

# Cal Grant Equity Framework

## The Next Steps Needed to Fixing Financial Aid Shortfalls For Students

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### Why Cal Grant Reform?

Last year, Governor Newsom and the Legislature made historic investments in higher education for students through the expansion of state financial aid through the Cal Grant in the 2021-22 State Budget. The elimination of out-of-date eligibility requirements based on age and time out of high school for students at community colleges resulted in over 100,000 additional students being awarded a Cal Grant. This was a transformative investment that helped broaden access to higher education. But it was just a first step toward the comprehensive reform per the state financial aid system that we need today.

The Cal Grant program, California's primary state-funded financial aid program, was designed six decades ago and no longer meets the needs of California's college students. Today's Cal Grant still utilizes outdated rationing mechanisms, including barriers to eligibility based on:

- When students graduate from high school prior to enrolling at a university
- The age when a student transfers to a four-year institution and whether or not they had first received a Cal Grant at a community college
- Submission of high school transcripts and Grade Point Averages (GPA)

These various requirements differ across the eight different kinds of Cal Grant awards available today, making navigating and anticipating access to state financial aid too challenging for students, particularly first-generation college-goers or returning adult learners. Despite these various forms of Cal Grant aid, the program has still not kept pace with the *total* cost of attendance, instead only accounting for changes in tuition at public universities. Too many students today cannot cover their most basic needs – food and housing – due to a lack of sufficient aid, while other costs for books, supplies, and technology have only grown.

For these students and many others, hunger has become a daily struggle. In September 2019, it was reported that one in three college students experienced food insecurity in any given month, and this situation has only worsened over the course of the pandemic. While large numbers of students from every part of the state have reported food insecurity, Black, Latino, and low-income students were the most likely to be food insecure during the pandemic. **Meeting students' basic needs has become an urgent crisis and students are demanding meaningful action from legislators and policymakers to resolve these disparities.**

### How will we achieve Cal Grant Reform?

To meet the needs of students today, the Commission has proposed reimagining state financial aid through the Cal Grant Equity Framework. The Cal Grant Equity Framework reflected in AB 1746 (Medina, McCarty & Leyva),

not only eliminates the eligibility barriers for students referenced above but also moves the Cal Grant program to a new model based on the true cost of college, factoring in costs for housing, food, among other basic needs. The Equity Framework also streamlines the eight existing Cal Grants into two programs that would cleanly align eligibility for any student with an income that would qualify for the Pell Grant, the largest federal student aid program. **These changes would lead to an additional 150,000 eligible students for a Cal Grant beyond today's current programs.**

Adopting and funding the Cal Grant Equity Framework will simplify, streamline and expand our Cal Grant program, creating a financial aid system that is more transparent and predictable for students and families. Expanding and modernizing the Cal Grant program will create a student-centered financial aid system that will enable our state's first-generation college students and families to better prepare, navigate and access higher education.

## A New Cal Grant Structure

The Cal Grant Equity Framework calls for the simplification and streamlining of the Cal Grant program by doing away with the current complex and outdated system and instead will offer a Cal Grant 2 and Cal Grant 4 for students enrolled in California Community Colleges (CCC) and four-year institutions, respectively. **This proposed restructuring of Cal Grant would help students, families, and financial aid administrators alike to better understand financial aid award options.**

To make state financial aid easier to understand and navigate, the Cal Grant Equity Framework proposes utilizing the same financial eligibility requirements that will be used for the federal Pell Grant under the new "Student Aid Index". Beginning in October 2023, the Student Aid Index will be the new method for determining eligibility for federal student and guarantees that students can easily find the income ceiling for eligibility for a Pell Grant based on their household status and size. (See Appendix.) The income ceilings themselves will be determined based on a percentage of the federal poverty level identified for each kind of household situation. Any student whose family income is below the designated income for that household scenario will know they are eligible for a Pell Grant – or Cal Grant – before they even apply for aid. **Aligning to the new federal aid methodology will help us better communicate with students and families about the support available to them and reach more people in need.**

### *Cal Grant 2: Better Serving Community College Students*

The Cal Grant 2 would provide predictability and reliability by guaranteeing an access award for all California Community College (CCC) students with incomes that would qualify for a Pell Grant award under the new federal Student Aid Index. Initially, Cal Grant 2 awards would provide the same amount as the current Cal Grant B Access Award (\$1,648) but would be indexed to the California Consumer Price Index to maintain their purchasing power in the future. The award amount would be greater for students with a dependent(s) under the age of 18 and current or former foster youth, who would continue to qualify for a \$6,000 enhanced access award.

Currently, community college enrollment fees are waived by the California College Promise Grant (CCPG), formerly known as the Board of Governors (BOG) Fee Waiver, for students with need. However, CCPG recipients

still face many financial challenges in trying to fund their non-tuition costs. For this reason, Cal Grant 2 does not make changes to the existing CCPG and other fee coverage programs at the community colleges but instead focuses on offsetting the non-tuition cost challenges by providing aid that is not tied to tuition and fees for students with the greatest need.

