

# The Cal Grant Equity Framework & Student Aid Index:

## Coordinated Financial Supports to Serve More Students

April 2021

### INTRODUCTION

In December 2020, Congress approved a legislative package that provided relief in response to the COVID-19 pandemic, as well as enacted several other critical provisions; the “FAFSA Simplification Act” was one such component of this year-end lawmaking. This legislation made the most significant changes to federal financial aid policies in years. Taking effect in 2023, the FAFSA Simplification Act not only enacts changes to the Free Application for Federal Student Aid (FAFSA) by removing dozens of questions, but also expands eligibility for the federal Pell Grant to more students. Commencing in the financial aid application cycle opening on October 1, 2022, students will be provided with a Student Aid Index, rather than an Expected Family Contribution (EFC) to inform determinations of their eligibility for financial aid. Under the new Student Aid Index and updated eligibility terms for the Pell Grant, California students will access even greater levels of federal financial aid to support their higher education.

The **Cal Grant Equity Framework** proposed in January 2021 would utilize the same criteria for the Cal Grant program that is used for federal financial aid. As a result, there are more eligible students that could be served and funding required to enact such a shift. California Student Aid Commission (Commission) staff have finalized a thorough analysis of these changes to federal financial aid to understand their impacts on California students, as well as re-modeled the Cal Grant Equity Framework proposal to reflect options for policymaker consideration in light of these new federal eligibility standards.

This landmark shift in federal financial aid policy begs the question about how California can most effectively align and leverage the other forms of student support, including state and institutional aid, with this increased investment in the Pell Grant program to close the Cost of Attendance gap. This brief provides an update to the Cal Grant Equity Framework and recommends how California can weave together federal, state, and institutional aid to meet the needs of today’s students.

### CAL GRANT 2

The Cal Grant Equity Framework proposes that a Cal Grant 2 would guarantee an access award (entitlement) for all California Community College (CCC) students with an EFC of \$0, with the amount varying based on whether they had a dependent under age 18. While the new federal financial aid system no longer provides an EFC, the Commission can identify the students with incomes that would qualify for a maximum Pell Grant award – the group that closely aligns with 0 EFC and the most financially vulnerable students as identified by financial aid applications.

Under the new federal financial aid system, more students will qualify to receive a maximum Pell Grant award, increasing the number of students eligible to receive a Cal Grant 2 award relative to today's system of state financial aid. Commission staff analysis identified that over 367,000 CCC students applying for financial aid would qualify for the new maximum Pell Grant (see appendix for tables on the socioeconomic and demographic profiles of these students). In re-modeling estimates for student eligibility and costs, the Commission has assumed all other eligibility criteria as identified in the January 2021 Cal Grant Equity Framework proposal. The Cal Grant 2 would no longer have eligibility barriers based on age, time out of high school, or GPA.

The Commission recommends that the initial adoption of the Cal Grant Equity Framework maintain the existing \$1,656 award, indexed to the California Consumer Price Index to maintain its purchasing power, while extending eligibility to all CCC students with incomes qualifying for a maximum Pell Grant award (See the section on "Recommendations for Phasing of Investments" for more details on how the Commission would suggest that the program be fully phased-in over time).

### Cal Grant 2 eligibility thresholds & award amount options

| Student population served                                                           | Number of students | Award Amount | Total funds required | Additional funds required |
|-------------------------------------------------------------------------------------|--------------------|--------------|----------------------|---------------------------|
| Students with incomes eligible for a maximum Pell Grant under the Student Aid Index | 367,318            | \$1,656      | \$307 million        | \$157 million             |
|                                                                                     |                    | \$2,500      | \$463 million        | \$313 million             |
| Students with incomes eligible for any Pell Grant under the Student Aid Index       | 464,685            | \$1,656      | \$385 million        | \$235 million             |
|                                                                                     |                    | \$2,500      | \$581 million        | \$431 million             |

## CAL GRANT 4

The Cal Grant Equity Framework proposed that any student with an EFC that would qualify for the federal Pell Grant (i.e., an EFC equal or less than \$5,576) would qualify for a Cal Grant 4 award.

