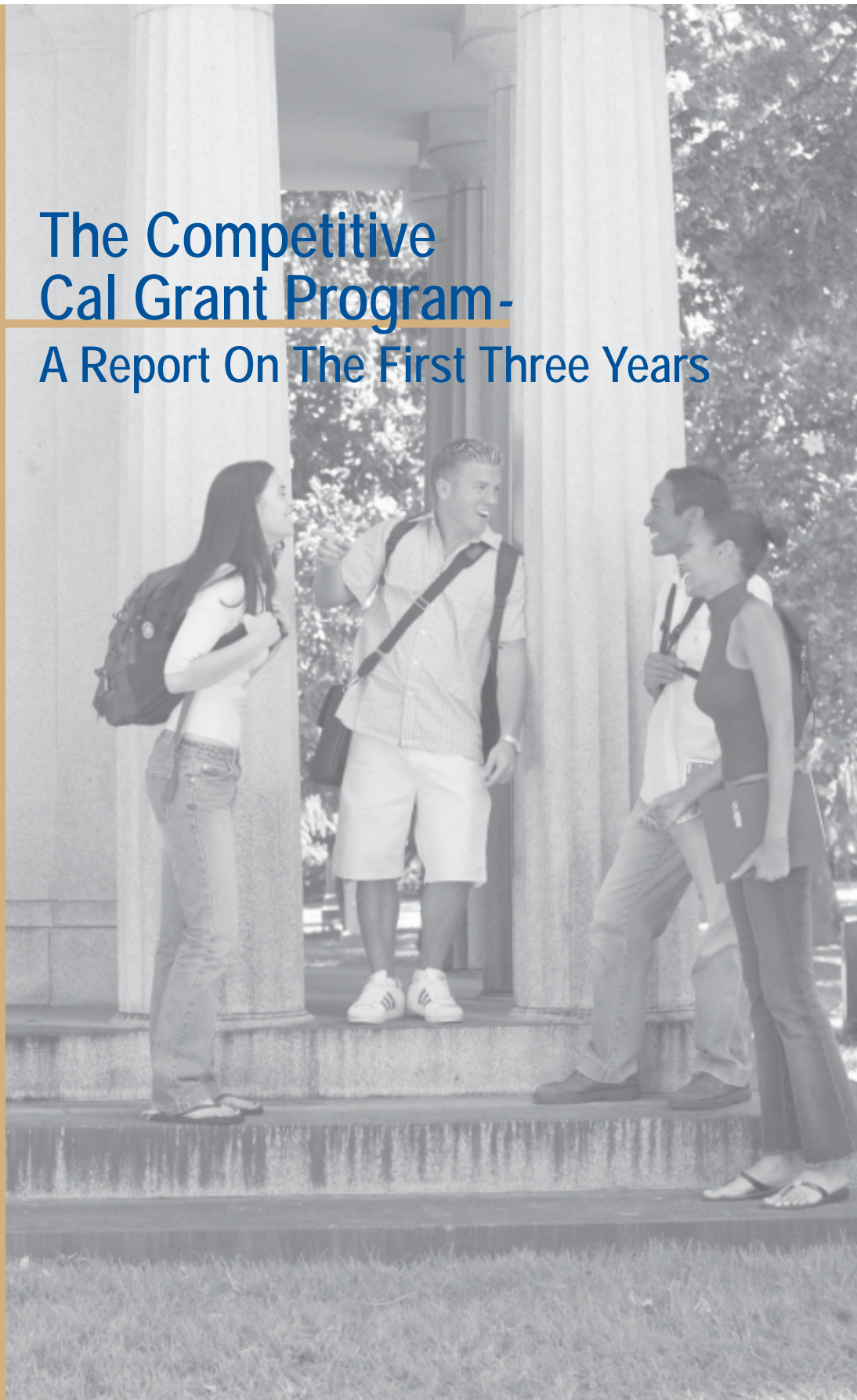




# The Competitive Cal Grant Program-

## A Report On The First Three Years



2001-04

# CALIFORNIA STUDENT AID COMMISSION

## OFFICE OF THE EXECUTIVE DIRECTOR



Honorable Governor Arnold Schwarzenegger  
and  
Honorable Members of the Legislature:

On behalf of the California Student Aid Commission, I am pleased to submit the California Student Aid Commission's report, pursuant to California Education Code Section 69437.7, on the results of the first three years of the Cal Grant Competitive Program established in the Ortiz-Pacheco-Poohigian-Vasconcellos Cal Grant Act (SB 1644, Chapter 403, Statutes of 2000). Because only the Competitive Cal Grant provides aid for older late-entry students, this report also fulfills the requirements of Senate Bill 680 (Chapter 795, Statutes of 2003) which requires the Commission to review the issues of whether the Cal Grant Act provides adequate resources to non-traditional, returning and older adult students.

On September 11, 2000, the Legislature and the Administration took an enormous step toward improving the opportunities available to California students by removing the financial barriers that could hinder the attainment of a postsecondary education. With the enactment of SB 1644, California expanded its 49-year-old competitive Cal Grant Program through a two-tiered approach that: a) guarantees a grant to graduating high school seniors and specified transfer students who meet program eligibility requirements; and b) provides 22,500 Cal Grant Competitive awards to students who do not qualify for the new entitlement awards.

The enclosed report summarizes the quantitative results of the first three years of the Cal Grant Competitive Program. The most significant finding is that over 136,000 students applied for and met all eligibility requirements for the 2003-04 Competitive Cal Grant awards. Only one in six of these qualified students received one of the 22,500 available awards. In contrast, through the Entitlement Program, since the enactment of SB 1644, the number of high school graduates receiving Cal Grant awards increased from 48,417 in 2001-02 to 60,359 in 2003-04.

Recent employment research documents that at least two years of postsecondary education is necessary to obtain a self-sufficient wage. California would benefit from providing the financial resources to late-entry students that would enable them to pursue a postsecondary education.

As the Legislature deliberates financial aid issues, one issue not covered by this report but requiring further review is the interaction between Cal Grants and institutional aid. A more complete description of the financial aid picture could be achieved if data on institutional aid were readily accessible for analysis.

The Commission is proud to be a part of the education of California's postsecondary students through the Cal Grant Entitlement and Competitive Grant programs and will continue to work toward ensuring that education beyond high school is financially accessible for all Californians. We look forward to continuing to work with you to achieve this goal. Should you have any questions about anything in this report, please contact me at (916) 526-8271.

Sincerely,

A handwritten signature in blue ink, reading "Diana Fuentes-Michel", is positioned above the printed name.

Diana Fuentes-Michel  
Executive Director

## EXECUTIVE SUMMARY

On September 11, 2000, the Legislature and the Administration took an important step toward improving the opportunities available to California students by removing the financial barriers that could hinder the attainment of a postsecondary education. With the enactment of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act (SB 1644, Chapter 403, Statutes of 2000), California modified the existing Cal Grant Program into a two-tiered approach that a) guarantees an Entitlement Grant to graduating high school seniors and specified transfer students who meet the program eligibility requirements; and b) provides 22,500 Cal Grant Competitive awards to students who do not qualify for an entitlement grant. This report summarizes the quantitative results of the first three years of the Cal Grant Competitive Program.

### Background

- ◆ The Commission conducts two award competitions each year. The March Competition provides 11,250 awards to students, regardless of segment. The September Competition, which also provides 11,250 awards, is reserved for students attending a California Community College.
- ◆ In 2001-02, the first year of the program, 98,532 applicants met all eligibility criteria for a Cal Grant Competitive award. Of the qualified applicants, 22,500, or about 23 percent, received Cal Grant Competitive awards. In 2002-03, the number of eligible applicants increased by over 32,000 students, or 33 percent. In 2003-04 the number of eligible applicants increased by about 5,000, or 4 percent. Thus, in the most recent year 22,500 students received a Competitive Cal Grant award, but almost 114,000 other eligible students did not receive a grant.

### Age of Recipients

Because the Cal Grant Entitlement Program is for recent graduating high school students, only the Cal Grant Competitive Program provides aid for older, late-entry students.

- ◆ In 2001-02, 61 percent of the Competitive Cal Grant recipients were under 25 years of age – a younger than anticipated recipient pool. After consultation with segmental representatives, the Commission adjusted the selection criteria to allow extra consideration for older, late-entry students. In 2002-03, only 35 percent of the Competitive Cal Grant recipients were under 25 years of age, and in 2003-04 about 33 percent were under age 25.

### Income of Recipients

- ◆ In 2001-02, 81 percent of the Competitive Cal Grant recipients were from families with annual incomes below \$24,000. This pattern has remained somewhat constant with 84 percent of 2002-03 new recipients and 80 percent of 2003-04 recipients having incomes under \$24,000.

### GPA of Recipients

- ◆ In 2001-02, just over 65 percent of recipients had a GPA of 3.00 or higher. This increased in the subsequent two years. In 2002-03 and 2003-04, 74 percent of Competitive Grant recipients had a GPA of 3.00 or higher.

It will take several years of careful observation and evaluation before the Commission will have sufficient data and experience with the Competitive Cal Grant Program to determine its success. It is clear, however, that the State's current commitment of 22,500 awards for the Competitive Cal Grant Program is insufficient to meet the needs of California's older, late-entry students. At this time, *only one out of six eligible applicants receives an award.*



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**SECTION I**  
**INTRODUCTION**





# **The California Student Aid Commission**

## **A Brief History**

The California Student Aid Commission (Commission) is the state's principal provider of intersegmental statewide grant aid to postsecondary students. Founded in 1955 as the California State Scholarship Commission, the Commission is now a highly complex financial aid organization that will award approximately \$714 million directly to students through Cal Grants and loan assumption programs in 2004-05. EDFUND, the Commission's non-profit auxiliary agency, will guarantee approximately \$6 billion in federal student loans.

The Commission consists of 15 appointed members. Eleven members are appointed by the Governor and represent segments of the State's higher education community, postsecondary education students, and the general public. In addition, the Speaker of the Assembly and the Senate Rules Committee each appoint two Commission members as representatives of the general public.

In its policy decision-making, the Commission receives advice and recommendations from its staff; its advisory committees, including the Grant Advisory Committee, and the Loan Advisory Council; the EDFUND Board, and ad hoc committees comprised of individuals that represent colleges and universities, secondary schools, student groups, the business community, lending institutions, and various levels of government. The Commission's strong tradition of public participation stems from its commitment to continuous improvement and responsiveness in the development and delivery of its financial aid programs and services.

## **The Competitive Cal Grant Program**

On September 11, 2000, the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act (SB1644, Chapter 403, Statutes of 2000) was signed into law. This historic bill transformed the previous Cal Grant A and B programs into the Entitlement Cal Grant A and B and Competitive Cal Grant A and B programs and retained the existing Cal Grant C and T programs. As with the original Cal Grant Program, a student must submit a Free Application for Federal Student Aid (FAFSA) and a Cal Grant Grade Point Average (GPA) verification form by the deadlines set by the Commission to be considered for a Cal Grant award.

The enabling legislation for the new Competitive Cal Grant Program established two separate award deadlines: March 2<sup>nd</sup> and September 2<sup>nd</sup>. The September deadline allows students who decide to apply for financial aid after March 2<sup>nd</sup> to compete for a California Community College Competitive Cal Grant award. Each Competition has 11,250 authorized awards and both offer Cal Grant A or Cal Grant B. The major difference between the two deadlines is that to be eligible for the September Competition, a student must be currently enrolled in a California Community College for the fall term.

## Legislative Reporting

In the summer of 2000, then Governor Gray Davis and the Legislative leadership of both houses negotiated the expansion of the Cal Grant Program with the passage of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act (SB 1644, Chapter 403, Statutes of 2000). This negotiation focused on how California would serve its growing high school graduate population. As a result of these negotiations, it was established that all recent high school students who meet the financial and academic requirements established in law are entitled to a Cal Grant award. For those students who are already enrolled in postsecondary education institutions and beyond high school graduation, it was agreed they would be allowed to compete for a Cal Grant award through the Competitive Cal Grant Program. The legislation required that this program be evaluated after two years. Specifically, the legislation called for the Commission to do the following:

### **The California Education Code Section 69437.7**

“After two award cycles, the commission shall review the competitive grant program and its priorities to gain a better understanding of early participation patterns and to determine the initial level of program effectiveness. The commission shall report these findings to the Legislature and the Governor by December 31, 2003, and each year thereafter.”

### **Section 8 of Senate Bill 1644 (Chapter 403, Statutes of 2000)**

“The Student Aid Commission shall annually report to the Legislature and the Governor on the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program from its inception on both of the following:

- (a) The number of Cal Grant applicants and new and continuing recipients each year. This data shall include at a minimum the following information about recipients: educational level, grade point average, segment of attendance, number of community college transfer students.
- (b) A longitudinal component that measures student persistence and graduation rates over time.”

Furthermore, the California Education Code Section 69514 requires that:

The Commission shall “report, on or before April 1 of each year, statistical data examining the impact and effectiveness of state-funded programs. The commission shall utilize common criteria in determining the impact of these programs and shall have the authority to obtain any data from postsecondary educational institutions necessary for the reports.”

### **Section 1, part (b) of Senate Bill 680 (Chapter 795, Statutes of 2003)**

Legislation passed in 2003 required the Commission to convene an existing advisory committee to review the formula for calculating high school GPAs and report its findings to the Legislature by December 31, 2004. “The Student Aid Commission shall review the issue of whether the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act provides adequate resources for nontraditional, returning, and older adult students. The Commission shall report its findings and recommendations on this issue to the Legislature, as part of the report required pursuant to Section 69437.7 of the Education Code, prior to December 31, 2004.”

This report, on the progress and success of the Cal Grant Competitive program, encompasses the requirements of SB 680 regarding non-traditional, returning and adult students.

## **Methodology**

The Cal Grant applicant and recipient data were generated using year-end data for the 2001-02, 2002-03 and 2003-04 award years. Commission staff created data systems to compile data to describe and compare applicants, recipients, and eligible non-recipients from several perspectives.

