

Establishing the Cal Grant Equity Framework

January 2021

INTRODUCTION

On March 6, 2020, the California Student Aid Commission published [Cal Grant Modernization: A Vision for the Future](#), which was the result of months of work with higher education segments, public policy experts and students. The paper proposes that state financial aid recognize the cost of attendance as the affordability benchmark rather than just tuition. Just weeks after the publication of the report, the COVID-19 pandemic began to wreak havoc across California, with ensuing impacts on students and higher education.

The effects of the COVID-19 pandemic and recession create even greater need for policymakers to take action. The Commission surveyed over 76,000 incoming or returning college students on how they were impacted by COVID-19 and the [findings](#) underscored the urgency of continuing the effort to modernize state financial aid. [More than 7 of 10 had lost some or all of their income due to the pandemic.](#) COVID-19 only exacerbated the basic needs crisis that was evident prior to the outbreak of the pandemic.

While the constraints created by COVID-19 precluded Cal Grant modernization from being considered by the legislature in 2020, policymakers requested that the Commission revise its proposal modeled on the current allocation of funding for the Cal Grant Program. On December 15, 2020, the Commission reconvened the Cal Grant Reform Work Group to solicit feedback on the revised proposal. This addendum to the March 2020 report outlines a blueprint for the state to establish the Cal Grant Equity Framework as a foundation for modernizing Cal Grants to better support today's students and position the program to be built upon with further investments as budget conditions improve. This would be a starting point for discussion. The proposal also identifies priorities and options for phasing-in new funding over time.

CAL GRANT 2

Cal Grant 2 would guarantee an access award (entitlement) for all California Community College (CCC) students with an Expected Family Contribution (EFC) of \$0 and who do not have any dependents. The median household income of a student with a \$0 EFC is approximately \$11,000 per year. Community college students that have dependents under the age of 18 would qualify for a larger access award (see Students with Dependent Children section).

Currently, community college enrollment fees for eligible students with need – including students at and above the zero EFC threshold – are waived by the California College Promise Grant (CCPG), formerly known as the Board of Governors (BOG) Fee Waiver. This proposal does not make changes to the existing system of fee coverage for community college students and instead focuses on non-tuition aid for students with the greatest need. Students that file a FAFSA are also eligible for a Pell Grant, which can provide up to \$6,495 for non-tuition costs.

Summary of Cal Grant 2 Eligibility Criteria (changes in **bold**):

- Student must file FAFSA/CADAA (**by September 2nd**)
- California resident or meet AB 540 eligibility criteria
- **Financial need determined by EFC (EFC = \$0)**
- Must be attending a CCC program that leads to a degree, certificate, transfer OR an occupational/technical program that previously qualified for the Cal Grant C
- Be enrolled or plan to enroll at least half-time
- Maintain Satisfactory Academic Progress (SAP)
- **No GPA verification required**

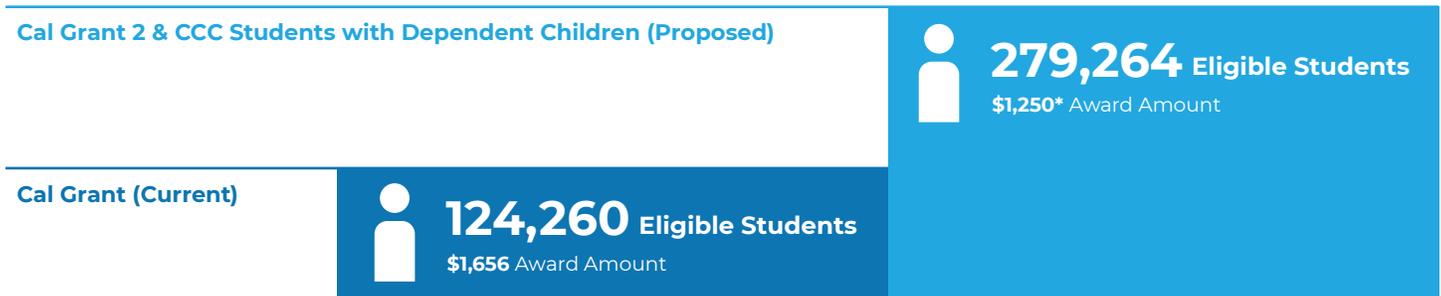
High school GPA verification would no longer be required for a Cal Grant 2 recipient and this proposal eliminates age and time out of high school as eligibility factors for entitlement awards. These proposed changes would remove barriers for older students, returning students, and students with dependents who historically have not been able access sufficient financial aid.

