college programs. Working in concert with existing TAP awards and Pell Grant aid, this funding would help reduce the financial burden to the neediest students, those that would not receive funding under the Excelsior proposal.

We are calling for \$1,000 per academic year in grant aid for non-tuition expenses for full-time students in families earning \$55,000 or less (phased in over two years, with \$500 in the first year). This award is the smallest amount shown to significantly increase college completion rates, and is the amount of the scholarship provided to qualifying students as a part of CUNY’s highly successful ASAP program.

²² Strumbos, Diana, Zineta Kolenovic, and Alex L. Tavares. “CUNY Accelerated Study in Associate Programs (ASAP): Evidence From Six Cohorts and Lessons for Expansion.” Proceedings of the 12th national symposium on student retention, Norfolk, Virginia. Norman, OK: The University of Oklahoma.

http://www1.cuny.edu/sites/asap/wp-content/uploads/sites/8/2016/11/CUNY-ASAP-NSSR-Proceedings_web_20161109.pdf

²³ Scrivener, Susan, Michael J. Weiss, Alyssa Ratledge, Timothy Rudd, Colleen Sommo, and Hannah Fresques. “Doubling Graduation Rates: Three-Year Effects of CUNY’s Accelerated Study in Associate Programs (ASAP) for Developmental Education Students.” New York, NY: MDRC.

http://www.mdrc.org/sites/default/files/doubling_graduation_rates_fr.pdf

²⁴ Conversely, targeting funds to only two-year college students might have the negative effect of de-incentivizing the higher achievement required to be accepted into a four-year school.

The \$55,000 cutoff was chosen because it would ensure that there are no students with family income too high to qualify for the proposed non-tuition grant award, but too low to qualify for Excelsior funding. Forty percent of students who are currently enrolled full-time at CUNY or SUNY, or roughly 178,000 students, would be eligible to receive the proposed non-tuition grant award. These students are not only among the neediest, but also those that previous research suggests are most likely to benefit from increased support and see improvement in rates of enrollment, retention, and graduation. Unlike the Excelsior plan, maintenance of a C average would not be a requirement for grant aid for non-tuition expenses.

Figure 3 shows the combination of grant aid sources that would be available to a full-time student attending a four-year CUNY institution while living at home, for every level of family income if both Excelsior and our own grant award for non-tuition expenses were enacted. It shows aid amounts from four separate sources: (1) Pell Grants; (2) TAP, along with a tuition waiver for maximum TAP award recipients to cover the gap between TAP and tuition above \$5,000; (3) Excelsior; and (4) proposed grant funding of \$1,000 for non-tuition expenses. In addition to showing how each source of grant aid varies with family income, it also shows the sum of all these grant aid amounts that are available to students in relation to their estimated student budget; the difference is the unmet need that must be funded out of a combination of savings, earnings, and student debt. Also note that while the picture that emerges from Figure 3 will vary for other institution types (SUNY/CUNY, two-year/four-year) and living arrangements (living at home with parents versus away from home), both of which affect specific grant aid amounts and student budgets, the general pattern of results is the same across different enrollment scenarios.

Figure 3 shows that the amount of unmet need rises as family income rises, and at around \$60,000 hits a ceiling equal to the cost of tuition that would be covered under Excelsior. While this figure paints a picture of progressive grant aid programs, that conclusion is tempered when you consider unmet need as a share of family income in Figure 4. This figure shows that the amount of unmet need for low-income families looms very large relative to family income—more than a quarter of family income for families below \$30,000. This figure also shows how the introduction of Excelsior would lower the burden for families earning \$40,000 and up. Our proposal would complement this by lowering the burden for those families who face the largest unmet need relative to income, those earning at or below \$55,000.

New college affordability legislation should also reduce financial aid complexity.

Figure 3 also shows that students face a complex web of grant aid sources, with different phase-in and phase-outs for each funding source that make financial planning a daunting undertaking. While our proposal is structured in the simplest possible manner—a flat grant award up to a fixed income cutoff for all families—the simple reality is that it is already a difficult task for students to predict the amount of grant aid they would receive from different assistance programs at different institutions. Indeed, recent research has demonstrated that the complexity of the financial aid process poses its own barrier to college enrollment and completion.²⁵ Adding to the

²⁵ See, for example, Bettinger, Eric P., Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu. “The role of simplification and information in college decisions: Results from the H&R Block FAFSA experiment.” No. w15361. National Bureau of Economic Research, 2009.

mix Excelsior Scholarships and the Assembly’s proposed Pell Grant set-aside for non-tuition expenses—on top of existing Pell Grant and TAP funding—would result in four inter-related grant aid programs each with different eligibility criteria and income phase-in/phase-outs. This would create a set of state college aid programs that is too complicated for students to navigate, despite the best of intentions. The more complicated the financial aid landscape is, the harder it is for students to make informed decisions about which college to attend and how to finance their degree.