The Commission publishes a number of program-related reports annually. However, the pre-SB 1644 reports and data are not directly comparable to this and future Competitive Cal Grant Program reports. Changes in program criteria and structure make comparisons difficult. Thus, 2001-02 is the baseline for the new Competitive Cal Grant Program. This report explores the results of the first three years, but cannot be used to predict student behavior and program effectiveness. With each passing year, this report will become a more useful tool in the development of financial aid policy in California.



**SECTION II**  
**THE APPLICATION PROCESS**



## **It Just Takes Two!**

The Competitive Cal Grant application process requires that students complete and submit two forms: 1) a Free Application for Federal Student Aid (FAFSA) and 2) a Cal Grant Grade Point Average (GPA) Verification Form by the March 2<sup>nd</sup> and/or September 2<sup>nd</sup> deadlines. Applicants who meet certain criteria may submit a test score (GED, SAT, or ACT) in lieu of a GPA.

### **Free Application for Federal Student Aid (FAFSA)**

The FAFSA is the core application required to assist in determining financial eligibility for all federal, as well as many state and institutional, grant and loan programs. Students complete an Internet version of the FAFSA or submit a paper application to the federal government's central processor. Federal methodology prescribed by Congress is used to determine an applicant's "Expected Family Contribution (EFC)". The EFC is based on income, assets, family size and other factors derived from the FAFSA application. The EFC is the amount of money that the student and parent(s) of a dependent student can reasonably be expected to contribute toward the student's education.

The Commission receives these federal application data in an electronic format directly from the federal processor once the applicant's identity has been authenticated through a match with the Social Security Administration, the Department of Veteran's Affairs, and the Department of Homeland Security (formerly the Immigration and Naturalization Service). The federal processor sends data for all students who are California residents and/or nonresidents who list a California postsecondary institution on their application.

### **Cal Grant Grade Point Average (GPA) Verification Form**

California Education Code Section 69432.9(c) requires students to submit a verified Cal Grant GPA for consideration in the Commission's Cal Grant program. Students work directly with their schools to ensure that a verified GPA is submitted by the application deadline. High school and postsecondary institution administrators may report individual or large volume GPA verifications through the Commission's secure web-enabled site or via individual reporting on optical-marked Scantron forms.

## How Applications Are Processed

After receiving FAFSA records from the federal central processor, the Commission compares each FAFSA record to the Commission's database to determine if an applicant's record is already on file and is receiving an award. If not, then the record is matched to the Commission's database of Cal Grant GPA verifications received for the forthcoming competition.

Applicants with both a FAFSA and a verified GPA on file have new electronic records established in the database which then undergo an intensive automated evaluation. This sequential evaluation is often referred to as the "edit" process. The "edits" are grouped in broad categories known by the following terms: "Common Edits", "Program Edits," and "Financial Edits." Applicants must meet all of the edits to remain in the eligible applicant pool.

### Common Edits

Common edits evaluate the applications for overall Cal Grant eligibility. Applicants must:

- Be California residents
- Be U.S. citizens or eligible non-citizens
- Meet U.S. Selective Service requirements
- Not have a baccalaureate or first professional degree
- Attend a qualifying California postsecondary institution
- Not be in default on any student loan
- Not owe any federal or state grant refund

### Program Edits

An applicant's record then is reviewed on the basis of "program edits" to identify the most likely program for which an applicant may be eligible to receive further evaluation, such as a Cal Grant A or Cal Grant B. These edits include:

- Eligible school
- Grade Point Average (at least 2.0 for Cal Grant B and 3.0 for Cal Grant A)
- Remaining eligibility for the program (has not used four years of Cal Grant benefits)

At this point in the process, Competitive Cal Grant applicants who do not satisfy the common edits or program edits are flagged as ineligible and are sent a letter notifying them that they are ineligible and the reasons why.

### Financial Edits

Applicants are next evaluated to determine if they meet the income and asset standards, and then reviewed to determine whether they have sufficient financial need. These filters are described below:

1. *Income Ceilings* – Income ceilings are established and adjusted annually using the change in the California per capita income as specified in California Education Code Section 69432.7(k). Parental income is used for dependent applicants and student income is used for independent students.



2. *Asset Ceilings* - asset ceilings are established and adjusted annually using the change in the California per capita income as specified in California Education Code Section 69432.7(k). Home equity is not a factor in determining assets.
3. *Financial Need* – California Education Code Section 69432.9(b)(2) defines “financial need” as the difference between the student’s cost of attendance as determined by the Commission and the “expected family contribution”. Because the Cal Grant program uses federal methodology as the basis of determining financial need, federal exclusions to reported income such as veteran’s benefits and federal work study are observed.
4. *Unmet Need* –California Education Code Section 69432.9(b)(3)(A), specifies the minimum financial need required for receipt of an initial Cal Grant A or Cal Grant C award. It shall be not less than the maximum annual award value for the applicable institution, plus an additional one thousand five hundred dollars (\$1,500) of financial need. California Education Code Section 69432.9(b)(3)(B) sets the minimum financial need required for a Cal Grant B award at seven hundred dollars (\$700).

Applicants who meet all of the common edits, program edits, and financial edits move next into the scoring phase for the Competitive Cal Grant program. Those applicants who do not pass the four financial edits are filtered out and notified of their status.

### **Selection Criteria**

The Competitive Cal Grant Program is limited to 22,500 grants. Since the pool of eligible applicants far exceeds the limit, the Commission must prioritize or rank each applicant on like criteria. California Education Code Section 69437(c)(1) requires the Commission to establish selection criteria for Competitive Cal Grant A and B awards that give special consideration to disadvantaged students, taking into consideration those financial, educational, cultural, language, home, community, environmental, and other conditions that hamper a student’s access to, and ability to persist in, postsecondary education programs.

The Commission has always used a scoring system for the Cal Grant B program to evaluate the socio-economic status of each eligible applicant. The Commission’s Grant Advisory Committee established a workgroup to review the existing Cal Grant B scoring system and, based on the workgroup’s findings, the Commission decided to leave a 100-point scoring system in place for the first year of the Competitive Cal Grant A and B Program to better assess the effect of the new legislation. However, minor changes were made to the distribution of points for GPA for the first year. The resulting recipient pool for 2001-02 favored younger students somewhat disproportionately in the overall recipient pool.

In 2002-03, the Commission modified the scoring system again. Scores were based on a 200-point system that included “access equalizer” points, which considered the high school the applicant attended and the number of years since the applicant attended high school. Access equalizer points were awarded for students submitting a GED test score or with GPAs submitted from one of the following:

1. A continuation high school; or
2. A high school in the upper quartile of free or reduced lunch program; or
3. A high school in the lowest quartile of university-going rate, excluding those high schools having no reported university-going rate and those having a free or reduced lunch rate of less than 25 percent.

In 2003-04, the Commission’s Grant Advisory Committee established a workgroup to review data on the 2002-03 Competitive Cal Grant-eligible recipients and non-recipients, with an

emphasis on the new access equalizer component. Based on the workgroup's findings, the Commission decided to retain the access equalizer scoring for 2003-04 under the same parameters as were used in 2002-03.

In the other component of the access equalizer, applicants who have been out of high school for two to three years receive up to nine points, while applicants who have been out of school for eight or more years may receive up to eighteen points. The maximum points for the scoring for each year are displayed in the following table.

| SCORING CATEGORIES                             | Maximum Points |            |            |
|--|----------------|------------|------------|
|  | 2001-02        | 2002-03    | 2003-04    |
| Grade Point Average (GPA)                      | 35             | 70         | 70         |
| Parents' Educational Level (Mother and Father) | 18             | 18         | 18         |
| Student or Parent Household Status             | 9              | 18         | 18         |
| Family Income and Household Size               | 38             | 76         | 76         |
| Access Equalizer                               | -              | 18         | 18         |
| <b>Maximum Total points</b>                    | <b>100</b>     | <b>200</b> | <b>200</b> |

### Establishing a Cutoff Score

To establish a "cutoff" score for students who will receive a Competitive Cal Grant A or Cal Grant B award, the Commission sets the score at a number that is closest to the 11,250 awards authorized for each competition.

Students who scored above or within the cutoff score are awarded and notified of their Cal Grant eligibility. Those students who fell below the cutoff score are informed of their status and are considered eligible non-recipients.

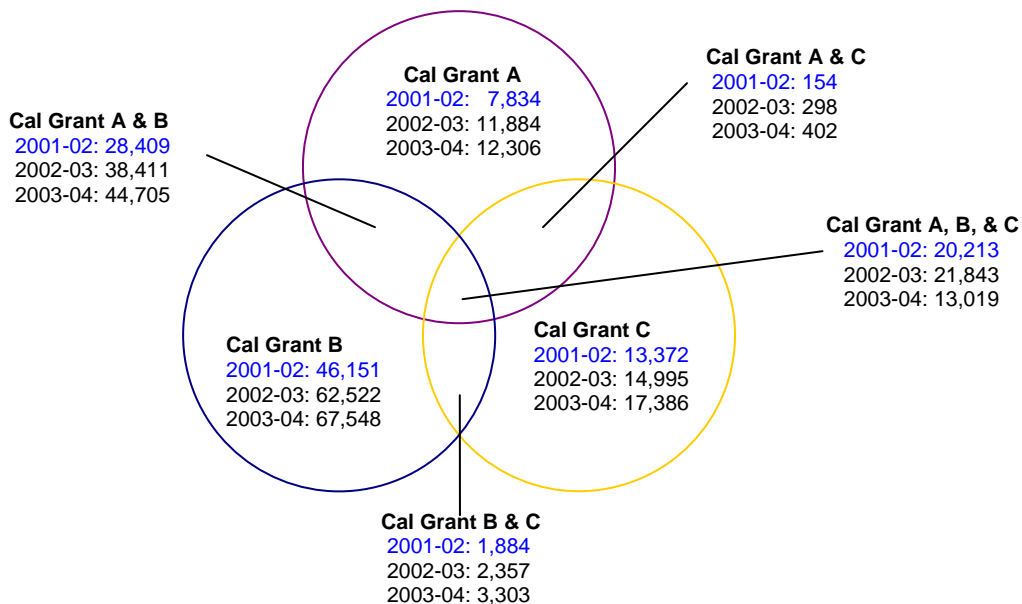
| AWARD YEAR | MARCH   |         | SEPTEMBER |
|------------|---------|---------|-----------|
|            | Initial | Second* |           |
| 2001-02    | 82      | 81      | 81        |
| 2002-03    | 156     | --      | 158       |
| 2003-04    | 156     | --      | 159       |

\* **March (Second) Cutoff Scores:** In 2001-02, students were initially ranked by score and all applicants within a score cohort were offered an award until the cumulative total exceeded 22,500 awards. The cohort exceeding 22,500 was then split in order to achieve the statutory limit of 22,500 awards. March Competition students with an initial score of 81 were scored and ranked a second time. The second score included points for Expected Family Contribution and GPA. California Education Code Section 69437 (b) (3) requires the Commission to establish criteria to offer any undistributed awards without exceeding an annual cumulative total of 22,500 awards.

## Eligible Applicants

The following Venn diagram displays the number of eligible applicants for the March and September Competitions, by Cal Grant program (Cal Grant A, B, and C) and by award year. Applicants who meet the eligibility criteria for more than one Cal Grant program are referred to as “overlap” applicants. For instance, in both 2001-02 and 2002-03, more than 20,000 students met the 3.0 merit requirement needed for a Cal Grant A, were from a very low-income family and so qualified for a Cal Grant B, and also met the course of study requirements for a Cal Grant C. In 2003-04, the number of eligible applicants meeting these three requirements decreased by more than 7,000 students, or 35 percent. Recipients are placed in the program that will give them the best financial benefit.

**Display 1: Competitive Cal Grant Eligibility Pool**





**SECTION III**  
**AWARD RECIPIENTS**



## **Competitive Cal Grant Awards**

California Education Code Section 69437(b) authorizes the Commission to grant 22,500 Competitive Cal Grant A and B awards each academic year. One-half of the awards are distributed during the March Competition and the remaining awards are distributed during the September Competition.

All eligible applicants are ranked by the score generated by the selection criteria and sorted in descending order. Beginning with those in the 200-point cohort, applicants are selected within each cohort until all of the awards are allocated. Occasionally, the Commission needs to under-award because including the next score cohort would result in more than 11,250 awards offered.

California Education Code Section 69437(b)(3) stipulates that the Commission shall make any awards not distributed during the initial allocation to as many eligible applicants as possible, without exceeding an annual cumulative total of 22,500 awards. It also specifies that the undistributed awards shall be offered to eligible applicants with the lowest expected family contribution and highest academic merit.

### **March Competition**

In the 2001-02 March Competition, the Commission granted 11,237 new Competitive Cal Grant awards. In the 2002-03 March Competition, the Commission offered 12,205 new Competitive Cal Grant awards and in the 2003-04 March cycle the number of awards was 11,499. The expectation is that the number of awards funded would not exceed 11,250 in any cycle. The next few sections provide a glimpse at the March Competitive Cal Grant A and B recipients and any changes that occurred between the first, second and third years.

#### **Recipients by Program**

Prior to SB 1644, the number of Cal Grant A and B awards were divided evenly between the two programs. With the enactment of SB 1644, the majority of March Competitive Cal Grant recipients now receive a Cal Grant B. Over time, the Cal Grant B award offers a greater financial benefit to the student.

In 2001-02, 2002-03 and 2003-04 over 90 percent of the March Competitive recipients received a Cal Grant B.

## Recipients by Segment

When the Cal Grant programs were first created, the goals were to provide access to higher education and to provide a choice of college to students who might otherwise not have such an opportunity. The Cal Grant programs “look” different after SB 1644, but the commitment to both access and choice remains unchanged. The portability of the Cal Grant supports the State’s long-standing commitment to access and choice to California’s most disadvantaged students. It provides a way to choose an institution best suited to the student, not just what the student initially might think s/he can afford. As a result, Cal Grant awards are offered to students attending all types of Cal Grant eligible postsecondary institutions: the California Community Colleges (CCC), the University of California (UC), the California State University (CSU), as well as a large variety of non-profit and for-profit independent institutions.