Under the federal Student Aid Index, more students will begin to qualify for a Pell Grant award. Under the Student Aid Index, students will qualify for a "minimum Pell Grant" based on their household size and status, as well as their family income when compared against a specified percentage of the federal poverty level. Beginning in the financial aid application cycle starting in October 2022, this will allow students and families to easily compare their income against a "look-up table" of income ceilings to assess if they will qualify for at least the minimum Pell Grant award.

Commission staff analysis found that over 191,000 students applying for aid and enrolled at the University of California (UC), California State University (CSU), or other eligible private institutions would qualify for a Pell Grant award of some amount under the Student Aid Index.

Because the proposed Cal Grant 4 would cover tuition and fees at the UC and CSU, as well as the current defined amounts for students enrolled at private institutions, additional funds would be required to serve more students

eligible for a Cal Grant 4 if still using the new income eligibility criteria for the Pell Grant under the Student Aid Index. In addition to estimating the costs associated with extending eligibility for the Cal Grant 4 to all the students made newly eligible for a Pell Grant, the Commission has also identified the income ceilings that could be established if only utilizing the 2020-21 Cal Grant appropriations towards students awarded at these institutions. Tables below outline the eligibility criteria for the minimum Pell Grant and the Cal Grant 4 awards possible utilizing 2020-21 appropriations, as well as the numbers of students and estimated costs associated with both eligibility thresholds.

### Comparison of eligibility for the minimum Pell Grant award under the Student Aid Index & eligibility for the Cal Grant 4 based on 2020-21 appropriations

| Student Household Status                                                                                                                           | Percentage of federal poverty level qualifying for a minimum Pell Grant | Percentage of federal poverty level qualifying for Cal Grant 4 |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Dependent student with married parents</li> <li>Independent, married student without a dependent</li> </ul> | 275%                                                                    | 225%                                                           |
| <ul style="list-style-type: none"> <li>Dependent student with a single parent</li> <li>Independent, single student without dependents</li> </ul>   | 325%                                                                    | 275%                                                           |
| <ul style="list-style-type: none"> <li>Independent, married student with dependents</li> </ul>                                                     | 350%                                                                    | 300%                                                           |
| <ul style="list-style-type: none"> <li>Independent, single student with dependents</li> </ul>                                                      | 400%                                                                    | 350%                                                           |

Note: See appendix for a complete list of the most recently published federal poverty level, above percentages for eligibility based on household status, and the associated annual incomes for eligibility for a minimum Pell Grant award or a Cal Grant 4 award.

### Funding required to serve Cal Grant 4 students based on eligibility for the minimum Pell Grant award under the Student Aid Index & based on 2020-21 appropriations

| Student population served                               | Number of students | Total funds required | Additional funds required |
|---------------------------------------------------------|--------------------|----------------------|---------------------------|
| Students with incomes eligible for proposed Cal Grant 4 | 171,230            | \$2.14 billion       | \$0                       |
| Students with incomes eligible for a Pell Grant award   | 191,393            | \$2.37 billion       | \$228 million             |

## CALFRESH ACCESS UNDER THE CAL GRANT EQUITY FRAMEWORK

As policymakers consider the means to help students access all available forms of support, it is important to note that the additional Cal Grant 4 awards to provide tuition assistance will also enable California to access greater levels of federal funds towards students' basic needs. 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). Students in receipt of a TANF-funded benefit are allowed to apply for CalFresh, the federally-funded program that provides financial assistance to help afford nutritious meals. Without receipt of such a TANF-funded benefit, many students with significant financial need are precluded from accessing CalFresh due to federal eligibility restrictions on students.

The maximum monthly CalFresh benefit is \$234, which would provide just over \$2,800 in additional support for an eligible student annually. When considering the increased numbers of students that would be eligible for a Cal Grant 4 award covering their tuition and fees, California has an opportunity to access significant federal resources to help students.

