
8.a

Action /Information Item

California Student Aid Commission

Consideration of Commission's Contract for Services Related to Implementation of Phase II of the Grant Delivery System Services Oriented Enhancements in the Amount of \$275,000

The Executive Director must obtain approval from the Commission prior to entering into a new contract or executing a contract amendment of over \$100,000.

The Department of Finance (DOF) approved the Commission's Feasibility Study Report (FSR) for the Grant Delivery System (GDS) Service Oriented Enhancements in 2005-06. These enhancements were to be accomplished in two phases that corresponded roughly with their respective fiscal year of implementation. Phase I covered the Real time Database changes and is currently being wrapped up. Phase II covers system improvements that use the real time changes implemented in Phase I.

The Commission prepared a Budget Change Proposal (BCP) for additional resources for implementation of Phase I for fiscal year 2006-07. The Department of Finance approved the BCP and ultimately the funding and personnel requirements were authorized in the 2006-07 Budget Act. The Commission also prepared a BCP for additional resources for implementation of Phase II for fiscal year 2007-08. The Department of Finance approved this BCP and included in the Budget Act of 2007.

The FSR and BCPs for both Phase I and Phase II proposed that experienced in-house personnel would be used to develop, test and implement the application modifications for Phase I and Phase II. To provide coverage for maintaining and enhancing the GDS for operational purposes during the project period, the FSR and BCPs proposed that the Commission would contract with firms that could provide experienced programmers to backfill CSAC staff working on the project.

For 2006-07, the Commission contracted with COMSYS for a portion of those services. Commission staff utilized the California Multiple Award Schedule (CMAS) process to solicit information technology companies for the service of programmers. COMSYS was selected to provide these needed services during Phase I of the project.

In June, the Commission approved an extension of a programming maintenance contract with COMSYS by \$68,000 to a total of \$500,000 and extended the term of the contract through December 2007. This was necessary because the original contract was not awarded until November 2006 rather than July 2006 and

additional GDS maintenance support was needed during the remaining portion of phase I GDS.

This tab involves a contract or contracts for resources for maintaining and enhancing the GDS to backfill CSAC staff during Phase II of the project. As noted above, these resource requirements were included the Budget Act of 2007. Commission staff utilizes the California Multiple Award Schedule (CMAS) process to solicit information technology companies for services of Information Technology application programmers. A Request for Offer is under way to select these needed services. The contract amount for \$275,000 will provide the Commission with approximately 3,400 hours at \$80 per hour over a 12 month period.

Contracts need to be in place by November 15, 2007 in order to meet proposed scheduled implementation dates for implementation for academic year 2009-10. The interviews and evaluations of the prospective respondents to our CMAS requirements will start as soon as we have responses to our RFO.

Recommended Action: Authorize the Executive Director to enter into contracts with the selected CMAS vendor(s) for up to \$275,000

Responsible Staff: Robert Illa, Fiscal Officer
Janet McDuffie, Chief Management Services
John Bays, Chief Information Technology Services

8.b

Action /Information Item

California Student Aid Commission

2008-09 Budget Change Proposals

Enclosed is a summary of the Commission's 2008-09 Budget Change Proposals (BCP) and a 2008-09 Budget Policy Letter issued on August 28, 2007 from the Department of Finance (DOF).

In the attached Budget Policy Letter, DOF states that all General Fund proposals intended to expand services to a greater share of the population, increase the level of service to existing populations or that would initiate new services must be accompanied by an offsetting service reduction proposal or some other means to finance the proposal, unless DOF has previously agreed to review such proposals.

The following BCPs reflect critical priorities within the Commission that have been previously discussed with the Administration:

- \$3.2 million and 25 positions for the Detangling of the Commission from EDFUND
- \$.5 million and 1 position for the Cash For College Program
- \$1.7 million for the Cal Grant Public Awareness Campaign

The following BCPs reflect critical priorities within the Commission that have not been discussed with the Administration:

- \$459.2 million for the following Cal Grant Policy Change Proposals:
 - \$106 million to increase the Cal Grant Competitive Program
 - \$262 million to increase the Cal Grant B Access Grant
 - \$71.4 million to provide tuition and fees to 1st year Cal Grant B students
 - \$13.1 million to provide parity in the Maximum Award Policy for students attending non-public institutions
 - \$6.7 million to increase the value of Cal Grant C Awards

The dollar amounts associated with these BCPs are estimates and will be finalized prior to submission to the Department of Finance. All BCPs request funding from the General Fund.

All BCPs approved by the Commission must be submitted to the Department of Finance no later than September 13, 2007.

Recommended Action: The Commission approves submission of the 2008-09 Budget Change Proposals.

Responsible Staff: Robert Illa, Fiscal Officer
Janet McDuffie, Chief Management Services
Steve Caldwell, Chief Governmental & Public
Affairs
Catalina Mistler, Chief Program Administration
& Services

BUDGET LETTER

NUMBER:	07-21
DATE ISSUED:	August 28, 2007
SUPERSEDES:	BL 06-18

SUBJECT:	2008-09 BUDGET POLICY
REFERENCES:	BL 07-08

TO: Agency Secretaries
 Department Directors
 Department Chief Counsels
 Department Budget Officers
 Department Accounting Officers
 Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Note: Budget Officers are requested to forward a copy of this Budget Letter (BL) to your departments' Chief Counsels.

