

**Action/Information Item**

***California Student Aid Commission***

Consideration of the impact of Veterans Education Benefits on Cal Grant Awards  
(Education Code section 69432.9(b))

---

Federal educational assistance programs for veterans have been authorized by federal law since 1944. Over time, there have been numerous changes to the veterans' education benefit (VEB) programs, including the addition of the Montgomery GI Bill (MGIB) in 1985. The newest VEB program, the Post-9/11 GI Bill, takes effect on August 1, 2009.

In general, VEB are made available to veterans alongside a broad array of other federal student financial aid programs which are authorized by the Higher Education Act (HEA) of 1965, as amended. These programs include, but are not limited to: the Pell Grant program, the American Competitiveness (AC) grant and National Science and Mathematics Access to Retain Talent grant (SMART) programs, the Federal Supplemental Educational Opportunity Grant (FSEOG) program, the Federal Work-Study (FWS) program, the Federal Perkins Loan program; and the Federal Family Education Loan (FFEL) and William D. Ford Federal Direct Loan (DL) programs. The FFEL and DL programs both make available subsidized Stafford Loans, unsubsidized Stafford Loans, and PLUS Loans.

The types and amounts of aid that students, including veterans, may be eligible to receive are determined by programmatic requirements and the federal need analysis provisions. The federal need analysis provisions establish that "financial need" is calculated by subtracting the expected family contribution (EFC) and resources or other estimated financial assistance from the student's cost of attendance (COA). For veterans, the monies received as VEB are not treated as income, and therefore are not used in the calculation of the expected EFC. However, with some very limited exceptions, VEB is treated as estimated financial assistance (EFA). As a result, the receipt of VEB decreases the amount of need-based aid a veteran student can receive.

The Higher Education Opportunity Act of 2008 (HEOA) made certain changes to federal law which will impact how VEB is treated for purposes of the federal need analysis and the calculation of resources that are available to meet the veterans EFA. Beginning with the 2010/2011 academic year, VEB will not be treated as EFA and will, accordingly, not decrease the amount of need-based aid a veteran student can receive.

The HEOA also made another change to federal law which relates to VEB. Currently, VEB information is gathered from students on the Free Application for Federal Student Aid (FAFSA). The VEB information collected from the FAFSA is

thereafter provided to the Commission for use in administering the Cal Grant Programs. Beginning January 1, 2009, questions related to the receipt of VEB are no longer included with the FAFSA and, consequently, will not be provided directly to the Commission from the federal government.

In an effort to gauge the impact of these VEB changes, a stakeholders forum led by Grant Advisory Committee (GAC) member Kate Jeffrey was held via teleconference on December 16, 2008. Subsequently, two official GAC meetings took place on January 15, 2009 and February 2, 2009, to address the pending VEB issues. As a result, the GAC proposed the following recommendations. The Commission staff recommendation follows each GAC recommendation.

### **GAC Recommendation # 1**

- GAC members unanimously approved a recommendation to the Commissioners to change the treatment of Veterans' Educational benefits in the determination of whether or not a student can receive a Cal Grant disbursement for 2009-2010. This change will be made for certain in 2010-2011, when federal law eliminates Veterans' Educational benefits from "estimated financial resources" for the purpose of determining eligibility for federal aid. Pending confirmation that implementing this change prior to the effective date of the federal law would not require a statutory change, GAC members strongly support giving low income Veterans and their dependents maximum advantage by allowing them to receive Cal Grant funds in addition to Federal Pell Grants and Veterans' Educational benefits.

For illustrative purposes, Commission staff has attached two diagrams showing an example of how a veteran's financial assistance would change depending on the inclusion or exclusion of VBE.

### **Staff Recommendation**

Commission staff recommends that the Commission not adopt GAC's recommendation to change the treatment of veterans educational benefit by eliminating them from the calculation of financial need to determine eligibility for a Cal Grant award for 2009-10. Such a change is inconsistent with the California Education Code. Further, federal law does not make this change until the 2010-2011 academic year, and implementing this change for Cal Grant eligibility in 2009-10 would deviate from the consistency required by existing California law between the treatment of veterans benefits for federal financial aid purposes and for Cal Grant eligibility purposes.

### **GAC Recommendation # 2**

- GAC members also unanimously approved a recommendation to the Commissioners to give consideration to the following statutory changes to the Cal Grant program:
  - A statutory change that would allow recipients of tuition and fee assistance from the Post-9/11 Veterans' Educational Assistance

program to receive a Cal Grant award in an amount that is not reduced by their Veterans' educational benefit.

- A statutory change that would preserve Entitlement program (E-1) eligibility for Veterans for two years after their enlistment has ended, provided they received a discharge other than dishonorable.
- A statutory change that would eliminate the age cap for Veterans in the Transfer Entitlement program (E-2)

**Staff Recommendation**

Commission staff recommends that the Commission refer these matters to the appropriate committee to evaluate the VEB changes being implemented at the federal level and recommend to the Commission what, if any, statutory changes the Commission wishes to seek with respect to VEB and the Cal Grant Programs.

***Responsible Persons:***

Grant Advisory Committee

Susan Gutierrez, GAC Chair

Kate Jeffery, GAC Member

Catalina Mister, Chief  
Program Administration & Services Division

Gloria Falcon, Manager  
Program Policy and Development

Tae Kang, Analyst  
Program Policy and Development

Appendix

Example of GAC Recommendation:

<u>Current Practice</u>	<u>GAC Recommendation</u>
\$16,580 COA	\$16,580 COA
less <u>\$ 2,000 EFC</u>	less <u>\$ 2,000 EFC</u>
<i>\$14,580 Need</i>	<i>\$14,580 Need</i>
less \$ 2,780 Pell Grant	less \$ 2,780 Pell Grant
less \$ 1,300 ACG	less \$ 1,300 ACG
less <u>\$10,500 VEB</u>	<u>ignore \$10,500 VEB</u>
<i>\$0 remaining need</i>	<i>\$10,500 remaining need</i>
	Award \$3,000 Cal Grant*
	<b>\$3,000 OVERAWARD</b>

\* In this example, as a result of the student's \$10,500 in VEB being ignored in the GAC recommendation, a \$3,000 Cal Grant would be awarded [amounts are provided solely for demonstration purposes; actual individual calculations will vary depending on the student's circumstances]. Under the current federal need definition described under Current Practice, financial need is actually \$0. Thus, the GAC recommendation method causes the student to exceed the current federal need definition by, and results in an overaward of, \$ 3,000 in Cal Grant funds.

Note that the GAC recommendation does not count VEB towards the student's financial need for all other purposes, such as institutional aid. Thus, even though the GAC recommendation would show a remaining need of \$10,500, and would result in a \$3000 Cal Grant award, no other financial aid, i.e. institutional aid, would be made available to fill the purported remaining need.