How can Texas Make Financial Aid Work for Texas Students and Families?

Financial Aid Policy Webinar

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10:00am-11:15am

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Speakers

• Leslie Helmcamp, Policy Analyst, Center for Public Policy Priorities
• Melissa Henderson, Postsecondary Policy Analyst, Educate Texas
• Tamara Draut, Vice President, Policy & Research, Demos
• Panel Discussion, Moderator, Don Baylor, Senior Policy Analyst, Center for Public Policy Priorities
  – Tom Melecki, PhD, Director, UT Student Financial Services
  – Steve Johnson, Vice President for Public Affairs, Texas Association of Community Colleges

Webinar Logistics

• All phones are muted during the presentation.
• Please submit questions through chat.
• To un-mute your phone, press *7, to mute your line *6
• Dial-in: 1-866-740-1260, Access code 1730966
• Webinar slides and recording will be posted on our website, www.cppp.org
What CPPP Does

Improving public policies to better the economic and social conditions of low- and moderate-income Texans.

- Creating **economic opportunity** to strengthen families and grow the middle class;
- Increasing access to **quality, affordable health insurance**;
- Helping families meet **basic needs**;
- Enhancing **child well-being and child protection**;
- Ensuring **effective public administration**; and
- Securing **fair and adequate taxation** to pay for critical public investments in Texas.

What is *OpportunityTexas*?

**CPPP Roles & Strengths:**
- Advocate
- Policy Innovation & Development
- Research & Data Analysis
- Communications & Coalition Building

**RAISE Texas Roles & Strengths:**
- Technical Assistance
- Advisor
- Grassroots Network
- Convener-Collaborator

**OpportunityTexas**
- Creates an engaging platform for savings, financial education and **financial preparation for college**
- Uses existing statewide delivery systems, such as the K-12 system and the workplace, to increase the financial success of Texans
- Forges new partnerships between higher education, business, nonprofits, the public sector, philanthropy, employers, and national intermediaries
College Access & Completion Areas of Focus

- Postsecondary Access & Success
- Financial Aid (Grants, Loans, Work-Study)
- Developmental Education Reform
- Career & Skills Development
- College Savings & Financial Prep
- K-16 Financial Education & Capability
Strategies to Enhance Financial Preparation for College

- FAFSA Completion
- Financial Screening & EFC Estimate
- College Savings
- Financial Education

OpportunityTexas, 2011
The Cost of College
Children are nearly three times more likely to emerge from poverty as adults if they complete college.
Characteristics of Texas College Students

- Growing low-income population
- Most college students attend part-time
- Half of undergraduates are enrolled at community colleges
- Nearly one-third of college students are over age 24
- Strong dependence on loans
- Working during school

![Economically Disadvantaged Pre-K-12 Enrollment Grows 45%](chart)

Trends in Texas Higher Education

- Average Tuition and Fees, Public 4-year Institutions
- State Funding for Higher Education per Full-Time Equivalent Student
- Average Tuition and Fees, Public 2-year Institutions
Affordability Suffers, Debt Rises

- Tuition, fees, room and board at public 4-year Texas institutions amounted to 29% of median household income in 2009-2010, up from 15% in 1990-1991

- Over half (55%) of students graduating from public four-year colleges in Texas in 2010 left with debt, which averaged $19,376. In 2001, 43 percent of public four-year Texas graduates left with student loans, which averaged $14,230.
Trends in Financial Aid: Texas

- Increased focus on merit criteria
- State financial aid programs cut by 15% (TEXAS Grant 10%)
Trends in Financial Aid: Texas

Texas Invests Less in Need-Based Aid Compared to other Large States

For Every $1 in Pell Grant Aid, Texas Invests $0.32

73% of Texas’ financial aid comes from federal sources

Source: CPPP Analysis, National Center for Public Policy and Higher Education, Measuring Up 2008
Trends in Financial Aid: Texas

GROWING SHARE OF FEDERAL LOANS ARE UNSUBSIDIZED

Challenges in Financial Aid

Unmet Need

Challenges for Adult Students

State Budgetary Delays

ANNUAL UNMET NEED HIGHEST FOR TEXAS’ LOWEST INCOME COLLEGE STUDENTS

Source: CPPPP Analysis of Powerstats data from NPSAS Fall 2008, (public and private non-profit institutions)
Need-Based Grant Aid Only Covers a Fraction of College Costs at Texas’ Public Colleges and Universities

- **Four-Year Institutions**
  - **$1493, 7.1%**
  - **$4,111, 19.6%**
  - **$6,000, 28.6%**
  - **$9,387, 44.7%**

- **Two-Year Institutions**
  - **$752, 5.4%**
  - **$3,486, 25%**
  - **$1,532, 11%**
  - **$8,198, 58.7%**

**Total Cost of Attendance**

- **$20,992**
- **$13,968**

Source: CPPP Analysis, Texas Higher Education Coordinating Board, Student Financial Aid Database, FY2011
Low-income families cover a higher percentage of college costs through financial aid, but...

- **Total Costs = $15,009**
  - Unmet Need, 32%
  - EFC, 8%
  - Loans, 28%
  - Grants, 32%

- **Total Costs = $17,708**
  - EFC, 74%
  - Loans, 16%
  - Grants, 10%

Income as Percent of Poverty Line

Total family contributions as a proportion of income are *nearly triple* for low-income families compared to higher-income families.

Total family contributions as a proportion of income are nearly triple for low-income families compared to higher-income families.

- **0-200%**
  - Unmet Need: 47% of annual income spent on college costs
  - EFC

- **201% +**
  - EFC
  - 17% of annual income spent on college costs

CPPP Financial Aid Recommendations

- Declare a statewide goal to reduce student dependence on loans
- Financial aid incentives for college success
- Increase financial aid investments (work-study, community colleges, adult students)
- Early commitment financial aid
- Promote and fund matched savings accounts for college
- Increase student supports
- Promote and fund early financial preparation strategies for college, including FAFSA preparation and financial education
- Make college-access organizations a prominent and integral partner in state college preparation activities
- Forward fund state financial aid programs
2011 Policy Accomplishments

New Laws Improve Texas’ financial capability and college savings

• SB 290 (Watson) — expands mandatory financial literacy into statewide K-8 curricula and assessment platforms

• HB 34 (Branch) — builds on current financial literacy requirement (12th grade economics) to include:
  – Instruction on paying for postsecondary education and training
  – Instruction on completing the FAFSA
  – Curricula to be finalized for 2013-2014 academic year
Policy Accomplishment (continued)

• HB 2594 (Truitt)—Payday and Auto Title Lending Reform Licensing Bill creates **Texas Financial Education Endowment** to fund initiatives such as:
  – “school and youth-based financial literacy and capability”;
  – “advertising, marketing, and public awareness campaigns to improve the credit profiles and credit scores of consumers in this state”;

• HB 399 (Castro)—requires universities to make available training on personal financial literacy (e.g. credit cards, loan repayment, retirement planning, budgeting, saving)

• HB 3708 (Hochberg)—improves Save & Match program by eliminating college savings penalties (financial aid, public benefits)
Question & Answer
Panel Discussion on State Financial Aid

• Moderator: Don Baylor, Senior Policy Analyst, Center for Public Policy Priorities
• Tom Melecki, PhD, Director, UT Student Financial Services
• Steve Johnson, Vice President for Public Affairs, Texas Association of Community Colleges
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