**Figure 1: Segmental Distribution of March Competitive Recipients**

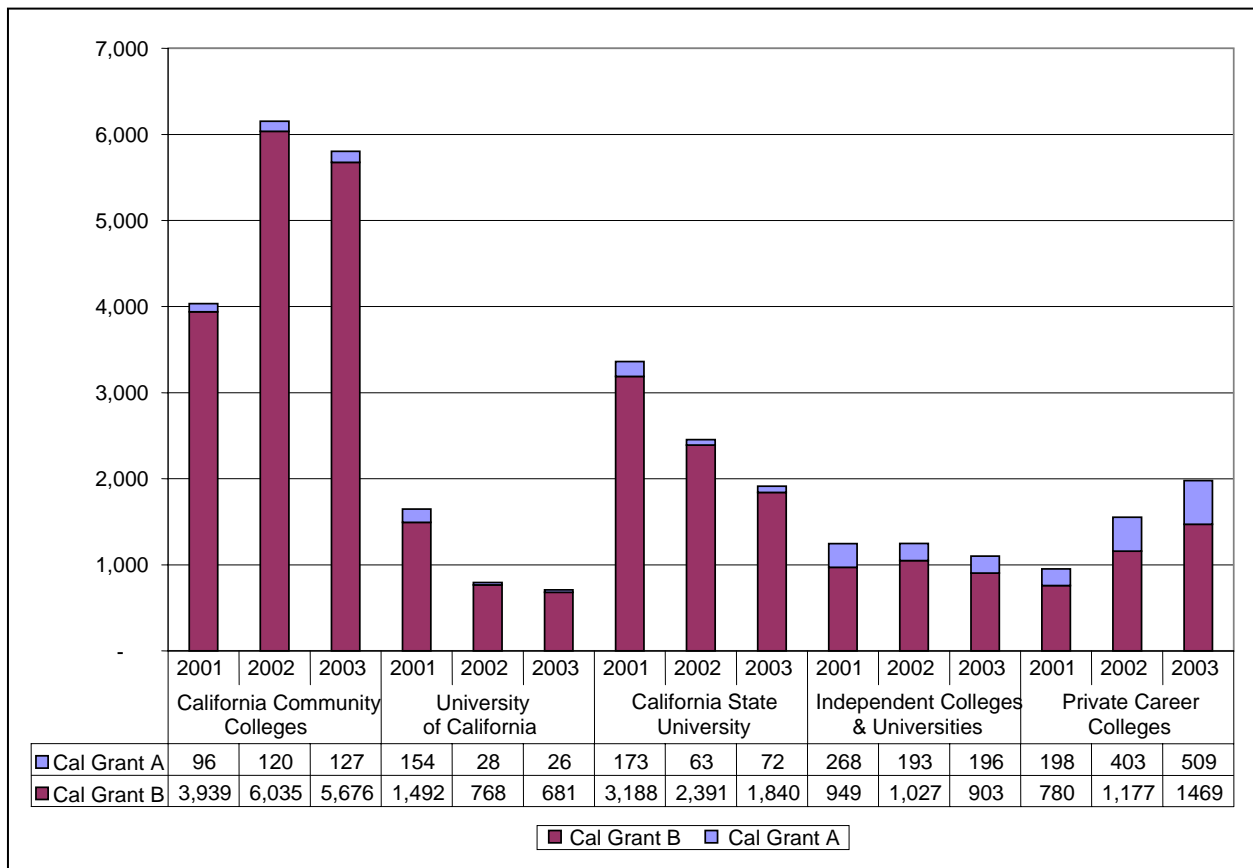


Figure 1 illustrates the segmental distribution of new recipients from the March Competition for the first three years of the Competitive Cal Grant Program<sup>1</sup>. In 2001-02, just over one-third of the recipients indicated that they would attend a California Community College (CCC). In 2002-03, the CCC share rose above 50 percent and in 2003-04, the CCC share remained over 50 percent. The number of recipients listing the University of California and the California State University dropped between the first and second years while students at independent colleges and universities stayed fairly static, and the number at private career colleges increased.

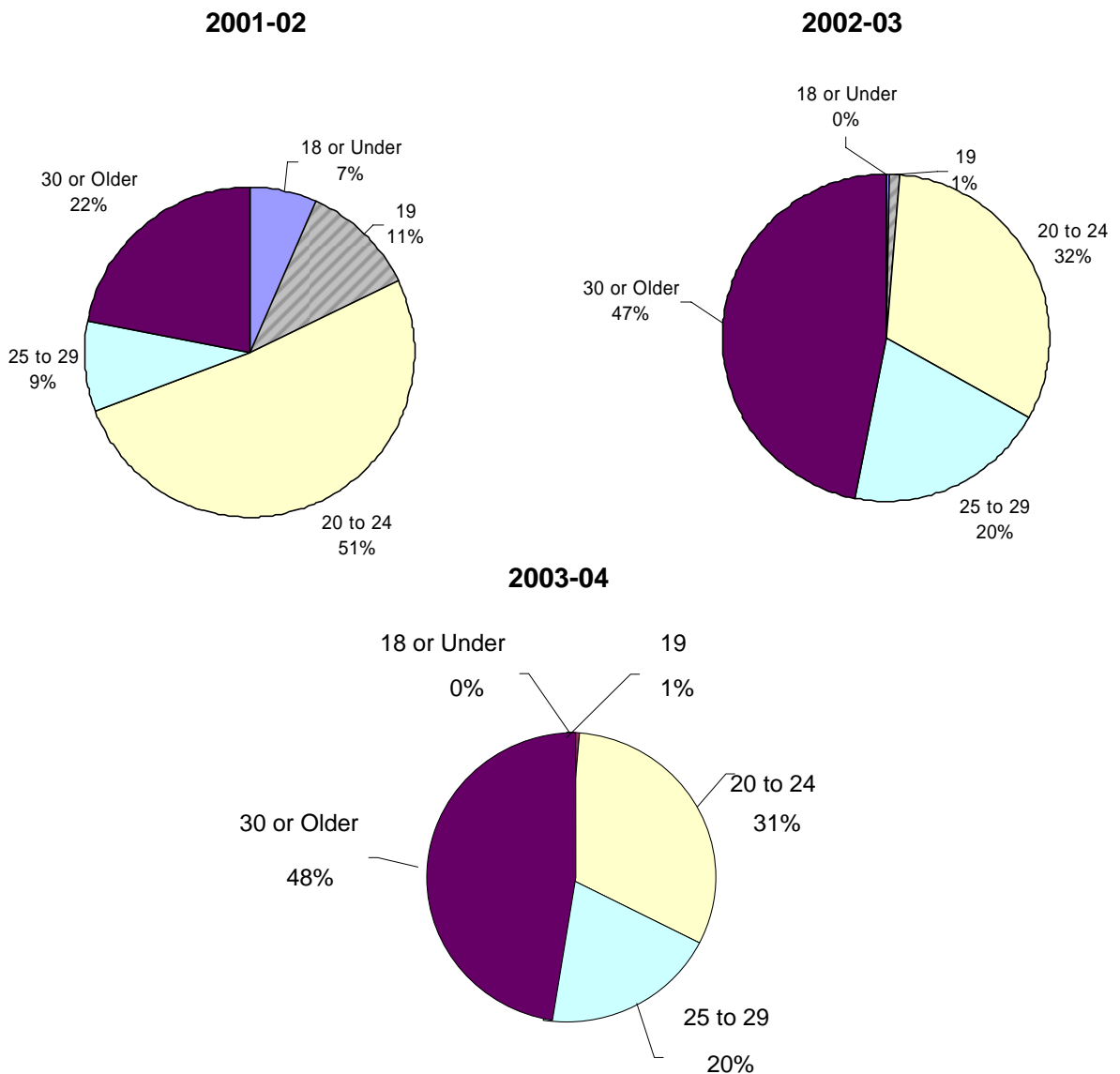
<sup>1</sup> This is calculated using the first eligible Cal Grant participating institution listed on the financial aid application (FAFSA).



## Recipients by Age

A dependent student is under 24 years old, unmarried, is not a veteran, and does not have dependents. With the enactment of SB 1644, it was expected that a large percentage of eligible dependent students would receive Entitlement awards due to their age. Dependent students who were not recent high school graduates and independent students who do not qualify for the Entitlement awards would compete for a Competitive Cal Grant award. In 2001-02, dependent students were over-represented in the recipient pool when compared with the rest of the eligible pool. In order to correct an unintended bias, the Commission and its Grant Advisory Committee re-defined the selection criteria (described in Section II). Figure 2 shows the dramatic effect those changes had on the age group characteristics in 2002-03 and shows that in 2003-04, the effect is the same.

**Figure 2: Age Distribution of March Competitive Recipients**



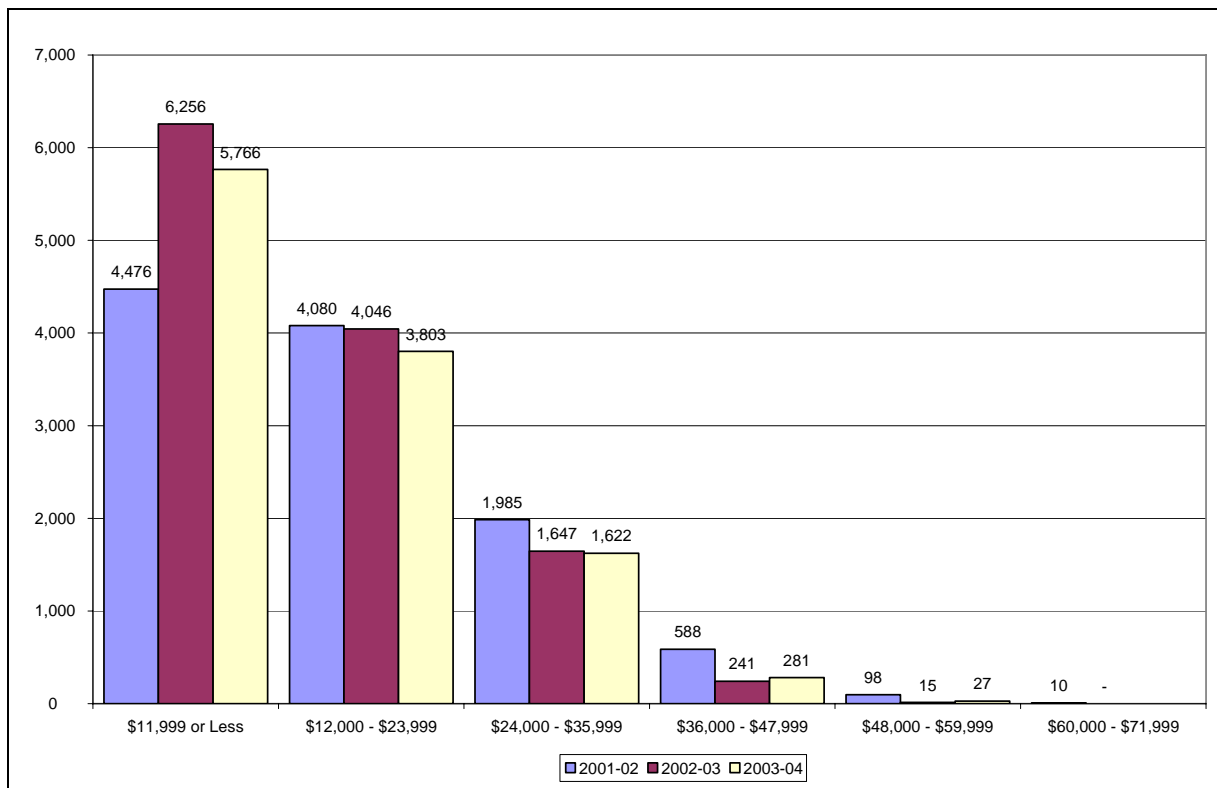
## Recipients by Income

The Commission receives income data from FAFSA records provided by the federal processor. Parent income is evaluated for dependent students and student (and spouse, if applicable) income is evaluated for independent students. In 2001-02, among new recipients of March Competitive Cal Grant awards, 4,476 students (or 40 percent) were from families with incomes below \$12,000. The incomes of 4,080 new recipients (or 36 percent) ranged between \$12,000 and \$23,999. Another 1,985 new recipients, (or 18 percent) had incomes between \$24,000 and \$35,999, while 588 new recipients (or six percent) had incomes of \$36,000 or more.

In 2002-03, the largest number of new awards, 6,256 (or 51 percent) again went to students from families with incomes below \$12,000. Consequently, the percent of new recipients with incomes between \$12,000 and \$23,999 decreased slightly, from 36 percent in 2001-02 to 33 percent in 2002-03. Likewise, the percent of new recipients with incomes between \$24,000 and \$35,999 decreased somewhat in 2002-03 from 18 to 14 percent. Only two percent of new recipients were from families with incomes of \$36,000 or more (See Figure 3).

In 2003-04, new recipient proportions changed only slightly, with 50 percent going to families with an income under \$12,000, 33 percent going to families with an income under \$24,000 and 14 percent of all families with an income below \$36,000 receiving a grant.

