Alliance for Candidate Engagement in Education

Improving Higher Education Affordability

Overview

As a trailblazer in college affordability, California rightfully takes pride in offering some of the nation's most affordable options for earning a bachelor's degree.[1] This is in part due to generous gift aid - financial aid that does not need to be repaid - that California offers its residents through a variety of financial aid programs. Designed over six decades ago, the Cal Grant is California's primary state-funded financial aid program. The Cal Grant is a need-based financial aid program that provides California students attending a California public institution or an eligible California-based institution with assistance toward tuition and non-tuition costs.[2] Additionally, the Middle Class Scholarship (MCS), established in 2013, is a state-funded financial aid program that provides gift aid to students with a broader range of family income. Specifically, students with family income and assets up to $217,000 may be eligible.[3] MCS was expanded in 2022 to reach low-income students and address students' total cost of attendance. Unlike Cal Grants, which are available to students attending all types of California higher education institutions, MCS awards are limited to undergraduate students attending a University of California (UC) campus, a California State University (CSU) campus, or a baccalaureate program offered at a California Community College (CCC) campus.

Unfortunately, California's low-income students still struggle with college expenses, especially those related to basic needs like food and housing.[4]

To address the systemic barriers of making college affordable, California's next governor must prioritize and champion investments to improve and align California's state-funded financial aid programs and expand investments in basic needs programs to ensure every low-income California resident receives the support they need to achieve their higher education goals.

These investments should build on recent California college affordability efforts, such as how the state has:

- **Established the Cal Grant Equity Framework.** In 2019, Assemblymember Jose Medina, Assemblymember Kevin McCarty, and Senator Connie Leyva, alongside college affordability advocates, convened a workgroup to address the college affordability issues deeply impacting students.[5] This resulted in the Cal Grant Equity Framework, which proposed to streamline the various Cal Grant programs by simplifying income eligibility criteria, increasing award amounts for non-tuition costs, and addressing the outdated rationing mechanisms preventing low-income students from accessing aid.[6] After years of advocacy, the 2022 Budget Act established the Cal Grant Reform Act, but its implementation depends on whether and when the state allocates funding toward the new Cal Grant structure.[7] Since its passage in 2022, statewide budget constraints have made it difficult to secure funding, leaving its implementation timeline uncertain and the promise of Cal Grant reform unfulfilled.[8]
- **Implemented the Student With Dependent Children (SWDC) Grant.** The state invested additional funds to increase the Cal Grant award for students with dependent children. Since the 2019-20 academic year, eligible students with dependent children attending a UC, CSU, or CCC receive an additional access award of up to $6,000 per year, which is gift aid that can be utilized for non-tuition expenses, including food, housing, and childcare.[9]
- **Created the Cal Grant Community College Entitlement Award**. The 2021 Budget Act established the CCC Entitlement Cal Grant, which removed age and time-out-of-high-school eligibility barriers. This expanded Cal Grant awards to hundreds of thousands of additional community college students.[10]
- **Broadened the Middle Class Scholarship (MCS).** The state redesigned the program in 2022 and, in 2023, invested an additional $227 million towards the MCS program. The updated MCS program determines award amounts based on the difference between a student's total cost of attendance and their federal, state, and institutional aid, rather than only tuition costs. Additionally, the program was expanded to supplement non-tuition assistance for low-income students receiving Cal Grants.[11]
- **Implemented Universal Financial Aid Application through AB 469** (Reyes, Chapter 560, Statutes of 2021) and the higher education trailer bill of the 2022 Budget Act (AB 132, Chapter 144, Statutes of 2021). This law ensures that all high school students are aware of their financial aid options and complete either the Federal Application for Federal Student Aid (FAFSA), the California Dream Act Application (CADAA), or opt out. Students miss out on approximately $550 million in federal and state aid annually, and by requiring schools and districts to ensure that students are completing the FAFSA or CADAA, more students can take advantage of available state and federal financial resources.[12]
- **Controlled Non-Tuition Expenses through historic investments in affordable student housing.** In 2021, via the higher education trailer bill (SB 169, Chapter

262, Statutes of 2021), the state committed $2 billion to build affordable student housing across the three public segments, intending to create enough units to serve an estimated 11,000 low-income students.[13]