This Budget Letter (BL) sets forth the Governor's policy direction for his proposed 2008-09 Budget. As a reminder, BL 07-08, issued April 11, 2007, outlines the technical and procedural requirements for preparation of the 2008-09 Governor's Budget.

2008-09 General Fund Deficit Anticipated

Since Governor Schwarzenegger took office in November of 2003, he has continually proposed measures to reduce the imbalance between revenues and expenditures in order to shrink the state's structural deficit. Significant progress has been made but more work is needed. While the 2007-08 Budget is enacted with a projected zero operating deficit in 2007-08 after discounting the transfer to the Budget Stabilization Account for rainy-day purposes, preliminary projections indicate the state will face a General Fund budget operating deficit of \$6.1 billion dollars in 2008-09, absent corrective actions.

The Governor has committed to developing a 2008-09 Budget proposal with a zero operating deficit after discounting the transfer to the Budget Stabilization Account for rainy-day purposes. A separate Budget Letter will be released in the near future providing instructions to all departments regarding approaches to contribute towards this goal.

As for critical BCPs, similar to last year's policy direction, all General Fund proposals intended to expand services to a greater share of the population, increase the level of service to existing populations or that would initiate new services must be accompanied by an offsetting service reduction proposal or some other means to finance the proposal, unless Department of Finance (Finance) has previously agreed to review such proposals. Non-General Fund proposals must be accompanied by similar reductions or financing plans that either live within current revenue streams or revenue enhancements that are supported by the affected entity or industry.

Proposed Statutory Changes

Pursuant to Government Code Section 13308, Finance must provide to the Legislature on or before February 1 of each year, all proposed statutory changes, as prepared by the Legislative Counsel, necessary to implement the Governor's Budget. Therefore, all Budget Change Proposals that require statutory changes also must include a copy of the proposed legislation. Finance will submit any approved language to the Legislative Counsel.

Comprehensive Budget Development Process

The Government Code and the pending Budget Act require the Governor's Budget development process to be as comprehensive as possible, and any subsequent adjustments may only be made to meet critical and unanticipated needs. Further, the January Budget is to include all policy proposals being made for the ensuing fiscal year. Spring Finance Letters, due to the Legislature no later than April 1, should be used only for: (a) updating those proposals made in January, or (b) submitting any new critical proposals that cannot be delayed until the upcoming fall budget process without serious consequences. The May Revision changes to the Governor's Budget are due to the Legislature no later than May 14 and will encompass only traditional enrollment, caseload, and population adjustments and any necessary budget balancing proposals.

Budget Change Proposal Form

Departments are reminded that a Budget Change Proposal (BCP) form has a section that reflects the date the BCP was submitted to the Legislature with space for a Finance supervisor's signature to attest to that submission. The purpose of this information is to improve the tracking of the "final" version of a department's BCP. *This "final" version of a BCP is the only version that should be made public unless disclosure is approved by the Governor's Office or made pursuant to a court order.* Information contained in a BCP is an integral part of the Governor's Budget deliberation process. As such, a BCP is to be treated as a privileged and confidential working paper subject to the Governor's deliberative process privilege until the BCP reflects the Governor's final decision to include the BCP as part of his budget proposal to the Legislature. Disapproved BCPs and unapproved versions of BCPs (i.e., those not released to the Legislature) are to be treated as working papers subject to the Governor's privilege, and are not to be released except when that privilege is waived by the Governor's Office or pursuant to a court order. Questions about requests for confidential budget documents under the Public Records Act or litigation discovery requests seeking confidential budget documents should be directed to department legal staff, and, if necessary, by department legal staff to Finance legal staff.

Departments must use the latest form for submittal of BCPs with the 2008-09 Governor's Budget. The BCP form can be found on the Finance public website:
http://www.dof.ca.gov/Budgeting/Forms/Budget_Forms.asp

If you have any questions, please contact your Finance budget analyst.

/s/ Michael C. Genest

MICHAEL C. GENEST
Director

CALIFORNIA STUDENT AID COMMISSION
2008-09 Budget Change Proposals (BCP)
(\$ in millions)

TAB 8.b.2

BCP # Summary of Request	Staff Recommendations	
	Number of Positions Requested	Total Cost Estimate
01 Detangling of the Commission from EDFUND \$3.2 million in state operations and 25 positions are requested for the detangling of the Commission from EdFund. This proposal will provide the Commission with needed services currently provided by the Commission's auxiliary, EDFUND, including Business Services, Information Technology and other functions which are essential to the daily operations of the Commission. Without the continuation of these existing and essential functions, the Commission cannot process awards and payments and other services to students, parents and schools.	25.0	\$3.2
02 Cash for College Program \$487,500 and 1 positions from the General Fund to support essential college access services including California Cash for College Campaign. This augmentation to the Commission's budget would allow the Commission to continue vital college access services that will be disrupted or eliminated through the loss of ancillary support services previously provided through the Student Loan Operating Fund and through synergistic efforts with EDFUND staff.	1.0	\$0.5
03 Cal Grant Public Awareness Campaign \$1.7 million in state operations is requested to to support essential college access services including the Cal Grant Public Awareness Campaign. This augmentation to the Commission's budget would allow the Commission to continue vital college access services that will be disrupted or eliminated through the loss of ancillary support services previously provided through the Student Loan Operating Fund and through synergistic efforts with EDFUND staff. This request represents a continuation of the level of service the Commission and EDFUND have provided and one of the productive benefits of the relationship between EDFUND and the Commission.	0.0	\$1.7

