

Information Item

Student Impact Committee

Discussion of the history of financial aid in California

This item presents a short history of California financial aid, as requested by the Committee at its last meeting.

HISTORY OF THE CAL GRANT PROGRAM

The Cal Grant program has grown dramatically since its inception, not just in response to the State's increasing student population but also in tandem with the realization by policy makers that supporting the aspirations of those at the bottom of the socio-economic ladder makes sense. Providing opportunities to the disadvantaged makes for a more equitable society and expands the pool of the skilled and educated workforce that California needs for a vibrant economy.

In 1955, the first California State Scholarship program gave a limited number of high school graduates up to \$600 to cover tuition and fees. The landmark Master Plan for Higher Education in 1960 inspired legislators to raise the award to \$900 and gradually increase the eligibility to more than 5,000 students. Successive updates of the Master Plan over time led legislators to continually increase the number of students, the types of awards and the amounts given under the umbrella of the Cal Grant program. (See Appendix A for a timeline of Master Plan reviews and legislative changes to California's student financial aid initiatives.)

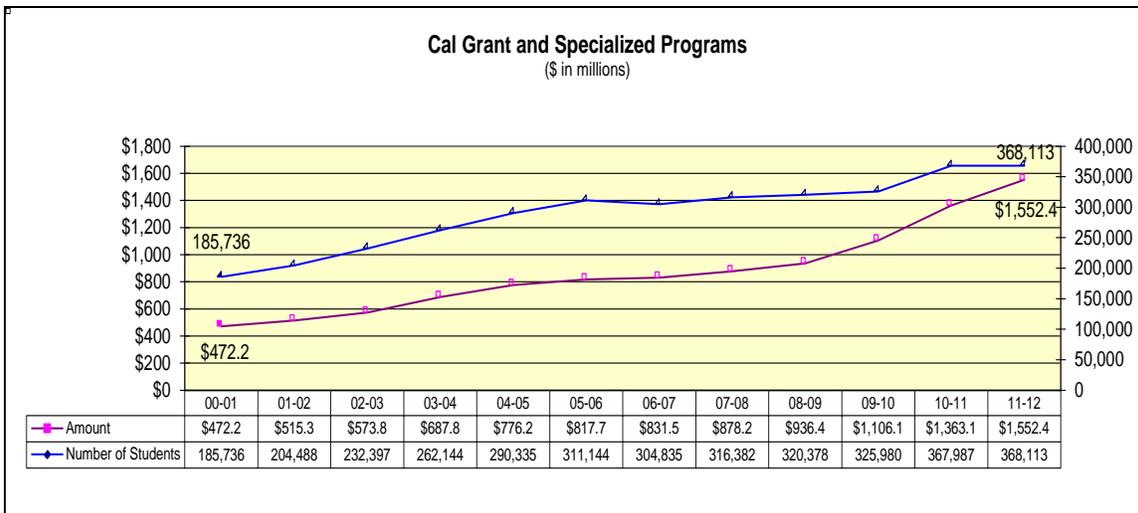
Until 2000, the Cal Grant program was based on a competitive process that considered a number of factors, such as GPA, financial need and career choice. The number of students receiving awards was limited based on a pre-established percentage of high school graduates. That year, however, following up on recommendations that were made beginning with a 1987 review of the Master Plan, legislators for the first time made affordable access to higher education a guarantee for every qualified California student. Cal Grants became an entitlement that covered any and all students that met the eligibility criteria and wanted to pursue education beyond high school, whether at a public, private nonprofit or for-profit institution.

As an entitlement program, the impact of Cal Grants grew over the next decade. In the 2000-01 academic year, state financial aid was offered to over 179,000 students and provided \$448.5 million in grants. By the 2011-12 academic year, the numbers had increased to over 354,000 students and \$1.516 billion. (See Appendix B for a breakout of spending and recipients by program category for the 2010-11 budget year.)

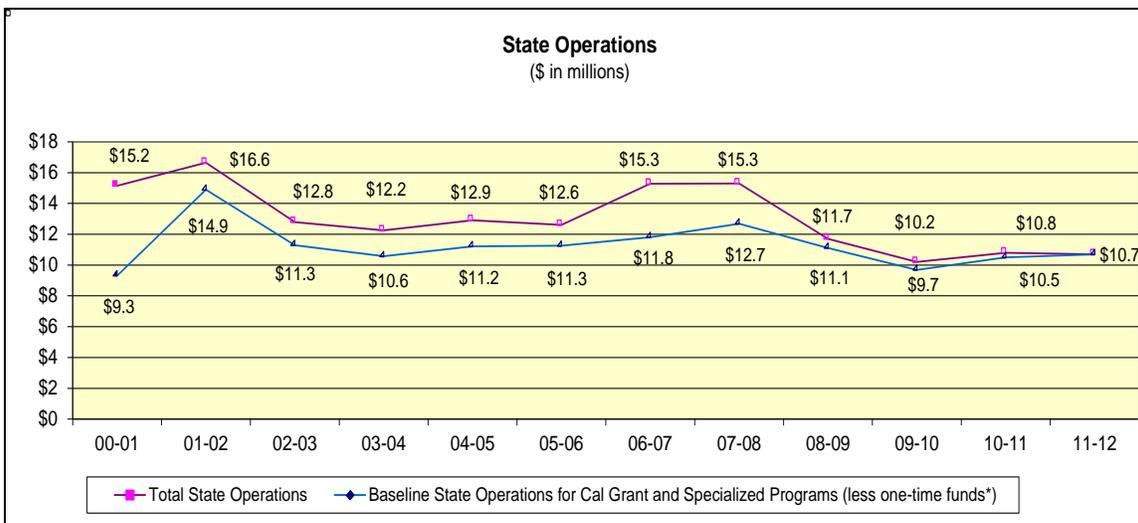
ensure student success, both in terms of graduation and career attainment sufficient to allow students to repay financial aid loans.