### Potential federal funding made available to Cal Grant 4 students via CalFresh

| Student population served                          | Number of additional students receiving a tuition award | Total potential federal funds made available via CalFresh |
|----------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|
| All students eligible for a Cal Grant 4 in Phase 1 | 38,646                                                  | \$108.5 million                                           |
| All students eligible for a Cal Grant 4 in Phase 2 | 58,809                                                  | \$165.1 million                                           |

## STUDENTS WITH DEPENDENT CHILDREN GRANT

The Cal Grant Equity Framework proposed that \$0 EFC student-parents with dependents under age 18 and enrolled at a public college or university would qualify for an enhanced Access Award to support their basic needs.

As noted above, there is significant growth to the number of students that would qualify for a maximum Pell Grant award under the Student Aid Index. Commission staff estimate that a total of 89,565 student-parents at the CCC, CSU, and UC would be eligible for a Cal Grant 2 or Cal Grant 4 award and an enhanced Students with Dependent Children award to support their basic needs.

The below table compares the funding required to serve this larger population of student-parents with a \$6,000 award (the current maximum Access Award for eligible student-parents) or the amount that could be offered based on the 2020-21 statutory funding cap for the program.

| Student population served                                            | Number of students | Award Amount | Total funds required | Additional funds required |
|----------------------------------------------------------------------|--------------------|--------------|----------------------|---------------------------|
| Student-parents at CCC, CSU, or UC qualifying for a Cal Grant 2 or 4 | 89,565             | \$4,200      | \$125 million        | \$0                       |
| Student-parents at CCC, CSU, or UC qualifying for a Cal Grant 2 or 4 | 89,565             | \$6,000      | \$201 million        | \$76 million              |

## ROLE OF THE MIDDLE CLASS SCHOLARSHIP & INSTITUTIONAL AID

In the January 2021 brief on the Cal Grant Equity Framework, the Commission proposed that institutional aid would be expected to help support students in covering their basic needs, while the Middle Class Scholarship program would continue to serve UC and CSU students that are not eligible for a Cal Grant 4. The Commission envisions that both of these efforts would be furthered by the new Student Aid Index model and do not require revisions to what was proposed previously.

## RECOMMENDATIONS FOR PHASING OF INVESTMENTS

The Commission has identified several critical investments toward the Cal Grant Equity Framework as policymakers seek to further California's goals for its college affordability programs and align with the new federal Student Aid Index. However, in recognition that there may be a need to phase in additional funding over time, the Commission has also outlined recommendations for the sequencing of these targeted investments. The Commission recommends that policymakers prioritize the below investments for the initial adoption and ensuing phase-in of the Cal Grant Equity Framework:

- Phase 1: Adopt the Cal Grant Equity Framework**
  - \$157 million: extend a Cal Grant 2 award of \$1,656 to all CCC students with incomes that would qualify for a maximum Pell Grant award.
  - \$76 million: increase the Students with Dependent Children award to \$6,000 for all student-parents receiving a Cal Grant 2 or 4 at a UC, CSU, or CCC.
- Phase 2: Extend eligibility to all students with incomes qualifying for Pell**
  - \$306 million: extend eligibility for a Cal Grant 2 or 4 award to all students with incomes eligible for a Pell Grant award.
- Phase 3: Increase Cal Grant 2 award amount level**
  - \$274 million: increase the Cal Grant 2 award from \$1,656 to \$2,500 for all CCC students with incomes eligible for a Pell Grant award.
- Phase 4: Establish other key policies that promote college affordability**

- Establish a statutory formula for determining the award amount for students enrolled at eligible private, non-profit institutions.
- Revise standards for Cal Grant lifetime eligibility such that students could receive aid for two summer terms without impacting their eligibility for Cal Grant awards during the traditional academic year.

