

Does it help students with limited financial means afford college?

SEPTEMBER 2018 ■ BY ALAIN POUTRÉ AND MAMIE VOIGHT ■ INSTITUTE FOR HIGHER EDUCATION POLICY

Launched in 2017, New York's Excelsior Scholarship makes the state's public colleges tuition-free for low- and middle-income state residents who meet several conditions (see **Sidebox A**). The program, championed by New York Governor Andrew Cuomo, is billed as a middle-class program that aims to make City University of New York (CUNY) and State University of New York (SUNY) colleges more accessible while requiring beneficiaries to stay in the state after graduation. But program details matter.

This analysis of Excelsior examines the effects of the program's design and recommends further enhancements that will redirect program resources to help low-income students pay for college.

Excelsior is a last-dollar program, meaning the state covers any tuition and fees not already covered by other grant aid, such as Pell Grants. This follow-up analysis to *Limited Means, Limited Options* examines the impact of Excelsior for three students who represent today's college-goers from different household types and income backgrounds: Jin Sook, Hakim, and Maria (see **Sidebox B**).² This analysis reveals that the program provides minimal financial benefit to low-income students because of its last-dollar design.³

Because of the way the program is designed, low-income students who receive need-based Pell Grants and New York's Tuition Assistance Program (TAP) grants receive less—if any—Excelsior funding than students who are ineligible for Pell or TAP. Indeed, the program is billed as making “college tuition-free for *middle class* New Yorkers” (emphasis added).⁴ This focus on helping middle class students and not low-income students is a problem, given the immense financial need that low-income, working-class students still face. While Pell and TAP are critical investments in students and our economy, the purchasing power of both grants has declined, so that on their own, they do not make college fully affordable for low-income and working-class students. In fact, New York failed to increase the maximum TAP award for about 15 years, beginning in 2000-01.⁵ State investment should build on the federal Pell investment through tools like TAP that help to tackle affordability for students with the greatest financial need, strengthening the state's workforce and giving low-income New Yorkers greater opportunity for upward economic mobility.

Sidebox A.

What Is New York's Excelsior Scholarship?¹

New York's Excelsior Scholarship pays tuition and fees for low- and moderate-income students to attend public two- and four-year colleges in the state. Funds cover only tuition and fees remaining after other need and non-need-based grants and scholarships—such as the Pell Grant and New York's Tuition Assistance Program (TAP)—are applied. The scholarship converts to a loan if a student does not remain living and working in New York after college for at least the length of time that student received Excelsior. **Table 1** summarizes student eligibility and program funding for Excelsior.

Table 1. Excelsior Scholarship Details

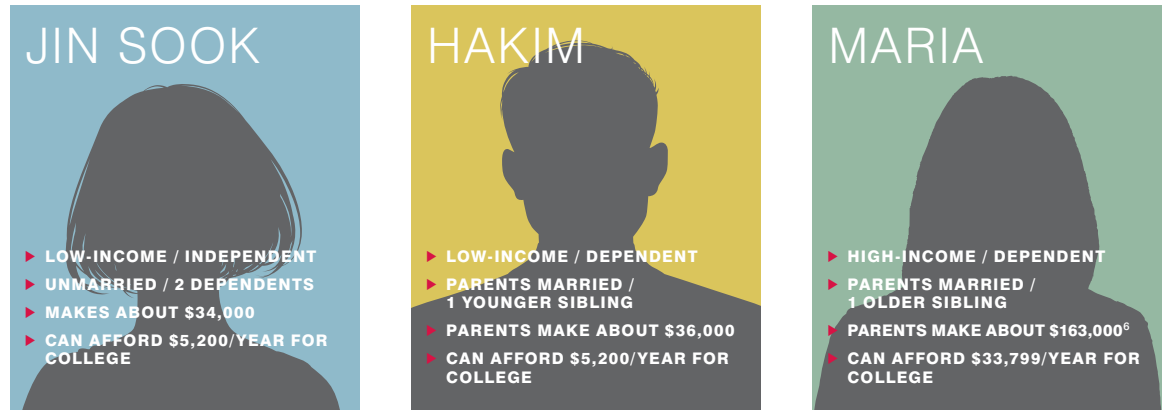
STUDENT ELIGIBILITY

- ▶ Attend a CUNY or SUNY public college
- ▶ Be a U.S. citizen or eligible non-citizen
- ▶ Be a New York resident
- ▶ Complete a high-school diploma or equivalent
- ▶ Be a first-time college student, or immediately transitioning certificate-to-associate's or associate's-to-bachelor's degree
- ▶ Apply for the program (one time only)
- ▶ File a FAFSA
- ▶ Enroll in at least 12 credits per term, and complete at least 30 credits per year
- ▶ Not be in default on a New York State or federal loan
- ▶ Have an annual household income of \$100,000 or less for the 2017–18 award year (rising to \$110,000 in 2018-19 and \$125,000 in 2019-20)
- ▶ Live and work in New York State after college for the same length of time as the degree program

