



Testimony of E.J. McMahon
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In April 2017, the Legislature approved Governor Cuomo’s proposal to establish the Excelsior Scholarship program, which promised to eliminate SUNY and CUNY tuition for undergraduates from state resident households with gross annual incomes up to \$125,000. In legislation submitted with the FY 2021 Executive Budget, Governor Cuomo proposes raising that gross annual income threshold to \$135,000 in 2020-21, and to \$150,000 in 2021-22, at a total additional cost of \$35 million.

The proposed increase in the Excelsior Scholarship income cap would build on a program that was fundamentally flawed, wasteful and unfair to begin with.

The Legislature should reject this proposal, and instead begin phasing out the Excelsior Scholarship program, accepting no new applicants after this year. The entire proposed \$146 million budget allocation for Excelsior ultimately should be redirected to fund expansion of the means-tested Tuition Assistance Program (TAP).

As of 2019-20, Excelsior Scholarships have been awarded to 30,000 students, or less than 5 percent of total SUNY and CUNY undergraduate enrollment. But the principal fault of the Excelsior Scholarships program is not its failure to deliver on a promise of “free” college. Even if the state could afford the multi-billion dollar cost of such an entitlement, the elimination of public college tuition would be a highly debatable policy priority on grounds of equity and efficiency.

Exaggerated promises and flawed premises aside, the Excelsior Scholarship program is objectionable on three grounds.

1. It is regressive.

Excelsior is a “last-dollar” addition to other state-funded and institutional aid programs, which already eliminate or significantly reduce tuition for hundreds of thousands of lower-income students in New York. But in contrast to those programs, the net value of the Excelsior Scholarship increases with the gross income of the recipient’s tax-filing household—regardless of family size, living expenses, or marital status—before abruptly dropping to zero once income tops \$125,000.

Many students currently qualifying for the maximum Excelsior award of \$6,470 could no doubt afford to pay New York’s relatively low public college tuition rates without any added subsidy. Raising the income cap to \$150,000—into the top income quintile of New York households—would simply offer a generous tuition break to even more students who clearly don’t need the help.

2. It is cumbersome to administer.

Eligibility for Excelsior requires a minimum of 12 credits per semester and a full course load of 30 credits a year, which cannot be fully confirmed by campus financial aid offices until the year has ended. Excelsior winners also are required to sign a contract stipulating that, after graduation, they will live and work in New York State for as many years as they received the scholarship. Those who fail to meet the residency and workplace requirement will have their grants converted into interest-free 10-year loans—a claw-back provision that will be difficult to enforce.

3. It shuts out the private sector.

New York is home to the nation's largest combination of public and private colleges. Among New York residents aiming for four-year degrees, more than 40 percent initially enroll in private institutions located in the state, which award more baccalaureate degrees than SUNY and CUNY combined. But in a striking departure from Albany's longtime bipartisan commitment to promoting diverse educational options, the Excelsior program excludes students at private colleges. In its place, the state offers students at private colleges a more limited "Enhanced Tuition" program with so many strings attached that few colleges are choosing to offer it.

Excelsior was promoted as the solution to what the governor portrayed as a college affordability crisis, including the frequently cited \$30,000 average debt levels. In reality, even before Excelsior, barely half of all SUNY undergrads—and barely one out of every four CUNY students—graduated with *any* college loans outstanding.

To reduce the cost of college attendance for New Yorkers who can least afford it, the money budgeted for Excelsior could be more effectively spent on expanding the state's existing TAP scholarships. With more than 300,000 recipients and a budget approaching \$900 million, TAP is the most extensive means-tested scholarship program funded by any state—a college affordability boost truly worth boasting about.

Unlike Excelsior, TAP is based on demonstrated financial need, reserving its largest benefits to students from lower-income households. It annually subsidizes a fully tuition-free SUNY and CUNY education for many more students than now receive Excelsior scholarships.

Combined with federal Pell grants and institutional aid, TAP also significantly reduces tuition costs for low-income students attending private colleges in the state. It thus helps New York students afford the college that best suits their academic interests and career goals.

A more detailed analysis and critique of the Excelsior Scholarship program can be found in the attached Empire Center research paper.

Attachment



Excelsior Illusion

Getting Real About
'Free' College in NY

by **E.J. McMahon**

In April 2017, the New York State Legislature approved Governor Andrew Cuomo's proposal to establish the Excelsior Scholarship program, which the governor described as the nation's first offer of "tuition-free" two- and four-year college to the middle-class.

Excelsior Scholarships promised to eliminate tuition charged by the State University of New York (SUNY) and City University of New York (CUNY) for undergraduate students from state resident households with gross annual incomes up to \$125,000—which was 184 percent of the statewide household median as of 2018.¹

Cuomo's office predicted that 940,000 New York families with college-age children would qualify—but the program's terms and conditions ensured it would yield a much smaller number of actual scholarship recipients.

As of 2018-19, the program's second year, Excelsior Scholarships had been awarded to 24,000 students, or 3.8 percent of total SUNY and CUNY undergraduate enrollment. With full implementation this year, participation is expected to rise to 30,000 for 2019-20.²

However, the principal fault of the Excelsior Scholarships program is not its failure to deliver on what sounded like a broad promise of tuition-free college for all. Without cutting other programs, the state could not afford the multi-billion dollar cost of transforming college education into a "free" middle-class entitlement. In any case, the elimination of public college tuition is a highly debatable priority on grounds of equity and efficiency.

Even making allowances for exaggerated promises, the Excelsior Scholarship program is objectionable on three fundamental grounds.

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Excelsior is a “last-dollar” addition to other state-funded and institutional aid programs, which already eliminate or significantly reduce tuition for hundreds of thousands of lower-income students in New York. But in contrast to those programs, the net value of the Excelsior Scholarship increases with the gross income of the recipient’s tax-filing household—regardless of family size, living expenses, or marital status—before abruptly dropping to zero once income tops \$125,000. Many students qualifying for the maximum Excelsior award of \$6,470 could afford to pay New York’s relatively low public college tuition rates without any added subsidy.

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Eligibility for Excelsior requires a minimum of 12 credits per semester and a full course load of 30 credits a year, which cannot be fully confirmed by campus financial aid offices until the year has ended. Excelsior winners also are required to sign a contract stipulating that, after graduation, they will live and work in New York State for as many years as they received the scholarship. Those who fail to meet the residency and workplace requirement will have their grants converted into interest-free 10-year loans—a claw-back provision that will be difficult to enforce.

3. It shuts out the private sector.

New York is home to the nation’s largest combination of public and private colleges. Among New York residents aiming for four-year degrees, more than 40 percent initially enroll in private institutions located in the state, which award more baccalaureate degrees than SUNY and CUNY combined. But in a striking departure from Albany’s long-time bipartisan commitment to promoting diverse educational options, the Excelsior program excludes students at private colleges.

Excelsior was promoted as the solution to what Cuomo portrayed as a college affordability crisis, including \$30,000 average debt levels. In reality, barely half of all SUNY undergrads—and considerably less than half of CUNY students—graduate with college loans outstanding.