The proposed Cal Grant 2 program also extends the application (FAFSA or CADAA) deadline to September 2 of the academic year in which the student is applying for financial aid. The later financial aid application deadline benefits CCC students because many community colleges admit students through the first several weeks of the academic period, unlike the earlier admissions deadline at four-year universities. These proposed modifications will be instrumental in maximizing the number of students eligible for financial aid.

Cal Grant 2 Award Amount

Cal Grant B students attending a CCC currently receive \$1,656 each academic year for a total of four years. The total investment of Cal Grant funding for CCC students is approximately \$150 million each year. Distributing \$150 million between all paid CCC students (assuming current “paid rates” for this population) with a \$0 EFC results in an estimated award amount of \$1,250. For students in an occupational/technical program less than one year in duration, the award would be prorated. While the award amount does decrease, the total number of students served by an Access Award increases by 156,000, more than doubling the current number of potential recipients (see below table). For options to increase the Cal Grant Access Award for community college students, see section on Considerations for Future Additional State Funding.

The proposed Cal Grant 2 eliminates the Competitive Cal Grant that prevented many students with financial need from receiving an award; the Cal Grant 2 would provide predictability and reliability for low-income students counting on a Cal Grant.



*Assumes current “paid rates” for CCC students. Eligible student-parents would qualify for a Students with Dependent Children grant, see Students with Dependent Children section below.

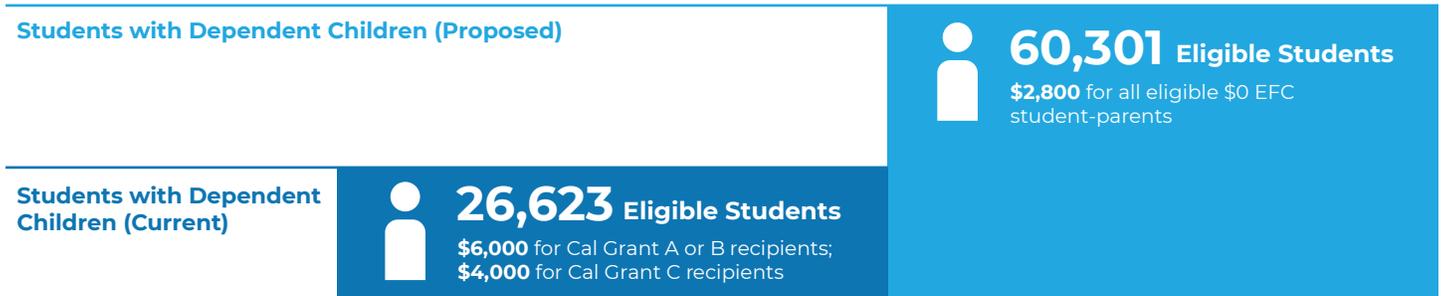
STUDENTS WITH DEPENDENT CHILDREN

The Students with Dependent Children grant would provide eligible student-parents enrolled at the CCC, CSU, or UC with a larger grant award, funded under the separate \$125 million allocation for the program. The Students with Dependent Children grant would be available to \$0 EFC students enrolled at a CCC, CSU, or UC campus (the majority of which are CCC students.).

Students with Dependent Children – Award Amount

As noted above, \$0 EFC students with dependent children under 18 years old would be eligible to receive a Students with Dependent Children award. This proposal would maintain the current statutory provisions that base the award amount upon the availability of funds and number of eligible recipients. An eligible student-parent at the CCC would receive a Students with Dependent Children award in place of the Cal Grant 2, while at the CSU and UC this award would be in addition to the tuition and fee coverage provided by Cal Grant 4.

Due to the significant growth in the number of student-parents eligible for state aid under Cal Grant modernization, current statutory language would require a lower award amount for recipients if only funded by the current appropriation to the program (see Considerations for Future Additional Funding section for estimates on funding required to maintain the current \$6,000 award amount while serving all newly eligible student-parents).



CAL GRANT 4

Cal Grant 4 would guarantee a tuition/fee award to students with an EFC equal to or less than \$5,576 (the Pell Grant cutoff) and attending an eligible four-year institution. The median household income of a Pell Grant-eligible student is approximately \$59,000 per year. Students with dependent children under the age of 18 and enrolled at the University of California (UC) or California State University (CSU) would still qualify for an additional Access Award (see Students with Dependent Children section).

