

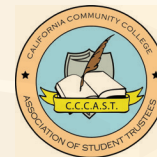
STRENGTHENING CAL GRANTS TO BETTER SERVE TODAY'S STUDENTS

ANALYSIS AND RECOMMENDATIONS

APRIL 2013

In partnership with:

California Competes
Higher Education for a Strong Economy



The Campaign for
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For more information about the coalition supporting a stronger Cal Grant program, see www.ticas.org/calgrants.

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INTRODUCTION

California needs 2.3 million more people with postsecondary credentials by 2025, but we cannot achieve that goal at current college completion rates.¹ Overall, only 32 percent of California college students complete credentials on time.² Low-income students are much less likely than higher income students to enroll in or complete college, and these income gaps have grown in recent decades.³ At community colleges, which enroll the majority of the state's low-income students, African-American and Latino students are much less likely than white students to complete credentials.⁴ The state must do better to fulfill its promise of equitable opportunity for all students.

Students' ability to pay for college is an important factor in whether they go to college and stay once they are there. College costs include not only the tuition and fees required to enroll, but also the many other costs students incur: textbooks, transportation, housing, and food. Most students and families cannot afford to pay all of these costs from earnings and savings alone.

By reducing the gap between the cost of college and what families can afford to pay, financial aid can help increase enrollment, persistence, and completion. When that gap is not fully closed, the remainder is called "unmet need." Research shows that students are less likely to enroll when they have more unmet need, and that enrolled students with any unmet need are less likely to earn degrees than those with none.⁵ Having sufficient resources to cover college costs – from savings, earnings, grants, and/or manageable loans – helps students complete college by reducing their need to work and supporting their time studying and in class.⁶

Providing more than \$1.5 billion in need-based financial aid to California's college students, the Cal Grant program is a substantial state investment in college access and success.⁷ In fact, the Cal Grant program is the largest state grant program nationally in terms of dollars awarded, fifth in the number of students served, and sixteenth in dollars provided per full-time equivalent student.⁸

Still, there is room to improve Cal Grants. Awards for many qualifying students have been stagnant for decades, and many of California's low-income college students are left out of the program entirely. In fact, only 23 percent of the neediest college students in the state – those with no financial resources to put towards college costs – receive a Cal Grant.⁹ Among students who do receive Cal Grants, those who are underrepresented in higher education – African Americans, Latinos, Native Americans, and Pacific Islanders – receive smaller grants than white students. The same is true of the neediest students – their grants are smaller than those of better-off peers.¹⁰

It is clear we need to enable more students to graduate, overcome widening income gaps in college enrollment and completion, and eliminate racial and ethnic disparities in educational attainment. Improving the Cal Grant program so that more students are served, and served well, is critical to making progress on these three interrelated fronts.

Among student, civil rights, and college access organizations, there is broad consensus on what the Cal Grant program's two top goals should be: helping the neediest students in the state afford college, and using available dollars to encourage colleges to serve students better. While more could be done to focus colleges on improving student outcomes, there has been significant movement in recent years with the creation of accountability standards tied to the graduation and student loan default rates of Cal Grant participating institutions. In contrast, within the recent climate of cost-cutting there has been virtually no attention to how Cal Grants could make college more affordable for low-income students.

In this brief, we explore various aspects of the Cal Grant program and how to build on its strengths to better serve the goal of improving the program for our state's neediest students. We offer three specific policy recommendations:

1. Increase the Cal Grant B access award, which helps low-income recipients limit their work hours and focus on their studies.
2. Serve more of the state's Cal Grant eligible students.
3. Include tuition awards for first-year Cal Grant B recipients, better enabling low-income students to choose the college that is right for them.

CAL GRANT BASICS

› WHO ARE CAL GRANT RECIPIENTS?