In effect, funding Excelsior is what the governor and Legislature chose to do instead of continuing to restrain tuition at its four-year public colleges. With its share of the nearly \$119 million allocated for Excelsior in the current state budget, SUNY could have avoided at least half of the \$600 in base tuition hikes it has imposed since 2017-18. Even with those increases, SUNY and CUNY continue to charge considerably lower tuition and fees than public systems in other states.

To reduce the cost of college attendance for New Yorkers who can least afford it, the money budgeted for Excelsior could be more effectively spent on expanding the state’s existing TAP scholarships. With more than 300,000 recipients and a budget topping \$900 million, TAP is the most extensive means-tested scholarship program funded by any state—a college affordability boost worth boasting about.

Unlike Excelsior, TAP is based on demonstrated financial need, reserving its largest benefits to students from lower-income households. It annually subsidizes a fully tuition-free SUNY and CUNY education for many more students than now receive Excelsior scholarships. Combined with federal Pell grants and institutional aid, TAP also significantly reduces tuition costs for low-income students attending private colleges in the state. It thus helps New York students afford the college that best suits their academic interests and career goals.

This report explains why policy makers seeking to boost college affordability in New York should abandon the “tuition free” Excelsior illusion in favor of expanding TAP—a program designed to provide financial aid to students who actually need it most.

BACKGROUND

With over one million undergraduates attending 301 degree-granting institutions, New York has the nation’s third largest higher education sector. In most states, the overwhelming majority of postsecondary undergraduates attend public colleges and universities. In New York, however, private institutions play a much larger role.³

New York has more private schools and colleges (222) enrolling more part- and full-time undergraduates (388,219) than any state.⁴ Including two-year community colleges, CUNY and SUNY combined had full- and part-time undergraduate enrollment totaling 629,549, which was 62 percent of all undergraduates in the state. As shown in Figure 1, below, the 34 percent enrollment share of New York’s undergrads in private, nonprofit institutions was double the national average share.

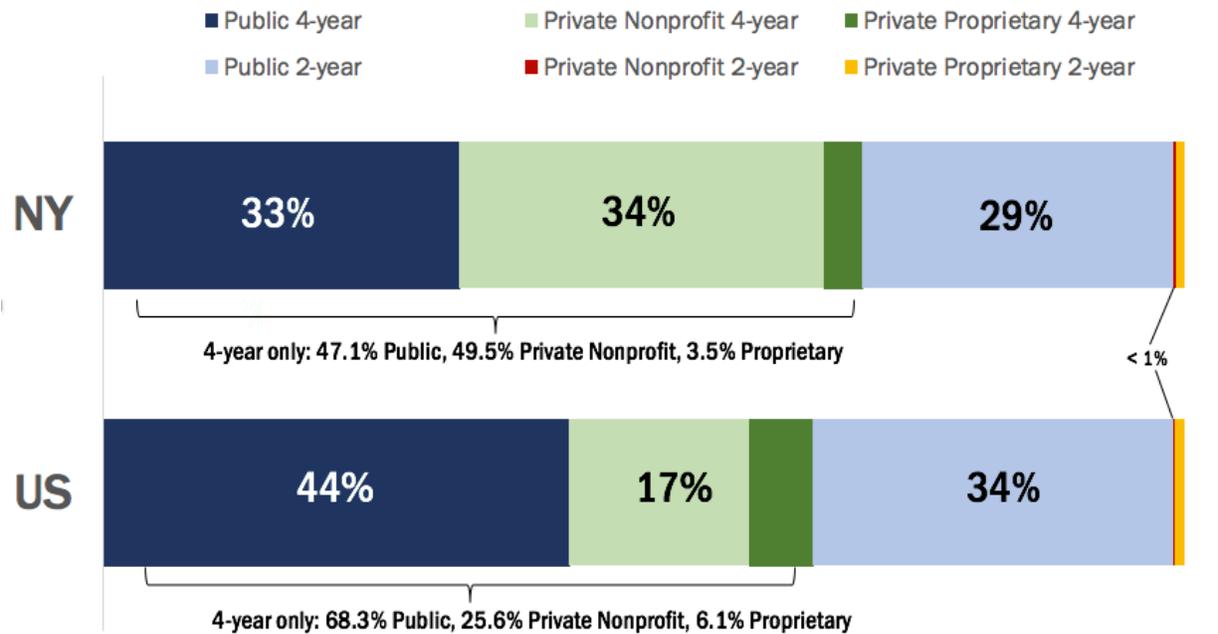
Focusing on four-year institutions, New York’s 186 private nonprofit colleges and universi-

ties (comprising what’s also known as the independent sector) accounted for 50 percent of undergraduates attending four-year schools in the state, compared to 47 percent attending the 79 campuses of public institutions. The state’s 36 private proprietary (for-profit) schools accounted for the remaining 3.5 percent.

Nationally, more than two-thirds of all four-year college undergraduates were in state schools, with just over one-quarter in private non-profit institutions and the remaining six percent in proprietary schools. Only four small states (Idaho, Massachusetts, New Hampshire and Rhode Island), exceeded New York’s independent-sector share of four-year undergraduates; among the three most populous states, the independent sector was just 16 percent of the total in California and Florida, and 15 percent in Texas.

Private non-profit institutions account for more than half of the baccalaureate degrees awarded in New York—and they play an even more outsized role at the post-graduate level, with

Figure 1. Undergraduate Enrollment by Sector, NY vs. US



Source: National Center for Education Statistics (fall enrollment data for 2017)

two-and-a-half times the combined enrollment of CUNY and SUNY. Public colleges and universities awarded 47 percent of all bachelor's degrees in New York, the sixth lowest share of any state, compared to a national average of about 65 percent.

Including community colleges, SUNY and CUNY awarded a combined 57 percent of undergraduate degrees in New York, the ninth lowest public-sector share of any state. The national average was about 72 percent.⁵

The size and diversity of higher education in New York is the reason why previous governors and state lawmakers in both parties had, for decades prior to the Excelsior rollout, favored aid policies designed to give evenhanded treatment to students in both public and private postsecondary institutions. Since TAP's inception 45 years ago, students at private institutions have been eligible for TAP awards on the same basis as SUNY and CUNY students.

In addition, since 1968, New York has provided unrestricted Bundy Aid grants to private colleges based on degrees awarded – although, at

\$35 million, the program is funded at a fraction of its peak value in the early 1990s.⁶

The success of this approach is reflected in New York's relatively high college attendance rate. Forty-seven percent of New Yorkers aged 18 to 24 are enrolled in degree-granting colleges and universities. That ranked eighth highest among states, compared to a national average of 43 percent.⁷