Summary of Cal Grant 4 Eligibility Criteria (changes in **bold**):

- Student must file FAFSA/CADAA (by March 2nd)
- California resident or meet AB 540 eligibility criteria
- **Financial need determined by EFC (EFC = ≤ \$5,576)**
- Must be attending a UC, CSU, and eligible private institution that leads to a degree OR an occupational/technical program that previously qualified for the Cal Grant C
- Be enrolled or plan to enroll at least half-time
- Maintain Satisfactory Academic Progress (SAP)
- **2.0 GPA verification required**

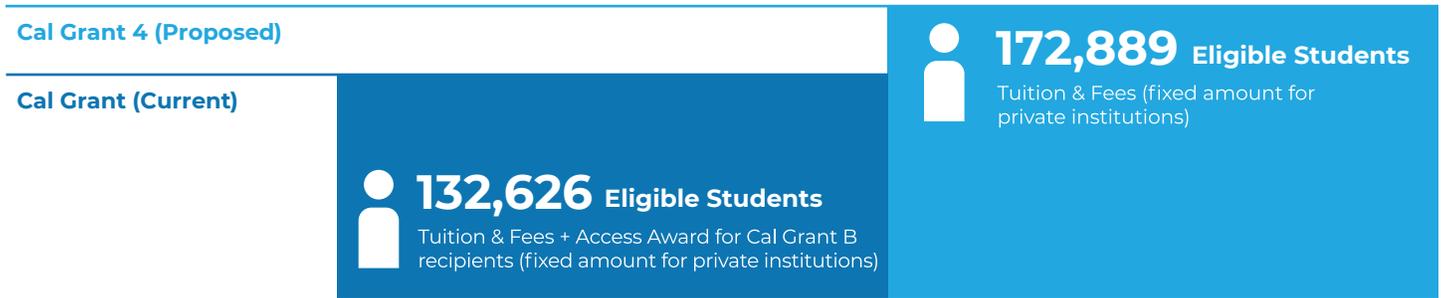
This proposal establishes a 2.0 minimum GPA for students to be eligible for a Cal Grant 4 entitlement award. The current Cal Grant program has three different GPA cutoffs: 3.0 for Cal Grant A, 2.0 for Cal Grant B, and 2.4 for a Transfer Entitlement Award. A minimum GPA of 2.0 is required for transfer from a CCC and admission to a UC or CSU. Using a single GPA cutoff at 2.0 streamlines program eligibility and eliminates confusion for students and administrators. Age and time out of high school requirements are also eliminated for Cal Grant 4 eligibility purposes.

This proposal also eliminates the current statutory restriction on first-year tuition awards for Cal Grant B students. Under current law, only 2 percent of Cal Grant B awardees may receive a tuition award in their first year of attendance. This forces institutions to backfill for Cal Grant for these students using institutional aid. Under this proposal, the Cal Grant would be an entitlement for four full-time equivalent years.

Cal Grant 4 – Award Amount

Need-based eligibility for a Cal Grant/4 award at all eligible four-year institutions, public and private, would be determined by a student’s EFC. The tuition guarantee would be in place for students with an EFC up to \$5,576, which is the same cutoff for Pell Grant eligibility.

This proposal maintains the current tuition entitlement for students enrolled at UC or CSU campuses and is equal to 100 percent of mandatory systemwide tuition and fees at that segment. For students attending an eligible non-profit institution, the maximum Cal Grant would cover a fixed amount of the student’s tuition costs, as determined in the annual State Budget Act (currently \$9,084). Cal Grant tuition awards at for-profit institutions would remain unchanged from current levels. Students attending an eligible institution accredited by the Western Association of Schools and Colleges (WASC) would be eligible for a tuition award of up to \$8,056; students attending institutions not accredited by WASC could receive up to \$4,000 (for students in an occupational/technical program less than one year in duration, the award would be prorated).