**Figure 3: Income Distribution of March Competitive Recipients**

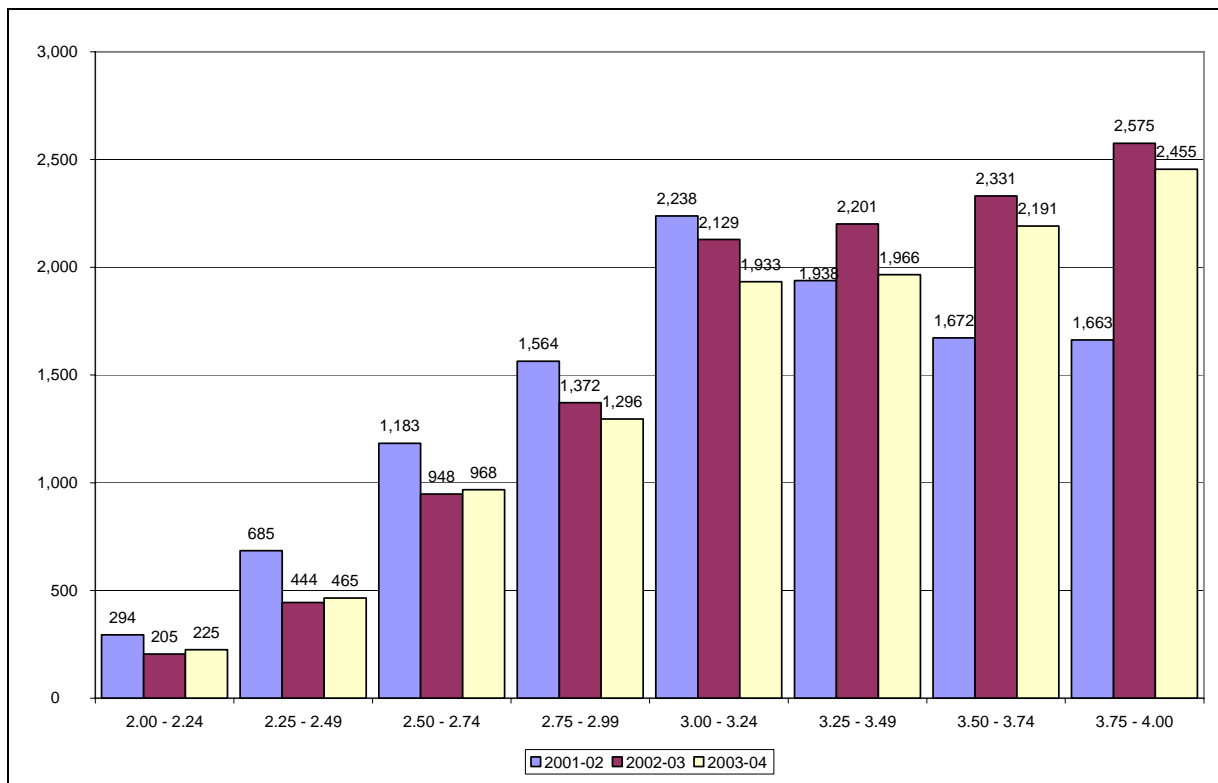


## Recipients by Grade Point Average (GPA)

The academic performance of new Competitive Cal Grant recipients was measured by either a college GPA, high school GPA, or a test score (GED, SAT, or ACT). In 2001-02, 7,511 (or 67 percent) recipients had a GPA of 3.00 or higher and nine percent had a GPA below 2.50.

Figure 4 illustrates the shift in the academic achievement of new recipients during the second and third years of the Competitive Cal Grant Program. In 2002-03, 9,236 recipients (or 76 percent) had a GPA of 3.00 or higher. The number of recipients with a GPA below 2.50 dropped to five percent. In 2003-04, 74 percent of recipients had a GPA over 3.0 and 6 percent had a GPA under 2.5.

**Figure 4: GPA Distribution of March Competitive Recipients**



## Participation Patterns

SB 1644 required that the Commission review the Competitive Cal Grant Award Program to gain a better understanding of early participation patterns. For this report, the Commission looked at the number of March Competitive Cal Grant recipients for whom at least one payment transaction was reported to and reconciled by the Commission (paid) against the number of recipients who were offered an award. The payment transaction may have occurred during the year the applicant was offered a Cal Grant award, for one or more subsequent year(s), or for all years.

## Participation Patterns by Initial Educational Level

Tables 1, 2, and 3 look at the Competitive Cal Grant recipients by initial educational level. The educational level is the self-reported grade level the recipient indicates on the FAFSA. For 2001-02, 2002-03, and 2003-04, Cal Grant A and B, and all educational levels, there seems to be very little difference in the number of recipients paid in the March Competition.

Table 1 provides information about the 2001-02 March Competitive recipients who were paid in their first and/or second and/or third year(s) in the Competitive Cal Grant Program. Table 2 provides information about the 2002-03 March Competitive recipients who were paid in their first and/or second year(s) in the Competitive Cal Grant Program. Table 3 provides information about the 2003-04 March Competitive recipients who were paid in their first year in the Competitive Cal Grant Program.

### The First Year (2001-02 March Competition)

Overall, in 2001-02, 71 percent of the Cal Grant A recipients and 81 percent of the Cal Grant B recipients were paid during their first year in the Competitive Cal Grant Program. Also, 53 percent of Cal Grant A recipients and 51 percent of Cal Grant B recipients were paid during their second year in the Competitive Cal Grant Program. As of December 31, 2004, 29 percent of the Cal Grant A recipients and 25 percent of the Cal Grant B recipients were paid during their third year in the Competitive Cal Grant Program.

**Table 1**  
**2001-02 March Competitive Award Offers Actually Paid in 2001-02, 2002-03, and 2003-04**  
**By Initial Educational Level**

|                            | 2001-02 Offers |               | Paid in 2001-02 |               |            | Paid in 2002-03 |               |            | Paid in 2003-04 |               |            |
|----------------------------|----------------|---------------|-----------------|---------------|------------|-----------------|---------------|------------|-----------------|---------------|------------|
|                            | #              | %             | #               | %             | % Paid     | #               | %             | % Paid     | #               | %             | % Paid     |
| <b>Cal Grant A</b>         |                |               |                 |               |            |                 |               |            |                 |               |            |
| Freshman                   | 422            | 3.8%          | 293             | 3.2%          | 69%        | 212             | 3.7%          | 50%        | 141             | 4.8%          | 33%        |
| Sophomore                  | 165            | 1.5%          | 101             | 1.1%          | 61%        | 94              | 1.6%          | 57%        | 78              | 2.7%          | 47%        |
| Junior                     | 233            | 2.1%          | 186             | 2.1%          | 80%        | 153             | 2.7%          | 66%        | 37              | 1.3%          | 16%        |
| Senior                     | 69             | 0.6%          | 51              | 0.6%          | 74%        | 8               | 0.1%          | 12%        | 4               | 0.1%          | 6%         |
| <b>Total</b>               | <b>889</b>     | <b>7.9%</b>   | <b>631</b>      | <b>7.0%</b>   | <b>71%</b> | <b>467</b>      | <b>8.2%</b>   | <b>53%</b> | <b>260</b>      | <b>9.0%</b>   | <b>29%</b> |
| <b>Cal Grant B</b>         |                |               |                 |               |            |                 |               |            |                 |               |            |
| Freshman                   | 2,006          | 17.9%         | 1,427           | 15.8%         | 71%        | 1,034           | 18.1%         | 52%        | 740             | 25.7%         | 37%        |
| Sophomore                  | 2,972          | 26.4%         | 2,460           | 27.2%         | 83%        | 1,655           | 29.0%         | 56%        | 1,075           | 37.4%         | 36%        |
| Junior                     | 3,549          | 31.6%         | 3,020           | 33.4%         | 85%        | 2,163           | 38.0%         | 61%        | 676             | 23.5%         | 19%        |
| Senior                     | 1,821          | 16.2%         | 1,504           | 16.6%         | 83%        | 379             | 6.7%          | 21%        | 124             | 4.3%          | 7%         |
| <b>Total</b>               | <b>10,348</b>  | <b>92.1%</b>  | <b>8,411</b>    | <b>93.0%</b>  | <b>81%</b> | <b>5,231</b>    | <b>91.8%</b>  | <b>51%</b> | <b>2,615</b>    | <b>91.0%</b>  | <b>25%</b> |
| <b>Cal Grant A &amp; B</b> |                |               |                 |               |            |                 |               |            |                 |               |            |
| Freshman                   | 2,428          | 21.6%         | 1,720           | 19.0%         | 71%        | 1,246           | 21.9%         | 51%        | 881             | 30.6%         | 36%        |
| Sophomore                  | 3,137          | 27.9%         | 2,561           | 28.3%         | 82%        | 1,749           | 30.7%         | 56%        | 1,153           | 40.1%         | 37%        |
| Junior                     | 3,782          | 33.7%         | 3,206           | 35.5%         | 85%        | 2,316           | 40.6%         | 61%        | 713             | 24.8%         | 19%        |
| Senior                     | 1,890          | 16.8%         | 1,555           | 17.2%         | 82%        | 387             | 6.8%          | 20%        | 128             | 4.5%          | 7%         |
| <b>Total</b>               | <b>11,237</b>  | <b>100.0%</b> | <b>9,042</b>    | <b>100.0%</b> | <b>80%</b> | <b>5,698</b>    | <b>100.0%</b> | <b>51%</b> | <b>2,875</b>    | <b>100.0%</b> | <b>26%</b> |

See notes at the end of Table 3.

## The Second Year (2002-03 March Competition)

In 2002-03, 69 percent of the Cal Grant A recipients and 80 percent of the Cal Grant B recipients were paid during their first year in the Competitive Cal Grant Program. Also, 39 percent of the Cal Grant A recipients and 45 percent of the Cal Grant B recipients were paid during their second year in the Competitive Cal Grant Program.

**Table 2**  
**2002-03 March Competitive Award Offers Actually Paid in 2002-03 and 2003-04**  
**by Initial Educational Level**

|                            | 2002-03 Offers |        | Paid in 2002-03 |        |        | Paid in 2003-04 |        |        |
|----------------------------|----------------|--------|-----------------|--------|--------|-----------------|--------|--------|
|                            | #              | %      | #               | %      | % Paid | #               | %      | % Paid |
| <b>Cal Grant A</b>         |                |        |                 |        |        |                 |        |        |
| Freshman                   | 433            | 3.5%   | 304             | 3.2%   | 70%    | 166             | 3.0%   | 38%    |
| Sophomore                  | 185            | 1.5%   | 107             | 1.1%   | 58%    | 68              | 1.2%   | 37%    |
| Junior                     | 124            | 1.0%   | 108             | 1.1%   | 87%    | 62              | 1.1%   | 50%    |
| Senior                     | 65             | 0.5%   | 39              | 0.4%   | 60%    | 15              | 0.3%   | 23%    |
| <b>Total</b>               | 807            | 6.6%   | 558             | 5.8%   | 69%    | 311             | 5.7%   | 39%    |
| <b>Cal Grant B</b>         |                |        |                 |        |        |                 |        |        |
| Freshman                   | 2,158          | 17.7%  | 1,534           | 15.9%  | 71%    | 958             | 17.5%  | 44%    |
| Sophomore                  | 4,269          | 35.0%  | 3,436           | 35.7%  | 80%    | 2,151           | 39.2%  | 50%    |
| Junior                     | 2,713          | 22.2%  | 2,296           | 23.9%  | 85%    | 1,556           | 28.4%  | 57%    |
| Senior                     | 2,258          | 18.5%  | 1,801           | 18.7%  | 80%    | 509             | 9.3%   | 23%    |
| <b>Total</b>               | 11,398         | 93.4%  | 9,067           | 94.2%  | 80%    | 5,174           | 94.3%  | 45%    |
| <b>Cal Grant A &amp; B</b> |                |        |                 |        |        |                 |        |        |
| Freshman                   | 2,591          | 21.2%  | 1,838           | 19.1%  | 71%    | 1,124           | 20.5%  | 43%    |
| Sophomore                  | 4,454          | 36.5%  | 3,543           | 36.8%  | 80%    | 2,219           | 40.4%  | 50%    |
| Junior                     | 2,837          | 23.2%  | 2,404           | 25.0%  | 85%    | 1,618           | 29.5%  | 57%    |
| Senior                     | 2,323          | 19.0%  | 1,840           | 19.1%  | 79%    | 524             | 9.6%   | 23%    |
| <b>Total</b>               | 12,205         | 100.0% | 9,625           | 100.0% | 79%    | 5,485           | 100.0% | 45%    |

See notes at the end of Table 3.

### The Third Year (2003-04 March Competition)

In 2003-04, 68 percent of the Cal Grant A recipients and 77 percent of the Cal Grant B recipients were paid during their first year in the Competitive Cal Grant Program.

**Table 3**  
**2003-04 March Competitive Award Offers**  
**Actually Paid in 2003-04**  
**by Initial Educational Level**

|                            | 2003-04 Offers |        | Paid in 2003-04 |        |        |
|----------------------------|----------------|--------|-----------------|--------|--------|
|                            | #              | %      | #               | %      | % Paid |
| <b>Cal Grant A</b>         |                |        |                 |        |        |
| Freshman                   | 549            | 4.8%   | 380             | 4.3%   | 69%    |
| Sophomore                  | 205            | 1.8%   | 95              | 1.1%   | 46%    |
| Junior                     | 103            | 0.9%   | 95              | 1.1%   | 92%    |
| Senior                     | 73             | 0.6%   | 62              | 0.7%   | 85%    |
| <b>Total</b>               | 930            | 8.1%   | 632             | 7.2%   | 68%    |
| <b>Cal Grant B</b>         |                |        |                 |        |        |
| Freshman                   | 2,082          | 18.1%  | 1,457           | 16.6%  | 70%    |
| Sophomore                  | 5,370          | 46.7%  | 4,014           | 45.9%  | 75%    |
| Junior                     | 1,743          | 15.2%  | 1,511           | 17.3 % | 87%    |
| Senior                     | 1,374          | 11.9%  | 1,137           | 13.0%  | 83%    |
| <b>Total</b>               | 10,569         | 91.9%  | 8,119           | 92.8%  | 77%    |
| <b>Cal Grant A &amp; B</b> |                |        |                 |        |        |
| Freshman                   | 2,631          | 22.9%  | 1,837           | 21.0%  | 70%    |
| Sophomore                  | 5,575          | 48.5%  | 4,109           | 47.0%  | 74%    |
| Junior                     | 1,846          | 16.1%  | 1,606           | 18.4 % | 87%    |
| Senior                     | 1,447          | 12.6%  | 1,199           | 13.7 % | 83%    |
| <b>Total</b>               | 11,499         | 100.0% | 8,751           | 100.0% | 76%    |

**NOTES:**

- 1 Source of the educational level is the self-reported grade level the student indicates on the Free Application for Federal Student Aid (FAFSA).
- 2 "2001-02 Offers" reflect the number of competitive recipients notified as of December 31, 2001.
- 3 "2002-03 Offers" reflect the number of competitive recipients notified as of December 31, 2002.
- 4 "2003-04 Offers" reflect the number of competitive recipients notified as of December 31, 2003.
- 5 "Paid in 2001-02" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2002.
- 6 "Paid in 2002-03" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2003.
- 7 "Paid in 2003-04" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2004.
- 8 Paid data excludes Cal Grant A Reserve awards because they have no monetary value at a California Community College.