CALIFORNIA STUDENT AID COMMISSION
2008-09 Budget Change Proposals (BCP)
(\$ in millions)

TAB 8.b.2

BCP # Summary of Request	Staff Recommendations	
	Number of Positions Requested	Total Cost Estimate
<p>04 Increase the Cal Grant Competitive Program</p> <p>\$106 million in Local Assistance is requested to increase the number of Cal Grant Competitive Awards. Today, the state of California has an efficient Cal Grant Entitlement program that continues to fund more than 60,000 eligible new students each academic year compared to 30,000 in the pre-entitlement program era. However, the Competitive Cal Grant program is constrained because the number of awards has remained at 22,500 since 2001. In the 2005-06 year, 112,238 fully qualified students were unable to receive awards due to the limited number of competitive awards. These students demonstrate financial need and meet the initial GPA and income criteria. A typical eligible non-recipient is age 27, earns approximately \$17,000, for a family of 3, and has a GPA of 2.9, but the Commission must apply scoring criteria to reduce the number of eligible students.</p>	0.0	\$106.0
<p>05 Increase to the Cal Grant B Access Grant</p> <p>\$262 million in Local Assistance is requested to increase the Cal Grant B Access Grant from its current amount of \$1,551. Currently, the Cal Grant B access grant covers less than 11% of indirect costs and is falling annually. This grant has lost much of its purchasing power and the lowest income students are having an increasingly difficult time in purchasing textbooks and paying for their basic living expenses. Increasing the access grant would support the Commission's commitment to the students of California by providing greater flexibility for students to apply towards transportation costs, books and supplies, and meals away from home. Given the dramatic increase in books, supplies and other costs related to attaining an education beyond high school, an increase to the access stipend paid to California's most financially needy students, would signify a necessary step for students and families with demonstrated financial need.</p>	0.0	\$262.0

CALIFORNIA STUDENT AID COMMISSION
2008-09 Budget Change Proposals (BCP)
(\$ in millions)

TAB 8.b.2

		Staff Recommendations	
BCP # Summary of Request		Number of Positions Requested	Total Cost Estimate
06	<p>Providing Tuition and Fees to 1st Year Cal Grant B Students</p> <p>\$71.4 million in Local Assistance is requested to provide tuition and fees in the first year for Cal Grant B recipients. Cal Grant B provides an annual award of up to \$1,551 for books and living expenses for first-year recipients. In general, Cal Grant B does not pay for tuition or fees until the beginning of the second year. Under current law, only the top 2 percent of Cal Grant B recipients may also receive a tuition and fee award for their first year of postsecondary education. A large number of Cal Grant B recipients, among the lowest income and most disadvantaged of Cal Grant A and B recipients, receive a smaller total lifetime award amount than their Cal Grant A counterparts, contrary to the original intent of the authorizing Cal Grant legislation. This proposal seeks to rectify this unintended consequence.</p>	0.0	\$71.4
07	<p>Provide Parity in the Maximum Award Policy for Students Attending Non-Public Institutions</p> <p>\$13.1 million in Local Assistance is requested to provide equity by increasing the current maximum award amount for students attending non-public postsecondary institutions and support the development of a statutory formula that adjusts the maximum award amount for students attending nonpublic postsecondary institutions that would be predictable and provide parity. The Commission is concerned that budget constraints and the resulting increases in tuition and fees over time makes it difficult for many students and families to afford a postsecondary education. The rising cost of higher education has created an affordability gap, and that this gap prevents low- and middle-income families from accessing higher education.</p>	0.0	\$13.1

CALIFORNIA STUDENT AID COMMISSION
2008-09 Budget Change Proposals (BCP)
(\$ in millions)

TAB 8.b.2

BCP # Summary of Request	Staff Recommendations	
	Number of Positions Requested	Total Cost Estimate
08 Increase to the Value of Cal Grant C Awards \$6.7 million in Local Assistance is requested to increase the grant amounts in the Cal Grant C program. Employment opportunities for people with career technical education and occupation training continue to grow. However, costs of college and cost-of-living are rising and the availability of grant aid has been constrained both at the state and federal levels. Budget constraints and the resulting increases in tuition and fees over time has made it difficult for many students and families to afford a postsecondary education.	0.0	\$6.7
TOTAL STATE OPERATIONS AND LOCAL ASSISTANCE		
	26.0	\$464.6

Total Authorized Positions per the 2007-08 Budget:	146.2
Total Proposed 2008-09 Positions with Preliminary BCP Requests:	172.2

**CSAC Staff Summary
2008-09 Budget Change Proposal
Detangling of Commission and EDFUND**

Proposal

The Administration proposes to sell the Commission's auxiliary, EDFUND, which would generate approximately \$1 billion in one-time revenue to the State. With the sale of EdFund, the Commission will need to become self-sufficient without the services currently provided by EDFUND. Therefore, \$3.2 million and 25.0 positions are requested from the General Fund to provide the resources necessary for the continued administration of the Cal Grant and Specialized Programs.

Background

The Commission has been serving students and families for more than fifty years by providing financial aid services to support California's students in reaching their educational goals. Currently, the Commission is the primary agency responsible for the administration of state-aid programs; key among them the Cal Grant Program. The Commission is also the designated state guaranty agency responsible for the Federal Family Education Loan (FFEL) Program, which it administers through its auxiliary organization, EDFUND.

