Building a 21st Century Financial Aid System
How to Get to “One Cal Grant”

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Making education beyond high school financially accessible to all Californians.
Timeline

- **1955**: California State Scholarship (precursor to Cal Grant A)
  - Tuition grants primarily for private/independent institutions
- **1968**: College Opportunity Grant (Cal Grant B)
  - Grant for non-tuition educational expenses (books/supplies), as well as living costs
  - Maximum award: $900 in 1968-69 (worth $6,400 in 2017 adjusted dollars)
- **1972**: Occupational Education and Training Grant (Cal Grant C)
  - Tuition & non-tuition grants for career & technical education programs
- **2000**: Entitlement Cal Grants for High School & Transfer students
  - Any student who meets Cal Grant qualifying criteria is entitled to an award
- **2011**: California Dream Act
  - State financial aid (as well as institutional aid) available to AB 540 students
- **2013**: Middle Class Scholarship program
  - Partial tuition support (“last dollar”) for students from families earning up to $150,000
Timeline (2017-present)

- Legislative Analyst’s Office submits recommendations for Creating a Debt-Free College Program
- Legislature introduces Degrees Not Debt, based on LAO report
- DND does not move forward, but Legislature remains interested in financial aid reform
- 2017-18 Budget language directs CSAC to prepare a report to the Legislature, with the following goals:
  - Consolidate/streamline existing State financial aid programs
  - Reform financial aid to better address cost of attendance
- CSAC commissions report from The Century Foundation
  - Team led by Robert Shireman, former U.S. Deputy Undersecretary of Education
  - Report released in April 2018 - Expanding Opportunity, Reducing Debt: Reforming California Student Aid
CSAC/Century Foundation Findings

- California provides a strong baseline of student aid, through the Entitlement programs, and the tuition & fee guarantee
  - Cal Grant A students receive 100% of systemwide tuition & fees at a public university for up to four years of full-time attendance
  - Cal Grant B students receive 100% of systemwide tuition & fees at a public university for three years (excluding their first year) of full-time attendance

- More aid is needed, especially to address non-tuition expenses
  - With total COA at some schools exceeding $30,000, tuition-focused financial aid is not sufficient for low-income students
  - Cal Grant B students receive an Access Award of up to $1,672 per year
  - Adjusted for inflation, this award would be over $6,000 today

- The complexity and lack of coordination around California financial aid undermines the effectiveness of the aid itself
Issues with Current Cal Grant System

- Too many low-income students, with significant financial need, are ineligible to receive a Cal Grant under current provisions.

- For example, the differing GPA requirements and income ceilings between Cal Grant A and Cal Grant B mean that thousands of students with financial need cannot receive either award:
  - Huey graduates high school with a 3.1 GPA; he comes from a family of four earning $75,000, so he is guaranteed a Cal Grant A award.
  - His friend Dewey graduates with a 2.7 GPA and his family earns $48,000, so he is guaranteed a Cal Grant B award.
  - Their friend Louie isn’t so fortunate – he has a 2.9 GPA and his family earns $60,000, which means he is not eligible for any Cal Grant Entitlement award.
Issues with Current Cal Grant System, continued

• Entitlement programs are geared toward students who follow the “traditional” path

• High School Entitlement is available for one year after HS graduation

• Transfer Entitlement is available up to age 28

• In today’s economy, hundreds of thousands of students need financial support to afford college and do not fall into either of these categories
  • Over 300,000 students compete for one of 25,750 Competitive Cal Grant awards

• Outdated assumptions about low-income students keep Cal Grant B recipients from receiving a tuition and fee award in their first year
A 21st-century Cal Grant System

- One Cal Grant program, available as an entitlement to any CA student:
  - Seeking their first college degree or credential
  - Attending a qualifying institution
  - Meeting a single, minimum academic standard (such as a 2.0 GPA requirement)

- Cal Grants would be available regardless of:
  - Age
  - Time out of high school

- The Cal Grant award would:
  - Cover, at a minimum, tuition and fees for up to four years
  - Provide substantial additional support (more than the current $1,672) for the lowest-income students
A student-centered system

- Messaging would be clear and consistent, including well before college
  - If you have significant financial need, you will be guaranteed a Cal Grant award
  - Cal Grants are designed to ensure that the “sticker price” of college does not dictate where you choose to apply

- Cal Grants would be available to students when and where they are needed

- Far less hassle from the student perspective
  - No need to apply for Competitive Cal Grants
  - No more worry about whether their financial aid package will cover tuition
  - No supplemental applications needed
Longer-term efforts to consider

- **Cost-of-living adjustment for California**
  - Base Cal Grant eligibility and award amounts on an adjusted formula of Expected Family Contribution (EFC) that takes into account California’s higher costs of living

- **Affordability guarantee model, with a “self-help” expectation**
  - If a student commits to funding a certain amount of their education from work income (or loans, if they choose), then a Cal Grant Affordability Guarantee would ensure that the remainder of their COA is funded through financial aid
  - For example, if the self-help component were set at $8,000, and a $0 EFC, Cal Grant eligible student attends Long Beach State (COA: $24,000)...

  
  $24,000 Cost of Attendance  
  $6,095 Pell Grant  
  — $8,000 Self-help component

  $9,905 \leftarrow Remaining net price (the Cal Grant Affordability Guarantee would ensure that this amount is covered by a combination of State and institutional financial aid)
To close the “gaps” in the current Cal Grant system that keep many financially needy, low-income students from qualifying for State financial aid...

- Would provide Cal Grants to about 30,000 new students
- At an approximate cost of $160 million

To do the above plus consolidate Cal Grant A, B, and MCS into one Cal Grant program with tapered award amounts, while maintaining the High School Entitlement/Transfer Entitlement/Competitive structure...

- Would provide additional aid to about 180,000 students currently in the program
- At an approximate cost of $900 million to $1.1 billion

To do both of the above plus guarantee Cal Grants to all California residents regardless of age or time out of high school...

- Would guarantee Cal Grants to about 220,000 new students
- At an approximate cost of $2 billion
Next Steps

- Legislators have asked CSAC to present a Cal Grant reform proposal for consideration in the 2019-20 session
- CSAC is working with stakeholders and advocates/research groups (especially TICAS and the California Budget & Policy Center) to prepare detailed models
- CCC Board of Governors has endorsed (Sept. 2018) a proposal along the lines of the CSAC/TCF report, including:
  - Link maximum awards to total COA, not tuition
  - Base award eligibility on EFC, rather than income/asset ceilings
  - Eliminate all age, time out of HS, and GPA restrictions
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