## Typical Recipients

Table 4 illustrates the characteristics of the “typical” new recipient for the first three years of the Program, demonstrating that the Commission has, in fact, implemented the legislative intent of the revised program. Awards were offered to students who demonstrated merit along with severe family income constraints, as well as offered to older, late-entry students who do not have access to the Entitlement Program. The age and income characteristics are very revealing and reinforce the need to continue supporting this student population. GPAs earned by these students demonstrate excellent potential for success in achieving their educational goals.

**Table 4  
Typical New Competitive Cal Grant A and B Recipients**

| Award Year          | Program                               | Competition |           |          |
|---------------------|---------------------------------------|-------------|-----------|----------|
|                     |                                       | March       | September | Total    |
| 2001-02             | <b>Cal Grant A recipients</b>         | 889         | 237       | 1,126    |
|                     | Average income                        | \$32,285    | \$37,669  | \$33,419 |
|                     | Average GPA                           | 3.52        | 3.59      | 3.54     |
|                     | Average family size                   | 4.0         | 3.5       | 3.9      |
|                     | Average age                           | 24          | 31        | 25       |
|                     | <b>Cal Grant B recipients</b>         | 10,348      | 11,026    | 21,374   |
|                     | Average income                        | \$14,868    | \$13,619  | \$14,224 |
|                     | Average GPA                           | 3.16        | 3.14      | 3.15     |
|                     | Average family size                   | 3.8         | 3.3       | 3.6      |
|                     | Average age                           | 26          | 28        | 27       |
|                     | <b>Cal Grant A &amp; B recipients</b> | 11,237      | 11,263    | 22,500   |
|                     | Average income                        | \$16,246    | \$14,125  | \$15,184 |
| Average GPA         | 3.19                                  | 3.14        | 3.17      |          |
| Average family size | 3.8                                   | 3.4         | 3.6       |          |
| Average age         | 25                                    | 28          | 27        |          |
| 2002-03             | <b>Cal Grant A recipients</b>         | 807         | 310       | 1,117    |
|                     | Average income                        | \$26,005    | \$36,513  | \$28,921 |
|                     | Average GPA                           | 3.58        | 3.61      | 3.59     |
|                     | Average family size                   | 3.0         | 3.3       | 3.1      |
|                     | Average age                           | 31          | 33        | 32       |
|                     | <b>Cal Grant B recipients</b>         | 11,398      | 11,363    | 22,761   |
|                     | Average income                        | \$12,156    | \$13,562  | \$12,858 |
|                     | Average GPA                           | 3.29        | 3.26      | 3.28     |
|                     | Average family size                   | 2.9         | 3.1       | 3.0      |
|                     | Average age                           | 31          | 30        | 31       |
|                     | <b>Cal Grant A &amp; B recipients</b> | 12,205      | 11,673    | 23,878   |
|                     | Average income                        | \$13,072    | \$14,172  | \$13,610 |
| Average GPA         | 3.31                                  | 3.27        | 3.29      |          |
| Average family size | 2.9                                   | 3.1         | 3.0       |          |
| Average age         | 31                                    | 31          | 31        |          |
| 2003-04             | <b>Cal Grant A recipients</b>         | 930         | 305       | 1,235    |
|                     | Average income                        | \$26,235    | \$35,512  | \$28,526 |
|                     | Average GPA                           | 3.58        | 3.63      | 3.59     |
|                     | Average family size                   | 3.0         | 3.1       | 3.1      |
|                     | Average age                           | 32          | 34        | 33       |
|                     | <b>Cal Grant B recipients</b>         | 10,569      | 10,587    | 21,156   |
|                     | Average income                        | \$12,405    | \$13,838  | \$13,122 |
|                     | Average GPA                           | 3.28        | 3.29      | 3.28     |
|                     | Average family size                   | 2.9         | 3.0       | 3.0      |
|                     | Average age                           | 31          | 30        | 31       |
|                     | <b>Cal Grant A &amp; B recipients</b> | 11,499      | 10,892    | 22,391   |
|                     | Average income                        | \$13,524    | \$14,445  | \$13,972 |
| Average GPA         | 3.30                                  | 3.30        | 3.30      |          |
| Average family size | 2.9                                   | 3.1         | 3.0       |          |
| Average age         | 31                                    | 30          | 31        |          |

## **September Competition**

Prior to SB 1644, the Cal Grant B program required that a majority of all Cal Grant B awards be given to students planning to attend a California Community College. SB 1644 demonstrated a continued financial commitment to community college students, especially disadvantaged students who make late enrollment decisions, by establishing a second Competition with a filing deadline of September 2 each year. Only students enrolled for the fall in a California Community College may receive one of the 11,250 awards.

### **Recipients by Program**

As in the past, Cal Grant A fee awards have no monetary value at a California Community College. This is due to the low fees charged at the community colleges and the availability of a Board of Governor's fee waiver to all financially eligible students. The award is held in reserve until the recipient transfers to a tuition or fee charging institution.

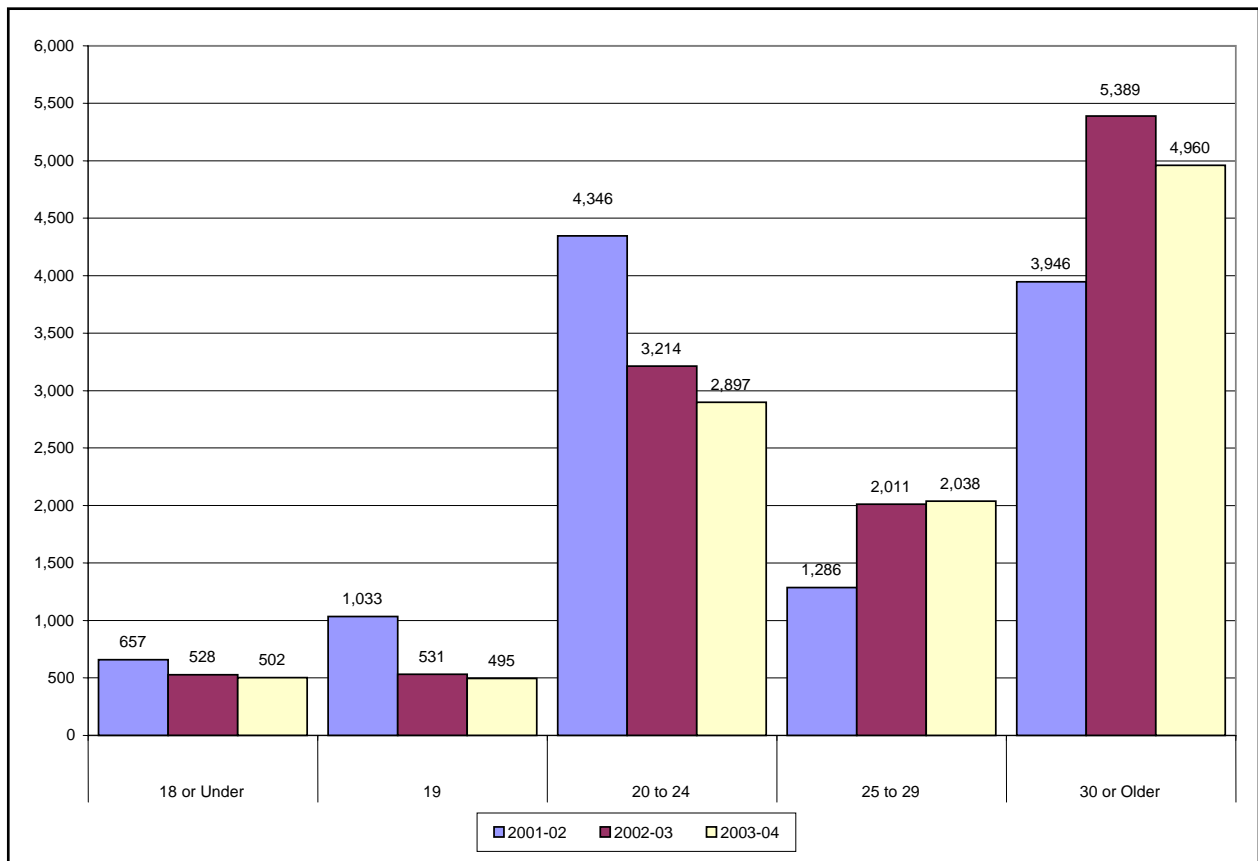
In the 2001-02 September Competition, the Commission granted 237 Competitive Cal Grant A awards. The number of Cal Grant A awards increased to 310 in 2002-03 and 305 in 2003-04. The majority of the 2001-02 Competitive Cal Grant recipients (11,026 of 11,263) received a Cal Grant B award. In 2002-03, the number of Cal Grant B awards increased to 11,363 with the expectation that the total number of Cal Grant A and B awards funded would not exceed 11,250. In the 2003-04 September Competition, the total number of awards granted was 10,892 and of these, 10,587 were Cal Grant B awards.



## Recipients by Age

In the 2001-02 September Competition, 54 percent (or 6,036 recipients) were under 25 years old. The changes made in the selection criteria for 2002-03 shifted the majority (63 percent or 7,400 recipients) to the top two age categories, “25 to 29” and “30 or older,” as intended. In 2003-04, the number declined to 6,998, or 64 percent.

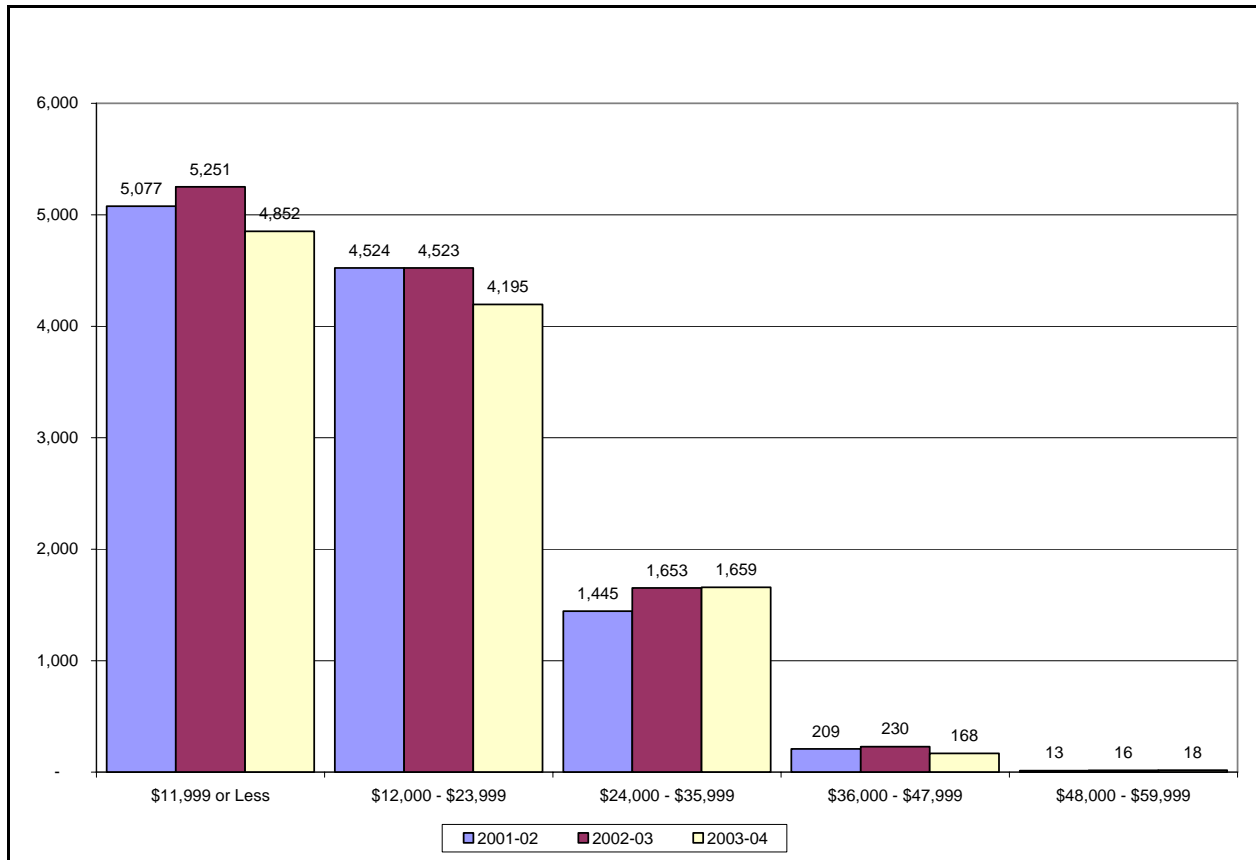
**Figure 5: Age Distribution of September Competitive Award Recipients**



## Recipients by Income

In 2001-02, 5,077 new September Competitive Cal Grant recipients (or 45 percent) were from families with incomes below \$12,000; 5,969 new recipients (or 53 percent) were from families with incomes between \$12,000 and \$35,999. Just 222 recipients (or two percent) were from families with incomes of \$36,000 or more. In 2002-03, the results were similar to 2001-02 -- 5,251 new Competitive Cal Grant recipients (or 45 percent) had incomes below \$12,000 and 6,176 new recipients (or 53 percent) were from families with incomes between \$12,000 and \$35,999. Only 246 new recipients (or two percent) had incomes of \$36,000 or more. The family income levels of the 2003-04 September Competitive Cal Grant recipients were similar to the previous two years. 4,852 (or 44 percent) of new recipients had family income below \$12,000, and 54 percent had income between \$12,000 and \$35,999. The percent of new recipients with incomes more than \$36,000 continues to be small at only 1.7%, or 186 awardees.

