the institute for college access & success

TO: Interested Stakeholders

FROM: The Institute for College Access & Success (TICAS)

DATE: January 19, 2021

RE: Ensuring Cal Grant Reforms Support Meaningful Coverage of Students' Non-Tuition College Costs

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The modern Cal Grant program was enacted 20 years ago,[1] and a broad array of stakeholders have called for it to be reformed to better meet the needs of the state and close disparities in college enrollment and completion. While it remains one of the most robust state aid programs in the nation, key structural issues limit the number of under-resourced Californians who receive a Cal Grant and have led to the stagnation of the amount they receive to cover non-tuition college costs, negatively impacting college affordability – especially for the lowest income students. ***Program reforms need to address these shortcomings and correct for the structural issues that have contributed to their creation and propagation.***

The California Student Aid Commission (CSAC) has put forth a thoughtful proposal for how to rethink the Cal Grant program, including an option they estimate entails no new costs to the state. To realize their objective to "modernize" Cal Grants, we see two areas in which provisions could be strengthened to more equitably support low-income and under-represented Californians, by ensuring:

1. Non-tuition award sizes grow meaningfully over time, as tuition awards will continue to do.
2. Four-year colleges prioritize institutional grant aid to help cover low-income students' non-tuition costs, so that reform helps and does not harm them.

Importantly, these issues are not separate and apart from the underlying modernization framework. To illustrate, a framework that purports to better cover students' non-tuition costs but does not do so cannot be considered successful in supporting students with covering the total costs of attending college.

This memo focuses on the implications of regular increases to the access award, or lack thereof, and is intended to shed light on options for policymakers to consider to protect its purchasing power.

[1] The original legislation from which the Cal Grant program was created was established in 1955; in 2000, SB 1644, the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program, was enacted which established the modern-day structure that includes entitlement awards for recent high school graduates.

Relevant History

For over half a century, the Cal Grant program has provided some recipients with grant dollars to support their ability to cover non-tuition costs of college, including but not limited to textbooks and supplies, transportation, and room and board. However, Cal Grant statute approaches award amounts for non-tuition costs very differently from the component that covers tuition. To illustrate, California Education Code defines the tuition award amount for public university students as such (emphasis added): "The maximum Cal Grant A award for a student attending the University of California or the California State University *shall equal the mandatory systemwide fees in the segment attended by the student*…"[2] In contrast, the non-tuition award amount (with the exception of students with dependent children) is defined as such: "An award for access costs under this article shall be in an annual amount not to exceed one thousand five hundred fifty-one dollars ($1,551) … These amounts may be adjusted in the annual Budget Act."[3]

In fact, the base access award amount has been adjusted in the annual Budget Act, including two times in the last decade. The award was *decreased* in 2012-13 to $1,473, on the heels of the Great Recession. Beginning in the 2014-15 award year, the access award increased to $1,648, where it remains today.[4]

The differing approach to covering these costs means that tuition awards have grown in line with students' tuition costs, while non-tuition awards have stagnated. At the turn of the millennium, when the modern-day Cal Grant program was enshrined, the access award covered 16 percent of California college students' non-tuition costs. Today, it covers just nine percent. Reducing the award to cover more recipients would diminish its purchasing power further immediately, and it will continue to fall over time as costs grow unless its value is protected.

Options for Annual Adjustments

The chart below tracks the actual access award amount since the creation of the modern-day Cal Grant program 20 years ago and compares it to how the award size would have changed had it been adjusted annually. As illustrated in the chart, since 2000 the access award has increased by $100 (in current, unadjusted dollars). We compare that to several growth scenarios:

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[2] See: California Education Code 66021.2(b)(1)(A), https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=66021.2.

[3] See California Education Code 69435(b), https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=69435.

[4] Previous legislation – SB 798 and SB 174 (De Leon), Statutes of 2014 – created the College Access Tax Credit Program, proceeds from which supplement the base amount of the Cal Grant award as determined in the annual state budget act. In AY 2020-21, this fund adds an additional $8 to the maximum Cal Grant B access award, bringing the total maximum award to $1,656. Additionally, eligible Cal Grant recipients with dependent children and community college recipients who attend full-time can receive separate supplemental awards for non-tuition costs.