Commission staff estimate that **over 311,000 CCC students applying for financial aid would qualify for a Cal Grant 2 award in a single year of applications under the new system.** Eligibility barriers like age, time out of high school, or GPA would no longer be considered under Cal Grant 2.

The Cal Grant 2 would retain the current deadline for CCC students to receive a Cal Grant of September 2. This deadline better serves students in the community college segment as it aligns with community colleges' admission cycles which often happen through the first several weeks of the academic period, unlike the earlier admissions deadline at four-year universities.

### ***Cal Grant 4: Simplifying Aid for Students at UC, CSU, and Independent Colleges***

The Cal Grant 4 would cover tuition for students at the UC and CSU and the current defined amounts for students enrolled at private institutions. Students would be eligible to receive a Cal Grant 4 should their household incomes qualify them for a Pell Grant and they have a GPA of at least 2.0, consolidating the three different GPA requirements currently in place for various types of Cal Grants. Unlike today's programs, so long as students meet these two criteria, they would be guaranteed access to a Cal Grant 4. Commission staff estimate that **over 180,000 students would qualify for a Cal Grant 4 award in a single year of new applications for financial aid.**

Student-parents and current or former foster youth enrolled at public universities would also still qualify for an **additional \$6,000 grant** to help cover their non-tuition expenses and their tuition coverage through Cal Grant 4.

Under the Cal Grant Equity Framework, Cal Grant 4 is structured to cover tuition for more students in a more predictable and understandable way, while other resources are better leveraged and coordinated to address non-tuition expenses. The newly revised Middle Class Scholarship would not be changed by this proposal, but would instead continue to provide additional aid to Cal Grant recipients for their non-tuition costs while providing other, non-recipients with some support toward their tuition expenses.

Institutional aid would also become available to redirect toward non-tuition costs. Currently at the UC and CSU, institutional aid is often utilized to cover tuition costs for low- and middle-income students who are ineligible for Cal Grants due to non-financial eligibility requirements. As Cal Grant 4 would cover tuition for more of these students, institutional aid programs will see "savings" that could be redirected to provide support for non-tuition expenses for students.

While the Cal Grant Equity Framework and AB 1746 do not dictate how the universities must utilize their institutional aid programs, the governing boards for the public universities would be charged with approving policies on how their institutional aid funds will be utilized and prioritized under the new Cal Grant 4, with the intent of serving the highest need students first. All institutions with students receiving a Cal Grant would be required to provide additional data each year about how their institutional aid was utilized to ensure that federal, state, and institutional funds are being most effectively coordinated to support students.

## **Addressing Basic Needs through Expanded CalFresh Access under the Cal Grant Equity Framework**

The Cal Grant Equity Framework would further help address students' basic needs and the total cost of attendance by helping better coordinate various forms of support available, including federally-funded benefits for food access. The federal Supplemental Nutrition Assistance Program (SNAP), known as CalFresh in California, is one of the largest anti-hunger programs in the world. Under the proposed Framework, each recipient of a Cal Grant award for tuition and fees receives notification that they have received a benefit funded by Temporary Assistance for Needy Families (TANF), which means that they are eligible to apply for CalFresh benefits. Without receipt of this notification, many students with significant financial need are precluded from accessing CalFresh due to federal eligibility restrictions on students.

While CalFresh is available to low-income college students, only a fraction of California students living in poverty apply for and receive CalFresh benefits due to many administrative hurdles. As policymakers consider options to help students access all available forms of support, aligning Cal Grant recipients with CalFresh can provide a maximum monthly nutritional benefit of \$234, or just over \$2,800 annually. When considering that approximately 42,000 additional students would be eligible for Cal Grant 4 awards relative to the current program, California has an opportunity to access up to \$118 million in additional federal resources to help address student hunger.

### **Fiscal Impact**

In order to serve more students with financial aid while also retaining tuition coverage and positioning the program to address basic needs, policymakers would need to increase the funding available for the Cal Grant program. Commission analyses have estimated that relative to the current Cal Grant program, the proposed Cal Grant 2 and Cal Grant 4 would require an additional \$314.7 million in funding in the first year of implementation, which would not only allow for all new recipients to receive their awards but would also maintain the \$6,000 awards for student-parents and foster youth as well as ensure all current Cal Grant recipients maintained their awards.

At full implementation, once all students are receiving a Cal Grant 2 or 4 rather than the current forms of Cal Grant, an additional \$374.2 million would be required compared to the current program (\$59.5 million more than funding required for the first year of implementation).

### **Conclusion: Critical Need for the Cal Grant Equity Framework**

California stands at a unique time as our state is still recovering from the disruption caused by COVID-19 and the overwhelming setbacks our college students have faced in the past two years. The pandemic has laid bare long-running inequities, challenged how we serve students in higher education and accelerated changes in our workforce and economy that impact how we think about preparing students for the future.

But we have a path forward. [Data](#) published by the UC Davis Wheelhouse Center for Community College Leadership and Research indicates that Cal Grant recipients are more likely to complete more units and persist than their peers; expansion of Cal Grant access is thus a critical strategy in addressing the enrollment declines seen at community colleges across California. If we support college students with equitable financial aid resources, they will succeed.

