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California Postsecondary Education Commission

# Student Financial Aid in California Postsecondary Education

*California student financial aid is increasing significantly:*

- ◆ *In 2002-03, California students received over \$8 billion in financial aid;*
- ◆ *Financial aid funding increased by over 30%, from \$5.9 billion in 1998-99 to \$8.1 billion in 2002-03;*
- ◆ *Over half of all financial aid comes from the federal government in the form of loans;*
- ◆ *The Cal Grant Program accounts for about 7% of total funding;*
- ◆ *Institutional support totals almost three times the level of funding for the Cal Grant Program.*

## Student Financial Aid Programs

California students, at both the undergraduate and graduate level, may qualify for a variety of financial aid programs, including the State's Cal Grant program, the federal Pell Grant program, federal student loan programs, the federal and state work study programs, and various institutional aid programs to assist with college expenses. Each of these programs has its own focus and guidelines and application processes but most share a common entry point: that students complete a Free Application for Federal Student Aid (FAFSA) in order to be considered for financial aid.

While the state's Cal Grant program represents a significant proportion of grant aid available to Californians, federal aid policy has a far greater impact on California college and university students overall. Through grants and loans, the federal government accounts for more than 70% of the aid dispersed in the state. Various financial aid programs are available to students in California, all of which have specific qualifications and some of which include institutional matching fund requirements

- ◆ The **Cal Grant Program** is the single largest state-funded program of postsecondary financial aid in the United States. Initiated in 1955, it now encompasses three major award types and provided \$750 million in awards to about 200,000 recipients for the 2004-05 fiscal year.
- ◆ Most institutions operate **Institution-Based Financial Aid Programs** of grant, scholarship, work-study and loan programs as well as tuition payment plans. For example during the 2002-03 academic year, more than 46,000 undergraduates received a UC grant, a UC scholarship, or both.

The California State University (CSU) offers “State University Grants,” a program that provides need-based grant assistance to California residents. For the neediest students, these institutional grants go to students who either do not receive a Cal Grant or for whom other financial aid programs do not cover the State University fee and mandatory campus-based fees. The California Community Colleges (CCC) offer the “Board of Governors’ Enrollment Fee Waiver,” or BOG Fee Waiver program. This program waives the system’s State Enrollment Fee for California resident students who meet income and eligibility criteria.

There are other institutionally based financial aid programs as well. Chief among them, the Equal Opportunity Program (EOP) at CSU and UC campuses provides grants, counseling and tutorial services to low-income and educationally disadvantaged undergraduate students. The Extended Opportunity Programs and Services (EOPS) is a similar program offered by community colleges.

- ♦ The **California Work-Study Program** offers eligible students enrolled at selected public and independent postsecondary institutions the opportunity to earn money to help pay for their education while gaining valuable work experience. This program has not been funded since the 2002-03 fiscal year.
- ♦ There are several other **specifically targeted student financial aid programs**. These include the Governor’s Scholarships, the Child Development Teacher Grant Program, the Law Enforcement Personnel Dependents Grant Program, the Robert C. Byrd Honors Scholarship Program, the Assumption Program of Loans for Education, and the Graduate Assumption Program of Loans for Education.
- ♦ The U.S government’s **Federal Stafford Loans** represent the largest source of federal student aid. More than one-in-three college students nationally take out a federal loan for college. These loans are available for undergraduate, graduate, career, and professional students. There are two types of Stafford loans: subsidized, for which the government pays the interest for a period of time; and unsubsidized, for which students pay all the interest on the loan. These loans are offered through the Federal Family Education Loan (FFEL) Program and the William D. Ford Direct Student Loan (FDSL) Program.
- ♦ The U.S government’s **Federal Pell Grant Program** is the largest source of grant aid offered from the federal government. Pell Grants are need-based (no repayment) and are awarded to every undergraduate student who qualifies under the programs’ requirements. Pell Grants can be used for tuition, fees and living expenses.
- ♦ **Federal Perkins Loans** are low-interest loans for both undergraduate and graduate students with exceptional financial need. Students can borrow up to \$4,000 for each year of undergraduate study and up to \$6,000 per year if they are graduate students. With these loans, the college is the lender and awards the loan funds. Students pay no interest on their loan while enrolled, but must begin repaying their loan nine months after graduating, leaving school or enrolling less than half time. Depending on the amount borrowed, students have up to ten years to repay Perkins loans.
- ♦ **The Federal Work-Study Program** is a job assistance program used by institutions as part of the overall financial aid package. Institutions help students find part-time employment on or off campus, preferably in work related to their studies or career plans, or in community service.
- ♦ **Federal PLUS loans** are loans for parents or guardians who need to borrow for their child’s undergraduate education.