Cal Grant recipients come from low- to moderate-income backgrounds and attend all types of institutions. At California's public colleges and universities, Cal Grant recipients – especially the most disadvantaged – are more likely to be underrepresented minorities.¹¹ Cal Grant recipients are generally successful, with graduation rates comparable to those of students who do not receive grants and typically have higher incomes. At the community colleges in particular, persistence and graduation/transfer rates for Cal Grant recipients are actually higher than those of non-recipients.¹²

› KEY ELIGIBILITY CRITERIA FOR ALL GRANT TYPES

Student eligibility: All Cal Grant applicants must have not yet earned a BA; meet financial need, income, and asset criteria; have earned a minimum GPA; apply before application deadlines; and be California residents.¹³ Financial and GPA criteria vary for each type of Cal Grant award.¹⁴

College eligibility: Cal Grant recipients can use their awards at hundreds of colleges throughout the state. Since 2011, colleges also have had to meet basic eligibility criteria. For 2012-13, colleges where more than 40% of students borrow must have a graduation rate above 30% and a federal student loan default rate of less than 15.5% to participate in the Cal Grant program.¹⁵

» ELIGIBILITY POOLS

The majority of Cal Grant *recipients* receive grants as an *entitlement*, meaning that they applied at a point when they were guaranteed a grant if they met the GPA and income-related criteria. Students who apply their senior year of high school or within the next year receive a *high school entitlement* award, which is the most common type of award. Students who transfer from a community college to a four-year school before age 28 may qualify for a *transfer entitlement* award. In 2010-11, 72 percent of all Cal Grant recipients got high school entitlement awards, while five percent got transfer entitlement awards.¹⁶

The majority of Cal Grant *applicants* do not qualify for entitlement awards because they are more than a year out of high school, decide to go to college after the entitlement application deadline, or do not meet age or other requirements when they transfer. These hundreds of thousands of students must instead compete for a set number of awards authorized each year. *Competitive* awards went to just 18 percent of all Cal Grant recipients in 2010-11.¹⁷

Based on which eligibility criteria they meet, both entitlement and competitive applicants may be offered a Cal Grant A or B. Cal Grant A awards are available to students with high GPAs from generally middle-income families, while Cal Grant B awards are available to students with moderate to high GPAs from low-income families.

» WHAT CAL GRANTS COVER

The dollar value of a Cal Grant depends on the type of award. Cal Grant A awards cover tuition costs, and the amount provided varies based on where the student attends college (see below). Cal Grant B awards, which go to lower income applicants, include an “access” award to help students cover non-tuition costs, such as books and supplies, room and board, and transportation. Most Cal Grant B recipients receive only this access award, which is \$1,473 for 2012-13.¹⁸ However, depending on the type of college they attend and their year in college, Cal Grant B recipients may also receive a tuition award.

Tuition awards, whether part of Cal Grant A or B, cover full systemwide tuition and fees at public universities.¹⁹ The maximum tuition coverage for different types of private institutions has been set in the annual budget act. While all Cal Grant A recipients receive tuition awards starting their first year of college, those who receive Cal Grant B generally do not receive tuition awards until their second year.²⁰

► Cal Grant Award Values Vary by College Type 2012 - 13 Maximum Cal Grant Award Values ²¹

Sector	Cal Grant A	Cal Grant B (first year)	Cal Grant B (subsequent year)
California Community Colleges	n/a	\$1,473	\$1,473
University of California	\$12,192	\$1,473	\$13,665
California State University	\$5,472	\$1,473	\$6,945
Nonprofit Colleges	\$9,223	\$1,473	\$10,696
For-profit Colleges	\$9,223	\$1,473	\$10,696

It is important to note that the differing value of Cal Grant awards is related to differences in tuition, not other college costs. Across the example colleges below, maximum first-year Cal Grants cover between eight and 43 percent of total college costs.²²

- **Tuition and fees are different across college types, as is the value of Cal Grant awards. However, total college costs, which include books, transportation, and living expenses, are not as different.**

2012-13 Costs and Cal Grants	Berkeley City College	CSU East Bay	UC Berkeley	California College of the Arts
Tuition and Systemwide Fees	\$1,104	\$5,472	\$12,192	\$38,448
Total College Costs	\$17,889	\$24,771	\$28,492	\$53,908
Maximum 1st-Year Cal Grant	\$1,473	\$5,472	\$12,192	\$9,223
Share of Total Costs Covered by Maximum 1st-Year Cal Grant	8%	22%	43%	17%