In 1997, the Commission was authorized to create a nonprofit auxiliary, EDFUND, for the purpose of providing services related to the Commission's participation in the FFEL Program under the terms and conditions of an annual Operating Agreement. The Governor proposed the sale of EDFUND in the May Revision to the 2007-08 Budget. SB 89 (Chapter 182, Statutes of 2007) outlines the process the State will follow to facilitate the sale of EDFUND in a manner that would provide the greatest benefit to the State of California. SB 91 (Chapter 184 Statutes of 2007) repeals the current law relating to the establishment and operation of EDFUND and the State's participation in the Federal Family Education Loan (FFEL) Program upon the sale of EDFUND.

Since its establishment, EDFUND has provided administrative support for many Commission functions including: business services, technology, research, and institutional training, and outreach. These services support the Commission's efforts to provide information to students, parents, high schools, and colleges on the Commission's Cal Grant (Cal Grants A, B, C, and T) and Specialized Programs (California Chafee Foster Youth Grant, Assumption Program of Loans for Education [APLE], State Nursing APLE, National Guard APLE, Robert C. Byrd Honors Scholarships, Child Development Grants, Law Enforcement Personnel Dependent Grants, and Gear-Up Scholarship). EDFUND's services have also been instrumental in providing award notices to students and ensuring the timely delivery of award payments.

The Commission and the State have benefited from the efficiencies of the Commission and EDFUND working together to administer the Commission's financial aid programs. Per the Operating Agreement, EDFUND has provided these services at cost. The sale of EDFUND requires that these services be provided solely by the Commission with the State's General Fund bearing the entire cost.

Reason for Request

This request will provide the resources necessary for the Commission to fully re-establish the following functions:

**CSAC Staff Summary
2008-09 Budget Change Proposal
Detangling of Commission and EDFUND**

Business Services

Records retention; property control; badge identification database; printing; imaging, microfiche and microfilm services; recycling of confidential destruction and shredding; moving and reconfiguration of cubicles; storage of property, furniture and equipment; surveying of property/equipment; full management of the ordering of office supplies; mailroom operations (postage meters and delivery of mail); and courier services; moving and storage, facilities, security guards.

Technology Services

Phone system, including the Integrated Voice Response (IVR) System; data services, including support for the Commission's Grant Delivery System (GDS); on-line survey applications/tools to implement the Student Expenses and Resource Survey; Web-based services; Tier 1 Help Desk; and other related Information Technology Services.

Research/Communications/Training/Outreach Services

Research, publishing, production, storage and distribution of approximately 500,000 free financial aid publications that are used to inform and educate students, parents, schools and other interested parties about Cal Grants and other financial aid programs; maintenance of the Student and Parent Website: www.calgrants.org; training more than 3,000 high school and college counselors on the Cal Grant programs and the financial aid application process, which includes the dissemination of new laws and regulations; and providing the College Cash Box, which contains materials high school counselors need to help students apply for financial aid

Facilities

New facilities for the Commission to house both its existing staff and the new staff being requested in this BCP, including additional space for the mailroom with a loading dock; data center facilities to house the Commission's systems; and required storage space.

The Commission will need additional staff to implement these functions with appropriate funding for salaries and wages, general expenses, communication, travel, and training. Funds are also being requested to either purchase or contract for a phone system, servers, mail room equipment, imaging equipment, publications, board room equipment, and increased facility space. The funds needed for much of the equipment may be offset if State equipment, currently in the custody of EDFUND, is available for use by the Commission after the sale of EDFUND.

The resources needed for these functions is offset to some degree by the Commission no longer being a designated guarantee agency for the FFEL Program and no longer being required to oversee an auxiliary. In 2007-08, \$1.8 million is appropriated for these activities, including the six positions in the Federal Policy and Programs Division. A portion of the \$1.8 million is also used for the "split-funded" functions within the following areas: Commissioner and associated meeting costs, the Executive Office (Executive Director Chief Deputy Director, Legal, Audits, support staff, and portions of accounting. However, of the \$1.8 million appropriated in 2007-08 for the FFEL Program and oversight activities, approximately \$825,000 will still be needed to fully fund the expenses related to the Commissioners, the Commission liaison, the Executive Director and Chief Deputy Director, and other administrative costs that will not be eliminated due to the sale of EDFUND.

**CSAC Staff Summary
2008-09 Budget Change Proposal
Detangling of Commission and EDFUND**

Below is a breakdown of the positions needed for this BCP:

Total Positions Requested:	31.0
Less Loan Program Positions:	<u>-6.0</u>
Net Positions Needed:	25.0

Recommendation

In order for the Commission to provide the services previously supplied by EDFUND, an augmentation of \$3.2 million and 25.0 permanent positions are being requested from the General Fund for 2007-08. These costs assume that equipment currently in the custody of EDFUND will be available after the sale of EDFUND. Without the resources necessary for the continuation of the essential functions noted above, the Commission cannot provide needed services to students, parents and schools and will not be able to provide timely awards and payment to students.

CSAC Staff Summary 2008-09 Budget Change Proposal Cash For College Program

Proposal

For the past two years, the Commission has funded the Cash for College Program from the Student Loan Operating Fund (SLOF). These funds have been approved as part of the EDFUND's budget. EDFUND has assisted the Commission by contracting for a program coordinator and disbursing allocated funds. The SLOF and assistance from EDFUND will no longer be available to the Commission upon the sale of EDFUND. Therefore, the Commission requests \$487,500 in funding and one position from the General Fund for the Cash for College Program.