We recommend that the New York State budget allocate funding to meet some of the key objectives from the governor’s Excelsior plan (to cover tuition expenses) and from the Assembly’s proposal (to allocate additional funding for non-tuition expenses). A simple way to meet these objectives is to combine all disparate state grant aid programs under consideration into a single program with a single application process and single award notification. Pell Grant funding would be applied to each student’s tuition bill first, followed by state grant aid, with enough left over to allocate up to \$1,000 towards qualified non-tuition expenses for eligible students.

Estimated cost of proposed non-tuition grant aid program.

The estimated annual cost to the state would be \$178 million when fully phased in, and \$89 million during the first year with \$500 awards. These figures are obtained by taking the share of public college undergraduate students residing in New York state with incomes below \$55,000 in the 2015 American Community Survey, and multiplying this share times the current full-time enrollment at CUNY and SUNY, and then multiplying this share by the amount of the award.²⁶ An alternative approach would be to phase in this funding source by starting with needier families earning no more than \$30,000. This would reach 97,000 students at a cost of \$97 million per year.²⁷

Our proposed non-tuition assistance plan would provide substantial benefits to the New York State economy. An analysis of the CUNY ASAP program found that higher graduation rates resulted in savings to the school of \$6,500 for every associate degree completed through ASAP.²⁸ The ASAP evaluation also estimated that the program generated substantial gains in lifetime earnings for degree recipients, along with gains in associated tax revenues and reduced government spending on public health, criminal justice, and public assistance. Each additional associate degree was found to provide savings to taxpayers of over \$205,000 (in present value of

²⁶ Similar estimates arise when using the 2015 and 2016 Current Population Surveys to estimate the share of full-time students with incomes below \$55,000. While the new financial aid presented in this proposal might incentivize higher rates of public college enrollment, which would increase our estimates of potential beneficiaries, accelerations in graduation rates, as seen in ASAP, may offset those increases. As such, we do not feel comfortable adjusting those estimates in either direction.

²⁷ While it’s possible that some students would shift from private to public institutions in order to receive increased state aid, it is also possible that private institutions will increase their own financial aid in order to remain competitive.

²⁸ Levin, Henry M. and Emma Garcia. “Benefit-Cost Analysis of Accelerated Study in Associate Programs (ASAP) of the City University of New York. May 2013.

http://www.nyc.gov/html/ceo/downloads/pdf/Levin_ASAP_Benefit_Cost_Report_FINAL_05212013.pdf

lifetime savings); bachelor's degrees that are also covered under our proposal may generate even higher public savings.

Student debt in New York State has more than doubled over the past decade from \$39 billion to \$82 billion and the average New York resident carries an outstanding balance of \$32,200 in student debt.²⁹ Although average debt levels tend to be higher for low-income students at private colleges, most low-income students attend public colleges and it is not uncommon for public college students to graduate with sizable student debt balances. For example, the average CUNY City College student who graduated with a bachelor's degree in 2015 left school with an outstanding student loan balance of nearly \$17,000.³⁰ And our own polling data shows that low-income New York City residents who take on unsustainable student debt loads struggle to pay down this debt while also paying for necessities like food and rent. Our proposal for non-tuition assistance would help reduce the amount of student debt that a low-income student is forced to take on for college as well as minimize the risk of long-term economic hardships for these students upon graduation.

3. Summary of Recommendations

We urge the governor and the state legislature to consider additional grant aid for low-income students as a complement to any efforts they consider for moderate- and higher-income students. The governor's proposed Excelsior Scholarship program would cover nearly the entire public college tuition bill for families earning \$60,000 or more. Students in families earnings \$40,000 or less would not receive any benefits from Excelsior. And even though these lower-income students receive enough grant aid to cover their tuition bill, non-tuition expenses can be especially challenging for them, and in extreme cases deter them from enrolling or completing their college degrees. These non-tuition expenses also lead many low-income students to take on unmanageable levels of debt. The state government can help minimize the consequences of these financial barriers by providing grant aid for non-tuition expenses.

We are recommending that New York provide non-tuition grant awards of \$1,000 per academic year for full-time students attending New York public colleges with family incomes below \$55,000. Students can use these grant awards for qualifying expenses such as transportation, books, and supplies. An estimated 178,000 students would be eligible to receive the proposed non-tuition grant award. This program would be phased in with a benefit of \$500 during the first year, at a cost of approximately \$89 million, and rise to \$1,000 per student for a total estimated cost of \$178 million at full implementation. Alternatively, this program could be targeted to even needier families earning no more than \$30,000, which would impact 97,000 students at a cost of \$97 million per year. As little as \$1,000 per year can go a long way to increasing enrollment and helping improve on-time completion rates for low-income students.