PROGRAM COSTS

- ▶ Expected 2017–18 costs are \$71M, funded by state appropriations

Sidebox B. Three 21st-Century College Students



How affordable were New York colleges before Excelsior?

Using the “Rule of 10,” we consider a college to be affordable if a student can cover all college costs—tuition and fees, room and board, books and supplies, and other educational expenses—by saving 10 percent of their family’s discretionary income for 10 years before college, working 10 hours a week at minimum wage during college, and using grants and scholarships.⁷ In other words, each student has their own Affordability Threshold, which shows us what they can afford given their family circumstances.

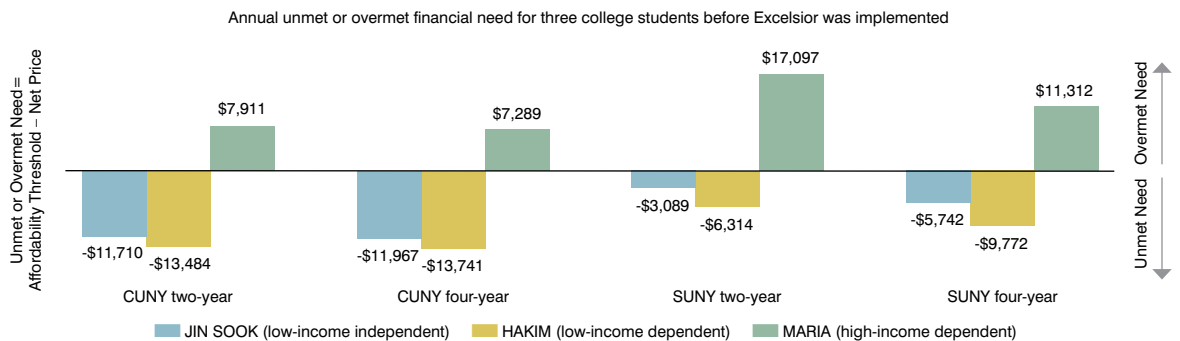
Net Price = Tuition and fees + room and board + books and supplies + other educational expenses – grants/scholarships

Affordability Threshold = 10% of discretionary income x 10 years + earnings from 10 hours/week of student work

After accounting for expected family savings, student earnings, and grants and scholarships, we find that the low-income students in our analysis—dependent (Hakim) or independent (Jin Sook), who have \$5,200 available to pay for college each year—could not afford to attend any of the 74 public two- or four-year colleges in New York before Excelsior was implemented. Yet Maria—the high-income dependent with nearly \$34,000 available annually for college expenses—had more than enough resources to afford all public colleges in the state (see **Figure 1**).

Figure 1 shows each student’s unmet need, which represents the additional amount they need to pay for college (a negative number indicates unmet need) or overmet need, which represents the excess amount they have in family resources and grant funding after paying for college (a positive number indicates overmet need). Low-income students like Jin Sook and Hakim have unmet need, while high-income students like Maria have overmet need.

Figure 1. Before Excelsior, a high-income student could afford college in New York, but low-income students could not.

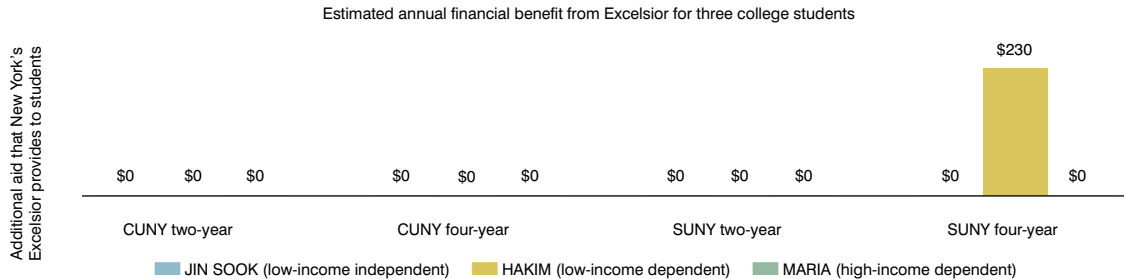


Note: Net prices are means across New York public institutions based on net price calculator output and represent prices for one year of college. The Affordability Threshold calculation is based on Lumina’s Rule of 10. A negative unmet need indicates that an individual needs funding to afford college. A positive overmet need indicates that a person has extra resources even after paying for college.

