

# TO 'EXCELSIOR,' AND BEYOND

## New York's Opportunity to Lead on College Access, Affordability, and Student Success

As a centerpiece of this year's state budget, Gov. Andrew Cuomo has proposed a first-in-the-nation initiative to eliminate tuition at public two- and four-year colleges for families earning up to \$125,000.<sup>1</sup> This proposal brings needed momentum to the college affordability crisis, one that prevents many academically qualified students from ever achieving a college education — and the lifetime economic benefits it provides — and that has saddled many of those who do attend college with staggering levels of debt.

The positive effects of the governor's Excelsior Scholarship proposal should not be understated. A state that offers "tuition-free" college can foster a college-going culture by giving parents and students alike hope that a postsecondary education is within reach. Helping students, especially low-income and first-generation students, realize that college is for *them* — not just for wealthier students — can change the paradigm and improve the *perception* of college affordability, which can itself be a real barrier to access.<sup>2</sup> In Oregon, where the Oregon Promise makes community college tuition-free or nearly free, nearly one-third of first-generation college students participating in the program reported that they would not have gone to college without it.<sup>3</sup>

Moreover, as the data in this policy brief demonstrate, college affordability is a crisis that firmly extends into the middle class — even in a state like New York with relatively low tuition and fees at public four-year colleges and a robust state grant program.<sup>4</sup>

The Excelsior Scholarship could make a meaningful difference in improving postsecondary affordability

and driving down student loan debt for certain students and their families. It could also help more students *complete* college and successfully earn their degree, which is one of the program's stated goals.

Yet covering the costs of tuition for middle-class students, as this plan proposes, will not alone dramatically increase the number of low- and moderate-income New Yorkers who earn a college degree and thereby provide the educational benefits that New York needs, nor will it create economic opportunity for the students who need it the most. In fact, despite lower- and middle-income students having significant levels of student loan debt, the Excelsior Scholarship provides no additional aid to the average SUNY or CUNY student with household income up to at least \$48,000 who participates in common federal aid programs.<sup>5</sup> As a result, it risks leaving behind the very students who are depending on higher education as a pathway to economic security.

As New York State's elected leaders finalize the budget this month, they have the opportunity to build on the governor's landmark proposal and take a historic step to improve college access, affordability, and attainment for *all* groups of students.

### Student Loan Debt: Who Owes How Much?

The Federal Reserve Bank of New York has previously reported that New Yorkers collectively owed \$82 billion in student loan debt in 2015.<sup>6</sup>

At the request of The Education Trust–New York, the New York Fed updated this data and provided a more

detailed picture of the distribution of student loan debt and the burden faced by communities across the income spectrum.