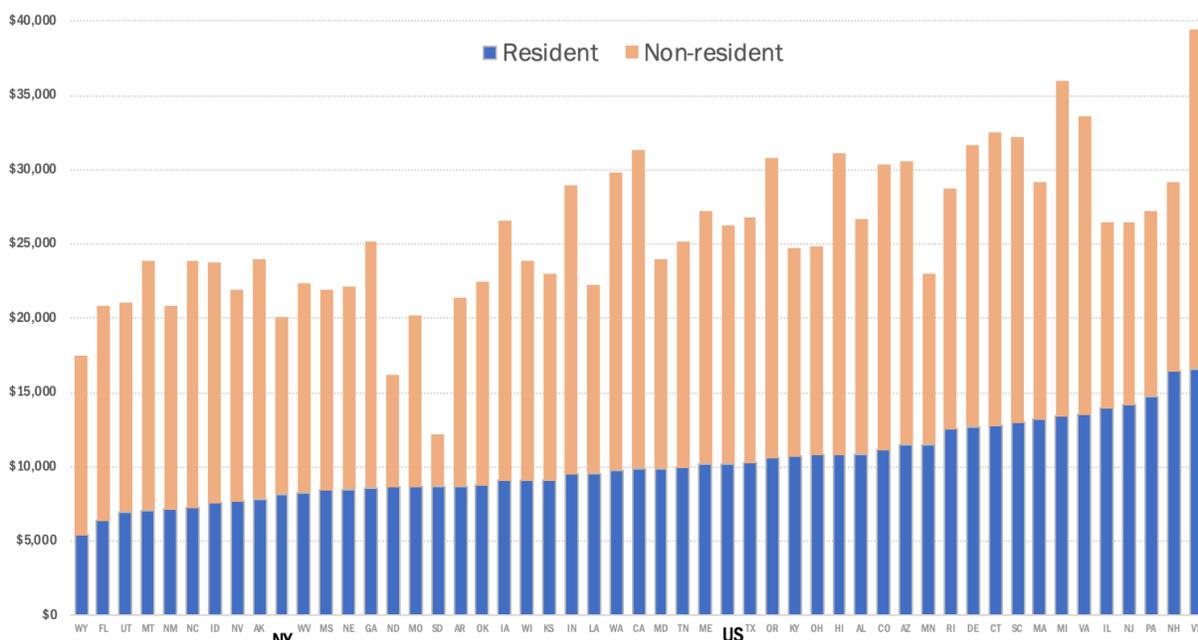
New York's public college and university system, like those across the country, mainly serves the state's own residents. However, SUNY's university center campuses at Albany, Buffalo and Stony Brook attract fewer non-residents than most other flagship public universities.⁸

By contrast, New York's private colleges and universities attract a significant number of non-residents; as of fall 2016, 27,123 (43 percent) of their first-year undergraduates came from outside the Empire State.⁹ In economic terms, higher education is an export industry for New York – mainly due to the ability of private sector institutions to attract tuition dollars from other states and countries.



A group of graduates at a recent commencement ceremony at St. John's University in Queens – part of the largest concentration of private colleges in any state, whose students are shut out of the Excelsior Scholarship program. (Photo courtesy of QNS)

**Figure 2. Average Tuition and Fees at Four-Year Public Institutions
2018-19**



Source: College Board

LOW TUITION, HIGH AID

New York also stands out in its level of taxpayer support for public higher education. The Empire State’s public colleges and universities receive a direct government appropriation of \$8,700 per student, which is 11 percent above the national average and the 11th highest per-student appropriation in the country.¹⁰

Tuition in New York is also lower than in other states. As shown in Figure 2, average tuition and fees at New York’s four-year public colleges and universities was estimated at \$8,190 in 2018-19—lower than charged in all but nine states, and 25 percent below the U.S. average of \$10,230. Public four-year institutions in New York’s neighboring states all charged their resident students much more, ranging from \$13,200 in Massachusetts to \$14,770 in Pennsylvania.

Nonresident students at CUNY and SUNY paid an average of \$20,030, which was 31 percent below the U.S. average of \$26,290 in that category. New York’s neighboring states also imposed above-average charges for nonresi-

dents, ranging from \$26,430 in New Jersey to \$32,560 in Connecticut.¹¹

But the state’s subsidy of higher education doesn’t end with low tuition—or with public-sector institutions. New York’s Tuition Assistance Program (TAP) is the largest need-based college student aid entitlement program offered by any state, providing grants to more than one-third of the state’s total post-secondary enrollment.

TAP was established by the state Legislature in 1974, just before the New York City fiscal crisis brought an end to free tuition at CUNY. TAP initially offered maximum awards of \$1,500 (adjusting for inflation, \$7,700 in 2019), averaging \$335 (or \$1,719 in current terms). TAP replaced the state’s 1961-vintage Scholar Incentive Program, which offered smaller awards to a similar number of students, regardless of financial need.¹²

Figure 3 charts the value of TAP relative to public and private college and university tuitions.

As shown below, TAP value for students at public institutions peaked in the early 1990s at 265 percent of SUNY tuition and 306 percent of CUNY tuition. The maximum TAP award has been increased only twice in the past 20 years; its current level of \$5,165 was equivalent to 73 percent of SUNY tuition and 75 percent of CUNY tuition (excluding fees in both cases) as of 2018. The value of TAP relative to average private tuition has declined steadily, however, from 60 percent at the program's inception to 14 percent as of 2015, the most recent year for which it has been calculated.¹³

New York's public universities cite a growing "TAP gap" – the difference between the maximum TAP award and actual current tuitions, now \$6,930 at CUNY and \$7,070 at SUNY. For students themselves, however, TAP functions as a "first dollar" award that can be combined with federal Pell grants to cover full tuition plus added costs. As a result, many TAP recipients already attend college on a tuition-free basis.

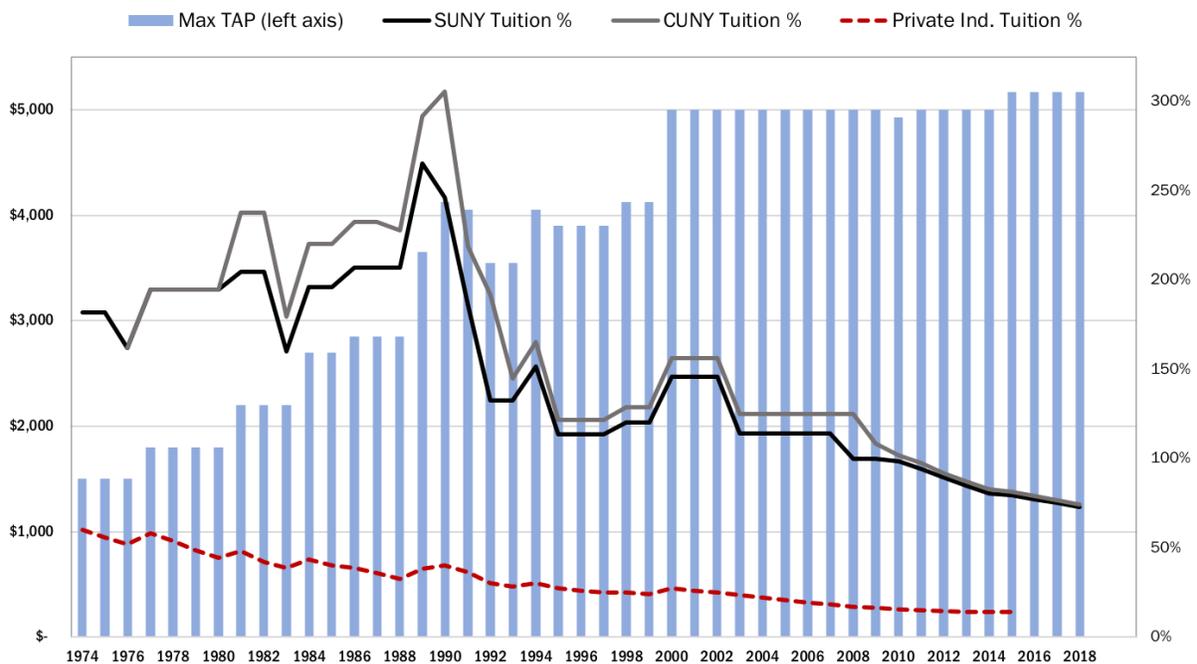
TAP applicants must be high school graduates or have earned an equivalency degree, but with no added merit requirement such as a min-

imum high school grade point average. They must have resided in the state for 12 continuous months, and must be a U.S. citizen or "eligible noncitizen." Among other requirements, they also must:

- study at an approved postsecondary institution in New York State, public or private (including most proprietary schools);
- maintain at least a "C" average;
- be enrolled as a full-time student taking 12 or more credits applicable toward the degree program, per semester;
- be in compliance with the terms of any service condition imposed by a New York State award; and, last but not least,
- meet income eligibility limitations.

TAP is a classic means-tested program, targeting its largest benefits to applicants documenting the greatest financial need. The TAP income limit is calculated by taking adjusted gross income (AGI) – total wages, salary, business and investment income – subtracting deductions and personal exemptions allowed on the state resident personal income tax, and adding back any pension or annuity income normally excluded from state income taxes.

Figure 3. Maximum TAP Award and Share of Tuitions* 1974 - 2018



* Four-year undergraduate, not including fees

Undergraduate students claimed as dependents on a parent or guardian’s tax form can qualify for the maximum TAP grant of \$5,165 if their family’s “net taxable income” is \$7,000 or less, or up to \$3,000 for financially independent undergraduates. This translates into AGI of \$25,050 for a dependent student from a family of four headed by a married couple, or \$18,050 for a dependent student from a family of three headed by a single parent or guardian. For a single independent undergraduate, the AGI limit for a maximum TAP grant is just \$10,000.

As shown in Figure 4, the size of the TAP award gradually declines as income rises, flattening out at the minimum of \$500 for taxable incomes that translate into \$68,050 to \$98,050 for a family of four, as described above. Above these levels (or just \$10,000 for a financially independent undergraduate), no TAP award is available.

As shown in Table 1, as of 2017-18, the state awarded \$924 million in TAP grants to nearly 338,000 students—about one-third of total enrollment in the state, and an average of \$2,703 per recipient. Roughly 30 percent of the total went to students at private colleges; the public college share was divided almost evenly between students at SUNY and CUNY.

THE EXCELSIOR PROMISE

On January 3, 2017, Governor Andrew M. Cuomo mounted a stage at LaGuardia Community College in Queens to unveil what his office promoted as a “bold” and “first in the nation” proposal to make college “tuition free for middle-class families.”

“College is a mandatory step if you really want to be a success,” Cuomo said. “And the way this society said ‘We’re going to pay for high school because you need high school,’ this society should say ‘We’re going to pay for college because you need college to be successful.’”

Then came the governor’s central promise:

[W]e’re going to start this year the Excelsior Scholarship, which says very simply, free tuition to a state two-year school or a four-year school. If you come from any family earning \$125,000 or less, the state will provide free tuition.¹⁴

The Excelsior Scholarship proposal added New York to a list of more than a dozen states that already had enacted some version of a free-tuition program for public post-secondary education, also known as “college promise”

Table 1. Tuition Assistance Program (TAP)
Recipients and Grant Totals by Sector, 2017

	Recipients	Grants	Average
PUBLIC	245,404	\$649,346,042	\$2,646
SUNY 4yr	76,844	\$204,007,114	\$2,655
SUNY 2yr	58,985	\$127,516,928	\$2,162
CUNY 4yr	70,927	\$215,017,228	\$3,032
CUNY 2yr	38,648	\$102,804,771	\$2,660
PRIVATE	92,198	\$274,618,528	\$2,979
Independent	68,014	\$191,430,964	\$2,815
Other*	24,184	83,187,565	\$3,440
TOTAL	337,602	\$923,964,570	\$2,737

* Including business degrees and non-degrees from proprietary colleges, Chapter XXII schools

Source: Higher Education Services Corp.

programs. With few exceptions, however, programs in other states were focused on eliminating tuition for public two-year community colleges, an idea embraced as a national priority by then-President Obama in 2015. Cuomo said his proposal as “first in the nation” to reach such a broad swath of families for full-time four-year college.

Invited to join Cuomo at the Excelsior unveiling was Sen. Bernie Sanders of Vermont, who had made universally tuition-free public college a central plank of his unsuccessful 2016 candidacy for the Democratic presidential nomination.

Sanders praised Cuomo’s proposal as “a revolutionary idea for higher education ... that is going to reverberate, not only throughout the state of New York, but throughout this country ... that is going to provide hope and optimism for working class families all across the state.”¹⁵

The small print

Next-day news media coverage reflected the “free college” theme. But as quickly became apparent, the Excelsior proposal came with strings attached, which significantly reduced the number of students actually eligible to a small fraction of the “940,000 middle class fam-

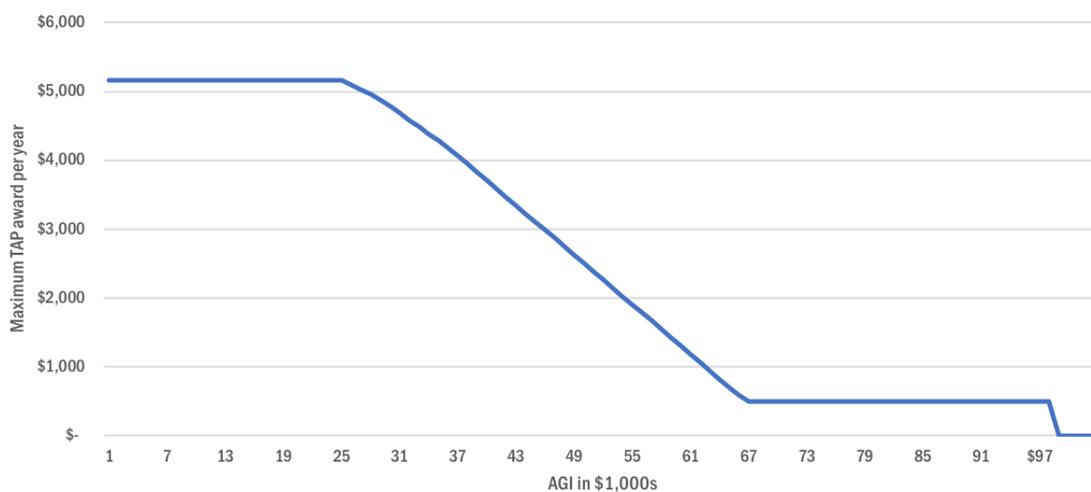
ilies and individuals” the governor’s office said would be qualified.

Recipients must enroll in a SUNY or CUNY undergraduate program, at a two- or four-year college, and take at least 12 credits a semester while completing at least 30 credits in an academic year. The scholarship cannot be used to defray the cost of summer courses needed to achieve the 30-credit per year requirement.