How affordable are New York colleges after Excelsior?

Maria—whose family makes more than \$160,000 annually—would be ineligible for Excelsior, which is a reasonable and equitable policy choice because she already can afford New York’s public colleges. However, low-income students Jin Sook and Hakim have substantial financial need (see **Figure 1**), but they receive little to no financial benefit from Excelsior. These students’ pre-Excelsior grant aid—such as Pell, TAP, and institutional grants—is enough to cover tuition and fees (see **Figure 2**), so Excelsior will not provide them with new financial benefits. Hakim’s and Jin Sook’s most pressing financial needs involve paying for non-tuition educational expenses that exceed their grant aid—expenses that are ineligible for Excelsior funding.

Figure 2. Low-income students only benefit from Excelsior at institutions where they typically do not receive enough grant aid to cover tuition.



Below is a breakdown of each student and how Excelsior would affect their ability to pay for college.



Jin Sook—a low-income mother of two—would receive no financial benefit from Excelsior at any CUNY or SUNY colleges because her Pell and other grant aid already cover tuition and fees (see **Figure 2**). Yet, she would still face substantial financial need (more than \$11,000 at CUNY and up to nearly \$6,000 at SUNY, see **Figure 1**) after accounting for her grants and earnings from work. Because her income falls below 200 percent of the Federal Poverty Guideline, this analysis assumes she is unable to contribute any savings towards her education.



Hakim—a low-income dependent student—would receive no financial benefit from Excelsior at CUNY or at SUNY’s two-year colleges and only a small award at SUNY’s four-year colleges because his Pell and other grant aid already covers tuition and fees at those institutions (see **Figure 2**). However, even with grants, earnings from work, and support from Excelsior to attend SUNY, Hakim would still need more than \$13,000 to afford CUNY and up to almost \$10,000 to afford SUNY (see **Figure 1**). Like Jin Sook, his family is unable to save for college because the household income falls below 200 percent of the Federal Poverty Guideline.



Maria—a high-income dependent student—could afford to attend any public college in New York because her family’s income is high enough to allow them to save for her education (see **Figure 1**), which is why she is ineligible for Excelsior.

While Jin Sook and Hakim—and other low-income, working-class students like them—have the greatest financial need, New York’s Excelsior does little to make college more affordable for them. Furthermore, this analysis assumes that the students analyzed will meet Excelsior’s credit-completion requirements (12 credits per semester; 30 credits per year), which is not a given, especially since Excelsior’s annual credit threshold is higher than federal and TAP requirements, making it more challenging to meet for students who are juggling school, work, and family responsibilities.

This analysis examines three students, but it does not attempt to identify every type of student who would benefit—or not benefit—from Excelsior. For instance, a student whose family income falls below the Excelsior cap but is too high to be eligible for Pell or TAP may receive a substantial Excelsior award.

What are core tenets of a more equitable free college program?

Making college more affordable is a laudable state policy goal and worthy of taxpayer investment. Public investment in higher education pays off, not just for students, but also for states, which reap the economic benefit of a more skilled workforce. States implementing free-college programs are touting a clear message of free tuition, and in New York, the program's income cap avoids spending state resources on the highest income students. However, free-college programs can maintain simple messaging to encourage college attendance while also promoting equity more effectively.

To responsibly steward taxpayer dollars, policies should focus limited resources toward students of limited means. The following recommendations would improve free-college policies in New York and other states.

1

Invest first and foremost in low-income students. Excelsior's income cap for eligibility avoids spending state resources on the highest income students. However, low-income students receive little to no benefit from the program either, despite their substantial financial need. Nationally, the average low-income student today must find a way to finance an amount equivalent to 157 percent of their family income to pay for college, while a high-income family can attend for a much more manageable 14 percent of their family's income.⁸ Before increasing the income cap, which is set to climb from \$100,000 in 2017 to \$125,000 in 2019, policymakers should consider ways to increase benefits for students with the most financial need.