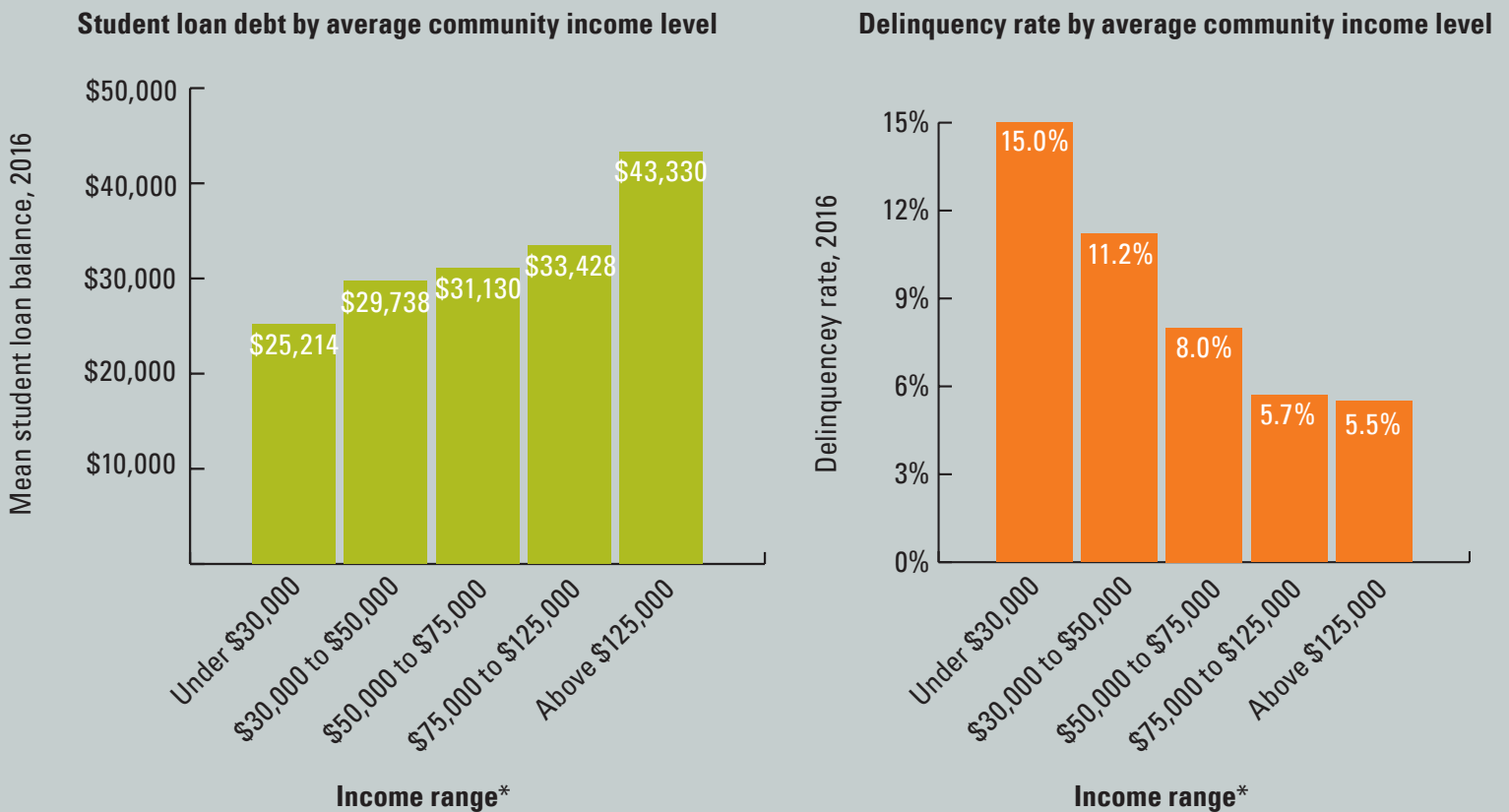
According to this newly available data, New Yorkers owed more than \$86 billion in student loan debt in 2016. Communities where the average income is less than \$50,000 owe a cumulative \$35 billion in student loan debt and are home to nearly half — 45 percent — of the state’s student loan borrowers. In these lower-income communities, the average student loan debt exceeds \$25,000 per borrower.<sup>7</sup>

As **Figure 1** indicates, borrowers in middle- and upper-income communities also carry significant levels of student loan debt. Yet while average student

loan debt increases modestly as community income rises — which could be a reflection of more students attending private colleges and universities and earning a greater number of advanced degrees — the debt-to-income ratio and therefore the burden of repayment is far greater in communities with average income under \$30,000. New Yorkers in lower-income communities have far more trouble repaying their student loans than New Yorkers in wealthier communities. The student loan delinquency rate is nearly three times as high in communities with average income under \$30,000 as it is in communities with average income above \$125,000.

Lower income borrowers with family income up to \$30,000 now constitute the majority of students who