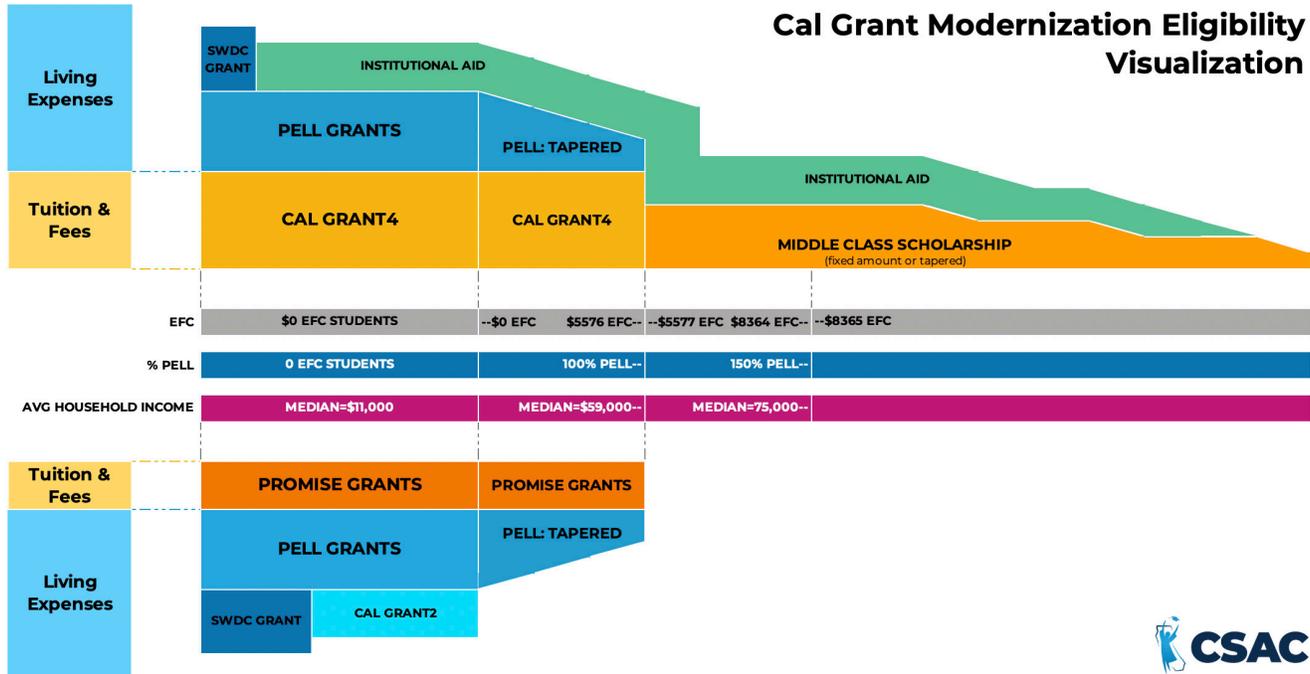
ROLE OF THE MIDDLE CLASS SCHOLARSHIP & INSTITUTIONAL AID

As proposed in the March report, institutional aid would be expected to help support students in addressing their basic needs. Policymakers could consider a number of mechanisms through which the state can ensure that institutional aid is being utilized equitably and in a manner that aligns with California state aid programs, including an annual report on the use of institutional aid or a requirement that institutions adopt and publicize clear policies on their use of institutional aid.

The Middle Class Scholarship program would continue to provide an award as a percentage of tuition to students at the UC and CSU who do not receive a Cal Grant 4 award, though the Commission would propose changes to

conform the program with the new Cal Grant 4 system and facilitate its administration, including the use of EFC to determine eligibility.

Below is a graphic that demonstrates how federal, state, and institutional aid programs would align under Cal Grant modernization:



CONSIDERATIONS FOR FUTURE ADDITIONAL STATE FUNDING

In addition to modeling the Cal Grant Equity Framework, based on the current funding allocation, the Commission also developed cost estimates for future investments that prioritize the equity goals of state aid programs and further support for students.

Increase the Cal Grant 2 award and/or expand eligibility beyond \$0 EFC

Given the limited funds currently provided to CCC students, additional funding would be required to provide an award above the \$1,250 proposed as an initial Cal Grant 2 award or expand the number of students eligible. The below table outlines the funding required to increase award amounts and/or expand student eligibility.

Student population served	Award amount	Total funds required	Additional funds required
\$0 EFC students	\$1,656	\$196 million	\$46 million
\$0 EFC students	\$2,500	\$300 million	\$150 million
≤ \$5,576 EFC students	\$1,250	\$251 million	\$101 million
≤ \$5,576 EFC students	\$1,656	\$333 million	\$183 million
≤ \$5,576 EFC students	\$2,500	\$505 million	\$355 million

*Zero EFC = \$0; avg household income: \$14,000. EFC \$5,576 = Maximum EFC for Pell Grant Award; avg household income: \$59,000. EFC \$8,364 = 150% of Pell Cutoff; avg household income: \$75,000.