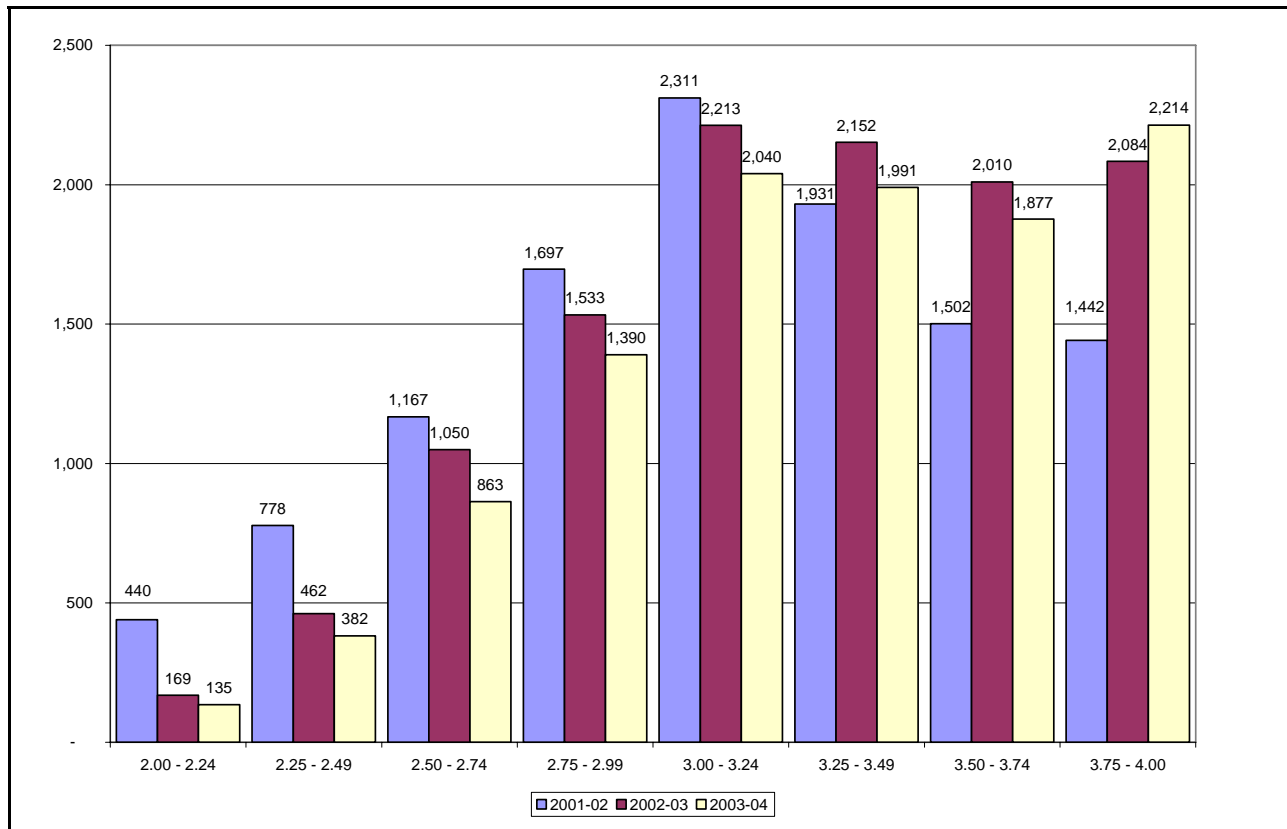
**Figure 6: Income Distribution of September Competitive Recipients**



## Recipients by Grade Point Average (GPA)

In 2001-02, 7,186 (or 64 percent) new September Competitive Cal Grant recipients had a GPA of 3.00 or higher, while 1,218 (or 11 percent) recipients had a GPA below 2.50. By comparison, in 2002-03, the number of new Competitive Cal Grant recipients with a GPA of 3.00 or higher increased to almost 8,459 (72 percent) and the number of new Competitive Cal Grant recipients with a GPA below 2.50 dropped to about 631 (or five percent). In the September 2003-04 Competition, the number of award recipients with a GPA of 3.00 or higher continued to increase to 8,122 (or 7.4 percent). The new Competitive Cal Grant recipients with a GPA below 2.50 declined for the third year to 517, or about 4.7 percent.

**Figure 7: GPA Distribution of September Competitive Award Recipients**



## **Participation Patterns**

Using the same methodology as for the March Competition, the Commission looked at the number of September Competitive Cal Grant recipients for whom at least one payment transaction was reported to and reconciled by the Commission and compared it to the number of recipients who were offered an award. The payment transaction may have occurred during the year the applicant was offered a Cal Grant award, for one or more subsequent year(s), or for all years.

### **Participation Patterns by Initial Educational Level**

Tables 5, 6 and 7 display the 2001-02, 2002-03 and 2003-04 September Competitive Cal Grant recipients by initial educational level. The educational level is a self-reported grade level the recipient indicates on the FAFSA. For the three years and all educational levels, there is little change in the number of recipients paid during their first year in the September Competition.

Table 5 provides information about the 2001-02 September Competitive recipients who were paid in their first and/or second and/or third year(s) in the Competitive Cal Grant Program. Table 6 provides information about the 2002-03 September Competitive recipients who were paid in their first and/or second year(s) in the Competitive Program. Table 7 provides information about the 2003-04 September Competitive recipients who were paid in their first year in the Competitive Cal Grant Program.

## The First Year (2001-02 September Competition)

In 2001-02, 79 percent of the Cal Grant A and B recipients were paid during their first year in the Competitive Cal Grant Program. Additionally, 49 percent of the Cal Grant A and B recipients were paid during their second year in the Competitive Cal Grant Program. As of December 31, 2004, 34 percent of the Cal Grant A and B recipients were paid during their third year in the Competitive Cal Grant Program.

**Table 5**  
**2001-02 September Competitive Award Offers Actually Paid in 2001-02, 2002-03, and 2003-04**  
**By Initial Educational Level**

|                            | 2001-02 Offers |               | Paid in 2001-02 |               |            | Paid in 2002-03 |               |            | Paid in 2003-04 |               |            |
|----------------------------|----------------|---------------|-----------------|---------------|------------|-----------------|---------------|------------|-----------------|---------------|------------|
|                            | #              | %             | #               | %             | % Paid     | #               | %             | % Paid     | #               | %             | % Paid     |
| <b>Cal Grant A</b>         |                |               |                 |               |            |                 |               |            |                 |               |            |
| Freshman                   | 63             | 0.6%          | 0               | 0.0%          | 0%         | 2               | 0.0%          | 3%         | 7               | 0.2%          | 11%        |
| Sophomore                  | 100            | 0.9%          | 4               | 0.0%          | 4%         | 19              | 0.3%          | 19%        | 28              | 0.7%          | 28%        |
| Junior                     | 53             | 0.5%          | 4               | 0.0%          | 8%         | 10              | 0.2%          | 19%        | 14              | 0.4%          | 26%        |
| Senior                     | 21             | 0.2%          | 0               | 0.0%          | 0%         | 1               | 0.0%          | 5%         | 2               | 0.1%          | 10%        |
| <b>Total</b>               | <b>237</b>     | <b>2.1%</b>   | <b>8</b>        | <b>0.1%</b>   | <b>3%</b>  | <b>32</b>       | <b>0.6%</b>   | <b>14%</b> | <b>51</b>       | <b>1.3%</b>   | <b>22%</b> |
| <b>Cal Grant B</b>         |                |               |                 |               |            |                 |               |            |                 |               |            |
| Freshman                   | 3,499          | 31.1%         | 2,903           | 32.7%         | 83%        | 1,965           | 35.6%         | 56%        | 1,288           | 34.0%         | 37%        |
| Sophomore                  | 4,759          | 42.3%         | 3,980           | 44.8%         | 84%        | 2,454           | 44.5%         | 52%        | 1,712           | 44.9%         | 36%        |
| Junior                     | 1,781          | 15.8%         | 1,273           | 14.3%         | 71%        | 743             | 13.5%         | 42%        | 546             | 14.4%         | 31%        |
| Senior                     | 987            | 8.8%          | 721             | 8.1%          | 73%        | 323             | 5.9%          | 33%        | 202             | 5.3%          | 20%        |
| <b>Total</b>               | <b>11,026</b>  | <b>97.9%</b>  | <b>8,877</b>    | <b>99.9%</b>  | <b>81%</b> | <b>5,485</b>    | <b>99.4%</b>  | <b>50%</b> | <b>3,748</b>    | <b>98.7%</b>  | <b>34%</b> |
| <b>Cal Grant A &amp; B</b> |                |               |                 |               |            |                 |               |            |                 |               |            |
| Freshman                   | 3,562          | 31.6%         | 2,903           | 32.7%         | 81%        | 1,967           | 35.7%         | 55%        | 1,295           | 34.2%         | 36%        |
| Sophomore                  | 4,859          | 43.1%         | 3,984           | 44.8%         | 82%        | 2,473           | 44.8%         | 51%        | 1,740           | 45.7%         | 36%        |
| Junior                     | 1,834          | 16.3%         | 1,277           | 14.4%         | 70%        | 753             | 13.6%         | 41%        | 560             | 14.8%         | 31%        |
| Senior                     | 1,008          | 8.9%          | 721             | 8.1%          | 72%        | 324             | 5.9%          | 32%        | 204             | 5.3%          | 20%        |
| <b>Total</b>               | <b>11,263</b>  | <b>100.0%</b> | <b>8,885</b>    | <b>100.0%</b> | <b>79%</b> | <b>5,517</b>    | <b>100.0%</b> | <b>49%</b> | <b>3,799</b>    | <b>100.0%</b> | <b>34%</b> |

See notes at end of Table 7.

## The Second Year (2002-03 September Competition)

In 2002-03, 77 percent of the Cal Grant A and B recipients were paid during their first year in the Competitive Cal Grant Program. Also, 49 percent of the Cal Grant A and B recipients were paid during their second year in the Competitive Cal Grant Program.

**Table 6**  
**2002-03 September Competitive Award Offers Actually Paid in 2002-03 and 2003-04**  
**By Initial Educational Level**

|                            | 2002-03 Offers |        | Paid in 2002-03 |        |        | Paid in 2003-04 |        |        |
|----------------------------|----------------|--------|-----------------|--------|--------|-----------------|--------|--------|
|                            | #              | %      | #               | %      | % Paid | #               | %      | % Paid |
| <b>Cal Grant A</b>         |                |        |                 |        |        |                 |        |        |
| Freshman                   | 126            | 1.1%   | 2               | 0.0%   | 2%     | 11              | 0.2%   | 9%     |
| Sophomore                  | 136            | 1.2%   | 9               | 0.1%   | 7%     | 26              | 0.5%   | 19%    |
| Junior                     | 23             | 0.2%   | 2               | 0.0%   | 9%     | 5               | 0.1%   | 22%    |
| Senior                     | 25             | 0.2%   | 1               | 0.0%   | 4%     | 2               | 0.0%   | 8%     |
| <b>Total</b>               | 310            | 2.7%   | 14              | 0.2%   | 5%     | 44              | 0.8%   | 14%    |
| <b>Cal Grant B</b>         |                |        |                 |        |        |                 |        |        |
| Freshman                   | 4,681          | 40.1%  | 3,767           | 41.8%  | 80%    | 2,482           | 43.4%  | 53%    |
| Sophomore                  | 4,830          | 41.4%  | 3,929           | 43.6%  | 81%    | 2,462           | 43.1%  | 51%    |
| Junior                     | 927            | 7.9%   | 650             | 7.2%   | 70%    | 391             | 6.8%   | 42%    |
| Senior                     | 925            | 7.9%   | 652             | 7.2%   | 70%    | 335             | 5.9%   | 36%    |
| <b>Total</b>               | 11,363         | 97.3%  | 8,998           | 99.8%  | 79%    | 5,670           | 99.2%  | 50%    |
| <b>Cal Grant A &amp; B</b> |                |        |                 |        |        |                 |        |        |
| Freshman                   | 4,807          | 41.2%  | 3,769           | 41.8%  | 78%    | 2,493           | 43.6%  | 52%    |
| Sophomore                  | 4,966          | 42.5%  | 3,938           | 43.7%  | 79%    | 2,488           | 43.5%  | 50%    |
| Junior                     | 950            | 8.1%   | 652             | 7.2%   | 69%    | 396             | 6.9%   | 42%    |
| Senior                     | 950            | 8.1%   | 653             | 7.2%   | 69%    | 337             | 5.9%   | 35%    |
| <b>Total</b>               | 11,673         | 100.0% | 9,012           | 100.0% | 77%    | 5,714           | 100.0% | 49%    |

See notes at end of Table 7.

## The Third Year (2003-04 September Competition)

In 2003-04, 76 percent of the Cal Grant A and B recipients were paid during their first year in the Competitive Cal Grant Program.

**Table 7**  
**2003-04 September Competitive Award Offers**  
**Actually Paid in 2003-04**  
**by Initial Educational Level**

|                            | 2003-04 Offers |               | Paid in 2003-04 |               |            |
|----------------------------|----------------|---------------|-----------------|---------------|------------|
|                            | #              | %             | #               | %             | % Paid     |
| <b>Cal Grant A</b>         |                |               |                 |               |            |
| Freshman                   | 143            | 1.3%          | 8               | 0.1%          | 6%         |
| Sophomore                  | 157            | 1.4%          | 10              | 0.1%          | 6%         |
| Junior                     | 4              | 0.0%          | 4               | 0.0%          | 100%       |
| Senior                     | 1              | 0.0%          | 1               | 0.0%          | 100%       |
| <b>Total</b>               | <b>305</b>     | <b>2.8%</b>   | <b>23</b>       | <b>0.3%</b>   | <b>8%</b>  |
| <b>Cal Grant B</b>         |                |               |                 |               |            |
| Freshman                   | 4,521          | 41.5%         | 3,532           | 42.5%         | 78%        |
| Sophomore                  | 6,007          | 55.2%         | 4,700           | 56.6%         | 78%        |
| Junior                     | 38             | 0.3%          | 34              | 0.4%          | 89%        |
| Senior                     | 21             | 0.2%          | 17              | 0.2%          | 81%        |
| <b>Total</b>               | <b>10,587</b>  | <b>97.2%</b>  | <b>8,283</b>    | <b>99.7%</b>  | <b>78%</b> |
| <b>Cal Grant A &amp; B</b> |                |               |                 |               |            |
| Freshman                   | 4,664          | 42.8%         | 3,540           | 42.6%         | 76%        |
| Sophomore                  | 6,164          | 56.6%         | 4,710           | 56.7%         | 76%        |
| Junior                     | 42             | 0.4%          | 38              | 0.5%          | 90%        |
| Senior                     | 22             | 0.2%          | 18              | 0.2%          | 82%        |
| <b>Total</b>               | <b>10,892</b>  | <b>100.0%</b> | <b>8,306</b>    | <b>100.0%</b> | <b>76%</b> |

Notes for Tables 5, 6, and 7:

- 1 Source of the educational level is the self-reported grade level the student indicates on the Free Application for Federal Student Aid (FAFSA).
- 2 "2001-02 Offers" reflect the number of competitive recipients notified as of December 31, 2001.
- 3 "2002-03 Offers" reflect the number of competitive recipients notified as of December 31, 2002.
- 4 "2003-04 Offers" reflect the number of competitive recipients notified as of December 31, 2003.
- 5 "Paid in 2001-02" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2002.
- 6 "Paid in 2002-03" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2003.
- 7 "Paid in 2003-04" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2004.
- 8 Paid data excludes Cal Grant A Reserve awards because they have no monetary value at a California Community College.