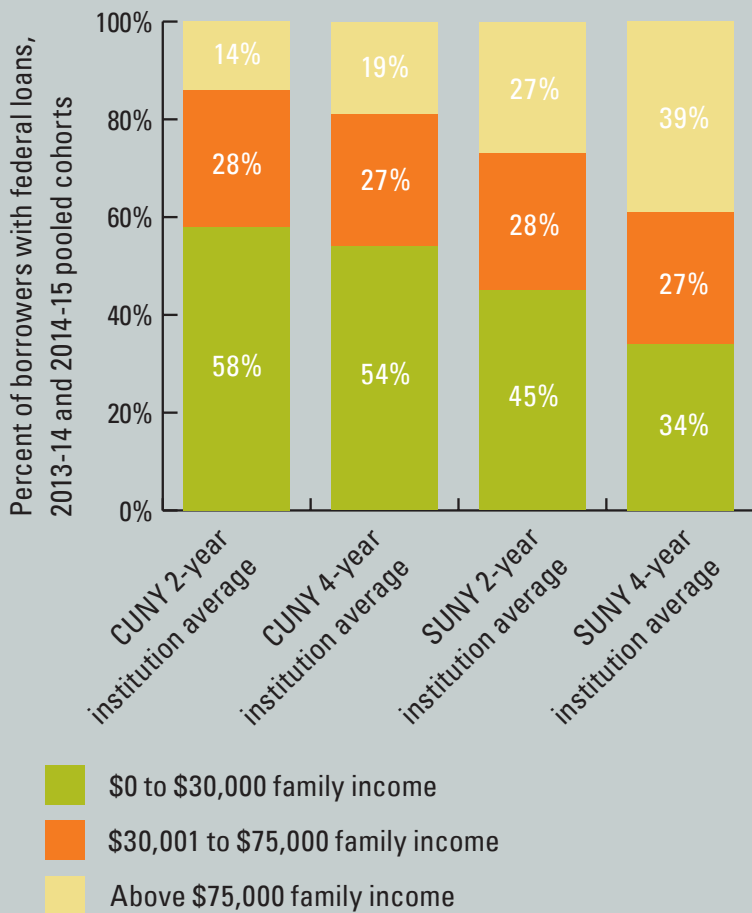
**Figure 1: Student loan debt affects borrowers across all income ranges, but low-income communities have the hardest time keeping up with the debt burden.**



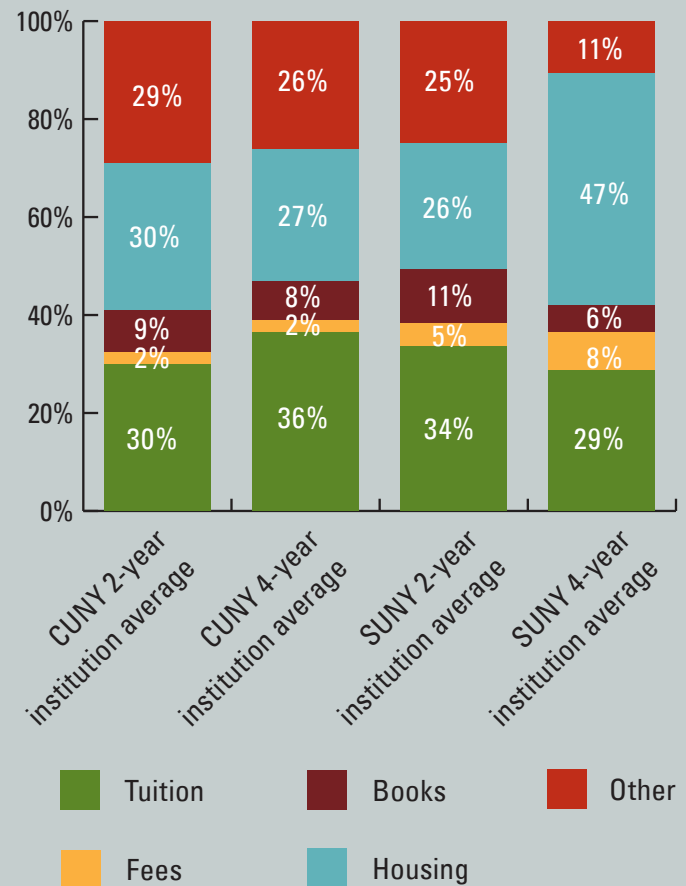
\* grouped by ZIP code (based on 2012 Adjusted Gross Income per tax return)

Source: New York Fed Consumer Credit Panel / Equifax; Internal Revenue Service

**Figure 2: Despite existing federal and state financial aid grant programs, lower income students make up a significant portion of student loan recipients at SUNY and CUNY institutions.**



**Figure 3: Tuition makes up just 29 percent to 36 percent of total costs at New York’s public colleges and universities.**



Source: Calculation based on data downloaded from the U.S. Department of Education, College Scorecard.