THE VALUE OF CAL GRANTS

As noted above, the tuition awards for students at the University of California (UC) and the California State University (CSU) are tied to actual tuition charged, and the grant level increases when tuition increases. Other award amounts are specified each year in the annual budget act, and in some cases set in statute. With some grants increasing steadily and contributing to growing program costs, lawmakers have not been inclined to add more to program costs by increasing the other award amounts unnecessarily. For many low-income Cal Grant recipients, and Cal Grant B recipients in particular, this means their awards have stagnated. The original Cal Grant B access award was \$900 in 1969-70, equal to \$5,900 in 2012-13 dollars. Instead, the 2012-13 access award of \$1,473 is just a quarter of that amount.²³

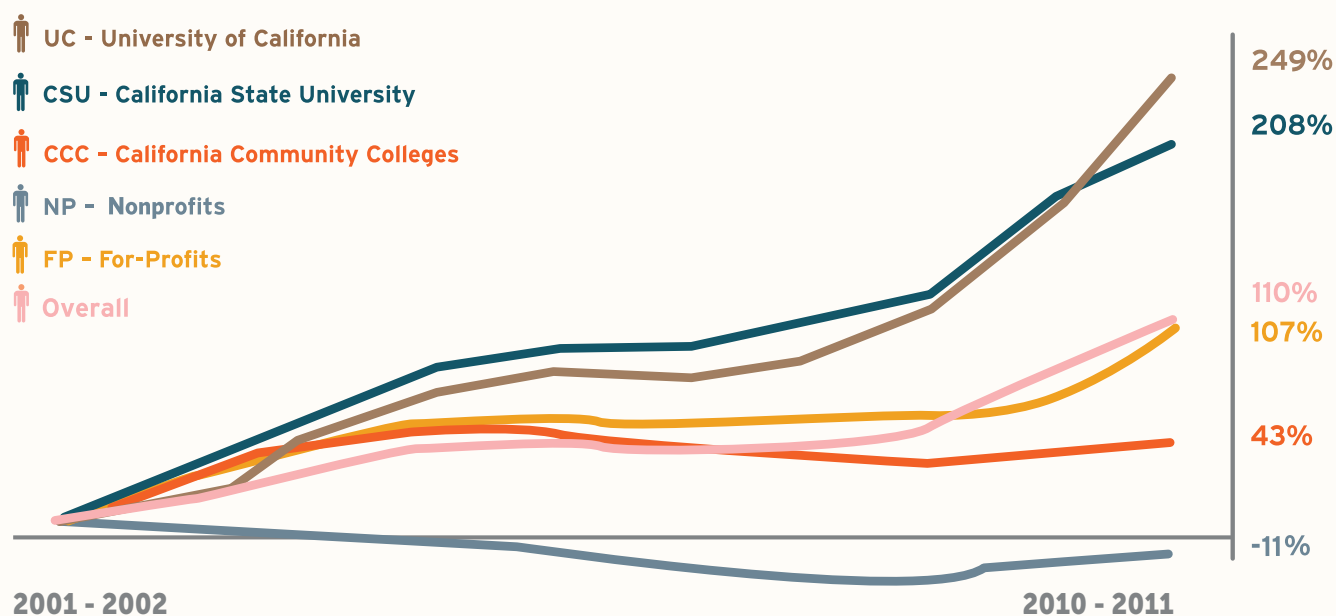
- **Lower income Cal Grant recipients generally receive money for educational costs beyond tuition and fees. This stipend was worth \$900 in 1969-70, the year of its inception.**



For 2012-13, it is worth \$1,473 – **ONE QUARTER** of what the original award would be worth had it kept pace with inflation.

