
GRANT ADVISORY COMMITTEE

GRANT ADVISORY COMMITTEE WORKGROUP MEETING TELECONFERENCE

Thursday, January 15, 2009
9 a.m. – 10 a.m.

MEMBERS

Susan Gutierrez, Chair
Mary Lindsey, Vice Chair
Kate Jeffery
Chris Schulz
Andrew Grant
Dean Kulju

Timothy Bonnel
Marco De La Garza
Rick Diffenderfer
Lisa Douglass
Catherine Graham
Frederick Holland

Judi Sveen
Sally Pace
Sharon Bowles
Adrian Griffin
Coleetta McElroy
Enrique Murillo, Commission Liaison

AGENDA

Administrative Matters

Public Comment (**Public Comment will also be asked for every agenda item**)

1. Consideration of Veteran's Benefits Issues

Estimated Time
60 Minutes

TREATMENT OF VETERANS BENEFITS IN DETERMINING CAL GRANT ELIGIBILITY: COORDINATION OPTIONS

The new Post 9/11 GI Bill (Chapter 33) provides significant new benefits for post 9/11 veterans. However, it also raises several coordination issues with the Cal Grant program. One is how veterans benefits are treated in determining Cal Grant eligibility. Another is whether Cal Grants or Veterans Benefits will be applied to student fees when the student is eligible for both.

The fundamental issue in both cases is whether federal funds, in the form of veterans benefits, should provide relief to the State by substituting for Cal Grants or, alternatively, should maximize total benefits to the veteran by supplementing or expanding existing State funds (i.e., Cal Grants).

The following briefing presents background on these issues and options for addressing them. The briefing incorporates input from the December 12 teleconference with interested financial aid stakeholders on these topics. In particular, the teleconference participants were helpful in laying out principles/objectives that should guide decision making. These are incorporated in the analysis of the various options.

Need Analysis Issue

Per California statute, a student must have financial need as determined by federal need analysis methodology to be eligible for a Cal Grant. However, federal need analysis does not contain a single treatment of veterans educational benefits. The treatment varies with the particular federal program and the academic year. For instance, Chapter 30 veterans benefits are ignored when considering eligibility for Pell Grants and subsidized Stafford loans but are currently treated as a financial resource and thus an offset to financial need when considering eligibility for unsubsidized Stafford loans and campus-based programs. Starting in 2010-11, veterans educational benefits will be ignored for all federal Title IV programs.

According to the Cal Grant handbook, all veterans educational benefits are currently treated as a financial resource (i.e., offset need) in determining eligibility for Cal Grants. CSAC staff reports this is a long-standing practice. They are unaware of the rationale for the decision to treat Chapter 30 benefits as a financial resource.

The following table summarizes the treatment of veterans educational benefits under existing interpretations of federal and state legislation. It is assumed that absent any legislative change, CSAC would conform to the federal treatment of veterans benefits in 2010-11 (i.e., will ignore all veterans educational benefits in determining Cal Grant eligibility) and make no change to their practice in 2009-10 (i.e., would continue to treat all veterans educational benefits as estimated financial assistance and thus an offset to need).

Treatment of Veterans Educational Benefits in the Determination of Aid Eligibility				
Award	Current through 2009-10			2010-11
	Chap. 30	Chap. 31,32, 35	Chap. 33	All
Pell Grant	Ignored	Ignored	Ignored	Ignored
Subsidized Stafford loans	Ignored	Financial assistance – offset need	Financial assistance – offset need	Ignored
Unsubsidized Stafford loans	Financial assistance – offset need	Financial assistance – offset need	Financial assistance – offset need	Ignored
Campus-based programs	Financial assistance – offset need	Financial assistance – offset need	Financial assistance – offset need	Ignored
Cal Grant	Financial assistance – offset need	Financial assistance – offset need	Financial assistance – offset need	Ignored

Cal Grant Coordination Issue:

How should veterans educational benefits be treated in determining Cal Grant eligibility in 2009-10 and 2010-11?

Option 1: Ignore veterans educational benefits, including the new Chapter 33 benefit, starting in 2010-11. Continue to recognize veterans educational benefits, including the new Chapter 33 benefit, as estimated financial assistance in 2009-10.

Option 2: Ignore veterans educational benefits, including the new Chapter 33 benefit, starting in 2009-10.

Option 3: Continue to treat veterans educational benefits, including the new Chapter 33 benefits, as estimated financial assistance indefinitely.

These options are evaluated below according to the objectives identified on the December 12 stakeholders teleconference.