In line with the governor’s original proposal, Excelsior Scholarships are a “last dollar” award, meaning they can be used only to pay for whatever portion of tuition is not already subsidized by TAP and other state, federal and institutional aid for which a student qualifies. The maximum Excelsior Scholarship is \$5,500.

If a student’s net tuition balance exceeds \$5,500, his or her school is required to make up the difference with a tuition credit of up to \$970, calculated to close the gap between the maximum Excelsior scholarship and the 2016-17 SUNY and CUNY base tuition of \$6,470. Subsequent tuition increases, which have totaled \$600 at SUNY and \$460 at CUNY, are not covered by the program; like the TAP gap, the difference must be absorbed by the budgets of institutions attended by Excelsior award winners.

Figure 4. Maximum TAP Awards
Adjusted Gross Income (AGI) Intervals*



* Assumes family of four claiming standard deduction

As approved by the Legislature in April 2017 as part of the FY 2018 state budget and subsequently codified in Section 669-H of state Education Law, the enacted version of Excelsior Scholarships was nearly identical to what Cuomo had introduced three months earlier. The only noteworthy addition to Cuomo's original language was a post-graduate residency requirement for scholarship recipients. Specifically, they must:

... agree to reside exclusively in New York state, and shall not be employed in any other state, for a continuous number of years equal to the duration of the award received within six months of receipt of his or her final award payment, and sign a contract with the [Higher Education Services Corp.] to have his or her full award converted to a student loan according to a schedule to be determined by the corporation if such student fails to fulfill this requirement.

The residency requirement can be deferred for a student who needs more time to complete

undergraduate studies or to attend graduate school part-time.

A separate section of law created the Enhanced Tuition Award program to benefit students at private colleges and universities. The income levels, course credit and post-graduate residency requirements are the same as Excelsior's.

However, the Enhanced Award is limited to a maximum of \$3,000—less than half the maximum Excelsior grant. Colleges and universities must agree to match a recipient's Enhanced award and freeze that student's tuition for the duration of the award, putting pressure on tuition-dependent institutions to raise tuition for those who do not receive the award.

After the first year of the program, the Center for an Urban Future reported that the state had rejected more than two-thirds of 63,599 initial applications for the scholarship. Most of the rejected applicants were not taking sufficient course credits to qualify, the CUF report said.¹⁶



Governor Cuomo and Sen. Bernie Sanders of Vermont shared a stage for the January 2017 rollout of Excelsior Scholarships at Laguardia Community College in Queens, introduced by CUNY Chair William C. Thompson, Jr. (Photo from governor's website)

Despite the governor's broad rhetoric, the program was designed in such a way as to minimize its budgetary impact.

In 2017-18 — the first year of the program, and the only year for which the state Higher Education Services Corp. has released detailed data—a total of 20,047 Excelsior Scholarships were awarded, totaling about \$67 million. Of that amount, 16,787 scholarships (or 84 percent) went to SUNY students. In 2018-19, with the income cap raised from \$100,000 to \$110,000, the number of recipients had risen to 24,000, and the total cost was estimated at \$92 million.

When the program is fully phased in during 2019-20, with the income cap set at its maximum level of \$125,000, the state is expected to award 30,000 Excelsior Scholarships at a total cost to the state of about \$119 million¹⁷—considerably less than the governor's original \$163 million estimate of the program's fully implemented annual cost.

Assuming that SUNY students continue to receive the same 84 percent share of scholarships as in 2017-18, the amount of Excelsior money spent to defray SUNY tuition costs alone in fiscal 2020 will come to \$100 million—or at least half of the revenue generated by \$600 in tuition increases since 2017.¹⁸

The take-up rate for the private college Enhanced Tuition Award has been much lower. When fully phased-in this year, total ETA participation is projected to rise to 5,350 students, for a total cost of just \$7.2 million, according to the Division of the Budget.¹⁹

Reverse means-testing

Unlike TAP, eligibility for the Excelsior Scholarship is based on adjusted gross income (AGI), the broadest measure of financial capacity. The

limit applies to the combined gross incomes of the applicants and their parents or spouses, with an abrupt cutoff for the first dollar over the \$125,000 level. But it does not otherwise differentiate among tax-filing households based on the marital status or the total number of dependents in a family.

Thus, for example, a student with no dependents whose spouse earns an AGI of \$125,000 is eligible for the same maximum scholarship award as one of several dependent children of

a couple earning \$110,000. Assuming identical AGIs of, say, \$120,000, a student from a family of six in high-cost downstate suburb would get the same amount as the only child of an older couple living in low-cost Central New York.

In the case of a households with gross incomes close to the \$125,000 limit, the scholarship rules would actually discourage students from earning extra money from a summer job—unless the job paid much more than the value of the scholarship.

In effect, Excelsior eligibility is based on a reverse-means test; after deducting the value of TAP and Pell grants, the scholarship is worth most to students from households with higher incomes—below the \$125,001 cutoff, at which point it drops to zero.

'Anchor' aweigh

Citing "average college debt [of] \$30,000 per student," Cuomo summarized his central justification for the Excelsior program as follows:

[I]t is incredibly hard and getting harder to get a college education today. It is incredibly expensive and the debt is so high it's like starting a race with an anchor tied to your leg.²⁰

Underscoring that assertion, topping its online

Net of any grant from TAP, which targets its largest awards to students with the lowest incomes, an individual student's net benefit from an Excelsior Scholarship rises with household income—a sort of reverse means-testing.

transcript of Cuomo’s remarks, the governor’s press office summarized the Excelsior Scholarship proposal as “Alleviating [the] Crushing Burden of Student Loans and Placing More New Yorkers on Path to Financial Security.”

But the basic facts of higher education in New York don’t support the premise. To begin with, as noted above, New York has an exceptionally high college-going rate, and even with recent increases, SUNY and CUNY tuitions remain low by national standards. And via the TAP program, New York offers the nation’s most generous financial aid to low-income students. In terms of its breadth and expense, TAP is rivaled only by California’s state-funded College Grant program, which in 2017 awarded \$1.6 billion in aid to 340,000 students. However, like most programs in other states—but unlike TAP—California’s tuition aid is also linked to a student’s grade-point average in high school.

And the \$30,000 average debt figure cited by the governor is only for students who graduated with any debt. In fact, however, public college and university students exclusively eligible for Excelsior aid tend to be *less* dependent on loans.

According to a 2018 Rockefeller Institute study, 47 percent of SUNY graduates leave college debt free—and among those who have borrowed average debts range from \$13,000 for those with associate degrees to \$26,600 for those with bachelor’s degrees. Among CUNY students, the debt-free contingent is even larger: 79 percent graduate with no debt, and the small contingent with any debt owe an average of just \$11,700.²¹

Education policy analysts Beth Akers and Matthew Chingos have summed up the situation this way:

There is no evidence of a widespread, systemic student loan crisis, in which the typical borrower

is buried in debt for a college education that did not pay off. The crisis that permeates public discussion is a manufactured narrative based largely on anecdotes, speculation, shoddy research and inappropriate framing of the issue.²²

In an October 2019 analysis of how the college debt burden is distributed nationally, economists at the Federal Reserve Bank of New York concluded that “borrowers from less affluent areas are more likely to struggle with repayment and have higher delinquency rates.”²³

More than half of recent SUNY graduates—and 79 percent of CUNY graduates—have had no overhanging college debt.

