

# Propel California Economy Forward By Updating State Financial Aid System



## Our businesses, workforce and economy cannot afford to lose California's students.

Remodeling our financial aid system will fuel our workforce, economy and businesses. Since the onset of the COVID-19 pandemic, California's business community has been hit hard, drastically reducing the workforce pipeline. As a result of sweeping financial hardship, a significant number of California's college students have had no choice but to drop out of school, reducing the number of eligible graduates entering the workforce.

### COVID-19 & Unemployment



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Right now, nothing is more urgent than addressing the dire circumstances California's college students are in due to the COVID-19 crisis. Emergency aid is helping, but it is not enough. To combat this economic crisis and address immediate and future workforce needs, **California must remodel our financial aid system** to ensure it is accessible for all Californians, from the poorest to the middle-class.

Remodeling our financial aid system will ultimately reach more students and produce a more competitive and diverse workforce. Study after study shows how powerful it is to invest in workforce development. Increasing the rate of degree attainment in California by just five percent **could generate an additional \$4.2 billion in state revenue.** California cannot afford to lose this next generation of talent simply because they lack the resources to pay for college. AB 1456 is a degree attainment investment that pays immediate and long-term economic dividends when graduates enter the workforce.

### Degree Attainment Drives Revenue

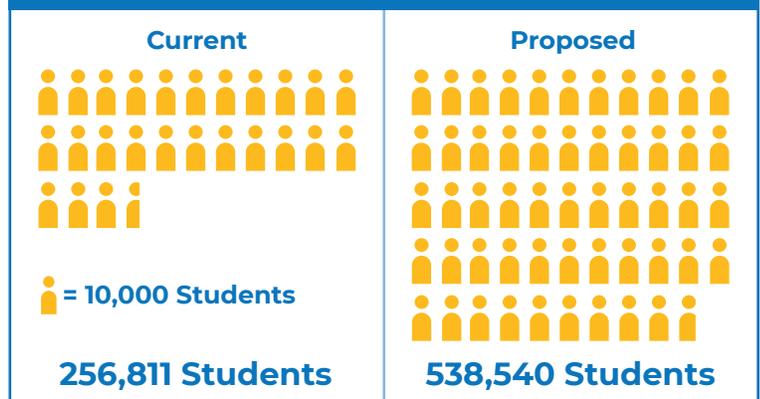


**A 5% increase** could generate an additional **\$4.2 billion in state revenue.**

## HOW WILL CAL GRANT MODERNIZATION WORK?

Modernizing the Cal Grant system will streamline our current financial aid system to serve more students and revitalize California's workforce. The remodeled program would align eligibility of state-based financial aid with federal policy, eliminate eligibility barriers and target state resources for the most financially vulnerable populations while serving **280,000 MORE students.**

### Current Cal Grant Eligible Students vs. Proposed



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Under the modernization proposal, barriers to Cal Grant eligibility based on age and time since high school graduation will be eliminated and replaced with awards that better assess:

- Student income, rather than Expected Family Contribution (EFC), specifically capturing the need of lower-income students
- Family need, supporting student-parents with dependents under 18

Grants like the Students with Dependent Children (SWDC) award will be updated to reach more student parents and uplift more families. As higher education has become more accessible and the number of student parents has grown exponentially in the last two decades, updating the SWDC award will help keep more students on track to support their families, pursue their higher education and contribute to California's workforce.

Programs like the Middle Class Scholarship and existing institutional aid will be maintained and will be conformed to the new Cal Grant system ensuring a fair distribution of funds. The updated financial aid system will also enable more students to apply for CalFresh, a federally-funded benefit that helps recipients afford regular meals, to help better meet their basic needs.

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, removing the eligibility barriers that restrict access to aid for many of the most financially vulnerable students. For a combined \$232 million (ongoing) and \$220.7 million (one-time), California could adopt the Cal Grant Equity Framework and maintain the maximum awards for the Cal Grant 2 and Students with Dependent Children Grant while exponentially increasing the number of students receiving financial aid.

An additional one-time investment of \$216.9 million would cover the transition costs associated with implementing the new Cal Grant system over the next three years while still maintaining award amounts for current "grandfathered" students. It has been two decades since significant reforms have been made to Cal Grant. Change is overdue. An investment in our students is an investment in our state's economic and social vitality that will pay dividends for decades to come.

Connecting students with resources through updated comprehensive eligibility assessments will enable our state to reach the most vulnerable students while continuing to serve middle-class families. The Cal Grant Equity Framework works to make higher education accessible for all.

**Simplifying and expanding the Cal Grant will help students today and our state tomorrow. None of us can afford to wait.**

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