It is worth noting that one area that has contributed very little to the Cal Grant spending increase has been administration through the California Student Aid Commission. The charts below track the cost of operations, administrative overhead as a percentage of student financial aid awarded, and the number of authorized positions.

As the charts show, in 2011-12 the Commission administered programs that grew 229 percent with a staff that had been reduced 13 percent. Administrative overhead declined 78 percent; today, the program operates on about 0.7 percent overhead, a significant achievement in light of added responsibilities such as implementation of the DREAM Act and SB70 data gathering.



Percent Change from 2000-01 to 2011-12 Amount: 229% Number: 98%



Percent Change from 2000-01 to 2011-12 Total: 29% Baseline: 15%

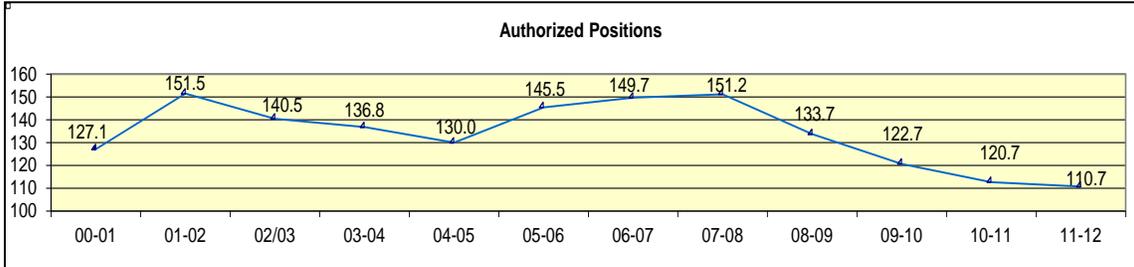
"One-time funds" include funding for the implementation of the Cal Grant Entitlement Program (SB 1644), the SEARS survey and Grant Delivery System Enhancements

Administrative Overhead												
Fiscal Year	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
Overall rate	3.1%	3.1%	2.2%	1.7%	1.6%	1.5%	1.8%	1.7%	1.2%	0.9%	0.8%	0.7%
Baseline Rate	2.0%	2.9%	2.0%	1.5%	1.4%	1.4%	1.4%	1.4%	1.2%	0.9%	0.8%	0.7%

Percent Change from 2000-01 to 2011-12:

Overall: -65%

Baseline: -78%



Percent Change from 2000-01 to 2011-12:

13%

Appendix A: Timeline for Cal Grant Evolution

For the past five decades, California policymakers have taken an increasingly expansive approach to the best way to help students pursue a college education. Often their decisions were shaped by analytical studies that built the case for more financial aid, in both dollars and variety. The following timeline interweaves program status and statistics (bold) with the source of some of the thinking behind the innovations and growth of the State's financial aid investment.

1955: The new California State Scholarship program gave a limited number of undergraduates up to \$600 to cover tuition and fees, but not living expenses.

1959: 2,560 students were provided scholarships totaling \$1.224 million.

1960: The Master Plan for Higher Education was created and a special legislative session was called by then-Gov. Edmund G. "Pat" Brown to enact a series of recommendations from the plan. The provisions relating to state scholarships included:

- Increasing the maximum number of scholarships from 2,560 to 5,120 by 1964
- Increasing the maximum award from \$600 to \$900
- Holding awards in trust for winners who chose to first go to a two-year college
- Repealing the 1964 sunset date for the program

1968: The State Scholarship Program awarded \$1,500 each to 6,400 students. More importantly, the College Opportunity Grants (now known as Cal Grant Bs) were created. These provided \$900 for living expenses (now known as Access Awards) to 1,000 students attending California Community Colleges.

1973: The Occupational Education and Training Grant (now known as Cal Grant C) was created to assist students attending vocational and technical schools. That year, it provided \$2,500 scholarships (\$2,000 for tuition/fees and \$500 for books and supplies) to 500 students.