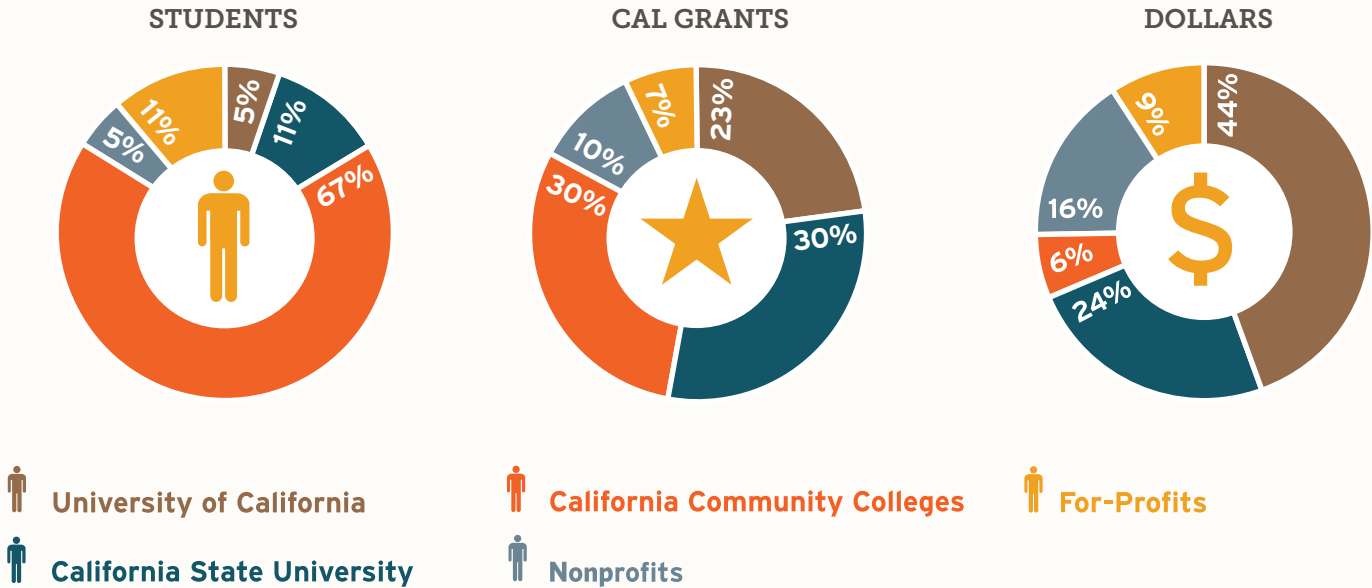
The impact of these trends is evident in the chart below, which shows program costs by college segment.²⁴ As UC and CSU tuition have increased dramatically since 2001, Cal Grant expenditures at these segments have also increased substantially. Cal Grant expenditures at community colleges and private colleges – where grant amounts have been flat – have remained fairly level and even decreased in recent years.²⁵

► **Cal Grants automatically cover tuition and fees for recipients attending UC and CSU. This is where the majority of growth in the Cal Grant program has occurred in the last decade (2011 dollars).**



These trends have exacerbated disparities in the distribution of college students, Cal Grants, and Cal Grant dollars. To some extent, these disparities were predictable, as Cal Grant award amounts have always been based primarily on tuition amounts, and therefore provided more assistance to colleges with higher tuition charges. However, they have widened in ways that legislators may not have envisioned. For instance, in 2001-02, UC accounted for five percent of undergraduate enrollment and received 27 percent of Cal Grant funding.²⁶ In 2010-11, UC still enrolled five percent of undergraduate enrollment and received 44 percent of Cal Grant funding, whereas the CCCs enrolled 67 percent of students accounting for 6 percent of Cal Grant funding.²⁷

► **California college students, Cal Grant Awards, and Cal Grant dollars are not distributed evenly across colleges. (2010-11)**



The wide range of Cal Grant award values, combined with the distribution of underrepresented students across college types, contributes to statewide disparities in the size of grants students receive. Across the state, underrepresented minority students receive grants that are on average just three-quarters the size of white students' grants.²⁸ Further, across all racial groups, Cal Grant recipients with no resources to pay for college get grants worth on average just two-thirds (69 percent) of what students with more financial cushion receive.²⁹

WHO DOESN'T RECEIVE A CAL GRANT?