2

Fund non-tuition expenses for low-income students. Low-income students need financial aid to help pay college tuition and other college expenses, so free-college programs should allow state "free-college" dollars to fund non-tuition expenses. Similarly, states should shift from a last-dollar model, which only pays tuition expenses that are not already covered by grant aid such as the Pell Grant and TAP, to a first-dollar model that uses state free-college funds to pay students' tuition, allowing recipients to then use Pell Grants, TAP, and other grant aid to cover expenses such as room, board, and books.

3

Include four-year colleges. Excelsior allows students to use Excelsior at both two- and four-year colleges, helping students to pursue the type of credential that is the best fit for them. Other states should take note of New York's effort to make their free-college program available at both types of public institutions. Equitable support for two- and four-year programs can help to combat income stratification within the U.S. higher education system.

4

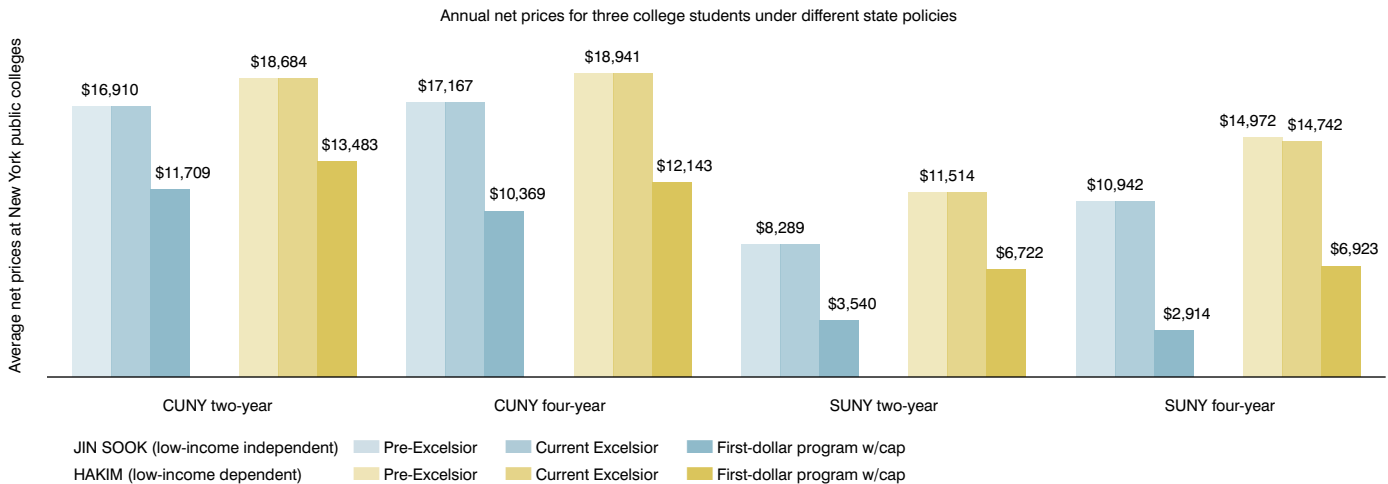
Support state need-based grant programs. Free-college programs interact with state grant programs, and implementing free-college promises should not come at the expense of existing grant programs that help low-income students. New York already has a well-targeted TAP grant that helps make college more affordable for low-income students. Yet the TAP maximum award has been relatively flat since the turn of the century.⁹ Strengthening the existing, well-targeted TAP could do more to make college affordable for low-income students than investing state resources in a last-dollar free college program.

5

Avoid restrictive or punitive requirements. Program conditions and details matter and should not punish students for pursuing work or family commitments in another state after college. Excelsior requires recipients to live and work in New York State after college for at least the number of years for which they received an Excelsior award. If students move or work out of state, their Excelsior award converts into a loan, a harmful policy that will be complex to administer. In a global economy with a mobile workforce, such punitive restrictions can harm the very students the program is intended to help.

Following these tenets would have tangible impacts for low-income students, sizably reducing the price barriers they face. **Figure 3** shows how implementing these tenets in New York would tangibly reduce prices for low-income students, Jin Sook and Hakim, below what they must pay under Excelsior. By converting Excelsior from last-dollar to first-dollar, Jin Sook and Hakim would receive between about \$4,700 and \$8,000 to attend a CUNY or SUNY institution, helping the students pay for non-tuition expenses associated with attending.