Background

The Commission has a long history of providing outreach services through Cal-SOAP (nearly 30 years), as well as more recently through the Public Awareness Campaign and Cash For College Program put in place in response to the Cal Grant Entitlement Program. In 2003, the Commission earmarked \$25 million from the Student Loan Operating Fund for outreach. The earmarked funds have been used to support the Public Awareness Campaign, to support the Cash for College Program, and to fund 17 grants to various entities to provide financial aid information to students from families with financial need, many of whom would be the first in their family to attend college.

California Cash for College Program

California Cash for College is a program of the California Student Aid Commission. Aligned with the mission of the Commission, its aim is to help low-income and first-generation college-bound high school seniors and their families complete the Free Application for Federal Student Aid (FAFSA), the Cal Grant GPA Verification Form and learn about all financial aid options each year during the Cal Grant application period from January 1 through March 2. The statewide financial aid community-based workshop series has existed since 2002 when it began as a pilot program. The effort, known as College Goal Sunday, was initiated by a broad coalition of stakeholders including the Office of the Governor, legislative offices, higher education, financial aid and college and university campuses, and was funded through a grant from the Lumina Foundation for Education. The James Irvine Foundation also supported the pilot effort and provided further bridge funding to transition the program to its current form as California Cash for College. Since 2003, the Commission has increasingly provided funding and support through the Student Loan Operating Fund and since 2005, has solely funded the statewide program with \$580,000 each year and integrated the model into its outreach programs and initiatives.

Workshops

For the past several years, the Cash for College workshop series has offered workshops in the majority (70-75 percent) of counties throughout California, and has assisted more than 50,000 students and an estimated additional 25,000 family members line-by-line on the lengthy and often daunting federal application. In the past several years, the program has more than doubled in size and numbers of students served. In 2004, 180 workshops were held and 4,300 student evaluations were collected, and in 2007 more than 400 workshops were offered and more than 14,000 student evaluations were collected.

**CSAC Staff Summary
2008-09 Budget Change Proposal
Cash For College Program**

Regional Partnerships

In 2000, the California State Legislature passed landmark legislation which for the first time guaranteed a Cal Grant to qualifying students, at the same time community-coalitions in Los Angeles and Sacramento pioneered the regional coordination model that enriches the CCFC program. A cross-section of all higher education institutions, their financial aid administrators, community and faith-based groups, state-and locally-elected officials and the business community are engaged by regional coalitions to assist California's most needy students and families. Regional partners leverage extensive resources to conduct and promote the workshop series, and offer a venue to include all stakeholders locally so that resources are maximized and duplication of effort is avoided. Currently five regional partners include the San Diego California Student Opportunity and Access Program (Cal-SOAP), the Los Angeles Area Chamber of Commerce, the Shasta Union High School District, the East Bay and Sacramento Cal-SOAP Consortiums.

Statewide Advisory Committee

A statewide advisory committee comprised of fifteen members from key constituency groups meets monthly to help guide the work of the program.

AB 1540

This year, legislation sponsored by the Los Angeles Area Chamber of Commerce and authored by Assembly Majority Leader Karen Bass was proposed to further strengthen and establish the Cash for College program in state statute, and would establish mechanisms to receive non-state funds, to help support and expand regional partnership efforts.

Coordination with Other Outreach Activity

The Cash for College program and the Public Awareness Campaign are complementary and are closely coordinated as information and opportunity. The Commission's Public Awareness Campaign is administered through a contract with a public relations firm. The contract is a multi-media college access and financial aid education effort that provide California students, parents, and schools information about Cal Grants. The message is that California will help to remove financial barriers to higher education for students with financial need.

To maximize the benefits derived from the two programs, Commission staff has incorporated the advertising and collateral materials for the Cash for College program into the public awareness campaign. The public awareness campaign provides information and is designed to encourage students to apply for financial aid. The Public Awareness Campaign helps deliver the message students and parents that Cash for College workshops are available and provide hands-on technical assistance and additional information about financial aid. The Commission's California Student Opportunity and Access Program (Cal SOAP) has also been instrumental in supporting, promoting, and hosting Cash for College events throughout the State.

As a highly leveraged program, Cash for College establishes partnerships resulting in local public and private funding in major regions of the state. Most recently it has leveraged nearly \$1 million in scholarship and program support through the College Access Foundation of California.

**CSAC Staff Summary
2008-09 Budget Change Proposal
Cash For College Program**

Reason for Request

Commission staff is seeking to continue the Cash for College Program that can no longer be provided through the Commission and EDFUND's unique relationship and the use of the Student Loan Operating Fund upon the sale of EDFUND. It is vital to secure funding to continue serving the State's low income and first-generation college bound high school seniors in 2008. The proportion of high school graduates enrolling directly into colleges has dropped over the past decade; from 61 percent in 1995 to 52 percent in 2005. Only 35 percent of California high school freshmen enroll in college within four years. This is a discouraging trend given that California ranks 40th among states in the rate of high school graduates going directly to college. *(Source: State of Decline? The Institute for Higher Education Leadership and Policy. California State University, Sacramento. October 2006.)*

To implement the program, the Commission allocates funds to regional coordinating organizations (RCOs) to plan, coordinate, and/or conduct the Cash for College workshop series within specified regions within the state. Regional coordinating organizations are coalitions led by a designated organization which may include non-profit organizations, local education or other government agencies, or public or private higher education institutions. The Commission's Cash for College Coordinator, part of the Commission's Public Affairs Branch, works year-round to coordinate implementation of the workshop series. For the past few years, the Cash for College Coordinator and support staff have been EDFUND contracted employees. In 2007-08, the Commission designated one of its authorized positions to act as the coordinator for the program. The Commission expects the California Cash for College program will continue to experience rapid growth in the number of workshops being requested.