1973: As the Master Plan for Higher Education neared the 15-year mark, policy makers decided a review was in order. The major recommendation in the Joint Committee Report on the Master Plan was to establish a comprehensive, interrelated program of state financial assistance that was linked to helping a set percentage of the number of high school graduates. Funds were to be allocated on the following basis:

- State Scholarships for 5% of high school graduates
- College Opportunity grants for 1% of high school graduates
- Educational Opportunity Program (EOP) support for 5% of enrollment at an average of at least \$500 per award, with the money to be awarded to campuses
- Occupational Education and Training grants for 0.5% of high school graduates
- Graduate Fellowship grants continuing at the then-current authorized level of 2% of bachelor degrees, with recipients limited to four renewals

1987: In a report entitled Master Plan Renewed, there was a distinct shift for the first time from supporting a set number of students to an entitlement strategy that addressed "all needy students who perform well, as evidenced by being regularly admissible to the

University of California or the California State University.” The students were to be provided “adequate financial support to attend an accredited California institution of their choice, based on uniform estimates of need.”

The report also recommended that the Governor and the Legislature adjust support for financial aid to keep pace with enrollment growth and the “average full operating cost per student” for CSU and UC. Further, taking note of the burden of student loans, the report recommended state support for student employment to limit reliance on loans, as well as loan forgiveness tied to public service.

1989: The report from the Joint Committee for Review of the Master Plan recommended retaining a numerical approach to financial aid, but supported a huge expansion of the program. It recommended that by 1994/95, first-year Cal Grant As and Bs would be provided to one quarter the number of graduating high school seniors. However, the maximum award would be limited to the amount of non-resident tuition, plus relevant fees, for the CSU system.

The report also recommended that Cal Grants be extended automatically for those admitted to teacher credentialing programs, and that the number of State Graduate Fellowship program awards be tripled by 1994.

2000: The following is the authorized number and amount of awards for the final year that the Cal Grant system was based on a competitive process that considered different factors for each program, such as GPA, financial need, disadvantaged characteristics and career choice.

- Cal Grant A: 34,921 (systemwide tuition/fees at UC and CSU, \$9703 for non-public institutions)
- Cal Grant B: 34,921 (\$1,548 access award, systemwide tuition/fees at UC and CSU, \$9703 for non-public institutions)
- Cal Grant C: 7,761 (\$2,592 tuition/fees, \$576 books and supplies)

2000: The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act made affordable access to higher education a guarantee for every qualified California student, for the first time turning Cal Grants into an entitlement (as had been recommended in 1987).

2001: In the first year of the new Cal Grant Entitlement (High School and California Community College Transfer) and Competitive programs, the following number of awards were made:

- High School Entitlement: over 48,000 award offers
- California Community College Transfer Entitlement: 563 award offers (in 2002-03)
- The Competitive Cal Grant Program retained many of the same characteristics of the old Cal Grant Program: 22,500 awards were authorized: 11,500 for the March 2 deadline (students could attend any type of eligible institution); 11,500 for the September 2 deadline for students attending a community college
- Cal Grant C: 7,761 (\$2,592 tuition/fees, \$576 books and supplies)

2002: The report from the Joint Committee to Develop a Master Plan for Education recommended continuing to emphasize financial need in the award of grants, expressly

supporting the Cal Grant entitlement as defined in SB 1644 (Statutes of 2000). It also recognized the importance of outreach and distribution of financial aid information to students. Without establishing specific guidelines, the report recommended periodic reviews and adjustments to award levels and eligibility requirements to be consistent with the evolving needs of students.

2011: In the past year, the following number of awards were made:

- High School Entitlement: over 84,500 offers
- California Community College Transfer Entitlement: over 12,000 award offers
- The Competitive Cal Grant Program: 22,500 awards were authorized (11,500 for the March 2 deadline (students could attend any type of eligible institution); 11,500 for the September 2 deadline for students attending a community college)
- Cal Grant C: 7,761 (\$2,592 tuition/fees, \$576 books and supplies)

Appendix B: Cal Grant and Specialized Programs for 2010-11

This chart provides cumulative totals of spending and recipients for the 2010-11 award year for the programs that CSAC administers.

PROGRAM	Recipients	Amount (\$ in millions)
Cal Grants	237,090	\$1,269.60
Assumption Program of Loans for Education (APLE)	10,243	\$31.69
CAL-SOAP	N/A	\$7.11
Chafee Foster Youth	2,505	\$11.22
Graduate APLE	27	\$0.05
BYRD Scholarship	3,419	\$5.48
Child Development Teacher and Supervisor Grant	304	\$0.30
Law Enforcement Personnel Dependents Scholarship	10	\$0.10
National Guard APLE	62	\$0.01
SNAPLE for Nursing Faculty	48	\$0.40
SNAPLE for Nurses in State Facilities	2	\$0.01
California National Guard Education Assistance Award	488	\$3.02
Cash for College	N/A	\$0.20
John R. Justice Grant	188	\$0.47
TOTAL	254,386	\$1,329.66