

Information/Action Item

California Student Aid Commission

Update on the 2011-12 State Budget

The Governor presented his proposed 2011-12 Budget to the Legislature on January 10, 2011, in which he proposed meeting the \$26-billion General Fund deficit through spending reductions and tax extensions. On March 24, 2011, the Governor signed thirteen bills to reduce spending authority in various programs, including the Cal Grant Program. The Governor has so far been unsuccessful in getting the tax extension initiative on the June ballot. Without the tax revenue, the Commission's budget and programs may be subject to additional reductions.

At its February 24, 2011 meeting, the Commission took action to develop a list of priorities for Cal Grant cost savings if needed. These costs saving measures would affect both institutional and student eligibility. The Commission took the following into consideration when developing the list:

- treat all students as equitably as possible
- access and completion
- alignment with Federal requirements
- accountability
- proposed reductions to federal financial aid programs
- proposed higher education reductions in the State Budget
- cost effectiveness

The Commission's two highest priorities were subsequently considered by the Legislature and with some revisions incorporated into Senate Bill (SB) 70 – the education trailer bill. On March 24, 2011, the Governor signed SB 70 into law to achieve reductions in state spending by changing Cal Grant eligibility requirements for both students and institutions.

Institutional Eligibility

Commission Action

The Commission's first priority for Cal Grant costs savings was to require a Cal Grant participating institution to have a cohort default rate no greater than 20% or loan repayment rate (determination based on staff analysis).

SB 70

SB 70 requires Cal Grant postsecondary institutions to meet additional criteria related to Cohort Default Rates (CDR) to qualify to participate in the Cal Grant Program.

SB 70 requires Cal Grant participating institutions with more than 40 percent of their undergraduate enrollment borrowing federal student loans to have a three-year 2008 Trial CDR of less than 24.6% to be eligible for initial and renewal Cal Grant awards in the 2011-12 academic year, and less than 30% for each subsequent year. Except for a limited exception described below, institutions that fail to meet this standard are ineligible for Cal Grant awards.

A limited exception allows renewal Cal Grant A and B recipients to continue to use their Cal Grant awards at an ineligible institution if they had been enrolled at the institution in the academic year before the institution became ineligible due to a high CDR, but their Cal Grant maximum award amounts will be reduced by 20 percent. The Cal Grant B access awards (currently a maximum of \$1,551) for these renewal Cal Grant B recipients will not be reduced.

For the 2011-12 academic year, 94 California postsecondary education institutions are not eligible for initial and renewal Cal Grant awards, except for the limited exception described above. The Commission estimates that approximately 5,550 students will either have their Cal Grant awards reduced or will not be able to use their awards at an ineligible institution. These additional institutional eligibility requirements are projected to result in savings of \$24 million in 2011-12.

New Reporting Requirements

SB 70 requires as a condition for its voluntary participation in the Cal Grant Program, each Cal Grant participating institution to, beginning in 2012, annually report to the Commission, and as further specified in the institutional participation agreement, both of the following for its undergraduate programs:

- a. Enrollment, persistence, and graduation data for all students, including aggregate information on Cal Grant recipients.
- b. The job placement rate and salary and wage information for each program that is either (1) designed or advertised to lead to a particular type of job; or (2) advertised or promoted with any claim regarding job placement.

SB 70 also requires, by January 1, 2013, the Legislative Analyst, in consultation with the Commission, to prepare a report to the Legislature on the implementation of the new institutional eligibility requirements. The report is to include policy recommendations for appropriate measures of default risk and other direct or indirect measures of quality or effectiveness in educational institutions participating in the Cal Grant Program, and appropriate scores for those measures.

Student Eligibility

Commission Action

The Commission's second priority for cost savings in the Cal Grant Program was to require Cal Grant renewal recipients to meet the same income and asset ceilings and minimum need as new recipients.

SB 70

SB 70 incorporates the Commission priority and sets the maximum household income and asset levels applicable to a renewing recipient as:

- the greater of the adjusted maximum income and asset levels for the year of renewal or
- the maximum household income and asset levels at the time of the renewing recipient's initial Cal Grant award.

For a recipient who was initially awarded a Cal Grant for an academic year before the 2011-12 academic year, the maximum household income and asset levels shall be:

- the greater of the adjusted maximum income and asset levels for the year of renewal or
- the 2010-11 academic year maximum household income and asset levels.

SB 70 also requires renewing Cal Grant recipients to satisfy the same minimum financial need requirements as initial Cal Grant recipients.

- The minimum financial need for a Cal Grant A or B recipient is the maximum award amount for the recipient's segment plus \$1,500.
- The minimum need for a Cal Grant B recipient is \$700.

All Cal Grant renewal students must now submit a FAFSA and meet the annual income and asset levels and minimum need in order to qualify for the renewal of their Cal Grants. The Commission estimates that 12,920 students will be deemed ineligible to renew their Cal Grant awards in 2011-12 as a result of these changes. These additional eligibility requirements are projected to result in savings of \$100 million in 2011-12.

Implementation of SB 70

Commission staff is presently working on implementing this new legislation. Current and prospective Cal Grant recipients and participating institutions will soon be receiving correspondence from the Commission on how these changes will affect their Cal Grant eligibility.

Staff has been receiving questions from institutions and others concerned about the affect of SB 70 on students and institutions. Staff is compiling these questions and will be releasing a Frequently Asked Questions document to respond to the concerns raised. Staff will be consulting with interested parties during the development and implementation process.

Staff is also preparing the required Feasibility Study Report (FSR) and is seeking the appropriate approvals and resources to expedite the implementation of changes needed in the Grant Delivery System (GDS).

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