

# Financial Aid for the Full Cost of College

## A “Tuition Plus” Model

FEBRUARY 25, 2019 – JEN MISHORY

In TCF’s April 2018 report, “Expanding Opportunity, Reducing Debt,” we proposed overhauling California’s state financial aid system, specifically recommending that the state a) eliminate restrictions on Cal Grant access, such as maximum age and minimum GPA requirements, and b) shift from a tuition-centric aid system to one that takes into consideration each student’s full college expenses when determining award levels, including things like books, transportation, housing, food, and child care expenses. This brief provides additional detail on how to restructure existing programs to meet that goal, recommending that the state pursue a **“Tuition Plus” Cal Grant**, building aid for non-tuition costs on top of an expanded tuition-based Cal Grant.

Specifically, we propose that:

- the California Student Aid Commission (CSAC) continue its role in providing tuition-specific grants, now called Cal Grant–Tuition scholarships, but expand eligibility to include students previously excluded due to GPA and age restrictions;
- CSAC provide Cal Grant–Tuition scholarships to students from families with financial need, as determined by a formula described below; CSAC

should also provide “safe harbor” guarantees to cover full tuition for anyone who would have qualified for a full Cal Grant under current law and any family earning below \$80,000;

- institutions expand their role in covering non-tuition costs for students with financial need through Cal Grant–Plus scholarships, made available through existing institutional aid dollars and new state-provided resources; and that
- state policymakers allocate sufficient dollars a) to provide Cal Grant–Tuition awards to the expanded pool of eligible students, and b) to ensure that institutions have adequate funds to award grants to cover non-tuition costs for students with leftover financial need after considering Cal Grant–Tuition awards, Pell grants, and potential income from “self-help” (working while in school).

## Background

CSAC currently provides Cal Grants, which primarily cover tuition, to students who meet certain GPA, age, and income requirements.<sup>1</sup> Families below certain income and

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asset thresholds receive Cal Grant dollars to cover the full cost of tuition—but other than a very limited number of “competitive awards,” those grants are limited to students who have earned a high school GPA above a certain threshold and enroll in school soon after high school. Students from families earning above that threshold, or with assets above the published threshold, receive no Cal Grant at all. These restrictions make the grants inaccessible to many Californians who need them.

Increasing the program’s accessibility and coverage will require new thinking in terms of both structure and funding. Eliminating restrictions unrelated to income on who qualifies for Cal Grants can be done relatively simply. By removing age and GPA from the grant restrictions, hundreds of thousands of students would qualify right away, and state policymakers would need to allocate new resources to the program. Reducing income restrictions would likewise require increased resources, but would also be more logistically complex, requiring a restructuring of Cal Grants’ income and asset parameters so that they can cover non-tuition costs, as well better aligning the program with federal need-based grant aid.

California currently sends state-funded financial aid to students through two separate funding streams: CSAC-provided funds and institutionally-administered aid. We recommend maintaining two funding streams while consolidating, restructuring, and expanding the programs currently provided to create a “Tuition-Plus” model.

## Cal Grant–Tuition Scholarship

In order to reform the existing Cal Grant program, policymakers should collapse all types of Cal Grants—competitive, entitlement, and A, B, and C—into one program, and remove age and GPA restrictions. Doing so would provide the basis for the Cal Grant–Tuition scholarship, which would cover the tuition portion of the Cal Grant.

CSAC would define “unmet financial need” as the leftover cost of attendance after taking into account Pell grants; an “expected family contribution” determined using the federal

aid program’s methodology—adjusted slightly to account for California cost of living<sup>2</sup>—for assessing how much a family can pay;<sup>3</sup> and a reasonable amount students could generate through work, called a “self-help” amount. In other words, University of California (UC) students with unmet financial need of up to \$12,542 (the current tuition level at UCs) would receive up to that amount in a Cal Grant–Tuition scholarship; California State University (CSU) students with unmet financial need of up to \$5,742 (the current tuition level at CSUs) would receive up to that amount; and students at California Community Colleges (CCCs) with unmet need of up to \$1,104 (the current fee level at CCCs) would receive up to that amount.