Source: Calculation using 2014-15 (provisional) data from the National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS). Averages are weighted based on FTE enrollment.

leave CUNY with federal student loan debt and more than one-third of students who leave SUNY with federal student loan debt (see **Figure 2**). Borrowers in this income bracket who left four-year SUNY and CUNY programs in the two most recent years for which data are available had an average of \$15,097 and \$6,667 in federal student loan debt, respectively.<sup>8</sup>

### The Excelsior Scholarship: Who Benefits?

Two defining features of the Excelsior Scholarship limit its reach in helping lower-income students with financial need.<sup>9</sup>

First, the proposal would apply only to tuition, which represents just 29 to 36 percent of the total cost of attendance at New York’s public two- and four-year institutions (see **Figure 3**). Second, the Excelsior Scholarship would cover tuition costs only as “last dollar” financial aid, meaning that it would apply after other sources of aid have been exhausted.

As a result, the proposal would provide no assistance to the average SUNY or CUNY student with household income up to at least \$48,000 who participates in federal Title IV financial aid programs and receives a New York Tuition Assistance

**Figure 4: New York’s current Tuition Assistance Program (TAP) provides the greatest resources to students with the most need — but still falls far short of the total cost of attendance.**



Source: Calculation using 2015-16 data downloaded from data.NY.gov: Tuition Assistance Program (TAP) Recipients & Dollars by Income, Age Group and Program Information.

Program (TAP) grant. Low-income students and, disproportionately, students of color would effectively be shut out.

Instead, all or nearly all of the benefit would accrue to wealthier students, with the greatest gains for those with incomes above \$80,000 (who are not currently eligible for TAP). This would represent a major policy shift for New York, which has achieved a highly progressive distribution of need-based aid through TAP — though still not nearly enough to cover actual costs beyond tuition and fees (see **Figure 4**).

In fact, as **Figure 5** shows, the combined value of federal, state, and institutional scholarships and grants already surpasses the cost of tuition for lower-income students — but still leaves thousands of dollars remaining in costs such as books, housing, and transportation.<sup>10</sup> Under the Excelsior Scholarship,

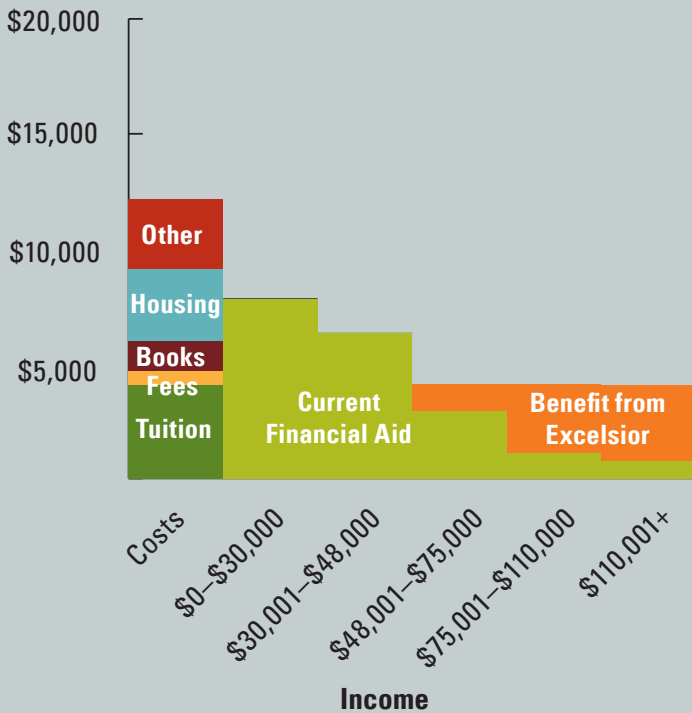
these needs would remain unmet for lower income students — leading to student loan debt, heavy burdens for families, and even the possibility of some students having to drop out of school.