An initial down-payment toward the Cal Grant Equity Framework will allow California to expand access to financial aid for more than **280,000 more students in just the first year of applications** under the new system, while removing the eligibility barriers that restrict access to aid for many of the most financially vulnerable students.

The changes enacted to federal financial aid policy create an opportunity for state policymakers and education leaders to go even further in our collective efforts to modernize the Cal Grant program and better serve today's students. By simplifying and expanding the Cal Grant, California can align its state financial aid programs with this new federal system to more effectively and cohesively serve students.

## 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 Student | Dependent        | Student Parent  | Average Household Size | Average GPA* |
| <b>Current Model</b>    | 124,227 | \$22,308       | 23.2        | 61.1%<br>75,903  | 4.8%<br>5,963          | 74.0%<br>91,928          | 61.6%<br>76,524  | 18.6%<br>23,106 | 3.6                    | 2.92         |
| <b>Proposed Model</b>   | 367,318 | \$18,598       | 25.2        | 58.7%<br>215,616 | 3.0%<br>11,020         | 67.7%<br>248,674         | 48.2%<br>177,047 | 22.0%<br>80,810 | 3.2                    | 2.68         |
| <b>Newly Eligible</b>   | 256,803 | \$19,307       | 25.9        | 57.6%            | 2.1%                   | 64.1%                    | 43.9%            | 22.6%           | 3.0                    | 2.55         |
| <b>Newly Ineligible</b> | 13,712  | \$65,491       | 20.0        | 59.6%            | 2.9%                   | 57.2%                    | 88.6%            | 2.6%            | 3.9                    | 3.19         |

| Cal Grant 4             | Count   | Demographic    |             |                 |                        |                          | Household        |                |                        | GPA          |
|-------------------------|---------|----------------|-------------|-----------------|------------------------|--------------------------|------------------|----------------|------------------------|--------------|
|                         |         | Average Income | Average Age | Female          | CA Dream Act Applicant | First Generation Student | Dependent        | Student Parent | Average Household Size | Average GPA* |
| <b>Current Model</b>    | 132,584 | \$35,495       | 20.3        | 60.0%<br>79,500 | 3.2%<br>4,243          | 63.6%<br>84,323          | 81.2%<br>107,658 | 4.5%<br>5,966  | 3.8                    | 3.28         |
| <b>Proposed Model</b>   | 171,222 | \$26,292       | 22.6        | 58.2%<br>99,651 | 2.8%<br>4,794          | 61.1%<br>104,617         | 62.1%<br>106,329 | 8.2%<br>14,040 | 3.3                    | 3.19         |
| <b>Newly Eligible</b>   | 62,752  | \$25,951       | 26.4        | 54.7%           | 1.1%                   | 50.0%                    | 33.8%            | 13.3%          | 2.4                    | 3.09         |
| <b>Newly Ineligible</b> | 24,114  | \$76,006       | 19.6        | 59.6%           | 0.9%                   | 45.5%                    | 93.5%            | 1.6%           | 3.9                    | 3.45         |

**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>    | 5.3%             | 0.5%            | 7.4%           | 2.4%          | 68.1%            | 0.4%             | 1.8%              | 14.1%           |
| <b>Proposed Model</b>   | 7.5%             | 0.5%            | 7.1%           | 2.0%          | 66.9%            | 0.5%             | 1.8%              | 13.7%           |
| <b>Newly Eligible</b>   | 8.7%<br>22,342   | 0.6%<br>1,541   | 6.9%<br>17,719 | 2.1%<br>5,393 | 64.9%<br>166,665 | 0.5%<br>1,284    | 2.0%<br>5,136     | 14.4%<br>36,980 |
| <b>Newly Ineligible</b> | 2.5%<br>343      | 0.4%<br>55      | 8.3%<br>1,138  | 5.5%<br>754   | 58.4%<br>8,008   | 0.4%<br>55       | 2.3%<br>315       | 22.2%<br>3,044  |