- *Maximizing positive impact on the veteran:* Option 2, ignoring all veterans educational benefits for determining Cal Grant eligibility in both 2009-10 and 2010-11/beyond, would be consistent with this principle.
- *Minimizing administrative complexity by aligning Cal Grant requirements with federal requirements:* Either Option 1 or 2 would be consistent with this objective. Ignoring all veterans educational benefits in 2010-11/beyond would clearly be consistent with this principle. It is not clear what treatment in 2009-10 would be most consistent with this principle since more than one treatment will still exist for federal aid programs in 2009-10.
- *Minimizing messaging complexity:* Option 2 would probably be most consistent with this objective. Ignoring all veterans educational benefits for determining Cal Grant eligibility in 2010-11 would clearly simplify the message to students. Under this approach, all veterans benefits under Chapters 30, 31, 32, 33, and 35 would be treated the same. In addition, veterans benefits would be treated the same for both federal and state aid programs. It is not as clear what decision would minimize messaging complexity for 2009-10 since the requirements for federal programs will still be quite complicated. But adopting the simpler 2010-11 approach a year earlier might at least keep the Cal Grant message simple.
- *Minimizing change over time:* Option 3 would be consistent with this objective. Continuing to treating veterans educational benefits, including the new Chapter 33 benefits, as a financial resource for Cal Grant eligibility purposes would minimize Cal Grant changes.
- *Aligning policy with constraints on available information:* The 2009-10 FAFSA will no longer contain information about estimated veterans education benefit amounts. In 2010-11, the FAFSA will no longer include any information about veterans education benefits. These changes will make it difficult for CSAC to include anticipated veterans education benefits when making initial Cal Grant awards. However, it should have little effect on institutions' ability to adjust Cal Grant payments in light of actual veterans benefits. Campuses reported that the FAFSA information on veterans benefits was unreliable and generally needed to be updated with actual award amounts. However, Option 2, ignoring the benefits, is clearly the easiest to administer in an environment where information about veterans benefits is not likely to be reliably known until late.
- *Minimizing cost to the state:* Option 3, continuing to treat all veterans educational benefits as a financial resource, would minimize cost to the state. Option 1, delaying the change to ignoring veterans benefits until 2010-11, would provide some cost savings to the State. CSAC agreed to estimate the cost of a change by using 2008-09 FAFSA information on veterans under the assumption that most veterans entering college now are post-9/11 veterans who will be eligible for the new Chapter 33 benefits.

- *Reflecting state priorities:* Both the legislature and the Governor have expressed support for facilitating the enrollment of veterans in California postsecondary education. On the other hand, it is not clear where expanded eligibility of veterans for Cal Grants fits into current budgetary priorities for cutting Cal Grant costs. Nor is it clear if ignoring veterans benefits in establishing Cal Grant eligibility is necessarily a way the State would want to improve the treatment of veterans. Thus Option 3, in combination with some other way to enhance support of veterans, may best reflect state priorities.

Fee Coverage Issue

Both the State and the federal government currently stipulate that a veteran can receive either the fee portion of a Cal Grant or the fee portion of a Chapter 33 veterans benefit, but not both.

- Under Cal Grant statute, certain Cal Grant dollars are specifically to be used for tuition or student fees. If a student is receiving another financial aid award that specifically covers tuition or fees, the student currently cannot simultaneously receive the portion of the Cal Grant specified for tuition or fees.
- The new Post 9/11 GI Bill statute is ambiguous about the payment of the Chapter 33 fee benefit. The language states that the recipient may receive “an amount equal to the established charges for the program of education, except that the amount payable ... may not exceed the maximum...” However, the Veterans Administration has indicated that the Chapter 33 funds sent to an institution based on the institution’s tuition charges must be used to cover tuition. In other words, despite the ambiguity of the statute, the federal government will not allow a student to receive the Chapter 33 “tuition” benefit plus the portion of the Cal Grant designated for tuition.

Cal Grant issues:

The basic question is who should be responsible for covering the student’s fees if a student is eligible for both a Cal Grant and a Chapter 33 veterans benefit.

Option 1: The Cal Grant should pay for the student’s fee coverage, thereby relieving the Veterans administration of the expense of covering the student’s fees.

Option 2: The Chapter 33 veterans benefit should pay, thereby relieving the State of the expense of covering the student’s fees through a Cal Grant?

Option 2a: One mechanism for achieving this objective would be to make a Chapter 33 recipient ineligible for any of the fee payment portion of a Cal Grant.