### Left Unsaid: The College Completion Challenge

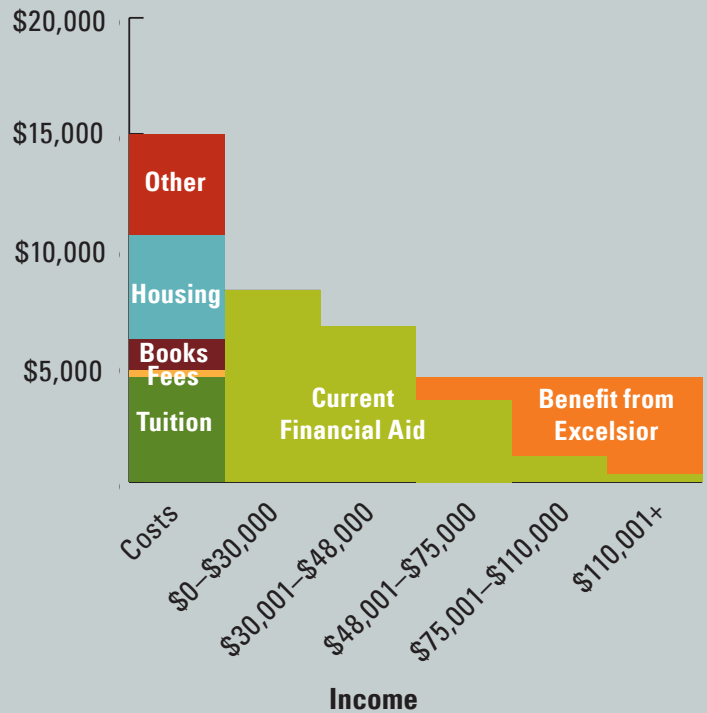
By making it more affordable for students to attend college, the governor’s proposal hopes to encourage full-time attendance and therefore improve college graduation rates. For some students, the financial incentive to enroll full-time will no doubt have positive effects, since completion rates for full-time students far exceed completion rates for their part-time peers.<sup>11</sup> However, this is only a *relative* improvement; the fact is that even for first-time, full-time degree-seeking students, completion rates remain troublingly low at many institutions — not only in New York, but across the country.

**Figure 5: Excelsior Scholarship benefits would be directed to wealthier students, while low-income students continue to face a steep annual net price for college.**

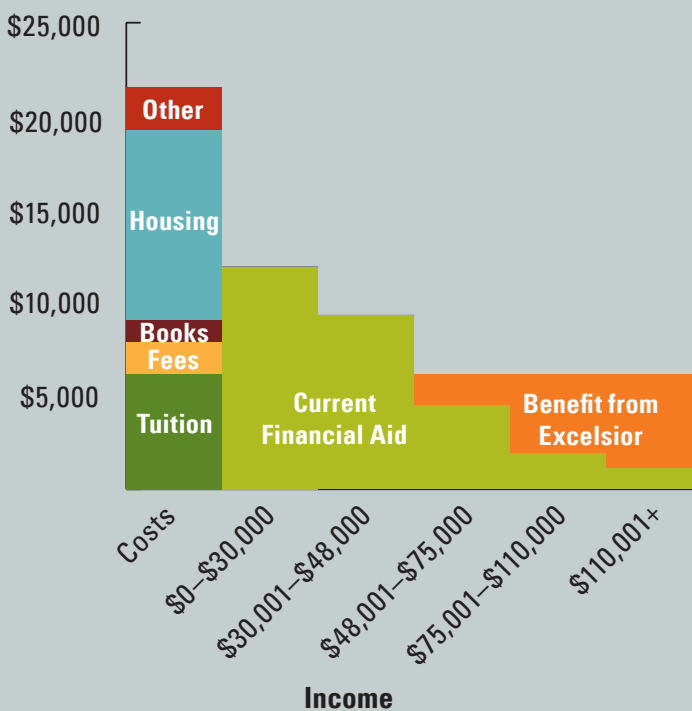
**For the average student at SUNY 2-year institutions**