- *California Consumer Price Index (CCPI)*: Had the award kept pace with inflation, as measured by CCPI, the 2020-21 maximum award would be $2,525 -- nearly $900 more than its current value.[5]

- *Non-tuition college costs*: Had the access award mirrored increases in indirect colleges expenses, the maximum award for 2020-21 would be $3,198.[6] Because college costs grow faster than inflation, as measured by student expense budgets reported by colleges to the federal government, even a grant that increases with inflation will lose purchasing power relative to college costs over time. Adjusting the grant in line with the expenses the award is intended to cover will protect against the erosion of purchasing power.

- *Tuition-based Cal Grant awards at public universities*: Had the access award grown at the rate at which public university tuition-based Cal Grants have grown, it would be worth $6,007 today.[7] Adjusting tuition- and non-tuition grants in tandem could help ensure that the share of Cal Grant dollars received by community college students – currently seven percent, despite serving two-thirds of the state's college students, the majority of whom are low income – does not decline further.[8]

- *Hybrid approach using tuition-based Cal Grants and CCPI*: While statewide tuition and fees at the CSU and UC have grown substantially over the last two decades, it has been several years since either has implemented an increase. If the access award had grown in tandem with either tuition-based Cal Grant awards, *or* inflation during years when tuition and fees remained flat, it would be worth $7,768 today.[9] Such an approach could increase the share of Cal Grant dollars going to community college students over time.

[5] Calculations by The Institute for College Access & Success (TICAS) using the California Consumer Price Index (CCPI) for All Urban Consumers for the month of August: https://www.dir.ca.gov/OPRL/CPI/EntireCCPI.PDF. In AY 2000-01, the maximum Cal Grant B access award was $1,548.

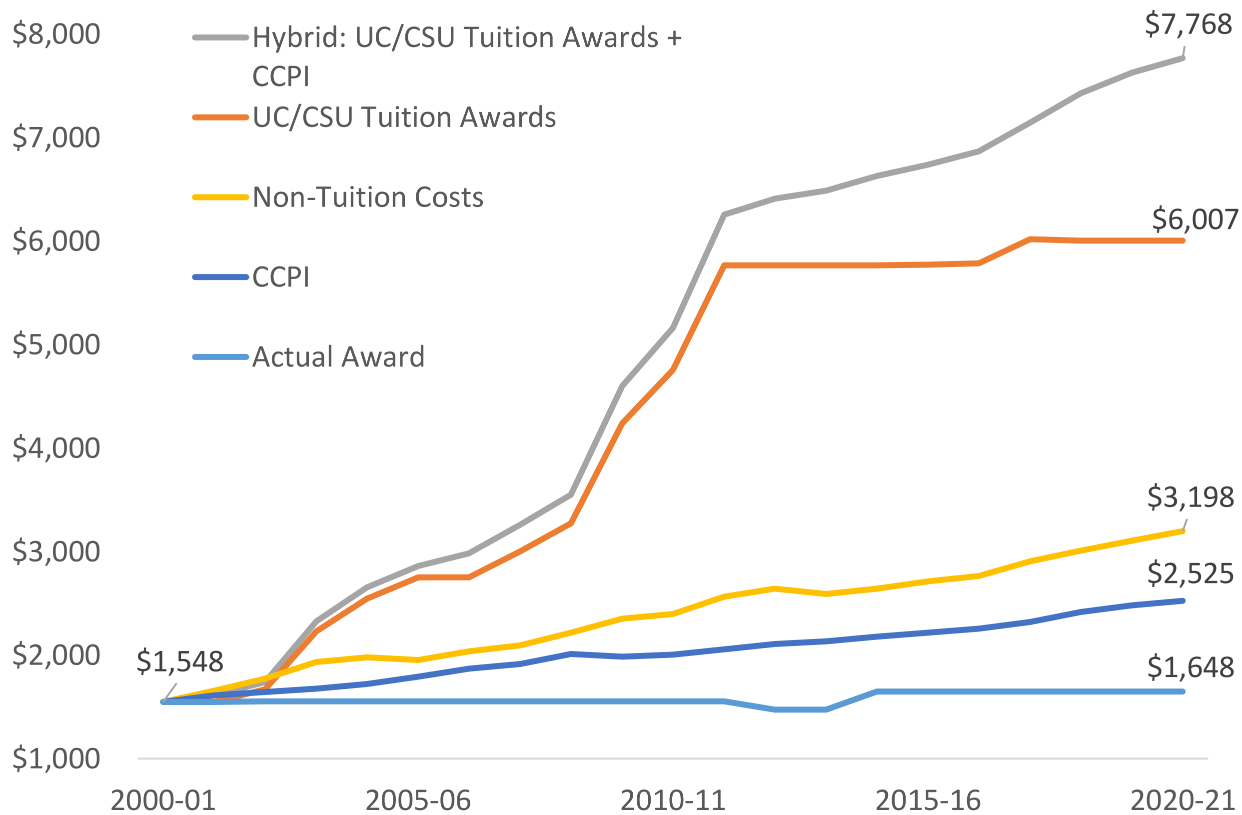
[6] TICAS calculations using the federal Integrated Postsecondary Education Data System (IPEDS) for total costs of off-campus attendance and in-district, in-state tuition and fees.