Maintain the maximum award for Students with Dependent Children grant

The growth in the number of student-parents receiving an award under the Cal Grant Equity Framework would require a proportional reduction in the award amount based on current statute and appropriations levels. The below table outlines the funding required to maintain a \$6,000 award and/or expand eligibility for a Students with Dependent Child award.

Student population served	Award amount	Total funds required	Additional funds required
\$0 EFC students at CCC, CSU, and UC	\$6,000	\$270 million	\$145 million
\$0 EFC students at all segments	\$6,000	\$291 million	\$166 million
≤ \$5,576 EFC students at CCC, CSU, and UC	\$6,000	\$333 million	\$208 million
≤ \$5,576 EFC students at all segments	\$6,000	\$365 million	\$240 million

*Zero EFC = \$0; avg household income: \$14,000. EFC \$5,576 = Maximum EFC for Pell Grant Award; avg household income: \$59,000. EFC \$8,364 = 150% of Pell Cutoff; avg household income: \$75,000.

Other policies to explore that require additional funding

In addition to the above considerations for additional funding, the Commission recognizes there are other important policy questions to be explored that would further reinforce the goals of California state aid programs but may not be feasible in an initial adoption of the Cal Grant Equity Framework.

- Growth index for Cal Grant 2 awards:** Unlike the Cal Grant 4 for students at public universities, for which awards could grow over time in tandem with tuition increases, the Cal Grant 2 award proposed is a defined award amount that would be of most long-term benefit to students if indexed to track with inflation. To avoid erosion of the purchasing power of a Cal Grant 2 award over time, the Commission would recommend that the Cal Grant 2 award amount be connected to a price index that enables the award to increase as non-tuition costs incurred by students grow (e.g., Consumer Price Index, total cost of attendance determined by the Student Expenses and Assets Survey).
- Statutory formula for awards to students at independent colleges and universities:** As noted in the March 2020 report, the Commission remains committed to ensuring that the Cal Grant program equitably serves students across all segments of higher education. The Commission recommends the reestablishment of a statutory funding formula to determine the maximum Cal Grant award each year and that reflects changes to the costs being incurred by students.
- Summer Cal Grant:** The Commission also remains supportive of establishing additional student eligibility to receive a “Summer Cal Grant,” without drawing down their lifetime eligibility for aid during the traditional academic year. As expressed in the Commission’s March 2020 report, the Summer Cal Grant would be an important tool in helping more students utilize the availability of “Year-Round” Pell Grants and successfully graduate within four years of enrollment. This would shorten the time-to-degree and reduce the problem of losing Cal Grant access after hitting the four-year lifetime eligibility restriction. Fewer students will rely on student loan debt to complete their college degrees.

CONCLUSION & NEXT STEPS

In the final days of 2020, Congress passed the “FAFSA Simplification Act,” as part of a legislative package including federal appropriations and COVID-19 relief measures. The provisions included are the most substantive changes to federal financial aid policy in years, including an expansion of the Pell Grant, the elimination of dozens of questions in the FAFSA, and the shift away from EFC and to a new “Student Aid Index.” It is likely there will be sizable growth in the number of California students who would qualify for a Pell Grant and could require a change to the eligibility ceiling of the Cal Grant 4. **However, the Commission does not anticipate that adoption of the Student Aid Index would necessitate more substantial changes to the structure of the Cal Grant modernization proposal.** The Commission hopes that the changes to federal financial aid can serve as an opportunity for policymakers to consider how state and institutional aid can best align with and leverage these federal investments.

The recent federal policy changes noted above reinforce the urgency for action on Cal Grant modernization in 2021. Prior to the outbreak of COVID-19, students were already struggling to cover the cost of attending college and making sacrifices to maintain their footing in their college journeys. The pandemic and ensuing recession have only heightened the financial pressures being experienced by students, while also creating longer-term questions about the availability of financial aid for students who might have needed to pause or defer their aspirations of higher education. Cal Grant modernization and a shift to a state aid model driven on the basis of student need, rather than outdated rationing devices like age and time out of high school, will be all the more important to addressing the needs of students today and throughout California’s recovery from COVID-19. As California rebuilds in the wake of COVID-19, it will be imperative that higher education continues to function as a pathway to opportunity. The Cal Grant Equity Framework provides a streamlined, better coordinated financial aid system – without barriers to eligibility outside financial need – that would serve more students, while also creating a blueprint for how future investments can build upon that foundation to promote educational equity.