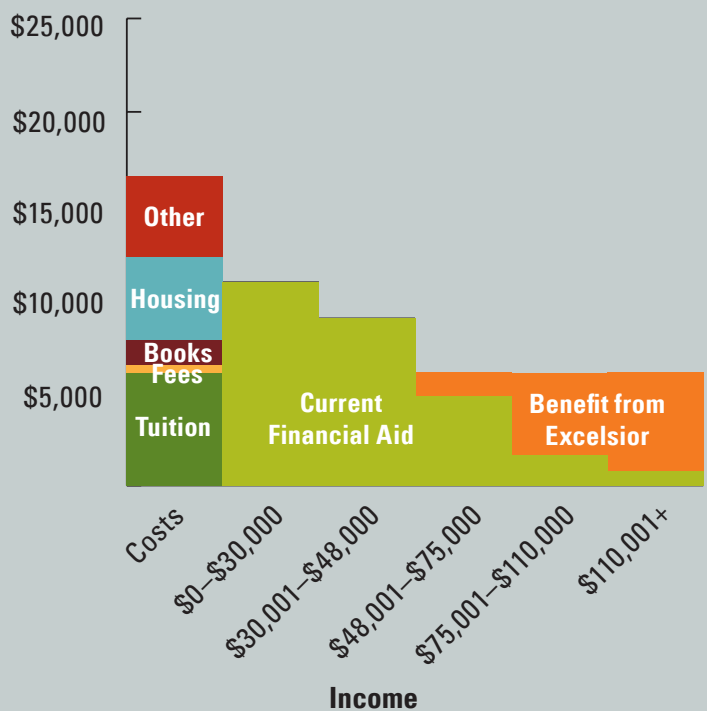
**For the average student at CUNY 2-year institutions**



**For the average student at SUNY 4-year institutions**



**For the average student at CUNY 4-year institutions**



Data Note: Analysis was conducted using 2014-15 (provisional) data from the National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS). The average net price and amount of financial aid by income bracket is calculated for students who participate in Title IV financial aid programs. These cohort sizes are smaller for higher income brackets at CUNY two- and four-year institutions and at SUNY two-year institutions, since the data are only available for students receiving Title IV federal aid. As a result, they do not include students who receive no aid and fully pay tuition or those who receive only non-federal sources of aid. As a check on the impact of excluding students who receive only non-federal sources of aid, we examined 2008 National Postsecondary Student Aid Study data to determine whether there were major differences in average total aid for students in the higher-income brackets between those who received federal aid (and potentially other sources of aid) compared to those who only received non-federal aid, and found that it does not impact the overall conclusions of the analysis. If anything, the analysis overestimates average current financial aid for higher-income students – because full-pay students are not included – and therefore underestimates the Excelsior Scholarship benefits for higher income brackets.

## Low- and lower-middle income students still left with big financial burdens

Even after federal, state, and institutional scholarships and grants are taken into account, lower-income students are left with major gaps to be able to afford each year of college — which represent a massive proportion of family income:

*At SUNY two-year institutions...*

- \$4,326 in remaining net price for the average student with household income up to \$30,000
- \$5,830 in remaining net price for the average student with household income from \$30,001 to \$48,000

*At CUNY two-year institutions...*

- \$6,745 in remaining net price for the average student with household income up to \$30,000
- \$8,313 in remaining net price for the average student with household income from \$30,001 to \$48,000

*At SUNY four-year institutions...*

- \$9,633 in remaining net price for the average student with household income up to \$30,000
- \$12,220 in remaining net price for the average student with household income from \$30,001 to \$48,000

*At CUNY four-year institutions...*

- \$5,643 in remaining net price for the average student with household income up to \$30,000
- \$7,578 in remaining net price for the average student with household income from \$30,001 to \$48,000

*Source: Analysis using 2014-15 (provisional) data from the National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), for students who participated in federal Title IV financial aid programs.*

Completion rates vary significantly by institution within the SUNY and CUNY systems, and are generally lower for low-income students, students of color, and first-generation students. For first-time, full-time students pursuing a four-year degree, the percent of students successfully completing their program within six years ranges from 11 percent to 81 percent depending on the SUNY or CUNY campus. For first-time, full-time students pursuing a two-year degree, the percent graduating within three years ranges from 11 percent to 32 percent depending on campus.<sup>12</sup>

While many factors influence completion — including college readiness and financial status — there are considerable policy and programmatic levers *within the control of colleges and universities* that increase

or decrease the likelihood of student success. Key decisions involving student advising, remediation, course redesign, structured pathways, and other program features can have a major impact on student persistence and completion. In addition to solving these structural challenges, addressing “undermatching” — which is when qualified students attend less selective institutions and institutions with lower completion rates than their academic history prepares them for — would likely help address some of the state’s college completion gaps for low-income students and students of color.<sup>13</sup>

The completion challenge is already receiving some attention at the system and institutional levels in New York. SUNY Chancellor Nancy Zimpher has made college completion a hallmark of her tenure,



with a sustained focus and resource commitment. The University at Buffalo's "Finish in 4" initiative, for example, has the potential to be an emerging best practice. At CUNY, Chancellor James Milliken has likewise called for a "culture of completion" and made it a cornerstone of the system's strategic framework. CUNY's Accelerated Study in Associate Programs (ASAP) — a highly structured full-time community college program — has generated enormous improvements in graduation rates and is now being expanded to reach more students.<sup>14</sup> Another promising program, the Pathways in Technology Early College High School (P-TECH), is an early college high school model that leads to an associate degree and workforce engagement.