[7] TICAS calculations based on published statewide tuition and fees for the University of California and California State University, along with maximum access award amounts documented by the California Postsecondary Education Commission (CPEC) and California Student Aid Commission (CSAC). Statewide tuition and fees at CSU and UC are weighted 60% and 40%, respectively, to align with their respective shares of Cal Grant recipients.

[8] TICAS. 2016. *How and Why to Improve Cal Grants: Key Facts and Recommendations*. https://ticas.org/wp-content/uploads/legacy-files/pub_files/how_and_why_to_improve_cal_grants.pdf.

[9] TICAS calculations based on published statewide tuition and fees for the University of California and California State University, along with maximum access award amounts documented by CPEC and CSAC, as described above. For years where statewide tuition and fees did not change from the previous year, growth in the access award was calculated using the CCPI for All Urban Consumers for the month of August.

Impact of Growth Indices on Maximum Access Award Value, 2001-2021



These are intended to illustrate a range of options for how changes to access award policy could better achieve a policy goal of supporting students in covering non-tuition costs, and address some of the structural components of the Cal Grant program that have eroded both the access award's purchasing power and the share of funds received by community college students – who only receive an access award[10] – over time. They are not exhaustive. For example, other options to bolster the grant's purchasing power could include benchmarking it to a specified share of non-tuition expenses (e.g., 30 percent) and outlining a plan to phase in increases that gets the maximum award to the targeted level within five years. Similarly, goals of supporting greater, more equitable levels of funding for community

[10] Low- and middle- income students at California community colleges have their fees waived by the California College Promise Grant, formerly known as the Board of Governors Fee Waiver, and are only eligible for the access award that helps cover non-tuition college costs.

college students in future years could be achieved by expanding Cal Grant access to a greater range of students. For example, with respect to CSAC's Cal Grant modernization proposal, that could include enabling students with Expected Family Contributions (a federal term soon to be replaced with the term Student Aid Index) greater than zero to receive awards, in line with the current proposal for four-year college student eligibility.[11]

We hope you will consider these options – and others, as appropriate – for guaranteeing awards cover meaningful amounts of students' non-tuition costs and anchoring the award size to a metric that grows along with students' non-tuition college costs. Doing so is essential to ensuring that financial aid reform solves for existing inequities rather than cements them further for decades to come. This is most critically important for the state's community college students: the lack of annual adjustment to the access award to date has impacted students across all colleges to different degrees, whereas it would exclusively affect CCC students under CSAC's proposed modernization plan.

Please feel free to contact Laura Szabo-Kubitz (Laura@ticas.org) with questions or opportunities to work together to promote financial aid reforms that will support equitable college opportunity and completion.

[11] Under CSAC's current Cal Grant modernization proposal, eligible students attending public four-year universities can have a Pell Grant-eligible Expected Family Contribution (EFC), whereas community college students must have an EFC of zero.