- ◆ **Federal Supplemental Educational Opportunity Grants** are between \$100 and \$4,000 per year and are awarded by institutions to undergraduate students with exceptional financial need, with priority given to Pell Grant recipients.

Display 1 summarizes undergraduate and graduate student financial aid programs in California postsecondary education by source, funding, and proportion of overall financial aid resources for the most recent five years of available data. The data show that the overall amount of student financial aid has grown by over \$2 billion in five years and that federal loans continue to account for more than half of this aid.

**DISPLAY 1 Student Financial Aid Programs in California (dollars in millions)**

Program	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Amount	%age	Amount	%age	Amount	%age	Amount	%age	Amount	%age
FFEL & FDSL	\$3,270.8	55%	\$3,420.3	54%	\$3,594.4	53%	\$3,750.6	51%	\$4,099.6	51%
Pell Grants	883.7	15%	900.2	14%	1,009.0	15%	1,181.0	16%	1,312.3	16%
Other Federal	114.9	2%	111.0	2%	122.3	2%	137.9	2%	139.0	2%
Fed Work-Study	81.2	1%	85.2	1%	98.9	1%	113.8	2%	115.6	1%
Fed Perkins Loans	54.9	1%	10.2	0%	52.2	1%	59.1	1%	77.4	1%
Cal Grants	323.8	5%	369.4	6%	452.6	7%	512.9	7%	544.9	7%
Other State Aid	159.5	3%	148.7	2%	175.3	3%	176.6	2%	234.3	3%
State Work Study	2.3	0%	1.9	0%	3.8	0%	4.7	0%	4.7	0%
Institutional Aid	1,054.4	18%	1,196.2	19%	1,215.3	18%	1,308.6	18%	1,464.8	18%
Other Aid	51.4	1%	61.4	1%	70.8	1%	99.0	1%	121.0	1%
<b>Total</b>	<b>\$5,996.9</b>	<b>100%</b>	<b>\$6,304.5</b>	<b>100%</b>	<b>\$6,794.6</b>	<b>100%</b>	<b>\$7,344.2</b>	<b>100%</b>	<b>\$8,113.6</b>	<b>100%</b>

Source: California Student Aid Commission, Factsheets 1998-99 - 2002-03.

## The State Cal Grant Program

The State of California, through the California Student Aid Commission (CSAC), will provide about \$750 million in direct grant financial aid in 2004-05 through its Cal Grant Program. Display 2 on the next page shows total funding and grant recipients for the State’s Cal Grant financial aid programs. As with all financial aid programs, the Cal Grant program has many specific eligibility requirements and restrictions.

These data show that funding has increased greatly over the decades. The three columns on the far right of the chart track changes in the numbers of authorized Cal Grant awards over time. Of note is the large increase in the number of awards during the 1970s as well as a doubling of awards over the past five years.

Given the large increases in the numbers of Californians attending the State’s public and independent postsecondary institutions, the rate of growth in funding and financial aid awards is hardly surprising. Between 1968 and 2004, California public postsecondary enrollment grew from fewer than 1 million students to more than 2.3 million.

