**Assembly Committee on Higher Education**
**Basic Needs Briefing – Financial Aid**

- California is home to the most robust state supported financial aid programs in the nation eligibility based on:
    - Free Application for Federal Student Aid (FAFSA) or
    - California Dream Act application (CADAA)
- Existing law:
    - Establishes the Student Aid Commission (CSAC) for the purpose of administering specified student financial aid programs (Education Code (EC) Section 69510, et seq.).
    - Establishes the Cal Grant program, administered by the CSAC, to provide grants to financially needy students to attend a college or university. The Cal Grant programs include both the entitlement and the competitive Cal Grant awards. The program consists of the Cal Grant A, Cal Grant B, and Cal Grant C programs, and eligibility is based upon financial need, grade point average (GPA), California residency, and other criteria. Maximum award amounts for the California State University (CSU) and the University of California (UC) are established in the annual Budget Act and have traditionally covered all systemwide tuition and fees. Supplemental Cal Grant awards programs are available to students with dependents and former and current foster youth attending CSU, UC, or a California Community College (CCC) to assist with non-tuition costs, such as living expenses (EC Sections 69430–69433 and Sections 69465-69470).
    - Establishes, the Cal Grant Reform Act commencing in the 2024-2025 fiscal year, if General Fund moneys over the multiyear forecasts are available to support ongoing augmentations and actions, and if funding is provided in the annual Budget Act. Under the Act, the Cal Grant 2 and Cal Grant 4 programs are created. The Cal Grant 2 is for CCC students, and provides non-tuition support that grows annually with inflation. The Cal Grant 4 program is for students at the UC, CSU, and other

institutions. The Act also states legislative intent that UC and CSU use institutional aid to cover non-tuition costs for their students (EC Sections 69424, 69425, and 69428).

- Establishes the Middle Class Scholarship (MCS) Program to offset a portion of tuition costs for students attending the UC and the CSU. Starting in the 2022-23 academic year, MCS awards may be used to cover the total cost of attendance at UC and CSU (EC Section 70020, et seq.).

  The maximum annual household income to qualify for an award is $234,000 for dependent students in 2025-26.

- According to the Public Policy Institute of California (PPIC) fact sheet of November 2025:
  - A majority (71%) of parents with school-aged children want their children to graduate from a four-year college or higher, and another 21% hope their children will complete community college or career technical training, according to a recent PPIC Statewide Survey. Most parents (69%) are concerned about affording college.[1]
  - Further findings from PPIC indicate:
    - Tuition and fees can range from an average of about $1,300 per year at community colleges to over $50,000 at nonprofit, four-year private institutions.
    - California State University (CSU) has approved a plan that will raise tuition by 6% annually for five years after staying relatively flat for a decade. The University of California's (UC) Tuition Stability Plan ties annual tuition increases to inflation for each incoming undergraduate class; tuition stays the same until they graduate—for up to six years.

[1] College Affordability in California - Public Policy Institute of California

        - Nontuition costs for living off-campus not with family account for 61% of total expenses at UC, 76% at CSU, and 96% at California Community Colleges (CCC), with food and housing making up 41% of overall costs at UC, 56% at CSU, and 72% at CCC. Most aid recipients at CCC (62%) live with family off-campus to reduce costs, while 83% at UC and 44% at CSU live on campus, where costs are similar to off-campus independent living.[2]

    - Financial aid helps address college affordability, but attendance costs remain a challenge.

    - According to PPIC:

        - Fifty-five percent of first-time, full-time California undergraduates received state or local grants and 48% received federal grants in 2022–23. The shares are higher than the national rates of 35% and 42%, respectively.

        - Among first-time, full-time undergraduates in 2022–23, 66% received financial aid at UC, 82% at CSU, and 79% at CCC. At UC, over 50% of in-state undergrads paid no tuition. More than 56% of CSU undergraduate students had their fees fully covered by aid, and 40% did not pay fees at CCC.

        - Although programs such as the UC Blue and Gold Opportunity Plan can fully cover tuition and fees for low-income students, the remaining costs are still high. Families earning under $30,000 may take out loans or pay about 25% of their annual income toward expenses for attending a UC (20% for CSU, 15% for CCC).[3]

- Federal financial aid:

    - Pell Grant - is a financial aid award provided by the federal government to students who demonstrate exceptional financial need on their FAFSA

[2] College Affordability in California - Public Policy Institute of California
[3] *Ibid*.

form and have not earned a degree from an accredited college or university. The maximum Pell Grant Award for the 2025-2026 academic year is $7,395.

