Missing Money? Financial Aid Receipt in California Community Colleges

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1. What is the Pell Grant?
2. Why do we care about Pell Grant receipt?
3. What do we know about Pell Grant receipt in California (and LACCD)?
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Pell Grant basics

- Federal financial aid provided for undergraduate instruction
  - Can be used at a wide variety of institutions
  - Lifetime-eligibility limit: 12 semesters
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How much money can students receive?

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- Means tested
  - Financial need determined based on Free Application for Federal Student Aid (FAFSA)
  - Pell Grant size decreases as financial need falls
How much money can students receive?

Notes:
1. Income cutoff for eligibility: about $61,000 for family with 2 kids
2. 67% of Pell-eligible CCC students eligible for max Pell Grant
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Pell compared to other aid programs

- Subsidized loans
  - Pell Grant does not need to be repaid

- California Promise Grant (formerly BOG Fee Waiver)
  - Virtually all Pell-eligible students receive fee waiver

- Work study
  - No work requirement for Pell Grant

- Cal Grants
  - Cal Grant smaller than max Pell Grant ($1,672 vs. $5,920)

- No academic merit eligibility criteria for Pell Grant
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Why do we care about Pell Grant receipt?

Reason 1: Receiving a Pell Grant Helps Students

- Pell Grant is a lot of money!
- Even with fee waiver, community college isn't “free”
- Pell Grant aid can help mitigate financial impediments to college success
  - housing insecurity
  - food insecurity
  - books
  - family care responsibilities
  - need to work many hours (at inconvenient times)
- Some research shows Pell Grants have big effects on college completion (Denning, Marx, Turner, 2018)
  - Caveat: overall this research is mixed
Why do we care about Pell Grant receipt?

Reason 2: New Funding Formula
- “Supplemental allocation for demonstrated student need”
  - 20% of state funding
  - “Demonstrated need” is based on Pell receipt or AB540
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- Colleges lose revenue when Pell-eligible students do not receive Pell
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How do students get Pell Grants?

Steps involved

1. Complete FAFSA
   - Difficult process that many students do not complete
   - Research shows FAFSA is a significant barrier to college enrollment
   - Only about 40% of CCC students complete FAFSA
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4. ED flags some students for "verification"
   - Flagged students need to provide documentation for FAFSA information (e.g., parent’s W2)
   - Colleges have some discretion
     - Require verification of more students flagged by ED
     - Require verification of more FAFSA fields
     - Documentation required to satisfy verification
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1. Students must complete paperwork before aid disbursed
   - Any verification requirements
   - Confirm other eligibility requirements (e.g., citizenship, HS graduation)
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Bottom line: There’s a lot that can go wrong after completing FAFSA
Purpose: Examine Pell receipt patterns in CCC
- Focus on students who are “seemingly eligible” for Pell Grants
  - Completed FAFSA
  - High school degree or GED, no BA
  - Financially eligible (based on EFC)
  - Enrolled in 6+ units
  - Academically eligible (not missing SAP)
- Statewide administrative data from CCC Chancellor’s Office
  - Students enrolled in fall 2014
Pell non-receipt among seemingly eligible students
Pell non-receipt across college campuses - CA
Pell non-receipt across college campuses - LACCD
Pell non-receipt: By age

![Bar chart showing the percentage of Pell non-receipt by age.](chart.png)
Pell non-receipt: By race
Pell non-receipt: By gender
Pell non-receipt: By financial need
What’s going on?

Possible Explanations for Pell Non-Receipt

1. “Seemingly eligible” aren’t actually eligible
   - Financially ineligible (not enough need)
   - Non-financial reasons

2. Eligible, but turn down aid

3. Verification and other paperwork

4. Student misinformation
Are “seemingly eligible” actually ineligible?

Financially ineligible?

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Non-financial factors?

- Selective service registration, criminal conviction
- Student loan default, exhausted lifetime eligibility
- Citizenship

Similar patterns for men and women

Significant non-receipt among black and whites

Bottom line:

Ineligibility due to unobserved criteria not key explanation
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**Bottom line:** Ineligibility due to unobserved criteria not key explanation
Students might want to “save” Pell eligibility to pay university tuition

- Some evidence counselors advise students to do this

Aside: Telling students to save Pell eligibility is probably bad advice!

1. “Saving” eligibility risks never using Pell Grant aid (might not transfer to a university)

2. Money today is better than money in the future
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- They think it is too much documents and don’t want to take the time to gather, complete, and submit [documents]. The [Board of Governor Fee Waiver] is their financial aid. They don’t know they have to submit [documents] to complete verification by not reading emails, letters, checking [Financial Aid] self service.
Verification/paperwork, misinformation and hassle costs

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- Three interrelated factors appear critical
  - Completing verification and other paperwork is difficult and confusing → “hassle costs”
  - Students might not understand they can get additional money
  - No tuition bill makes reduces urgency of completing paperwork
Role of campuses

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From financial aid director survey:

  *Don’t understand the process. Don’t check their email.*
  *Don’t follow instructions. Pure laziness*
Conclusions and policy implications

- Students appear to be losing out on significant Pell Grant aid
  - New funding formula → colleges now missing out as well
  - Pell non-receipt varies a lot across campuses

More effective communication with students may be critical
- Text vs. email
  - Convey how valuable it is to complete financial aid paperwork
  - Customized information about what needs to be done and how to do it
  - Automated text messaging programs may be helpful and inexpensive

Campus leaders should think hard about value of
- Flagging students for verification who are not flagged by ED
- Requiring verification of additional information
- Having stringent documentation requirements
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