The time to modernize the Cal Grant is now. Our students cannot afford for us to wait.

APPENDICES: Demographic Analyses of Proposed Cal Grant 2 and Cal Grant 4

The below tables provide a comparative projection of the student populations served under the current model for the Cal Grant programs, as well as that which is proposed in this brief.

Cal Grant 2	Count	Financial		Demographic				Household			GPA
		Zero EFC	Average Income	Average Age	Female	CA Dream Act Applicant	First Generation Student	Dependent	Student-Parent	Average Household Size	Average GPA*
Current Model	124,260	75.6%	\$22,306	23.2	61.1% 75,923	4.8% 5,964	47.1% 58,526	61.5% 76,420	18.5% 22,988	3.6	2.92
Proposed Model	279,264	100.0%	\$14,065	25.9	60.3% 168,396	3.2% 8,936	69.3% 193,530	43.3% 120,921	28.5% 79,590	3.2	2.67
Newly Eligible	185,333	100.0%	\$14,742	26.6	59.3%	2.2%	65.1%	38.8%	30.8%	3.1	2.48
Newly Ineligible	30,329	0.0%	\$51,966	19.5	56.8%	3.7%	62.0%	91.2%	1.5%	4.0	3.00

* When student has a GPA (Current: 122,176; Proposed: 206,420; Newly Eligible: 113,657; Newly Ineligible: 29,413)

Cal Grant 4	Count	Financial		Demographic				Household			GPA
		Zero EFC	Average Income	Average Age	Female	CA Dream Act Applicant	First Generation Student	Dependent	Student-Parent	Average Household Size	Average GPA*
Current Model	132,626	51.9%	\$35,492	20.3	60.0% 79,576	3.2% 4,244	63.6% 84,350	81.2% 107,692	4.5% 5,968	3.8	3.28
Proposed Model	174,650	55.3%	\$27,467	22.5	58.2% 101,646	2.8% 4,890	61.5% 107,410	63.3% 110,553	8.3% 14,496	3.3	3.19
Newly Eligible	62,814	45.4%	\$26,503	26.4	54.8%	1.2%	51.3%	35.0%	14.0%	2.5	3.06
Newly Ineligible	20,790	3.5%	\$74,750	19.8	59.6%	1.0%	44.3%	91.4%	1.7%	3.9	3.43

Notes: Above estimates refer to the numbers of students that would be eligible to receive a grant award under the “current model” of Cal Grant eligibility criteria and the “proposed model” outlined in this addendum. The Cal Grant 2 table also includes students that would qualify for a Students with Dependent Children grant, rather than a Cal Grant 2. “First Generation Student” refers to any student who did not indicate that a parent attended college.

The below tables were developed by leveraging data retained by the Commission and connecting it with data provided by the California Department of Education to better understand the demographics of students currently receiving a Cal Grant and the potential impact of Cal Grant modernization. Percentages listed reflect the projected share of eligible students under the current and proposed models based on the race/ethnicity indicated in K-12 student records.

Cal Grant 2	African American	American Indian	Asian	Filipino	Latinx	Pacific Islander	Two or More Races	White
Current Model	5.3%	0.5%	7.4%	2.4%	68.1%	0.4%	1.8%	14.1%
Proposed Model	8.4%	0.6%	7.0%	1.7%	67.6%	0.5%	1.8%	12.5%
Newly Eligible	10.1%	0.6%	6.7%	1.7%	65.4%	0.5%	1.9%	13.0%
Newly Ineligible	3.2%	0.4%	7.6%	4.0%	63.8%	0.4%	2.1%	18.6%

Cal Grant 2	African American	American Indian	Asian	Filipino	Latinx	Pacific Islander	Two or More Races	White
Current Model	5.8%	0.3%	14.9%	3.5%	58.2%	0.5%	2.1%	14.6%
Proposed Model	6.2%	0.3%	15.0%	3.1%	59.4%	0.5%	2.0%	13.5%
Newly Eligible	6.6%	0.3%	16.6%	4.0%	50.4%	0.5%	2.6%	18.9%
Newly Ineligible	4.4%	0.4%	15.5%	6.3%	44.2%	0.5%	3.4%	25.4%