A state-level completion agenda is the essential complement to addressing college affordability. Otherwise, while more students may make it to college, significant numbers will continue to leave school with student loans and no college degree.

## Strengthening the Excelsior Scholarship Program

New York can — and should — lead the nation in college access, affordability, and student success. Governor Cuomo's Excelsior Scholarship proposal has laid the vital groundwork and provides a powerful starting point. As the Executive Chamber and legislators complete the budget process in the next few weeks, there are four key steps that would strengthen the proposal and ensure that it lives up to its potential as a game-changer for all New York students:

### **1. Make college more affordable for low-income students.**

New York will not fulfill its economic or moral potential until it expands the pipeline to college completion. This requires additional resources for students whose TAP and Pell grants already exceed tuition but who have unmet financial needs. These resources can help to cover costs including transportation, child care, and books that too

often make college out of reach. For example, the Oregon Promise provides a minimum of \$1,000 to community college students whose tuition needs are already met by other sources of aid.<sup>15</sup> One approach would be to increase the value of the maximum TAP award and to expand income eligibility so that more students receive the maximum TAP award, which could ensure that lower-income students receive their fair share of any new resources targeted to college affordability.

### **2. Provide additional resources to support non-traditional college students.**

Some students must attend college part-time because they cannot afford to give up their job. Others are undocumented students, and therefore not eligible for support through existing financial aid grant programs. Any college affordability initiative should ensure that these groups of students receive equitable access to financial aid.

### **3. Ensure commensurate urgency and emphasis on student success — not just access.**

Improving college completion rates must go hand-in-hand with efforts to improve affordability. The state should hold institutions accountable for improving student success as measured by on-time graduation rates, particularly for the groups of students with persistently low completion rates, and invest in institutional capacity to support evidence-based practices for improving completion.

### **4. Enhance the focus on equity at the postsecondary level.**

The state should encourage high-performing colleges to improve access by enrolling more low-income students, ensure equitable levels of per-student funding for the institutions that serve the most low-income students and students with the greatest needs, and encourage — and fund — implementation of the programs most likely to improve student outcomes. The budget could start by promoting transparency on these issues so that there can be a robust public discussion in the coming year. ■

## Endnotes

We would like to express our gratitude to the Federal Reserve Bank of New York for providing student loan debt data and to Austin Slaughter for contributions to the data analyses used in this policy brief.

<sup>1</sup> The Executive proposal would begin in 2017-18 with eligibility limited to families earning up to \$100,000 per year and ultimately extend to families earning up to \$125,000 per year; however, the discussion in this policy brief is based on the program's full implementation.

<sup>2</sup> See, for example: Sandy Baum and Saul Schwartz, "Is College Affordable? In Search of a Meaningful Definition" (Washington, D.C.: Institute for Higher Education Policy, 2012), [http://www.ihep.org/sites/default/files/uploads/docs/pubs/issue\\_brief\\_is\\_college\\_affordable\\_july\\_2012.pdf](http://www.ihep.org/sites/default/files/uploads/docs/pubs/issue_brief_is_college_affordable_july_2012.pdf).

<sup>3</sup> Michelle Hodara et al., "Early Findings on Oregon's New College Grant Program" (Portland, OR: Education Northwest, 2017), <http://educationnorthwest.org/sites/default/files/resources/oregon-promise-508.pdf>.

<sup>4</sup> The College Board, "Annual Survey of Colleges (2016-17)," <https://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-sector-state-over-time>.

<sup>5</sup> Calculations throughout this policy brief are based on data for students who participate in federal Title IV financial aid programs, which include Direct Subsidized/Unsubsidized Loans, Direct PLUS Loans, Pell Grant, Federal Supplemental Educational Opportunity Grant, and the Federal Perkins Loan.