Recommendation

Commission staff requests an additional \$487,500 and one position from the General Fund to support essential college access services through the California Cash for College Program. Together, the college access awareness campaign and workshop series serve as an invaluable social marketing tool to educate the students on their financial aid options, and assist them in changing behavior – by successfully completing their forms, and moving on to further their academic training and improve their abilities to make a valuable contribution to the California economy. This augmentation to the Commission's budget would allow the Commission to continue vital college access services that will be disrupted or eliminated through the loss of ancillary support services previously provided through the Student Loan Operating Fund and through synergistic efforts with EDFUND staff.

CSAC Staff Summary 2008-09 Budget Change Proposal Public Awareness Campaign

Proposal

The Commission has funded a [College Access and Financial Aid Education](#)/Public Awareness Campaign for the Cal Grant Programs from the Student Loan Operating Fund (SLOF) since December 2001. These funds have been approved as part of the EDFUND's annual loan program budget. EDFUND has assisted the Commission with its contracts with public relations firms. The SLOF and assistance from EDFUND will no longer be available to the Commission upon the sale of EDFUND. Therefore, the Commission requests \$1.7 million from the General Fund for the Public Awareness Campaign.

Background

The Commission initiated the Cal Grant Public Awareness Campaign in response to the enactment of SB 1644 which created the Cal Grant Entitlement program. In the fall of 2001, the Commission worked with EDFUND to construct a contract to obtain a public relations firm to develop [education materials](#), information and media support to promote the Cal Grant Programs. In furtherance of its responsibility to provide financial aid opportunities and access to higher education, in 2003, the Commission earmarked \$25 million from the Student Loan Operating Fund to supplement the Public Awareness Campaign, to support the Cash for College [financial aid workshop campaign program](#), and to fund 17 grants to various entities that provide financial aid information to students from families with financial need, many of whom would be the first in their family to attend college.

Local public relations firms (Runyon, Satzman, and Einhorn [RS&E] and Crocker-Flanagan) have provided multi-media public awareness campaigns consisting of:

- media spots with both general adult markets, as well as those ²with specific Latino and African-American focuses
- adult and teen targeted radio spots
- celebrity endorsements
- internet ads
- billboards
- [partnership development](#)
- [peer-to-peer counseling and speaking opportunities](#)
- material in multiple languages

The Student Loan Operating Funds have been heavily leveraged with pro-bono advertising, collateral materials, television time for marathon style call in shows, staff support, and incentives for students to participate in sponsored programs and events. Partners and pro-bono contributors include but are not limited to; Pepsi, Taco Bell, Krispy Kreme, Burger King, Wells Fargo Bank, Albertsons Grocery Stores, Univision, Telemundo, KCRA, Comcast, the UC, CSU, California Community Colleges, CASFAA, CCCSFAAA, and many others. Additionally, our partners in Cal SOAP coordinate events and secure community involvement in Cash for College and Public Awareness Campaign events and press conferences.

Evaluations of these campaigns indicate that:

CSAC Staff Summary 2008-09 Budget Change Proposal Public Awareness Campaign

- students were more aware of grants in general, the Cal Grant and Pell Grant in particular, and work study opportunities after the campaign
- the campaign resulted in more students being aware of the Cal Grant message of “free money” and the need to complete only two forms to apply for Cal Grant awards
- significantly more students reported actually applying for a Cal Grant by the March deadline than said they intended to apply in December

Reason for Request

Commission staff is seeking to continue its Public Awareness Campaign that can no longer be provided through the Commission and EDFUND’s unique relationship and the use of the Student Loan Operating Fund upon the sale of EDFUND. The funding will be used to continue contracting with public relations firms for this campaign as a means to continue educating California students and families about the opportunities available to them through Cal Grant and other financial assistance programs. Otherwise many students, especially those thatwho will be the first in their families to attend college, will not understandfeel that college is available to them-an attainable goal and that financial aid is available to help make their dreams of an education beyond high school come true.

It is vital to secure funding to continue serving the more than 400,000 California high school seniors projected to graduate in 2008. The proportion of high school graduates enrolling directly into colleges has dropped over the past decade; from 61 percent in 1995 to 52 percent in 2005. Only 35 percent of California high school freshmen enroll in college within four years. This is a discouraging trend given that California ranks 40th among states in the rate of high school graduates going directly to college. (*Source: State of Decline? The Institute for Higher Education Leadership and Policy. California State University, Sacramento. October 2006.*)

Together, the college access awareness campaign and Cash for College workshop series serve as an invaluable social marketing tool to educate the students on their financial aid options, and assist them in changing behavior – by successfully completing their forms, and moving on to further their academic training and improve their abilities to make a valuable contribution to the California economy.

Recommendation

Commission staff requests an additional \$1.7 million from the General Fund to support essential college access services of the Cal Grant Public Awareness Campaign. This augmentation to the Commission’s budget would allow the Commission to continue vital college access services that will be disrupted or eliminated through the loss of ancillary support services previously provided through the Student Loan Operating Fund and through synergistic efforts with EDFUND staff. This request represents a continuation of the level of service the Commission and EDFUND have provided and one of the productive benefits of the relationship between EDFUND and the Commission.

