

Testimony of Diana Michel
Executive Director, California Student Aid Commission
Conference Committee on the Budget
June 1, 2009

Thank you, members, for this opportunity to address the proposed elimination of Cal Grants and our entire system of awarding student financial aid. The Commission believes this proposal poses a grave danger to our state's future economy – any savings that might accrue in the short run will be far outweighed by the heavy costs our state will pay in the long run.

Instead of the wholesale elimination of a successful 50-year old program that now more than ever plays a critical role in California's competitiveness, we ask you to carefully consider alternative approaches. These might include reducing the size of grant awards, tapping revenue from the Student Loan Operating Fund to pay for the Cal Grant program and rethinking aid administration in light of new federal changes to the student loan program.

The immediate effect of eliminating Cal Grants would be to foreclose on the futures of 200,000 students -- 118,000 graduating seniors who have already been offered awards to attend higher education institutions this fall, and 83,000 current Cal Grant students whose grants will not cover fee increases at CSU and UC. Many of these awardees have paid non-refundable housing fees and applied for maximum student loan limits, giving them few choices in the 11th hour to change their college plans.

As you are aware, if these students cannot afford to attend college this fall, they face the worst job market in decades.

At a time when the job market demands higher skills, reducing college-going rates by eliminating Cal Grants is short-sighted and will lead to higher unemployment, greater pressure on the state budget and an erosion of our quality of life.

Even without destroying our state's financial aid system, California faces a shortage of nearly 1 million college graduates to meet workforce needs

Research shows that Californians, particularly those from communities whose students have not historically attended college, already believe higher education is unaffordable and therefore inaccessible. Both financial aid and consistent, sustainable outreach programs -- like those developed by the commission statewide – are needed to make postsecondary education accessible.

The Commission is keenly aware of the painful choices you must make in this historic budget crisis, and would like to work with you in proposing carefully targeted reductions and alternative funding mechanisms for the Cal Grant Program.

We ask that you keep the promise made to California's students: that if they work hard and gained admission to our institutions of higher education our state would not let financial need close the door to their dreams. We ask that at this time of high unemployment and restructuring of the workforce, you also retain support for reentry students who seek college or career training so that they too may become successful wage earners.

We believe it is possible to keep our promise to California's students even during such a catastrophic budget crisis, by exploring changes in the federal student loan program and funds remaining in our state's Student Loan Operating Fund. Further, under the President's direct lending model for student loans, there may be other opportunities for the Commission to generate a revenue stream that might continue to fund the Cal Grant Program. Commission staff will be asking the Commission to consider these opportunities, and they should be fully explored in policy committee as well.

(Members of the Committee) These potential solutions underscore the need for, and the advantage of, retaining California's *independent* Commission for student financial aid. We ask you to reject the Governor's proposal to eliminate the Commission and turn the future of student aid over to Governor's appointees, those same appointees who now propose elimination of the state's financial aid program.

The Governor's plan would eliminate the state's only independent, centralized program for reaching California's diverse student population with financial aid information. Eliminating the California Student Aid Commission will lead to less transparency and accountability in financial aid administration, without *any* demonstrated cost savings!

For the first time since 1955, California's most vulnerable students would not have an independent public body to advocate for their interests.

Our economy depends upon a well-educated workforce. We know that the current system of outreach and of qualifying students for Cal Grants before they apply to college is working to increase college-going rates. If that system is destroyed, when the economy improves, it will take years to rebuild this successful system for providing higher education access and opportunity to California's students.

Cal Grant recipients succeed in higher education and life:

- Receipt of a Cal Grant significantly increased a student's likelihood of persisting in school for four years.
- Cal Grant A recipients re-enroll in a second year of college at a rate of 96.5%, while Cal Grant B students, from the poorest families with the most limited resources, re-enrolled at a rate of 93%.

- Cal Grant A awardees were twice as likely as non-grantees to transfer to and remain enrolled at four-year institutions.

Clearly, eliminating Cal Grants would be taking a major step backward – we'd be declaring that California is a state where only the wealthy need apply to higher education. It's a plan that would cost too much when our state can afford it least.

On the Commission's behalf, I urge you to continue the commitment to California's landmark Cal Grant guarantee, and to allow the Commission to continue to fulfill the promise of that guarantee. Thank you.

#