Even as the state financial aid system moves toward holistic coverage of both tuition and non-tuition costs, messaging the tuition portion of the Cal Grant as a distinct benefit would:

- allow CSAC to proactively reach out to students who would likely qualify for free tuition with a clear message about the benefit, even as a) other students may still have only a portion of their tuition covered, and b) additional non-tuition aid will also be available through their schools; research shows that clear messaging can have an enormous effect on low-income students’ decisions to apply to and enroll in school, and the free tuition message has been effective;<sup>4</sup> and
- give a clear benchmark to stakeholders accustomed to understanding the Cal Grant in the context of tuition.

### *Safe Harbor Guarantees*

When implementing a system that determines aid based on a needs formula, using that system should be made as easy as possible for students and families to understand. As such, we recommend two “safe harbor” guarantees.

First, while almost all recipients would receive the same Cal Grant–Tuition scholarship dollars as they do under the

current system—in fact, families with income and assets above the current cliff would receive more—CSAC should provide safe harbor to guarantee that students who would have received the full tuition benefit under the existing formula would still qualify for the full benefit.

Second, while we recommend basing the total aid available to students using the financial assessment described earlier—in large part to bring the state grant into line with the calculations already required by the U.S. Department of Education—this approach to the formula does limit the ability of schools and CSAC to clearly message the benefits available. We recommend creating an income guarantee: an income cut-off for the full tuition award, even if, given their assets, their award may have been reduced using the federal approach to determining aid awards. This safe harbor guarantee mirrors the University of California’s Blue and Gold Commitment, which guarantees California families free tuition if they earn under \$80,000 per year.<sup>5</sup>

## Cal Grant–Plus Scholarship

In order to cover the myriad costs that create financial barriers for students, students with financial need beyond covering their tuition costs would receive Cal Grant–Plus scholarships from their institutions. The UCs and CSUs currently provide some non-tuition support through their University of California (UC) grant and State University Grant (SUG) programs, although the precise distribution, and the ability to meet need, varies, particularly at the CSUs. The California Community Colleges currently do not have an institutional aid program to help students cover non-tuition costs.

In order to close the gap in unmet financial need, the legislature would need to appropriate—using the standardized methodology to calculate cost of attendance<sup>6</sup>—enough aggregate funding to the UCs, CSUs, and community colleges to provide Cal Grant–Plus scholarships to cover non-tuition costs for students who have unmet need. If the state did not have enough dollars to close that gap, they would need to incentivize schools to close those gaps for the lowest income families first. Schools could then make

individual decisions on campuses on how to allocate those dollars and how to structure individual budgets.

## Conclusion

Together, the Cal Grant–Tuition scholarship and Cal Grant–Plus scholarship would ensure that all Californians can have financial access to college. It would provide students and families with a clear message about tuition, while also taking into account the significant housing, food, and other costs that create barriers for students when they enroll in college.

## Author

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## Notes

<sup>1</sup> Most low-income students at community colleges receive a Board of Governors tuition waiver, also known as a “Promise Grant.”

<sup>2</sup> See The Century Foundation’s issue brief “Creating a Fair Formula for Allocating Financial Aid: The California EFC,” published February 25, 2019.

<sup>3</sup> Robert Shireman, Jen Mishory, and Sandy Baum, “Appendix 5: Analysis of Administrative Steps,” in “Expanding Opportunity, Reducing Debt,” The Century Foundation, April 4, 2018, <https://tcf.org/content/report/expanding-opportunity-reducing-debt/>.

<sup>4</sup> Susan Dynarski, C.J. Libassi, Katherine Micheltore, and Stephanie Owen, “Closing the Gap: the Effect of a Targeted, Tuition-Free Promise on College Choices of High-Achieving, Low-Income Students,” National Bureau of Economic Research, NBER Working Paper Series, Working Paper #25349, December, 2018, <https://www.nber.org/papers/w25349>.

<sup>5</sup> “Blue and Gold Opportunity Plan,” The University of California, available at <http://admission.universityofcalifornia.edu/paying-for-uc/glossary/blue-and-gold/index.html> (accessed February 22, 2019).

<sup>6</sup> See the Century Foundation’s issue brief “Calculating Student Budgets: State Grant Aid and Cost of Attendance,” published February 25, 2019.