

# AB 1456 (Medina & McCarty)

## Cal Grant Reform Act

*Principal Co-Author: Senator Connie Leyva*

As introduced on February 19, 2021

### **Background**

California's financial aid system supports over 400,000 students seeking postsecondary education and a better life per year. The Legislature appropriates more than \$2 billion annually toward financial aid. It is a key component of the state's longstanding commitment to accessible, affordable higher education. Cal Grants can be used at any University of California, California State University or California Community College, as well as qualifying independent, postsecondary institutions in California. The Middle Class Scholarship program also offers aid to qualifying UC and CSU students.

There are currently three kinds of Cal Grants, A, B and C, of which eligibility is determined by the Free Application for Federal Student Aid (FAFSA) or California Dream Act Application, a student's verified Cal Grant GPA, the type of California colleges a student listed on their FAFSA, and whether they are a recent high school graduate. Students are considered for a Cal Grant A, B, or C after they either establish eligibility as for an Entitlement award (if they graduated from high school less than one year ago or transfer from a community college before age 28) or secure one of a limited number of Competitive awards (for any students that do not qualify for an Entitlement).

### **Problem**

California's primary state-funded student financial aid program was designed six decades ago and no longer meets the needs of the state's struggling college students. In 2020, 7 of 10 students lost some or all of their

income due to the COVID-19 pandemic. Indeed, COVID-19 and the ensuing recession have only heightened financial pressures being experienced by students while also highlighting the need for longer-term structural reform of state financial aid.

Among the problems are:

- **Cal Grant program excludes hundreds of thousands of the most financially vulnerable students.** Cal Grant eligibility rules are geared toward college students who are 18- to 24-years old, attending college directly after finishing high school. Students ineligible for the Cal Grant entitlement program due to age, when they graduated from high school, or GPA must compete for a limited number of awards through the Competitive Cal Grant program. Only about 1 of every 8 eligible students based on income/asset levels and GPA are typically awarded a Cal Grant through the competitive Cal Grant system.
- **Non-tuition costs are not adequately addressed.** Much of the state financial aid program was created in a time when housing costs were lower, part-time jobs were more easily available to college students and the minimum wage had more buying power. Today's college students face significant costs, particularly housing: all three public segments and independent postsecondary institutions indicate many students will spend at least \$12,000 annually on room and board in 2018-19, which is about the same cost as UC tuition and far higher than CSU and community college tuition.

- **State aid programs are too complex.**  
The different Cal Grant Awards have complicated eligibility and application requirements that limit students' access to aid and do not align with federal financial aid policies.

### **Solution**

To ensure more Californians have access to an affordable degree, comprehensive reform is needed.

The new Cal Grant Equity Framework will better support students as California recovers from COVID-19, readying the program to be built out with targeted investments and to better reflect the needs of today's student population.

**AB 1456** will do the following:

- Consolidate the three Cal Grant Awards (A, B, & C) into new Cal Grant 2 and Cal Grant 4 Programs.
- *Cal Grant 2* will 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 under age 18.
- *Cal Grant 4*: Guarantees a tuition/fee award to students with an EFC equal to or less than the Pell Grant cutoff and attending an eligible four-year institution.
- Students with Dependent Children: Student-parents with a \$0 EFC and a dependent under age 18 who are enrolled at a public college or university will qualify for an enhanced access award to help address their basic needs.

- Remove age limits, time since high school graduation, and GPA as barriers to accessing a Cal Grant Award. This will eliminate the need for the competitive Cal Grant program.
- Opens up eligibility to Cal Grant aid to nearly 200,000 more California students than the current Cal Grant system, with significant gains for adult learners and student-parents, as well as Black and Latino students.
- Aligns state and federal financial aid policies to create a more coordinated approach to investments in college affordability that leverages federal fund sources to most effectively serve students.

By reforming our Cal Grant system now, California will support its diverse students and grant them the opportunity to pursue higher education.

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