- **Expanded Investments in Basic Needs Resources.** In 2019, the state invested $19 million in rapid rehousing programs to provide resources and support to housing-insecure students and students experiencing homelessness, including housing navigation services, credit repair, rental assistance, and emergency housing assistance. The state has increased its investment and now allocates $31 million on an ongoing basis.[14]
- **California's Dream Act:** The state offers financial aid for undocumented students. The California Dream Act of 2011 increased access to financial aid for undocumented students who attend a public university, community college, or private college in California. Undocumented students can apply for aid through the California Dream Act Application (CADAA), which is essential for ensuring affordability. With the federal administration's Executive Order in 2025 challenging in-state tuition for undocumented students, protecting the California Dream Act is more critical than ever.[15]
- **Increased Emergency Aid.** California recently allocated additional investments to undocumented students and students from mixed-status families. In the 2025-2026 budget, the state invested $20 million in emergency financial aid to provide emergency grant awards of $1,400 per academic year to California Community College students who applied for financial aid via the CADAA. Additionally, the state invested $15 million to support Dreamer Resource Liaisons at California Community Colleges, expanding their capacity to provide emergency financial assistance, legal services, basic needs, outreach, and career pathway guidance.[16]

Problem

To unlock the full potential of California's low-income students and students of color as future leaders and contributors to the state's economy, the state must provide robust and equitable need-based financial aid programs that cover the total cost of attending college (e.g., rent, food, transportation, etc.). Across California's public higher education systems, non-tuition expenses are the driver of college costs for low-income students. Although lower-income families typically face lower net college costs, those costs represent a larger share of their family's income compared to higher-income families. To cover their costs, low-income students are taking on debt, working excessive hours, and even then, students are skipping meals or facing housing insecurity.[17] And even when aid is available, English Learner and newcomer students may struggle with navigating college systems without targeted support. When students are pushed to prioritize work to survive and make ends meet, it takes longer for them to transfer, complete college, and derive value from their degree. Students being unable to meet their basic needs while attending college is an issue that shows up across all student populations., However, low-income students of color and older students are more likely to face food or housing insecurity.

Unfortunately, financial aid for college students has not kept pace with the rising cost of attendance, limiting students' ability to afford, access, and succeed in higher education. Students of color living in poverty bear the heaviest burden, and inflation in a high-cost-of-living state will only continue adding to that burden. Therefore, California's financial aid programs need to be improved to truly meet the needs of low-income students. The Cal Grant program continues to:

- Have arbitrary barriers that limit low-income students from accessing the need-based aid they would otherwise be eligible for
- Offer access awards that have lost their purchasing power because of the lack of growth and investment in the program
- Be an overly complex program that is no longer fulfilling the promise to make college affordable for low-income students.

Although the MCS program aims to address students' total costs of attendance, it fails to prioritize low-income students with the highest needs. It is not available to the majority of community college students. The MCS award is determined based on students' remaining college costs after accounting for all other available sources, resulting in higher-income students receiving larger awards.

Solution

California needs to modernize the state's financial aid system to ensure low-income students, in particular, at both four-year institutions and community colleges have adequate financial support to cover their total cost of attendance. Investing in the Cal Grant Equity Framework and updating the Middle Class Scholarship (MCS) program to provide more financial aid to low-income students would ensure the state's financial aid system is equity-centered and serves the pressing needs of California's most vulnerable students. The changes we seek to the Cal Grant System will ensure California's key financial aid program:

- Is streamlined and understandable to students and families via the availability of resources in multiple languages, including culturally responsive outreach and application assistance

- Is accessible to students based on financial need
- Prioritizes cost of attendance
- Reduces student debt

These changes will address equity gaps by ensuring aid becomes available to 95,000 eligible Latinx students, 18,000 Asian and Pacific Islander students, 11,000 Black students, 3,000 California Dream Act students, and 91,000 female students. Furthermore, the MCS program needs to be streamlined and updated to prioritize financial aid to students with the highest needs, including low-income students, students of color, and current or former English Learner students. Moreover, the state should expand investments in emergency aid for vulnerable student populations, ensuring all low-income students have their full cost of attendance accurately reflected in financial aid, and strengthening basic needs support by automatically qualifying students for CalFresh and basic needs resources.

Finally, the state needs to expand its investments to help control and drive down the most significant single non-tuition cost – housing – by incentivizing the building of more affordable student housing and supporting housing assistance programs like College-Focused Rapid Rehousing, which helps homeless students remain in and complete higher education. Ultimately, strengthening California's financial aid programs and student housing investments will help move California in the direction of true college affordability and towards a cohesive financial aid system that prioritizes low-income and working-class students and families.

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