As reflected in the college attainment goal proposed by Governor Newsom, more widely accessible postsecondary credentials and degrees will be instrumental to promoting economic development and social mobility in California as we move forward in pandemic recovery. **For California to succeed in reaching this attainment goal, we must send a clear message to students – both exiting high school seniors and the large numbers of returning adult learners alike – that there is predictable and accessible financial aid to help support their enrollment and success.**

The Cal Grant Equity Framework is the product of years of work in which students, higher education segments, and equity advocates worked collaboratively to address barriers to financial aid and propose a new, student-centered model. Today's college students need affordable access to higher education pathways to join our state's workforce and attain economic opportunities. California has what it takes to create the most equitable system in the nation by prioritizing its students and removing remaining barriers.

## APPENDICES: Demographic Analyses of Proposed Cal Grant 2 and Cal Grant 4 under the Student Aid Index

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	Demographic					Household			GPA
		Average Income	Average Age	Female	CA Dream Act Applicant	First Generation	Dependent	Student Parents	Average Household Size	Average GPA*
<b>Current Model</b>	202,196	\$28,970	25.3	61.9%	2.9%	64.1%	49.8%	18.5%	3.1	2.98
<b>Proposed Model</b>	311,238	\$30,012	25.8	62.0%	2.6%	65.2%	46.5%	24.3%	3.2	2.83
<b>Newly Eligible</b>	120,630	\$35,804	26.6	62.1%	2.1%	66.0%	42.1%	32.6%	3.2	2.22
<b>Newly Ineligible</b>	11,588	\$72,126	24.8	60.9%	1.1%	52.9%	58.5%	8.5%	2.9	3.3

Cal Grant 4	Count	Demographic					Household			GPA
		Average Income	Average Age	Female	CA Dream Act Applicant	First Generation	Dependent	Student Parents	Average Household Size	Average GPA*
<b>Current Model</b>	138,091	\$38,537	20.8	61.5%	2.4%	62.2%	77.7%	6.0%	3.7	3.32
<b>Proposed Model</b>	180,571	\$32,659	22.5	60.3%	2.1%	59.3%	64.3%	8.2%	3.3	3.24
<b>Newly Eligible</b>	61,696	\$36,354	25.9	57.7%	1.2%	48.2%	40.5%	12.2%	2.6	3.13
<b>Newly Ineligible</b>	19,216	\$86,766	21	60.3%	0.6%	44.1%	84.7%	5.3%	3.6	3.48

**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 brief. “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 the Cal Grant Equity Framework. 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
<b>Current Model</b>	6.3%	0.4%	8.4%	3.1%	63.2%	0.5%	2.0%	15.5%
<b>Proposed Model</b>	7.1%	0.5%	7.5%	2.8%	64.5%	0.5%	2.1%	14.6%
<b>Newly Eligible</b>	8.2%	0.5%	5.8%	2.5%	66.1%	0.5%	2.2%	13.5%
	9,892	603	6,997	3,016	79,736	603	2,654	16,285
<b>Newly Ineligible</b>	4.1%	0.2%	7.0%	7.0%	56.2%	0.7%	3.1%	21.3%
	475	23	811	811	6,512	81	359	2,468

Cal Grant 4	African American	American Indian	Asian	Filipino	Latinx	Pacific Islander	Two or More Races	White
<b>Current Model</b>	4.6%	0.3%	13.9%	4.4%	56.0%	0.5%	2.0%	17.8%
<b>Proposed Model</b>	4.8%	0.3%	15.2%	4.1%	54.1%	0.5%	2.1%	18.3%
<b>Newly Eligible</b>	5.0%	0.3%	16.1%	4.5%	50.8%	0.5%	2.4%	20.0%
	3,085	185	9,933	2,776	31,342	308	1,481	12,339
<b>Newly Ineligible</b>	4.3%	0.2%	11.5%	7.4%	48.6%	0.5%	3.0%	24.0%
	826	38	2,210	1,422	9,339	96	576	4,612

The table below depicts the increased income ceilings for those eligible to receive Cal Grant 2 or Cal Grant 4 under the Cal Grant Equity Framework and AB 1746

## Maximum incomes qualifying for a Cal Grant 2 or Cal Grant 4

Household Size	Federal Poverty Level (FPL)	Dependent student with married parents OR independent, married student without dependent (275% of FPL)	Dependent student with a single parent OR independent, single student without dependents (325% of FPL)	Independent, married student with dependents (350% of FPL)	Independent, single student with dependents (400% of FPL)
1	\$13,590	\$37,373	\$44,168	\$47,565	\$54,360
2	\$18,310	\$50,353	\$59,508	\$64,085	\$73,240
3	\$23,030	\$63,333	\$74,848	\$80,605	\$92,120
4	\$27,750	\$76,313	\$90,188	\$97,125	\$111,000
5	\$32,470	\$89,293	\$105,528	\$113,645	\$129,880
6	\$37,190	\$102,273	\$120,868	\$130,165	\$148,760
7	\$41,910	\$115,253	\$136,208	\$146,685	\$167,640
8	\$46,630	\$128,233	\$151,548	\$163,205	\$186,520