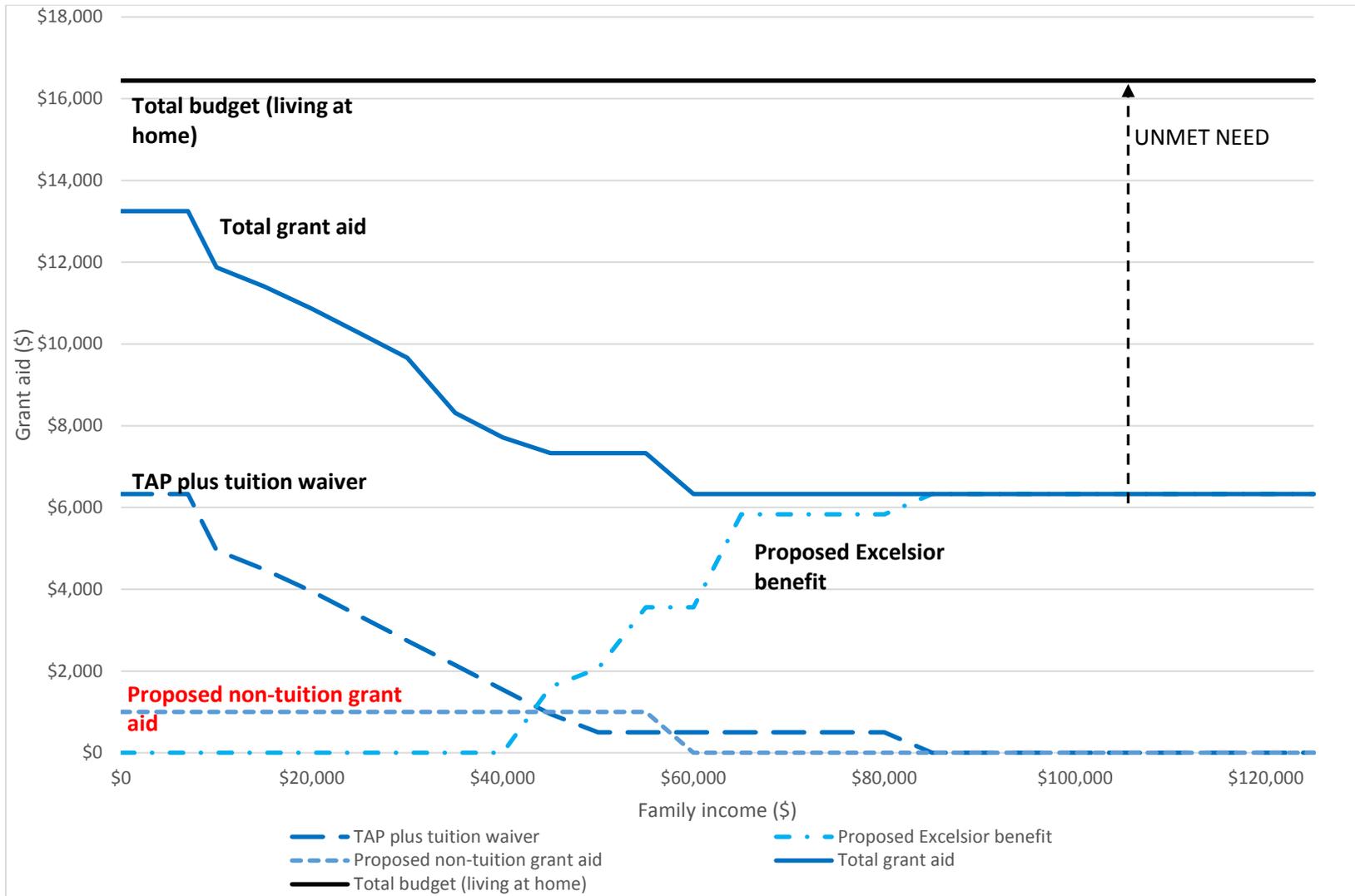
Finally, in order to reduce the current complexity of state aid programs for low-income students, we are also urging the state government to combine all state grant aid into a single program with

²⁹ Office of the New York State Comptroller. "Student Loan Debt in New York State." September 2016. http://www.osc.state.ny.us/reports/highered/student_loan_debt.pdf

³⁰ Institute for College Access and Success, Project on Student Debt, <http://ticas.org/posd/map-state-data#>

