

# Undergraduate Financial Aid

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LEGISLATIVE ANALYST'S OFFICE

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Subcommittee No. 1

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## Budget Summary

*(In Millions)*

	Change From 2003-04		
	Governor's Proposal	LAO Alternative	Difference
<b>Cal Grant Programs</b>			
Increased participation (estimated)	\$93.1	\$73.3	-\$19.8
Income ceiling reduction	-11.2	—	11.2
Private college award reduction	-32.7	1.5	34.2
UC and CSU award decoupled from fees	—	18.7	18.7
Subtotals	\$49.2	\$93.5	\$44.3
<b>Institutional Aid Programs</b>			
UC's University Student Aid Program	\$19.4	-\$16.2	-\$35.6
CSU's State University Grant program <sup>a</sup>	12.9	—	-12.9
Subtotals	\$32.3	-\$16.2	-\$48.5

<sup>a</sup> Governor's budget also proposes to eliminate the Educational Opportunity Program (\$17 million General Fund savings).

The Governor's budget proposes to:

- Reduce both the Cal Grant A and Cal Grant B income ceilings by 10 percent, thereby disqualifying about 5,000 students who otherwise would have received a Cal Grant Entitlement award.
- Reduce the Cal Grant for private university students by 44 percent (or \$4,226).
- Not increase Cal Grant for the University of California (UC) and the California State University (CSU) students commensurate with the proposed 10 percent fee increases.
- Expand undergraduate institutional aid by \$19 million at UC.
- Expand CSU's State University Grant program by \$13 million but eliminate the Educational Opportunity program (for a savings of \$17 million).



## Award-Level Summary

	2002-03	2003-04	2004-05	
			Governor's Proposals	LAO Recommendations
<b>Cal Grant Program</b>				
Maximum Cal Grant A income ceiling	\$76,500	\$77,100	\$69,400	\$79,800
Maximum Cal Grant B income ceiling	42,000	42,400	38,200	43,900
Maximum Cal Grant independent income ceiling	27,800	28,000	25,200	29,000
Maximum award for UC Cal Grant recipient	3,564	4,984	4,984	5,482
Maximum award for CSU Cal Grant recipient	1,500	2,046	2,046	2,250
Maximum award for Private Cal Grant recipient	9,708	9,708	5,482	9,906
<b>Institutional Aid Programs</b>				
<b>UC—University Student Aid Program (USAP)</b>				
USAP recipients <sup>a</sup>	41,215	41,815	41,443	41,443
Average USAP award	\$3,069	\$5,512	\$6,030	\$5,171
<b>CSU—State University Grant Program (SUG)</b>				
SUG recipients <sup>a</sup>	74,429	88,500	87,527	87,527
Average SUG award	\$1,246	\$1,829	\$1,997	\$1,850
<b>CSU—Educational Opportunity Program (EOP)<sup>b</sup></b>				
EOP Recipients	20,252	20,062	—	—
Average EOP Award	\$865	\$873	—	—
<sup>a</sup> The assumed reduction in the number of award recipients would be due entirely to the no-enrollment-growth proposal coupled with the freshmen-redirection proposal—which together would result in a decline in total undergraduate enrollment of 1.6 percent at UC and 1.1 percent at CSU.				
<sup>b</sup> In 2002-03, 72 percent of EOP recipients also received a SUG, 51 percent also received a Cal Grant, and 27 percent received both a SUG and a Cal Grant.				



## Financial Aid Recommendations

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- As shown in the previous figure, we recommend the Legislature:
  - Adjust Cal Grant income ceilings to account for change in per capita income (consistent with existing statute)—thereby increasing the ceilings about 3.5 percent between 2003-04 and 2004-05.
  - Allow Cal Grant for UC and CSU students to increase by 10 percent—thereby maintaining the real value of the award and continuing to link it to full systemwide fees.
  - Provide financially needy students attending private universities with a Cal Grant comparable to the amount the state provides to financially needy students attending public universities.
  
- To cover the \$64 million cost associated with rejecting the proposed Cal Grant reductions, we recommend the Legislature:
  - Adopt more realistic Cal Grant budgeting assumptions (\$20 million).
  - Not expand CSU's undergraduate SUG program (\$13 million).
  - Not expand UC's undergraduate institutional aid program (\$19 million) and make a small reduction to its base budget (\$16 million).