<sup>6</sup> "Student Loan Debt in New York State," (Albany, NY: Office of the State Comptroller, 2016), [http://www.osc.state.ny.us/reports/highered/student\\_loan\\_debt.pdf](http://www.osc.state.ny.us/reports/highered/student_loan_debt.pdf).

<sup>7</sup> New York Fed Consumer Credit Panel / Equifax; Internal Revenue Service.

<sup>8</sup> Calculation based on data downloaded from the U.S. Department of Education, College Scorecard. Includes students who graduated and students who withdrew.

<sup>9</sup> This issue has also been explored elsewhere, including:

Matthew Chingos, "There is actually nothing for low-income students in Cuomo's free-college plan," *The Washington Post*, January 4, 2017, [https://www.washingtonpost.com/news/grade-point/wp/2017/01/04/there-is-actually-nothing-for-low-income-students-in-cuomos-free-college-plan/?utm\\_term=.260285df9be2](https://www.washingtonpost.com/news/grade-point/wp/2017/01/04/there-is-actually-nothing-for-low-income-students-in-cuomos-free-college-plan/?utm_term=.260285df9be2).

Monica Disare, "Cuomo's college tuition plan would be a boon for many students, but does it go far enough?" *Chalkbeat*, January 10, 2017, <http://www.chalkbeat.org/posts/ny/2017/01/10/cuomos-college-tuition-plan-would-be-a-boon-for-many-students-but-critics-say-it-doesnt-go-far-enough>.

James Murphy, "The Gaps in New York's Free-College Plan," *The Atlantic*, January 10, 2017, <https://www.theatlantic.com/education/archive/2017/01/the-gaps-in-new-yorks-free-college-plan/512606/>.

Joint Legislative Public Hearing on 2017-2018 Executive Budget Proposal: Topic Higher Education. (2017) (statement of Kevin Stump, Northeast Director, Young Invincibles), [https://www.nysenate.gov/sites/default/files/articles/attachments/young\\_invincibles\\_northeast\\_director\\_kevin\\_stump.pdf](https://www.nysenate.gov/sites/default/files/articles/attachments/young_invincibles_northeast_director_kevin_stump.pdf).

<sup>10</sup> Analysis using 2014-15 (provisional) data from the National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS). The average amount of financial aid by income bracket is calculated for students who received Title IV funding. According to the National Center for Education Statistics, 83 percent of four-year public students and 77 percent of two-year public students received some form of Title IV funding in 2013-14. To calculate sector averages, costs have been weighted by full-time equivalent (FTE) enrollment and average aid by income bracket has been weighted by FTE enrollment in that income bracket.

<sup>11</sup> Doug Shapiro et al., "Completing College: A State-Level View of Student Attainment Rates (Signature Report No. 12a)," (Herndon, VA: National Student Clearinghouse Research Center, 2016), [https://nscresearchcenter.org/wp-content/uploads/NSC\\_Signature\\_Report\\_12\\_StateSupp.pdf](https://nscresearchcenter.org/wp-content/uploads/NSC_Signature_Report_12_StateSupp.pdf).

<sup>12</sup> Pooled data (2007-08 and 2008-09 cohorts for four-year institutions and 2010-11 and 2011-12 cohorts for two-year institutions) downloaded from the U.S. Department of Education, College Scorecard.

<sup>13</sup> Caroline Hoxby and Christopher Avery, "The Missing 'One-Offs': The Hidden Supply of High-Achieving, Low-Income Students," (Washington, D.C.: The Brookings Institution, 2013), [https://www.brookings.edu/wp-content/uploads/2016/07/2013a\\_hoxby.pdf](https://www.brookings.edu/wp-content/uploads/2016/07/2013a_hoxby.pdf). See also: Matthew Chingos, "Can We Fix Undermatching in Higher Ed? Would it Matter if We Did?" (Washington, D.C.: The Brookings Institution, 2014), <https://www.brookings.edu/research/can-we-fix-undermatching-in-higher-ed-would-it-matter-if-we-did/>.

<sup>14</sup> See: <http://www.mdrc.org/project/evaluation-accelerated-study-associate-programs-asap-developmental-education-students#overview>.

<sup>15</sup> See: <http://www.oregonstudentaid.gov/oregon-promise.aspx>.



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