**CSAC Staff Summary
2008-09 Budget Change Proposal
Increase to the Cal Grant Competitive Program**

Proposal

The Commission should consider an appropriate augmentation to the number of Cal Grant A and B Competitive Award programs.

Background

Today, the state of California has an efficient Cal Grant Entitlement program that continues to fund more than 60,000 eligible new students each academic year compared to 30,000 in the pre-entitlement program era. However, the Competitive Cal Grant program is constrained because the number of awards has remained at 22,500 since 2001. In the 2005-06 year, 112,238 fully qualified students were unable to receive awards due to the limited number of competitive awards. These students demonstrate financial need and meet the initial GPA and income criteria. A typical eligible non-recipient is age 27, earns approximately \$17,000, for a family of 3, and has a GPA of 2.9, but the Commission must apply scoring criteria to reduce the number of eligible students.

Since the pool of eligible applicants (students with financial need and good grades) 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.

To establish and set a “cutoff” score of 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.

SCORING CATEGORIES	Maximum Points		
	2001-02	2002-03	2003-2004
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
Maximum Total points	100	200	200

**CSAC Staff Summary
2008-09 Budget Change Proposal
Increase to the Cal Grant Competitive Program**

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. It is important to note that all of these students have exhibited financial need according to the federal process.

Data gathered by Commission research and informational technology staff indicates that of the more than 112,000 eligible non recipients, 47,000 of these students had an Expected Family Contribution (EFC) of zero. The EFC is the amount of money the government believes a student and his or her family could reasonably contribute toward the student's postsecondary education for the academic year. It is calculated using a federal formula and the information comes from the FAFSA. The EFC is subtracted from the cost of the college to determine financial need. A zero EFC indicates that the student's family income is such that he or she has financial need for the full cost of the college.

Recommendations by the Commission's Grant Advisory Committee

At its August 16, 2007 meeting, the Grant Advisory Committee (GAC) proposed that the Commission support all of the policy issues with equal weighting. The GAC supports, and encourages the Commission to support efforts to seek increased budgetary (local assistance) support for the Cal Grant program through the 5 proposed policy proposals, however, the GAC recommends that pursuit of funding be based on a balanced approach among the five proposals as priorities for providing increased funding for the Cal Grant program (with one change to Cal Grant C to increase the amount of the awards rather than the number of Cal Grant C award authorized).

Staff Discussion

The Commission's report "*The Competitive Cal Grant Program – A Report on the First Three Years 2001-04*" found that those in the program are by far the most financially needy applicants. Along with financial need, students competing for these limited awards possess a high Grade Point Average (GPA) and show excellent potential for success to attain future educational and career goals. In 2003-04 award period, 79.4 percent of recipients had a GPA of 3.00 or higher while only 4.7 percent of recipients possessed a GPA of 2.50 or lower. It is clear that the Cal Grant Competitive program serves students with extreme financial need, however, it is also clear that the more than 100,000 otherwise qualified students are not being served by the program.

The Legislature states under California Education Code Section 69500 that the purpose of student assistance programs is to provide equal opportunity and access to postsecondary education, to allow students to choose the most appropriate postsecondary educational opportunity, to provide assistance to individuals who desire to enroll in an independent college or university, to complement general statewide goals for public postsecondary education, and federal student assistance programs that enhance the effectiveness of state programs.

A priority of the Commission and the State is continued advocacy for increased higher education opportunities for California students. Any funds invested in the Cal Grant Competitive

CSAC Staff Summary
2008-09 Budget Change Proposal
Increase to the Cal Grant Competitive Program

program should be considered an investment in the future of the State's economy. With California's changing labor market and fluctuating economy, an increasing number of non-traditional, returning, and older adult students are seeking education and training. To meet the demands of this group, the Competitive Cal Grant program needs to respond effectively with more awards. Students who achieve a postsecondary education in California will increase their income potential and will contribute to the future tax base as their income increases.

This proposal directly supports the Commission's 2007-08 approved legislative principles, specifically the principle of *Foster Educational Access and Affordability - Funding Objectives for the Cal Grant Program: The Commission will advocate the expansion of the Cal Grant program and for increases in the value of all Cal Grant awards to help defray the cost of obtaining a postsecondary education.*

With continuing increases to tuition and fees, in addition to the loss of family income due to economic downturns and the need for updated job skills, older adults who may have delayed their higher education will need financial aid. Although the Commission does not collect ethnic information through the FAFSA in the application process, California's Hispanic/Latino and African-American populations are growing and the state needs to address the educational inequities within these groups. As California's population continues to become more diverse, in order to continue their pursuit of higher education, it is imperative that the State continue to serve low to moderate income students regardless of their ethnicity.

It is important to note that because the number of Competitive Awards available each year is set in statute (California Education Code Section 69437(b), any change to the number of awards would require legislation.

Previous Legislation

At the Commission's April 20, 2006 meeting, the Commission adopted a support position on AB 2813 (De La Torre, Ch. 822, Stat. 2006). This bill contained a provision to increase the number of Cal Grant Competitive Awards from 22,500 to 45,000, but this provision was amended out of the bill on May 26, 2006. AB 2813 increased the maximum age for the California Community College Transfer Entitlement Program from 24 to 27.