Despite being primarily an “entitlement” program, many eligible applicants do not receive Cal Grants. While all eligible recent high school graduates who apply before the deadline are offered Cal Grants, many otherwise eligible students miss the application deadline or enroll in college well after they graduated from high school. These are particular problems for the lowest income students, who may miss out on timely application or enrollment because they are not aware that financial aid can bring college within reach.

Overall, national data show that only 23 percent of very low-income college students in California who applied for aid received a Cal Grant in 2007-08, the most recent data available. At the California Community Colleges, only 16 percent of the lowest income aid applicants received a Cal Grant.³⁰

The two most likely reasons for non-receipt are a lack of college knowledge, which leads students to undervalue the importance of applying for aid and miss the primary Cal Grant application deadline, and the limited number of Cal Grant awards available to students who are not recent high school graduates.

While everyone who qualifies for an entitlement grant receives one, those who qualify for a competitive grant must vie for only 22,500 grants.³¹ Over recent years, the growing imbalance between available competitive grants and eligible applicants has led to increasingly slimmer odds of receiving a grant. In the most recent award cycle, for 2012-13, the number of eligible applicants exceeded the number of available competitive grants by a factor of 17.³²

23% In California, 23% of very low-income students who apply for aid receive a Cal Grant.

Of very low-income students:

77% UC students are the most likely to receive a Cal Grant.

16% CCC students are the least likely to receive a Cal Grant.

► Not all eligible applicants receive a grant.

Generally, **recent high school graduates** are entitled to grants.



All **other eligible applicants** compete for a very limited number of grants. In 2012-13 there was only one competitive Cal Grant available for every 17 eligible applicants.



CONCLUSION

Providing over \$1.5 billion in need-based grant aid to more than 250,000 students throughout the state, the Cal Grant program is an incredibly important part of California's higher education system. However, our findings disprove two common myths about the Cal Grant program: that it serves all the neediest students in the state, and that it sufficiently addresses their college costs.

To reach statewide goals for college enrollment and completion, we must strengthen the Cal Grant program. Informed by the data and analysis included in this brief, we recommend three ways to make Cal Grants more equitable and effective:

1. Increase the Cal Grant B access award, which helps low-income recipients limit their work hours and focus on their studies.
2. Serve more of the state's Cal Grant eligible students.
3. Include tuition awards for first-year Cal Grant B recipients, better enabling low-income students to choose the college that is right for them.

California cannot get ahead by leaving its neediest students behind. Improving the Cal Grant program alone will not solve California's college completion and workforce challenges, but it will better position California to once again fulfill its longstanding promise of educational opportunity for all.