| Cal Grant 4             | African American | American Indian | Asian           | Filipino      | Latinx          | Pacific Islander | Two or More Races | White           |
|-------------------------|------------------|-----------------|-----------------|---------------|-----------------|------------------|-------------------|-----------------|
| <b>Current Model</b>    | 5.8%             | 0.3%            | 14.9%           | 3.5%          | 58.2%           | 0.5%             | 2.1%              | 14.6%           |
| <b>Proposed Model</b>   | 6.1%             | 0.3%            | 15.3%           | 2.9%          | 58.9%           | 0.5%             | 2.0%              | 14.0%           |
| <b>Newly Eligible</b>   | 5.8%<br>3,640    | 0.3%<br>188     | 18.9%<br>11,860 | 3.6%<br>2,259 | 45.7%<br>28,678 | 0.4%<br>251      | 2.8%<br>1,757     | 22.5%<br>14,119 |
| <b>Newly Ineligible</b> | 4.2%<br>1,013    | 0.4%<br>96      | 15.6%<br>3,762  | 6.6%<br>1,592 | 45.7%<br>11,020 | 0.5%<br>121      | 3.1%<br>748       | 23.8%<br>5,739  |

## Maximum incomes qualifying for a minimum Pell Grant award under Student Aid Index

| 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              | \$12,760                    | \$35,090                                                                                               | \$41,470                                                                                               | \$44,660                                                   | \$51,040                                                  |
| 2              | \$17,240                    | \$47,410                                                                                               | \$56,030                                                                                               | \$60,340                                                   | \$68,960                                                  |
| 3              | \$21,720                    | \$59,730                                                                                               | \$70,590                                                                                               | \$76,020                                                   | \$86,880                                                  |
| 4              | \$26,200                    | \$72,050                                                                                               | \$85,150                                                                                               | \$91,700                                                   | \$104,800                                                 |
| 5              | \$30,680                    | \$84,370                                                                                               | \$99,710                                                                                               | \$107,380                                                  | \$122,720                                                 |
| 6              | \$35,160                    | \$96,690                                                                                               | \$114,270                                                                                              | \$123,060                                                  | \$140,640                                                 |
| 7              | \$39,640                    | \$109,010                                                                                              | \$128,830                                                                                              | \$138,740                                                  | \$158,560                                                 |
| 8              | \$44,120                    | \$121,330                                                                                              | \$143,390                                                                                              | \$154,420                                                  | \$176,480                                                 |

## Maximum incomes qualifying for a Cal Grant 4 award (Phase 1)

| Household Size | Federal Poverty Level (FPL) | Dependent student with married parents OR independent, married student without dependent (225% of FPL) | Dependent student with a single parent OR independent, single student without dependents (275% of FPL) | Independent, married student with dependents (300% of FPL) | Independent, single student with dependents |
|----------------|-----------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------|
| 1              | \$12,760                    | \$28,710                                                                                               | \$35,090                                                                                               | \$38,280                                                   | \$44,660                                    |
| 2              | \$17,240                    | \$38,790                                                                                               | \$47,410                                                                                               | \$51,720                                                   | \$60,340                                    |
| 3              | \$21,720                    | \$48,870                                                                                               | \$59,730                                                                                               | \$65,160                                                   | \$76,020                                    |
| 4              | \$26,200                    | \$58,950                                                                                               | \$72,050                                                                                               | \$78,600                                                   | \$91,700                                    |
| 5              | \$30,680                    | \$69,030                                                                                               | \$84,370                                                                                               | \$92,040                                                   | \$107,380                                   |
| 6              | \$35,160                    | \$79,110                                                                                               | \$96,690                                                                                               | \$105,480                                                  | \$123,060                                   |
| 7              | \$39,640                    | \$89,190                                                                                               | \$109,010                                                                                              | \$118,920                                                  | \$138,740                                   |
| 8              | \$44,120                    | \$99,270                                                                                               | \$121,330                                                                                              | \$132,360                                                  | \$154,420                                   |