- House Resolution 1, known as "the One Big Beautiful Bill," was signed into law on 04 July 2025. The measure, in part, includes changes to the existing Pell Grant:

  - Removes Pell Grant access for students who are receiving other non-title VI grant aid (aid from non-federal sources)

  - Expands Pell Grant eligibility for short-term job training programs.[4]

  - In 2024-2025, 413,218 CCC students received Pell Grant for a total of $1.8 billion award dollars (Data from the CCC Data Mart).

  - In 2023-2024, 207,158 CSU students received Pell Grants for a total of $1.07 billion in award dollars (CSU Legislative Report 2025).

  - In 2023-2024, 80,034 UC undergraduate students received Pell Grants for a total of $454.4 million in award dollars (UC Information Center).

- Federal loan changes:

  - Aside from changes to the Pell Grant, HR 1, also makes changes to several loan programs that historically, students' from low-income backgrounds have relied upon to offset their total cost of attendance; they will now have fewer options to finance their higher education.

[4] Provisions Affecting Higher Education in the Reconciliation Law - The Institute for College Access & Success

- Effective 01 July 2025, federal law eliminates the Graduate PLUS loan program. Graduate student borrowing will be capped at $20,500 per year, with a lifetime borrowing limit of $100,000.[5]

- Professional student borrowing will be capped at $50,000 per year, with a $200,000 lifetime borrowing limit. The current Graduate PLUS program allows graduate and professional students to borrow up to the full cost of attendance each year.

    - It is presently unknown which programs will end up being considered "graduate" v "professional" for purposes of these new limits.[6]

- Effective 01 July 2026, federal law also imposes limits on the Parent PLUS program of $20,000 per year for each dependent student, with a lifetime limit of $65,000 per student. The current program allows parents of dependent undergraduates to borrow up to the full cost of attendance each year.[7]

- Additionally, effective 01 July 2026, federal law establishes a new aggregate lifetime loan limit of $257,500 for all borrowers, regardless of any amounts repaid or forgiven, but excludes Parent PLUS loans from that aggregate maximum.

    - Existing borrowers enrolled in a program by June 30, 2026, are exempt from new borrowing caps for three years.[8]

- Under HR 1, institutions are now permitted to set lower annual loan limits for students and parents, provided the policy is applied consistently to all students within the same program of study.[9]

---

[5] Provisions Affecting Higher Education in the Reconciliation Law - The Institute for College Access & Success
[6] *Ibid*.
[7] *Ibid*.
[8] *Ibid*.
[9] *Ibid*.

        - It is worth nothing that the federal law makes no changes to undergraduate borrowing limits or the subsidized student loan program.[10]

- While uncertainty exists for countless students and their families as to the value of a higher education, a variety of data shows the return on investment (ROI).

- According the October 2024 College Futures Foundation report, *California College Programs That Pay - Measuring Return on Investment Across Majors and Credentials - A Golden Opportunities Report Centering Educational Costs and Value to Learners:*

- Nearly 9 out of 10 programs across California allow graduates to recoup their educational costs in less than five years.[11]

    - And over a third of college programs allow their graduates to recoup their costs in less than 12 months.

    - Of the programs examined, 12% of college programs within California show their graduates taking five years or longer to recoup their out-of-pocket costs

    - 112 of those programs were found to offer no economic ROI to students whatsoever.

        - This means that the majority of graduates at these programs actually earned less than the typical high school graduate, even five years after they've earned their college credential.

    - The research found that program type makes a difference:

[10] Provisions Affecting Higher Education in the Reconciliation Law - The Institute for College Access & Success
[11] Golden-Opportunities_CAProgramROI_College-Futures_Oct2024-FINAL-1-1.pdf

- Associate's degree programs tend to have the shortest time to ROI, with most programs (65%) allowing graduates to recoup costs within 1 year.[12]

- The low cost of two-year institutions, such as the California Community Colleges, and the earnings premium they lead to, are some contributing factors to these outcomes.[13]

- Bachelor's degrees generally take graduates longer and cost more but, because of high returns, the research shows most programs allows graduates to recoup costs in less than five years.[14]

- While some certificates pay off quickly, they are also the riskiest credentials—nearly a quarter leave graduates with no economic ROI.[15]

- Key opportunity for the State, to fund Cal Grant Reform, which will enable more students to benefit from additional state financial aid assistance and have the ability to apply funds beyond tuition and fees, eventually utilizing funds for students' total cost of attendance and their overall basic needs.

[12] Golden-Opportunities_CAProgramROI_College-Futures_Oct2024-FINAL-1-1.pdf
[13] *Ibid*.
[14] *Ibid*.
[15] *Ibid*.