Based on a review of 39 million checking accounts in multiple states, researchers at the J.P.Morgan Institute

found that “younger and low-income families are most burdened by student loan payments,” and that families with incomes less than \$50,000 are less likely to make consistent loan payments than those with incomes above \$100,000.²³ In a New York context, both findings add to the growing weight of evidence that TAP’s targeted population cohort has a much bigger college loan problem than Excelsior’s.

COST AND CONSEQUENCES

A fundamental problem besets almost all initiatives promising free tuition at public colleges in the United States. While direct state appropriations to public colleges cover part of the cost for all in-state students, grant aid provided by institutions, states, and the federal government further defrays prices for many students. These existing subsidies are highly progressive, especially in New York.

Students from lower-income families tend to receive the largest benefits through tuition discounts and grant aid while high-income families receive the least. Thus, high-income families often pay the full “sticker price” for tuition while low-income families usually pay a significantly reduced amount.

This differential pricing is opaque, creating the



The Academic Podium at the the University at Albany, one of SUNY's three largest campuses. (Photo from albany.edu)

impression that college is costlier than it really is, and masking how a web of institutional and government policies already work to make tuition affordable for lower-income students. Before applying to a given college and receiving a financial aid package, usually students only see the sticker price, even though this is much higher than what most students will end up paying in the end.

Differential pricing begins with the institutions themselves. Students who apply for federal financial aid (including student loans) must submit information on their family's finances, including income and assets, to their college or university. With all this information, institutions gain a good sense of a family's ability to pay for college. Colleges are then able to provide discounts off the college's published tuition to students with lower ability to pay, thus lowering those students' net tuition bill. Families of greater means can afford to pay higher tuition, and colleges in turn may offer them little to no financial aid.

Private colleges in particular budget heavily for institutional financial aid. In fiscal year 2016, Columbia University set aside \$351 million for grants to students, and Cornell University budgeted \$380 million. Even smaller New York private colleges, such as Hamilton College and Marymount Manhattan College, report spending tens of millions of dollars annually on fi-

ancial aid, which can represent a significant discount off sticker prices.

Targeted pricing of this sort means that students from lower-income families often pay much lower "net tuition" than their higher-income peers. Another factor is external financial aid, which also tends to benefit lower-income students. For instance, the federal Pell Grant program provides an award of up to \$6,195 that low- and middle-income students can use to defray tuition, fees, or living expenses. The grant is means-tested, so a student with lower family income and wealth receives a larger award. TAP, as noted, also provides means-tested college aid.

Because the higher education system relies on a progressive pricing structure, eliminating tuition with last-dollar funding at taxpayer expense provides greater government benefits to students who are currently paying more in tuition—the highest income families. However, low-income students, who are often touted as the beneficiaries of free-college programs, already pay close to zero tuition at in-state public colleges. The benefits of free college thus tend to accrue to students from higher-income families, who can afford to chip in money out of pocket for their children's education.

Free college policies as such as Excelsior may sound like they are treating every family equal-

ly, but relative to the current system, the policies target benefits to higher income families. A 2016 Brookings Institution analysis made a point about Sanders' free-tuition proposal that could apply equally to the Excelsior program:

The non-tuition costs of attending college, including living expenses, are larger than the costs of tuition and fees for most students. Free college, which does not address these expenses, leaves families from the bottom half of the income distribution with nearly \$18 billion in annual out-of-pocket college costs that would not be covered by existing federal, state, and institutional grant programs.²⁵

Devoting new spending to eliminating tuition for all students involves a tradeoff with investing the same funds in targeted grant aid that would cover more of the total costs of attendance for students from less well-off families.

If the government adopts a blanket policy of free tuition for all in-state public college students, higher-income students inevitably receive a large benefit at taxpayer expense, while the median low-income student, who already pays low or zero tuition, will get nothing.

This is especially true in New York, where TAP in combination with Pell Grants makes the pricing structure at New York's public colleges even more progressive than it is nationally. Although the Excelsior Scholarship has an income limit for recipients, the fundamental economics of American higher education all but ensure that its benefits will be regressive.

In addition, to the extent that Excelsior attracts higher-income students to CUNY and SUNY who might otherwise have enrolled in private or out-of-state colleges, it could displace students from poorer households who qualify for TAP grants. At the same time, by reducing the pool of applicants for New York's private insti-

tutions, it will further strain their ability to supplement TAP and Pell grants for low-income students.

CONCLUSION

Governor Cuomo's Excelsior Scholarship program was custom-tailored to back up a political slogan: "tuition-free college." But his portrayal of a broad college affordability crisis afflicting middle-class New Yorkers was greatly exaggerated, for SUNY and CUNY students in particular.

Dubious premises aside, the Excelsior Scholarship is deeply flawed in several respects. It is regressive, offering a benefit that has more net value to students with higher incomes; it is administratively cumbersome; and it shuts out the large share of New York high school graduates who choose colleges in the state's exceptionally large private sector.

Unlike most states, New York does not have to start from scratch to come up with something better: a time-tested, well-funded college tuition aid program that is better designed to provide support where it is most needed.

That program is TAP. The \$126 million the state expects to spend on Excelsior and Enhanced Tuition programs this year should be redirected to enhance the existing TAP program, moving further in the direction proposed in several bills introduced by Senate and Assembly members during the 2019 legislative session.²⁶

Beyond student aid, New York officials need to resist "free college" sloganeering and focus on broader programmatic and budgetary priorities for the entire higher education sector, long a strategic asset for the state, which will be facing stiffer demographic and financial headwinds in the decade ahead.

Excelsior and Enrollment Trends by Sector

The Excelsior Scholarship program created a significant new recruiting and retention tool for New York public colleges during a period of increased competition for a shrinking cohort of high school graduates in the state. In the wake of Excelsior’s heavily promoted 2017 debut, student undergraduate headcounts increased for two years in a row at four-year SUNY and CUNY colleges. During the same period, there was a more accelerated decline in the total undergraduate enrollment of New York’s four-year private colleges.

As shown in Figure 5 (below), total SUNY enrollment peaked in 2010, at an all-time record of 429,020 students—then dropped almost 9 percent in the next seven years. The continuing decline in SUNY’s undergraduate enrollment between 2017 and 2018—to 382,488 students, its lowest level since 2006—has been concentrated at the community college level.

CUNY enrollment, shown in Figure 6, has been stronger. Between 2000 and 2010, the number of CUNY undergrads increased from 167,969 to an all-time high of 245,646 in 2014. It has decreased slightly since then, but CUNY’s recent enrollment decline (like SUNY’s) has been concentrated in the system’s community colleges.