**SECTION IV**  
**ELIGIBLE NON-RECIPIENTS**



## Eligible Non-Recipients

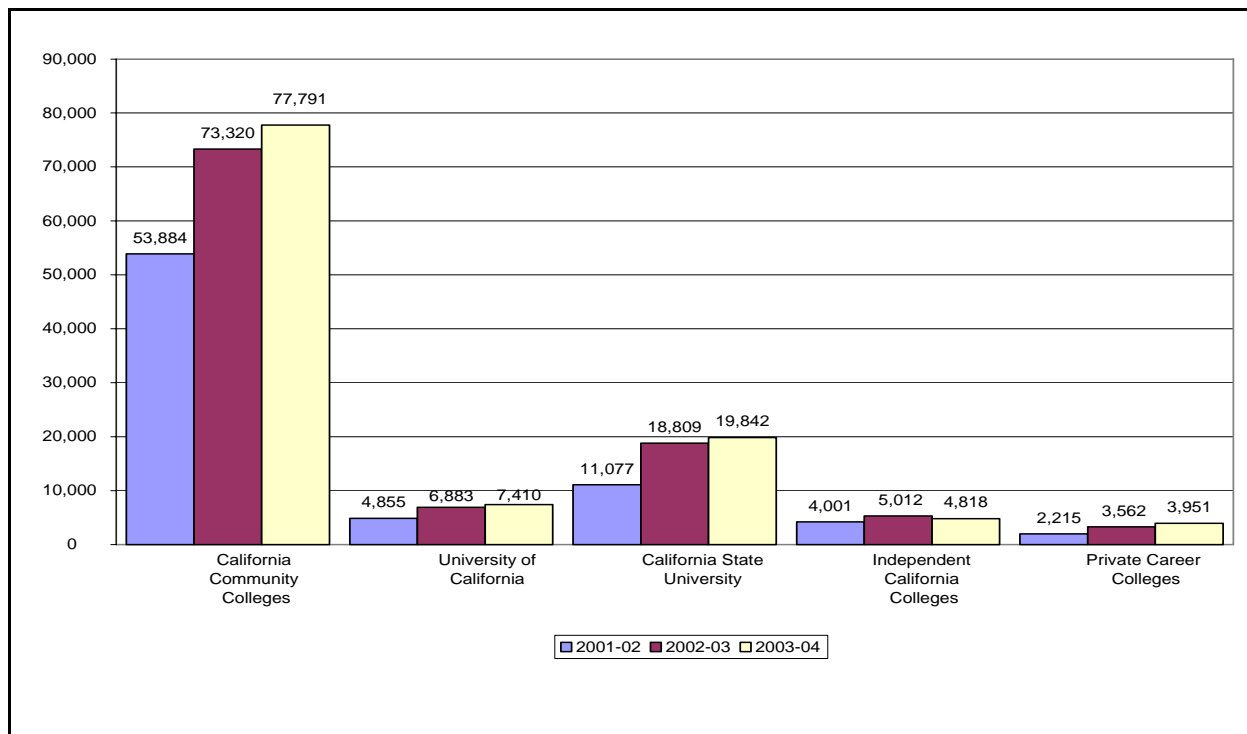
Eligible non-recipients are those applicants, from the March and September Competitions, who successfully passed the common, program, and financial edits (described in Section II) but did not receive an award because their scores were below the cutoff point. Had more awards been available, the number of eligible non-recipients within this pool would be lower.

The figures and table below display characteristics of the eligible non-recipients in 2001-02, 2002-03 and 2003-04. Demographically, there is no discernable difference in age, income or GPA. However, there was an increase of over 31,000 applicants who met all eligibility criteria in 2002-03 than in the first year of the Competitive Cal Grant Program. In 2003-04 there were 113,812 eligible non-recipients.

### Eligible Non-Recipients by Segment

The number of eligible non-recipients increased for all segments between the first and second years of the Competitive Program: the California State University had the sharpest increase at 70 percent; the private career colleges were up by 61 percent; the University of California had almost a 42 percent increase; the California Community Colleges increased 36 percent; and the independent colleges and universities' pool was larger by 25 percent. Between 2002-03 and 2003-04, the changes are less dramatic, increasing slightly at all segments except the independent colleges, which experienced a slight drop.

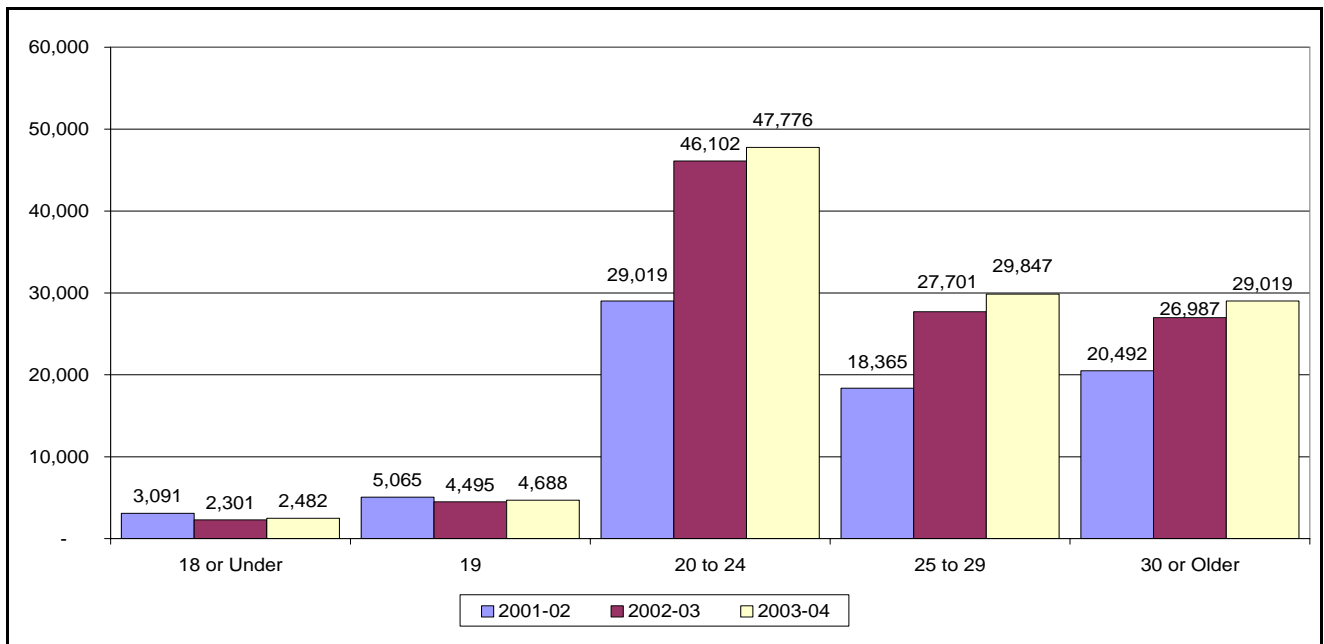
**Figure 8: Segmental Distribution of Eligible Non-Recipients**



## Eligible Non-Recipients by Age

The age distribution of eligible non-recipients stayed fairly constant despite the increase of nearly 38,000 applicants between 2001-02 and 2003-04. One-half of all eligible non-recipients were 25 years of age or older and are considered non-traditional or returning students.

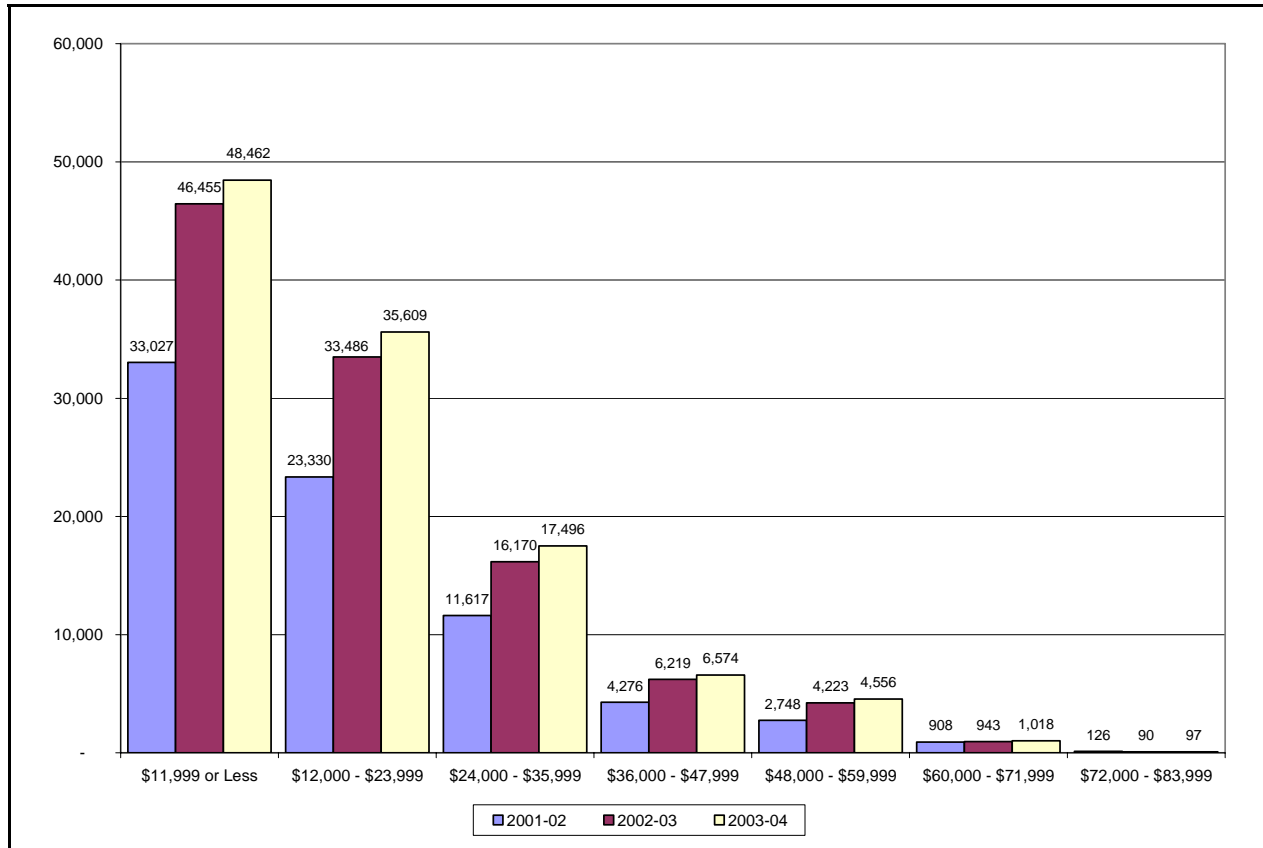
**Figure 9: Age Distribution of Eligible Non-Recipients**



## Eligible Non-Recipients by Income

The proportion of eligible non-recipients by income changed very little during the first three years of the Competitive Cal Grant Program. Just over 40 percent earned less than \$12,000 per year and just over 30 percent more earned between \$12,000 and \$23,999.

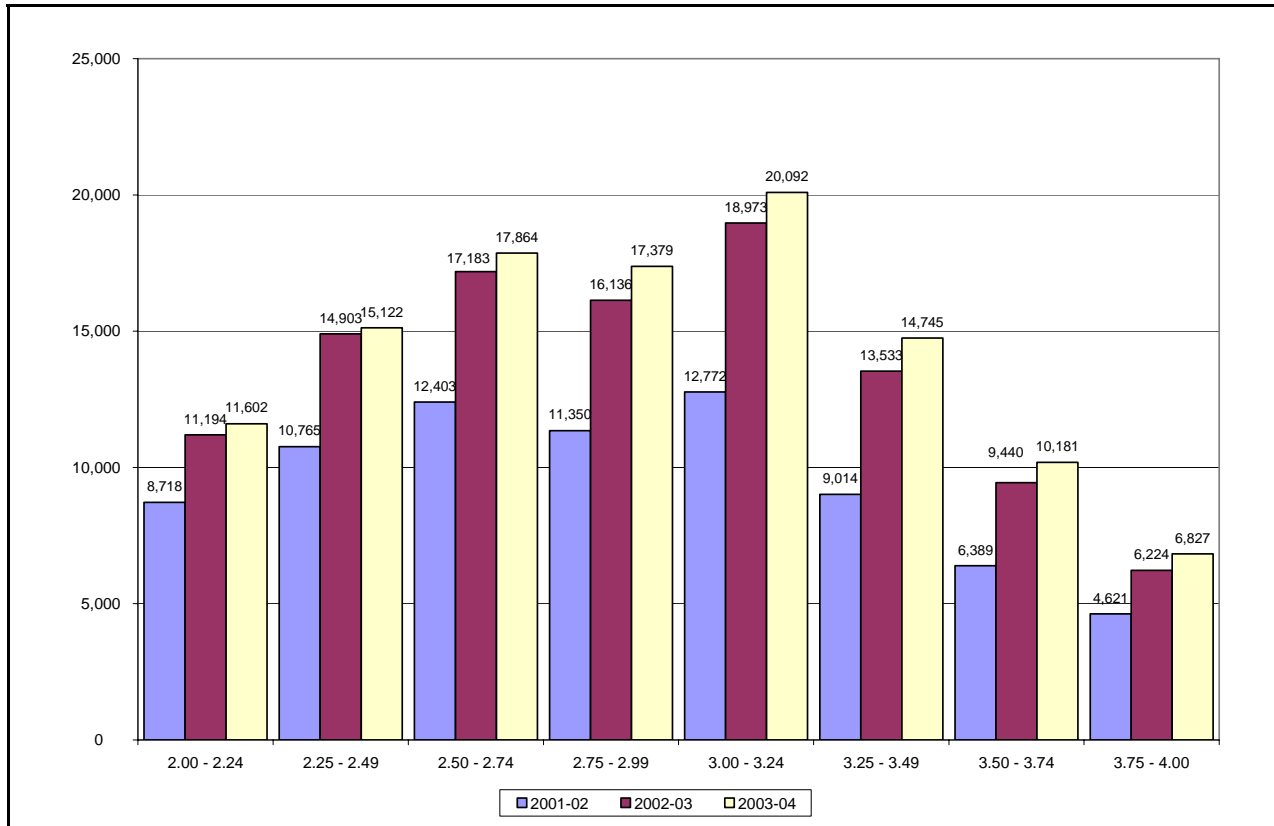
**Figure 10: Income Distribution of Eligible Non-Recipients**



## Eligible Non-Recipients by Grade Point Average (GPA)

As Figure 11 illustrates, the 38,000 additional students did not change the distribution of eligible non-recipients across the GPA categories.