CITATIONS

- 1 California Competes. 2012. *The Road Ahead: Higher Education, California's Promise, and Our Future Economy*. <http://californiacompetes.org/wp-content/uploads/2012/06/The-Road-Ahead.pdf>.
- 2 Calculations by TICAS using data from the U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2011-12 Graduation Rate Survey and IPEDS 2010-11 Institutional Characteristics survey. This figure is the weighted average of graduation rates for first-time, full-time degree/certificate-seeking students starting in 2008-09 at two-year and less-than-two-year schools, and first-time, full-time bachelor's degree-seeking students starting in 2005-06 at four-year colleges. Graduating on time means completing a certificate or degree within 100 percent of normal time at the same institution where the student started as a first-time student.
- 3 Bailey, Martha J. and Susan M. Dynarski. 2011. *Gains and Gaps: Changing Inequality in U.S. College Entry and Completion*. National Bureau of Economic Research. Working Paper 17633. <http://www.nber.org/papers/w17633.pdf>.
- 4 Moore, Colleen and Nancy Shulock. 2010. *Divided We Fail: Improving Completion and Closing Racial Gaps in California's Community Colleges*. Institute for Higher Education Leadership & Policy. http://www.collegecampaign.org/index.php/download_file/view/103/124/.
- 5 Noel-Levitz. 2007. *Access Alert: How the Neediest Students Can Gain Access and Succeed Through Strategic Financial Aid Awarding*. <http://bit.ly/XA0gTq>. Titus, Marvin A. 2006. *No College Student Left Behind: The Influence of Financial Aspects of a State's Higher Education Policy on College Completion*. The Review of Higher Education, Vol. 29, No. 3.
- 6 For more on how working long hours can impede academic success, see: Zomer, Saffron. 2009. *Working Too Hard to Make the Grade: How Fewer Work Hours and More Financial Aid Can Help California Community College Students Succeed*. CALPIRG. <http://www.uspirg.org/sites/pirg/files/reports/workingtoohard.pdf>. King, Jacqueline E. 2002. *Crucial Choices: How Students' Financial Decisions Affect Their Academic Success*. American Council on Education. <http://armasineducation.com/documents/crucialchoices.pdf>. Orszag, Jonathan M., Peter R. Orszag, and Diane M. Whitmore, commissioned by UPromise, Inc. 2001. *Learning and Earning: Working in College*. <http://www.brockport.edu/career01/upromise.htm>.
- 7 Total Cal Grant program costs of more than \$1.5 billion can be found in the Governor's Budget 2012-13, Revised Budget Summary. <http://www.ebudget.ca.gov/pdf/Revised/BudgetSummary/HigherEducation.pdf>.
- 8 California rankings in state grant dollars and students served by state grant dollars are TICAS calculations based on 2010-11 data from the National Association of State Student Grant & Aid Programs' Annual Survey Query Tool. <http://www.nassgap.org/customquery/CQB01ListQueries.aspx>. California ranking of state grant dollars provided per full-time equivalent student from The College Board Advocacy & Policy Center. 2012. *Trends in Student Aid 2012*. Figure 18A.
- 9 Calculations of state grant recipients by TICAS using data from the U.S. Department of Education, National Postsecondary Student Aid Study: 2008 (NPSAS:08). Includes students who applied for federal aid and had an 'expected family contribution' or EFC of zero, meaning that they were not expected to be able to contribute anything financially toward college costs.
- Cal Grants comprised more than 95% of state grant dollars awarded in California in 2007-08.
- 10 TICAS calculations of grant size by ethnicity and student ability to pay using data from NPSAS:08.
- 11 Calculations by TICAS of underrepresented minorities (African American, Latino, Pacific Islander, Native American) based on 2010-11 data provided by the California Community Colleges, the California State University, and the University of California; and on 2010-11 data from the California Community Colleges Chancellor's Office's Data Mart.
- 12 Calculations by TICAS of success rates based on data provided by the California Community Colleges, the California State University, the University of California, and the California Student Aid Commission (CSAC). For more on student success rates see Cochrane, Debbie. 2012. *Testimony of Debbie Cochrane, Program Director: The Institute for College Access & Success, as Prepared for Delivery*. TICAS. http://www.ticas.org/files/pub/FINAL_DFC_testimony_for_Asm_Budget_sub2_hearing_3-7-12.pdf.
- 13 Per the California Dream Act of 2011, AB 540-eligible students are now included.
- 14 Key eligibility criteria found in California Education Code, sections 69430-69433.9. <http://www.leginfo.ca.gov>.
- 15 An exception to these thresholds has been made for schools whose CDR is below 10 percent: as long as their graduation rate is over 20 percent they have through 2016-17 to raise it to over 30 percent.