As shown by Figure 7, New York’s four-year nonprofit college headcounts peaked in 2012 at 352,011, but by 2018 had fallen to 336,827, the lowest level in 10 years, including a decline of more than 13,000 in the two years following the introduction of Excelsior Scholarships.^a

Enrollment in New York’s preK-12 public schools—the primary source of future students for SUNY and CUNY, in particular—has been declining since 2000. The most recent national projections indicate New York State’s cohort of new high school graduates will roughly hold steady through the early 2020s, rise again in 2023 and 2024, then resume declining into the 2030s.^b

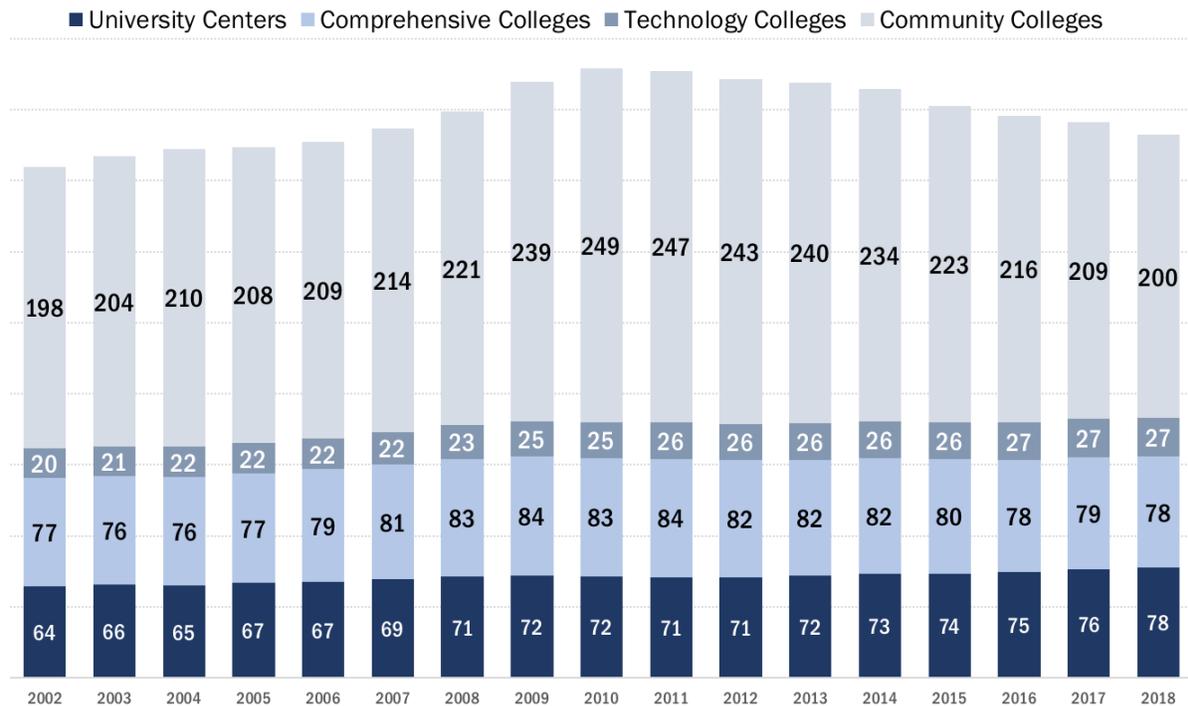
The same source projects a faster decline in the college-going cohort for the rest of the Northeast. That’s a looming concern for New York’s mid-sized regional private colleges, which (unlike SUNY and CUNY) recruit and draw a significant share of their students from neighboring states.

^a Financial stresses on the private sector were reflected in the 2016 closures of Dowling College and Briarcliffe College, both on Long Island, and the 2019 shutdown of the College of New Rochelle in Westchester County.

^b Knocking at the College Door, “Projections of High School Graduates Through 2032,” Western Interstate Commission for Higher Education (WICHE). <https://knocking.wiche.edu>

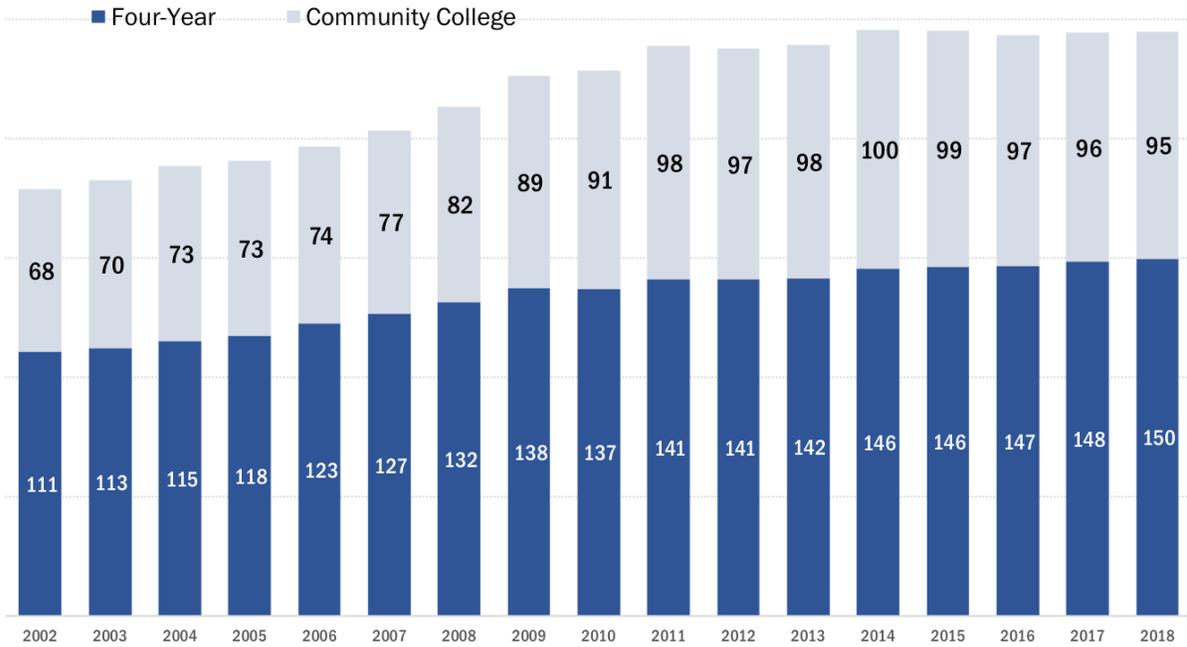
Figure 5. SUNY Undergraduate Headcount, 2002-2018

