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# Proposed Cal Grant Reductions

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LEGISLATIVE ANALYST'S OFFICE

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Assembly Budget Subcommittee No. 2

On Education Finance

Hon. Wilmer Amina Carter, Chair





## Governor Proposes to Suspend New Cal Grant Competitive Awards



### Suspension Contained in Trailer Bill

- Makes new awards contingent on provision of funding in budget act.



### Competitive Program Is Part of California's Comprehensive Affordability Strategy

- About one-fifth of Cal Grants (and 14 percent of grant dollars) awarded in 2008-09 were from the competitive program.
- Unlike the Cal Grant entitlement program, the competitive program is selective.
- A limit of 22,500 new awards are authorized annually. Only about one in six eligible applicants is selected for an award.
  - Selection criteria are weighted with 70 percent based on grade point average (GPA) and 30 percent based on various measures of disadvantage (such as parents' educational level, family income, and household size).
  - Recipients tend to be older, nontraditional students. About two-thirds are community college students. All are academically successful and financially needy.

<b>Cal Grant Recipient Characteristics</b>		
<i>(2007-08)</i>		
<b>Averages</b>	<b>Entitlement Program<sup>a</sup></b>	<b>Competitive Program</b>
Age	18	30
GPA	3.10	3.27
Income	\$28,771	\$14,895
Family size	4.1	3.0
<sup>a</sup> High school component only.		
Source: California Student Aid Commission		



## Alternative Reductions

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### Alternatives Would Preserve Structure of Financial Aid System

- Other alternatives could yield General Fund savings with less damage to the structure of California's financial aid system.
  - ***Increase minimum GPA for Cal Grant B eligibility from 2.0 to 2.5.*** Students with a GPA of 2.0 have extremely low rates of persistence and success in college. (\$13 million, 13,500 students)
  - ***Eliminate non-need-based fee waivers.*** State financial aid resources should be targeted to students who could not otherwise afford college. (\$20 million, 5,000 students)
  - ***Restrict new competitive awards to stipends only.*** This saves the majority of new grant funds while preserving access for recipients. (\$20 million)
- For predictability and consistency, preserving the entitlement programs should be the highest priority, followed by preserving the competitive program.
- Governor's proposed trigger cuts (freezing income eligibility limits and no longer covering full fees at the universities) would undermine the entitlement program.