**Figure 11: GPA Distribution of Eligible Non-Recipients**



## Typical Eligible Non-Recipients

Table 8 presents the “typical” eligible non-recipient for the Competitive Cal Grant Program.

**Table 8**  
**A Typical Competitive Eligible Non-recipient**  
**Award Years 2001-02 through 2003-04**

|  | 2001-02  | 2002-03  | 2003-04  |
|--|----------|----------|----------|
| <b>Number of Eligible Non-recipients</b> | 76,032   | 107,586  | 113,812  |
| Average income                           | \$17,289 | \$17,268 | \$17,413 |
| Average GPA                              | 2.89     | 2.91     | 2.92     |
| Average family size                      | 2.7      | 2.6      | 2.6      |
| Average age                              | 27       | 27       | 27       |

**SECTION V**  
**EXTERNAL FACTORS**





## EXTERNAL FACTORS

### Enrollments in Postsecondary Education Institutions

After experiencing some declines in the first half of the 1990s, the number of students enrolled in California postsecondary institutions began to grow in the second half of the decade. The California Postsecondary Education Commission (CPEC) projected that if trends currently observed in the rate of enrollments in public colleges and universities persist from 2001-02 to 2005-06, California's three public higher education segments could add approximately 110,000 additional students to California's public colleges and universities.

Table 7 displays the undergraduate enrollment in California's public postsecondary institutions from academic year 1995-96 through 2005-06. Over the 10-year period, enrollments in California's three public segments of higher education have grown by an average rate of 3.4 percent each year for a total of 30.6 percent for the decade.

The projections in Table 9 are being revised to take into account the recent change in administration, budget cuts, and the economy and project more moderate increases in postsecondary enrollment. The effect of the adjustments and changing economic climate on the Competitive Cal Grant applicant pool remain to be seen.

**Table 9  
California Public Postsecondary Enrollment Projections  
(2003 Series)**

| Fall              | Undergraduate Enrollment |         |         |           |
|-------------------|--------------------------|---------|---------|-----------|
|                   | CCC                      | CSU     | UC      | TOTAL     |
| <b>1995–1996</b>  | 1,336,405                | 264,023 | 123,948 | 1,724,376 |
| <b>1996–1997</b>  | 1,408,780                | 272,642 | 126,260 | 1,807,682 |
| <b>1997–1998</b>  | 1,452,102                | 276,054 | 128,976 | 1,857,132 |
| <b>1998–1999</b>  | 1,494,849                | 278,597 | 132,477 | 1,905,923 |
| <b>1999–2000</b>  | 1,547,960                | 285,033 | 136,782 | 1,969,775 |
| <b>2000–2001</b>  | 1,585,271                | 291,955 | 141,028 | 2,018,254 |
| <b>2001–2002</b>  | 1,686,916                | 307,450 | 147,731 | 2,142,097 |
| <b>2002–2003*</b> | 1,748,549                | 318,933 | 154,655 | 2,222,137 |
| <b>2003–2004*</b> | 1,668,939                | 324,655 | 158,783 | 2,152,387 |
| <b>2004–2005*</b> | 1,707,238                | 331,334 | 164,403 | 2,202,975 |
| <b>2005–2006*</b> | 1,745,055                | 337,819 | 169,472 | 2,252,346 |

Sources: California Department of Finance, Demographic Research Unit (July 2003).

\* Projected enrollments.

UC and CSU report fall census enrollment, and CCC reports fall term-end enrollment. UC enrollment excludes Health Sciences. CCC enrollment updated for 1997-2000.

## Key Factors

Historically, two key factors have driven the enrollment of students in colleges and universities: the number of high school graduates each year, and the college-going participation rates of those high school graduates. In addition, periodic changes to the State's budgeting process for the public higher education segments can affect enrollment and capacity.

The number of students graduating from high school has continued to increase each year. Table 10 displays total California high school graduates from academic years 1994-95 to 2002-03. The average annual percent ranged from 1.5 percent to 5.8 percent. After the peak of 5.8 percent in 1998-99, the increase flattened as expected over the next few years. The average increase for this period was 3.6 percent. The cumulative increase for the nine-year period was about 32 percent. Current Department of Finance projections indicate that the number of California high school graduates could increase over 17 percent between 2002-03 and 2007-08.

## Participation Rates

Table 10 also displays the number and percent of high school graduates that completed courses required for admission to the California State University and the University of California. From 1995 to 2003, the number of high school graduates who took and completed A-G college-preparation course work rose by almost 28 percent. However, the percentage of all high school graduates who took and completed these required courses held steady over the period at about 35 percent.

These statistics demonstrate that even with increasing high school enrollments, the percentage of students who are UC/CSU-eligible remains strong; more than one third of students graduating each year from high school are prepared to attend a public university.

**Table 10**  
**Number of 12<sup>th</sup> Grade Graduates in California Public Schools**  
**Completing all Courses Required for UC and /or CSU Entrance**

|                  | <b>Number of Graduates</b> | <b>Annual % Increase in Graduates</b> | <b>Graduates with Completed A-G Courses</b> | <b>% of Graduates with Completed A-G Courses</b> |
|------------------|----------------------------|---------------------------------------|---|--|
| <b>1994–1995</b> | 255,200                    | -                                     | 88,945                                      | 34.9%  |
| <b>1995–1996</b> | 259,071                    | 1.5%                                  | 91,698                                      | 35.4%  |
| <b>1996–1997</b> | 269,071                    | 3.9%                                  | 96,879                                      | 36.0%  |
| <b>1997–1998</b> | 282,897                    | 5.1%                                  | 103,421                                     | 36.6%  |
| <b>1998–1999</b> | 299,221                    | 5.8%                                  | 106,441                                     | 35.6%  |
| <b>1999–2000</b> | 309,866                    | 3.6%                                  | 107,926                                     | 34.8%  |
| <b>2000–2001</b> | 316,124                    | 2.0%                                  | 112,469                                     | 35.6%  |
| <b>2001–2002</b> | 325,895                    | 3.1%                                  | 112,934                                     | 34.7%  |
| <b>2002–2003</b> | 338,091                    | 3.7%                                  | 113,469                                     | 33.6%  |

Source: California Department of Education, Educational Demographics Unit (August 2004)

## **California's Changing Economic Context**

By the end of 2001, California began to experience signs of a serious economic recession. The unemployment rate rose sharply from 4.9 percent in 2000 to 5.4 percent in 2001, while median household income grew at the slower pace of 0.6 percent. State general fund revenues from major tax sources also fell, creating a massive budgetary shortfall for the previous, current and upcoming fiscal years. Although the economy of California was slightly improved in 2003, the labor market was still weak, and the state's fiscal problems persisted.

In 2002, the economic down turn and the resulting fiscal crisis forced significant cuts in state appropriations for the three public segments of higher education. After years of fee reductions, public colleges and universities implemented major fee increases for the first time in years. These student fee increases came at a time when many students and their families were faced with economic uncertainty and possible unemployment.

## **Effects of Enrollment Growth and the Economy**

To understand how enrollment growth and the economic context affect the demand for the Cal Grant program, it is important to look at the demographic characteristics, and the academic background of the high school graduates who drive the enrollment in higher education.

If enrollment growth in postsecondary education institutions will add 110,000 additional students between 2001-02 and 2005-06, this potential demand for higher education is expected to require additional resources in terms of student financial aid, particularly Cal Grant aid. Enrollment in higher education is sensitive to student fees and financial aid, and to parental income. California has an increasingly diverse population, with Asian, Hispanic, and black teenagers making up the largest share of high school graduates. In the academic year 2001-02 alone, 56.4 percent (or 183,731 students) of the 325,895 high school graduates were from various minority groups. Approximately 50 percent (55,973 students) of minority high school graduates completed the courses required for admission to either UC and/or CSU. In the academic year 2002-03, the number of minority high school graduates with UC/CSU eligibility was 57,044. Since a large number of minority students come from families with low to moderate incomes, receipt of a Cal Grant is likely to be critical in their pursuit of higher education.

Besides future enrollment growth, the general economic condition is another important factor that affects demand for Cal Grant aid. If families continue to face a potential loss of income, it could lead to enrollment in college to improve job skills. These students may be eligible for and receive need-based financial aid.

In light of the steady increase in the number of students graduating from California high schools each year and the consistent proportion of these graduates who are fully prepared to attend California's public universities and colleges, it is clear that the demand for financial support for higher education will remain strong, as is the demand for assistance through the Cal Grant program.



**SECTION VI**  
**SUMMARY AND CONCLUSIONS**



## SUMMARY

The number of applicants eligible for a Competitive Cal Grant award rose by 33 percent between 2001-02 and 2002-03. It increased by an additional four percent in 2003-04. However, the number of available Competitive Cal Grant awards has remained unchanged. Consequently, in 2001-02, 76,032 applicants who met all the academic and financial requirements for a competitive award did not receive one. In 2002-03, the number of eligible applicants who were turned away was 107,586, and in 2003-04, the number of financially needy, eligible applicants who were denied an award increased to almost 114,000.

Although the number of eligible non-recipients has increased by 50 percent since 2001-02, the profile of those who did not receive an award remained fairly consistent. The typical eligible non-recipient was 27 years old, had a 2.92 GPA, and had a family income of \$17,413.

The rise in the number of both applicants and eligible non-recipients is attributable to:

- Improvements in promoting the federal electronic “FAFSA on the Web” filing system;
- Improvements in the Commission’s Cal Grant GPA verification process;
- Improvements in the Commission’s partnerships with secondary schools, postsecondary institutions, the California student financial aid associations, and members of the legislature to promote extensive outreach efforts;
- Collaboration with business and industry to deliver focused Cal Grant financial aid outreach; and especially
- The struggling economy and the changing labor market are driving increasing numbers of older workers to seek additional education to upgrade or acquire new job skills.

Studies confirm that after graduating from high school, low-income students are more likely to postpone their college education goals. Furthermore, a national survey, the American Association of University Women found that male high school graduates are more likely to attend college immediately while more female high school graduates go directly to work after high school. These and other older adults are the very ones who find it essential to secure additional education and training if they are to improve their skills, find better well-paying jobs, and become more productive participants in California’s changing economy. They constitute the largest segment of the growing pool of applicants for Competitive Cal Grants, and their numbers will certainly increase even more in the future.

The statutory limit on the number of new Competitive Grant awards has remained unchanged since the program’s inception and it is currently unable to respond to meet the rising demand for its awards. If California wants to assure financial access to postsecondary education for non-traditional, returning, and older adult students, consideration should be given to increasing the number of Competitive Cal Grant awards beyond the 22,500 currently authorized in statute [California Education Code Section 69437(b)]. The resources currently provided for this program are sufficient to meet the needs of the one in six eligible applicants the program is permitted to support, but they remain inadequate to meet the challenges posed by a changing economy and the need for current workers to secure additional postsecondary education and training.

## CONCLUSIONS

The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act (SB 1644, Chapter 403, Statutes of 2000) expressed an unprecedented commitment to make a postsecondary education financially feasible for all qualified recent California high school graduates. SB 1644 also provided awards for older, late-entry students within the Competitive Cal Grant Program.

In the face of rising demand for enrollment, increasing fees, and economic uncertainties at postsecondary institutions, the Competitive Cal Grant Program provides access and choice to a limited number of students seeking higher education or job retraining. It is too soon to determine if the new program is “successful,” but it is clear already that the demand for these grants far exceeds the supply. It will take several more years of careful observation and evaluation before the Commission will have sufficient data and experience with the Competitive Cal Grant Program to make claims of success.

Based on past experience with the pre-SB 1644 programs, data from outside sources, and the economic climate, the Commission concludes that:

- The pool of eligible non-recipients will continue to grow, with much of the growth from low- and moderate-income students and women from disadvantaged backgrounds.
- The uncertain economy will necessitate retraining for workers and adult college-ready students. These low- and moderate-income students will continue to seek financial assistance for college and retraining.
- The State’s current commitment of 22,500 awards for the Competitive Cal Grant Program is insufficient. Currently, only one out of six eligible applicants receives an award.
- The State needs to evaluate what message the current award limitation conveys to all of the eligible non-recipients. Is this an appropriate policy choice? If not, the State needs to address the award limitation by establishing a methodology to expand the Competitive Cal Grant Program.
- The State continues to support “access” to postsecondary education and “choice” of institution for a limited number of students attending California’s postsecondary institutions. This flexibility enhances a student’s ability to achieve their personal goals.





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