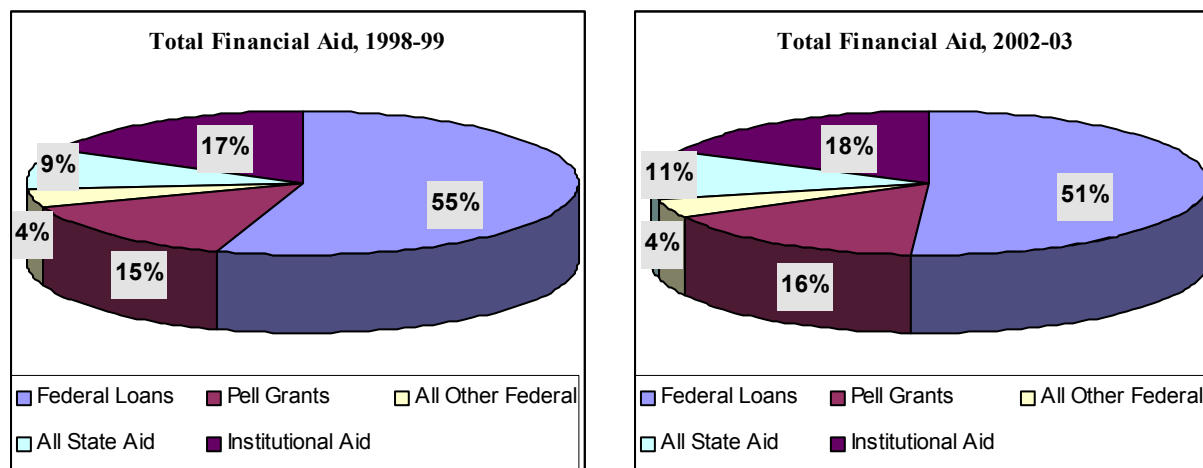
**DISPLAY 2 Cal Grant Financial Aid Program Total Funding and Awards Over Time, with Annual Changes in the Number of New Awards**

Fiscal Year	St. Gen'l Funds	Percent Change	TOTAL Funds	Percent Change	Total Awards	Percent Change	Number Change
1968-69	\$7,486	--	\$7,486	--	10,467	--	--
1973-74	32,364	332%	32,364	332%	32,665	212%	22,198
1978-79	64,562	99	74,798	131	59,957	84	27,292
1983-84	71,623	11	80,960	8	62,639	4	2,682
1988-89	117,873	65	129,064	59	73,447	17	10,808
1993-94	202,804	72	213,990	66	79,426	8	5,979
1998-99	327,375	61	331,599	55	98,456	24	19,030
1999-00	368,220	12	372,144	12	108,767	10	10,311
2000-01	455,054	24	461,506	24	129,530	19	20,763
2001-02	503,396	11	512,876	11	166,935	29	37,405
2002-03	533,861	6	544,947	6	190,404	14	23,469
2003-04	644,184	21	654,405	20	200,088	5	9,684
2004-05	746,218	16	758,800	16	--	--	--
Overall % Change:		9,868%			10,036%	1,812%	189,621

Total Funds includes federal funds for the Cal Grant Program.  
 Dollar amounts are in thousands; fiscal year 2004-05 data are budget estimates.  
 Source: CPEC, Fiscal Profiles 2004.

## The Total Perspective

While the Cal Grant program is a very important source of aid to California college students, the other student aid programs described earlier play a much larger role. The charts below present a picture for fiscal years 1998-99 and 2002-03. In the display, “Federal Loans” includes both the Stafford and Perkins programs, “All State Aid” includes Cal Grants, Other State Aid, Other Aid, and State Work Study, and “All Other Federal Aid” includes the remaining federal programs from Display 1.



These data show a small decrease in overall federal loans as a percentage of financial aid in California through 2002-03 and an increase in institutional aid as a proportion of the total, with Pell grants and State Aid also increasing slightly.