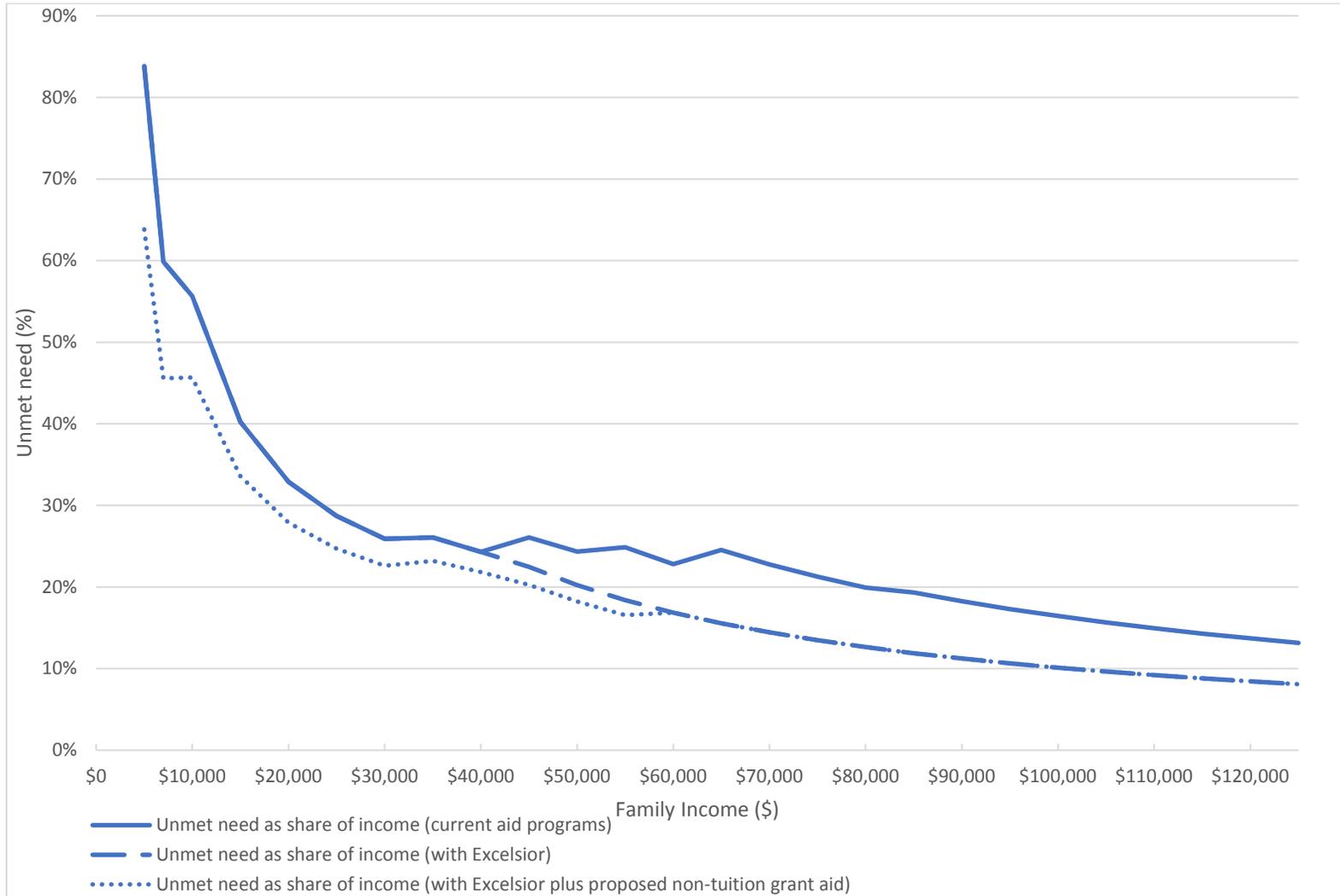
a single application process and single award notification. This would make it easier for low-income students to predict how much of their own funding they would need to contribute in order to attend the college of their choice.

Figure 3. Current and proposed grant aid sources for a full-time student enrolled at a four-year CUNY institution and living at home.



Sources: Author's calculations based on estimates obtained from the U.S. Department of Education's FAFSA4Caster, New York State's Quick TAP Estimator, and student budget information provided by CUNY and SUNY.

Figure 4. Unmet need as a share of family income for a full-time student enrolled at a four-year CUNY institution and living at home.



Sources: Author's calculations based on estimates obtained from the U.S. Department of Education's FAFSA4Caster, New York State's Quick TAP Estimator, and student budget information provided by CUNY and SUNY.