full- and part-time fall enrollment, in thousands



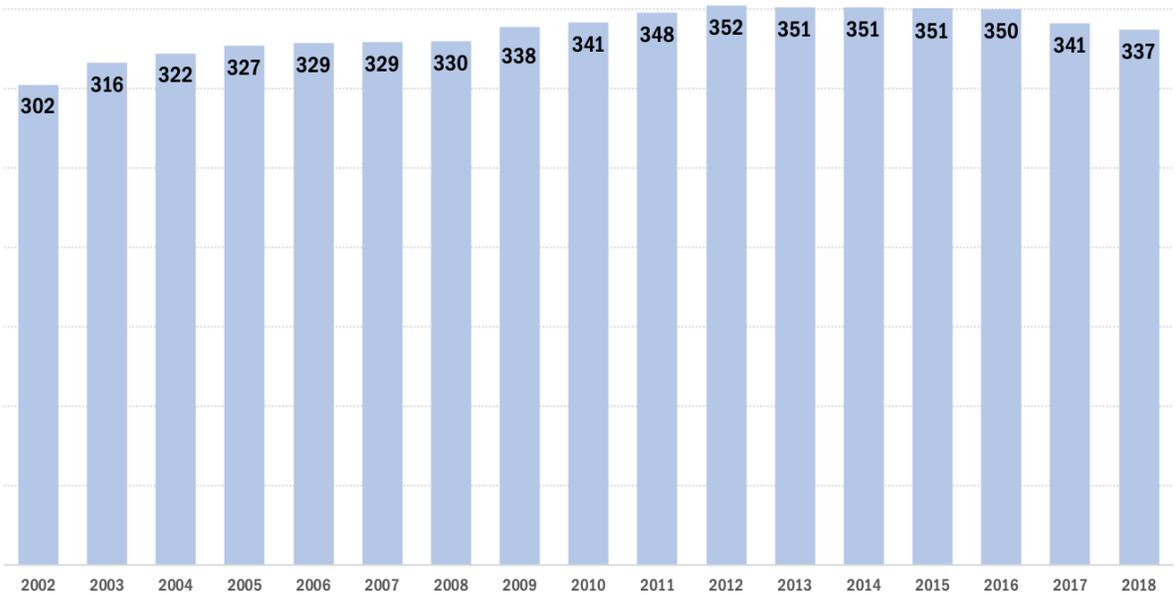
Source: State University of New York

Figure 6. CUNY Undergraduate Headcount, 2002-2018
full- and part-time fall enrollment, in thousands



Source: City University of New York

Figure 7. Undergraduates at New York Private Non-Profit Colleges, 2002-2018
full- and part-time fall enrollment, in thousands



Source: U.S. Department of Education, Center for Education Statistics, Integrated Postsecondary Education Data System

ENDNOTES

¹ As of 2018, median household income in New York State was \$67,844, according to Census Bureau estimates. Median income for a four-person family in the state was estimated at \$89,137.

² State of New York, FY 2020 Executive Budget Agency Presentations, <https://www.budget.ny.gov/pubs/archive/fy20/exec/agencies/appropData/HigherEducationServicesCorporationNewYorkState.html>

³ U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Fall 2017, Institutional Characteristics component. https://nces.ed.gov/programs/digest/d18/tables/dt18_317.20.asp?current=yes

⁴ U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2018, Fall Enrollment component. https://nces.ed.gov/programs/digest/d18/tables/dt18_304.80.asp?current=yes

⁵ U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Fall 2015 through Fall 2017, Completions component. https://nces.ed.gov/programs/digest/d18/tables/dt18_319.20.asp

⁶ Named after McGeorge Bundy, the Ford Foundation president who chaired the committee that originally recommended the program in 1968, Bundy Aid was intended in part to “promote and foster the diversity of educational options in New York State,” as described in a state Education Department program handbook. <http://www.nysed.gov/budget-coordination/unrestricted-aid-independent-colleges-and-universities-bundy-aid>

⁷ U.S. Department of Education, Digest of Education Statistics, Table 302.65 https://nces.ed.gov/programs/digest/d18/tables/dt18_302.65.asp?current=yes

⁸ “State University No More: Out-of-State Enrollment and the Growing Exclusion of High-Achieving, Low-Income Students at Public Flagship Universities,” Jack Kent Cooke Foundation, <https://www.jkcf.org>. As of 2014-15, the percent of freshmen from out of state ranged from 25.6 percent at Stony Brook (national rank of 51 out of 92 flagship campuses) to 16.7 percent at Buffalo and 14.4 percent at Albany (ranked 61 and 70, respectively)

⁹ U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Residence and migration of first-time freshman, 2016. <https://nces.ed.gov/ipeds/datacenter/DataFiles.aspx>

¹⁰ State Higher Education Executive Officers Association (2019). State Higher Education Finance: FY 2018. https://sheeo.org/wp-content/uploads/2019/04/SHEEO_SHEF_FY18_Report.pdf

¹¹ <https://research.collegeboard.org/trends/college-pricing/resource-library?cat=86>

¹² “An Analysis of the Tuition Assistance Program,” Prepared by the State University of New York In Fulfillment of Requirements Set Forth in Chapter 260

of the Laws of 2011, Chart 1, p.20.

¹³ Ibid.

¹⁴ Video, Photos & Rush Transcript: Governor Cuomo Presents 1st Proposal Of 2017 State Of The State: Making College Tuition-Free For New York’s Middle Class Families, Governor’s Press Office, Jan. 3, 2017, <https://www.governor.ny.gov/news/video-photos-rush-transcript-governor-cuomo-presents-1st-proposal-2017-state-state-making>

¹⁵ Ibid.

¹⁶ Tom Hilliard, “Excelsior Scholarship Serving Very Few New York Students,” Center for an Urban Future, <https://nycfuture.org/research/excelsior-scholarship>

¹⁷ FY 2020 Executive Budget, Agency Presentations, Higher Education Services Corporation, at <https://www.budget.ny.gov/pubs/archive/fy20/exec/agencies/appropData/HigherEducationServicesCorporationNewYorkState.html>

¹⁸ SUNY’s latest \$200 tuition increase raised a total of \$73 million from all students, including post-graduates, according to the Budget Division. Assuming conservatively that the net revenue gain for undergraduates alone came to \$65 million, \$100 million in Excelsior scholarships for SUNY students would equal the amount raised by \$300 in higher tuition, or half the total tuition hikes since 2017.

¹⁹ Information conveyed in an email to author from the Division of the Budget.

²⁰ Video, Photos & Rush Transcript, op cit

²¹ Brian Backstrom, “A Deeper Look at Student Loan Debt in New York State,” Rockefeller Institute of Government, <https://rockinst.org/blog/a-deeper-look-at-student-loan-debt-in-new-york-state/>

²² Beth Akers and Matthew M. Chingos, “Games of Loans: The Rhetoric and Reality of Student Debt,” Princeton University Press, p. 4.

²³ Andrew F. Haughwout, Donghoon Lee, Joelle Scally, and Wilbert van der Klaauw, “Who Borrows for College – and Who Repays?,” Federal Reserve Bank of New York, at <https://libertystreeteconomics.newyorkfed.org/2019/10/who-borrows-for-collegeand-who-repays.html>

²⁴ Farrell, Diana, Fiona Greig, and Erica Deadman. 2019. “Student Loan Payments: Evidence from 4 Million Families” JPMorgan Chase Institute. <https://www.jpmorganchase.com/corporate/institute/student-loan-payments-report.htm>

²⁵ Matthew Chingos, “Who would benefit most from free college?” Brookings Institution, April 21, 2016, <https://www.brookings.edu/research/who-would-benefit-most-from-free-college/>

²⁶ The Senate Majority’s one-house budget resolution, SR 672, called for spending an additional \$53 million to raise the maximum TAP award to \$5,310, raise the minimum award to \$750, and raise the taxable income eligibility threshold to \$110,000. A separate bill (A.5250/S.1889, sponsored by Assemblymember Didi Barrett and Sen. James Skoufis) would raise the minimum TAP grant to \$750 and raising the income threshold to \$95,000, at an estimated added cost of \$24 million.