Figure 3. Implementing IHEP’s free college tenets would make college more affordable for low-income students.



Note: Maria, the high-income student, is not shown in this figure because her net price remains the same under all three scenarios.

Targeted state investment in higher education can help low-income and working-class students to tackle daunting college affordability challenges. New York’s TAP grant has set an example for other states through its well-targeted approach to delivering grant aid, yet state lawmakers have failed to support the grant in keeping pace with inflation or rising college costs. Rather than doubling down on this well-targeted TAP investment to offer low-income students more adequate funding for college, New York’s policymakers have chosen to implement a free-college program aimed at the middle class. While the \$100,000 income cap (set to rise to \$125,000) at least focuses awards away from the highest income students—a design feature other states should consider—the program’s last-dollar design ensures that the neediest students will receive little to no benefit. As Excelsior evolves, state policymakers should consider how to better help low-income and working-class students address non-tuition expenses and should remove punitive requirements that retroactively convert grants into loans for students who leave the state. As other states learn from New York’s efforts and as New York considers ways to refine and enhance its own program, equity must be at the center of free-college program design. Equity-driven state investment can go a long way toward driving economic development for the state and socioeconomic mobility for students with limited means and limited college options.

Endnotes

- 1 New York State Higher Education Services Corporation. (n.d.). *Excelsior Scholarship program*. Retrieved from <https://www.hesc.ny.gov/pay-for-college/financial-aid/types-of-financial-aid/nys-grants-scholarships-awards/the-excelsior-scholarship>; New York State Higher Education Services Corporation. (n.d.). *Excelsior Scholarship FAQs*. Retrieved from <https://www.hesc.ny.gov/pay-for-college/financial-aid/types-of-financial-aid/nys-grants-scholarships-awards/the-excelsior-scholarship/excelsior-scholarship-faqs.html>; New York State. (n.d.). *Excelsior Scholarship toolkit*. Retrieved from https://www.ny.gov/sites/ny.gov/files/atoms/files/ExcelsiorScholarship_Toolkit.pdf; DiNapoli, T.P. (2017). *Report on the state fiscal year 2017–18 executive budget*. Office of the New York State Comptroller. Retrieved from <https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>
- 2 Poutré, A., Rorison, J., & Voight, M. (2017). *Limited means, limited options: College remains unaffordable for many Americans*. Institute for Higher Education Policy. Retrieved from http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited_means_limited_options_report_final.pdf
- 3 In this analysis, we use net price calculator output for the three college students to measure colleges’ prices. Some institutions may have errors in their net price calculators. To maintain consistency throughout the analysis, we decided not to adjust any net price calculator output, but instead we rely on that output, which comprises the same data that students must rely on as they consider college prices. However, the results presented here are subject to any potential errors that institutions have made with their calculators.
- 4 New York State. “Tuition-Free Degree Program: The Excelsior Scholarship.” Retrieved from <https://www.ny.gov/programs/tuition-free-degree-program-excelsior-scholarship>
- 5 State University of New York. (n.d.) *An analysis of the Tuition Assistance Program*. Retrieved from <https://www.suny.edu/about/leadership/board-of-trustees/meetings/webcastdocs/Attachment%20C1%20-%20Tap%20Report.pdf>
- 6 Maria’s family income is higher than average for New York City households. IHEP analyses of 2012–16 American Community Survey five-year estimates show mean household income for New York City is \$88,437, median household income is \$55,191, and approximately 86 percent of households in New York City have incomes below \$150,000.
- 7 Lumina Foundation. (2015). *A benchmark for making college affordable: The rule of 10*. Retrieved from <https://www.luminafoundation.org/files/resources/affordability-benchmark-1.pdf>. This analysis uses the \$10.40 New York State minimum wage that went into effect at the end of 2017.
- 8 IHEP analysis of 2015–16 National Postsecondary Student Aid Study (NPSAS:16) data. Computation by NCES PowerStats Version 1.0. Variables: DEPINC, BUDGETAJ, TOTGRT. Weight: WTA000. Average cost of attendance minus average total grant aid relative to average income for top and bottom income quintiles among full-time, full-year, one-institution, dependent, undergraduate students attending 2015–16.
- 9 State University of New York. (n.d.) *An analysis of the Tuition Assistance Program*. Retrieved from <https://www.suny.edu/about/leadership/board-of-trustees/meetings/webcastdocs/Attachment%20C1%20-%20Tap%20Report.pdf>