- 16 Calculations by TICAS based on data from CSAC. 2011. *California Student Aid Commission 2010-11 Cal Grant Program Recipients*. http://www.csac.ca.gov/pubs/forms/grnt_frm/2010-11_calgrantprogramrecipients.pdf.
- 17 Calculations by TICAS based on data from CSAC. 2011. *California Student Aid Commission 2010-11 Cal Grant Program Recipients*. http://www.csac.ca.gov/pubs/forms/grnt_frm/2010-11_calgrantprogramrecipients.pdf. The remaining five percent of Cal Grant recipients are Cal Grant C recipients. Cal Grant C awards are allocated through a separate competitive grant pool, and are available for two years to students who are enrolled in a recognized career or technical program. We do not address Cal Grant C specifically in this brief given the narrow focus of the awards.
- 18 Unlike tuition coverage, Cal Grant B recipients receive the access stipend beginning their first year of college.
- 19 For the remainder of this brief we refer to "systemwide tuition and fees" as "tuition".
- 20 Up to two percent of entitlement Cal Grant B recipients may receive tuition awards in their first year.
- 21 In 2013-14, the maximum grant for all nonprofits and some for-profits is set to decrease to \$9,084, and the maximum grant for most for-profits to \$4,000.
- 22 Tuition/ systemwide fees and total cost of attendance for full-time students living off-campus without parents who attend CSU East Bay, UC Berkeley, and California College of the Arts are those published on the college's websites.
- As Berkeley City College did not publish a total student budget for 2012-13, TICAS calculated systemwide fees and total cost of attendance for the college using published system fees (\$46/unit at 24 units) and other educational costs estimated by CSAC. http://www.csac.ca.gov/pubs/forms/grnt_frm/studentexpensebudget.pdf. TICAS assumes Cal Grant A awards for all students except CCC students who receive Cal Grant B. Maximum first year Cal Grant awards found in the final 2012-13 California budget. <http://www.ebudget.ca.gov/pdf/Enacted/BudgetSummary/FullBudgetSummary.pdf>.
- 23 Calculation by TICAS of Cal Grant B stipend value based on data from the California Postsecondary Education Commission. 2010. *Fiscal Profiles 2010*. Display 45. <http://www.cpec.ca.gov/completereports/2010reports/10-22/42-46.pdf>. 1969-70 figure adjusted for inflation using the California Consumer Price Index. <http://www.dir.ca.gov/OPRL/CPI/EntireCCPI.PDF>.
- 24 Calculations by TICAS of inflation-adjusted growth in Cal Grant dollars based on data provided by CSAC on September 24, 2012, and the California Consumer Price Index. <http://www.dir.ca.gov/OPRL/CPI/EntireCCPI.PDF>.
- 25 The tuition award amount at for-profit colleges has also remained fairly level over the past decade, and was also recently decreased. The growth in for-profit college expenditures is related to the growth in for-profit college enrollment.
- 26 TICAS calculated share of 2001-02 enrollment based on IPEDS data. TICAS calculated share of 2001-02 Cal Grant funding based on data provided by CSAC on September 24, 2012.
- 27 Calculations by TICAS of shares of 2010-11 Cal Grant awards and dollars, by sector, based on data provided by CSAC on September 24, 2012. TICAS calculations of shares of students enrolled in 2010-11 based on data from IPEDS. Because it comprises such a small share (1%), enrollment in less-than-2-year public colleges was grouped with public 2-year college enrollment. Due to rounding, totals may not equal 100%.
- 28 Calculations by TICAS of state grant size by ethnicity using data from NPSAS:08. Underrepresented minorities include Latino, African American, Pacific Islander, and Native American students.
- 29 Calculations by TICAS using data from NPSAS:08. Compares state grant recipients with a zero EFC and an EFC greater than zero. Recipients with an EFC greater than zero had an average EFC of 4836.
- 30 Calculations by TICAS using data from NPSAS:08. Includes students who applied for federal aid and had an 'expected family contribution' or EFC of zero, meaning that they were not expected to be able to contribute anything financially toward college costs.
- 31 Given that not all applicants who are offered a Cal Grant use them, the actual number of awards disbursed is several thousand fewer.
- 32 Calculation by TICAS of competitive grant applicants per available award based on data provided in CSAC Operations Memos dated May 31, 2012 (GOM 2012-19) and October 9, 2012 (GOM 2012-30). <http://www.csac.ca.gov/secured/operationmemos/2012/GOM%202012-19.pdf> and <http://www.csac.ca.gov/secured/operationmemos/2012/GOM%202012-30.pdf>, respectively.

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