Option 2b: Another mechanism would be to always apply the Chapter 33 benefit first in terms of hierarchy (not timing). If the Chapter 33 benefit does not fully cover the student's fees (e.g., some of the student's courses were not eligible for Chapter 33 coverage), the gap would be covered by a partial Cal Grant fee payment.

Option 3: Both the State and the federal government should pay, thereby maximizing the benefit to the veteran. Assuming the State does not have the opportunity to change the Veterans Administration's position against "double fee coverage," any mechanism to allow a veteran to receive both a Cal Grant and a Chapter 33 tuition benefit would require the State to initiate a change to the Cal Grant program (and would most likely involve a change to the Cal Grant statute).

Option 3a: The mechanism to achieve this objective could be done through a narrow approach which would make an exception just for veterans to the requirement that the Cal Grant tuition/fee payment be applied to a recipient's tuition/fees. Instead, veterans could receive a Cal Grant award that includes a stipend equal to \$1,551 plus an amount equal to the student's fee charges rather than just the \$1,551 stipend other recipients receive.

Option 3b: Alternatively, the objective could be achieved through broader approach would eliminate the Cal Grant tuition/fee payment requirement entirely. The primary beneficiary of this approach would be veterans, but others (e.g., those with scholarships designated for tuition/fees) would benefit as well. Obviously, the broader approach would be more costly for the state.

Option 4: Both the state and federal governments should pay but should do so sequentially in cases where veterans could exhaust both the Chapter 33 and the Cal Grant award before completing their education. The Chapter 33 benefit, which is available for 36 months, should be utilized first while the Cal Grant is held in reserve for CCC students who are at risk for taking more than 36 months to complete their education.

Option 4a: A mechanism to achieve this objective could be to award a veteran with a Chapter 33 a Cal Grant reserve award (similar to the current Cal Grant A reserve for CCC students) while the student is attending a two-year institution. The reserve Cal Grant would be activated when the veteran transfers to a four-year institution.

Option 4b: Alternatively, the objective could be achieved through promoting to Chapter 33 recipients the current option for delaying payment on a Cal Grant B while attending a CCC (the "leave from payment" option). This mechanism would encourage, rather than mandate, sequential use of awards.

The principles raised in discussing the treatment of veterans benefits in determining Cal Grant eligibility also apply to this issue.

- *Maximizing positive impact on the veteran:* Allowing the Chapter 33 award to cover the student's fees while also allowing the veteran to receive a Cal Grant award that includes a dollar amount equal to the fee portion of the Cal Grant (Option 3a or 3b) would maximize the positive impact on veterans who actually complete their education within 36 months. Promoting sequential use of the awards might be better for veterans who enroll for longer than 36 months (Option 4a or 4b).
- *Minimizing administrative complexity by aligning Cal Grant requirements with federal requirements:* Option 1 would probably be simplest from an administrative standpoint. The Cal Grant award pays a set amount for fee coverage regardless of the particular courses in which a student is enrolled. The fee coverage of a Chapter 33 is more complicated. Since it depends on the courses in which a student enrolls, it does not always cover the full amount and may need revisions if the student drops particular courses.
- *Minimizing messaging complexity:* It is not clear which option provides the simplest, most understandable message to veterans. Probably Option 1 would be simplest. Fees would always be covered by a Cal Grant when there is a choice. Option 2b would be more complicated since in cases where the Chapter 33 award does not fully cover the student's fees, the veteran would also be eligible for a partial fee payment from a Cal Grant.
- *Minimizing change over time:* Option 2b, reducing the Cal Grant when a student receives a new Chapter 33 benefit, is most consistent with current Cal Grant practice.
- *Aligning policy with constraints on available information:* The likelihood of late information about a veteran's use of a Chapter 33 award and the amount of the student's fees the Chapter 33 will cover will complicate all options. However, it would seem to have the most negative impact on Option 2a and 2b where the timing issues would frequently lead to Cal Grant recipients having their Cal Grant "taken away" to be replaced by their Chapter 33 award.
- *Minimizing cost to the state:* Option 2a would produce the most savings to the State. Option 2b would also reduce state cost. Making sure that federal funds for which California students are eligible are not left on the table will minimize cost to the state. This means making sure that the Chapter 33 benefit designated for student fees, not the Cal Grant, is used to cover fees. Taking a second step and maintaining the "no double fee coverage" policy would further minimize state costs. Veterans who in the past received a full Cal Grant would now receive only the stipend portion of their Cal Grant.
- *Reflecting state priorities:* Both the legislature and the Governor have expressed support for facilitating the enrollment of veterans in California postsecondary education. On the other hand, it is not clear where expanded eligibility of