Also, in the 2005-06 legislative session, SB 1751 (Speier) and SB 1264 (Alquist) were introduced. SB 1751 would have increased the number of Cal Grant Competitive Awards from 22,500 to 34,000. SB 1264 would have increased the awards from 22,500 to 23,000. SB 1751 was held by the Senate Education Committee and SB 1264 was held by the Assembly Appropriations Committee.

Options to Consider

1. Advocate for a change in the Cal Grant Competitive program to serve up to an additional 47,000 students who have consistently received a zero EFC status. In the 2008-09 fiscal year, serving these additional students would result in an additional \$106 million General Fund investment in California students.

**CSAC Staff Summary
2008-09 Budget Change Proposal
Increase to the Cal Grant Competitive Program**

2. Advocate for a more modest increase in Cal Grant Competitive awards to begin a phased-in approach to reaching the additional students with proven financial need. With an average award amount of \$2,832, the first year General Fund costs would be as follows:
 - 5 percent increase (1,125 additional awards offered) = \$2.5 million
 - 10 percent increase (2,250 additional awards offered) = \$5 million
 - 20 percent increase (4,500 additional awards offered) = \$10 million

**CSAC Staff Summary
2008-09 Budget Change Proposal
Increase to the Cal Grant B Access Grant**

Proposal

The Commission should consider an appropriate augmentation to the Cal Grant B Access Grant. Currently, the Cal Grant B access grant covers less than 11 percent of indirect costs and is falling annually. This grant has lost much of its purchasing power and the lowest income students are having an increasingly difficult time in purchasing textbooks and paying for their basic living expenses.

Background

SB 1644 (Chapter 403, Statutes of 2000) established the Cal Grant Program. The Cal Grant Program provides awards to eligible students to attend college. These awards pay tuition, fees, and living expenses based on a variety of eligibility factors. The Cal Grant Programs are known as Cal Grant A and B Entitlement Awards, California Community College Transfer Entitlement Awards, Competitive Cal Grant A and B Awards, and Cal Grant C Awards. The Cal Grant Program is administered by the California Student Aid Commission (Commission).

Cal Grant A program provides tuition and fees for each year of college. Cal Grant B program provides only the access grant of \$1,551 to 98 percent Cal Grant Entitlement award students who are in their first year of college, then tuition and fees and the access grant for the following three years. Under Cal Grant B, 2 percent of students in the Entitlement Program who demonstrate significant financial need receive the access grant, tuition and fee assistance in the first year of attendance at a four-year college and universities.

Cal Grant B - Access Grant

The Cal Grant B program began as the "College Opportunity Grant" (COG) in the late 1960s. At that time policymakers acknowledged that the lowest income, most disadvantaged students (those who were eligible to receive COG and those now eligible for Cal Grant B) needed more than assistance with just tuition and fees. In 1969-70 the first stipend for indirect costs was set at \$900. Twenty years later, in 1989-90, the grant had increased to \$1,548. Since that time there has only been one minor increase (\$3 in 2000-01), causing this critical grant to decline in purchasing power each year. In 1989-90 the grant covered approximately 20 percent of access costs; it now covers 11 percent, and this percentage continues to decline.

An average student can spend between \$400 and \$1,200 a year on textbooks, varying by major, student preferences and choices, and school. An increasing proportion of students' budgets are spent on food and housing. At least 50 percent, if not more, of a student's total expenses in an academic year will go toward paying for their housing and food, regardless of campus, system, and housing situation (such as living at home, on-campus, or off-campus). ("Keeping College Affordable: Recommended Policy Options and a Panel Report on College Affordability". A Report by the California Postsecondary Education Committee, December 2006.)

In May 1999, the Commission's Grant Advisory Committee developed and presented the definition of "access costs" (now called the access grant) to the Commission as those costs, in addition to living expenses, incurred when attending college - transportation, books and

**CSAC Staff Summary
2008-09 Budget Change Proposal
Increase to the Cal Grant B Access Grant**

supplies, and meals away from home. Applying this definition to the Commission's 2003-04 Student Expenses and Resources Survey (SEARS) and subsequently adjusting the data for inflation, the access grant for the Cal Grant B program would be \$3,582 in 2007-08.

The amount of the access grant portion of Cal Grant B has been stagnant at \$1,551 for many years. In 2001-02, the Commission advocated for an increase from \$1,410 to \$2,322 as indicated in the SEARS survey. The increase was discussed and proposed in the spring budget process; however a compromise was reached by the Joint Legislative Budget Committee to provide a 10 percent increase to the access grant from \$1,410 to \$1,551.

Recommendations by the Commission's Grant Advisory Committee

At its August 16, 2007 meeting, the Grant Advisory Committee (GAC) proposed that the Commission support all of the policy issues with equal weighting. The GAC supports, and encourages the Commission to support efforts to seek increased budgetary (local assistance) support for the Cal Grant program through the 5 proposed policy proposals, however, the GAC recommends that pursuit of funding be based on a balanced approach among the five proposals as priorities for providing increased funding for the Cal Grant program (with one change to Cal Grant C to increase the amount of the awards rather than the number of Cal Grant C award authorized).

Staff Discussion

The continued commitment from the State to improve the availability and amount of financial aid is crucial to ensure educational access for all California students. This commitment strengthens the state's economic well-being by educating California's future workforce. Increasing the access grant would support this commitment by providing greater flexibility for students to apply towards transportation costs, books and supplies, and meals away from home. Given the dramatic increase in books, supplies and other costs related to attaining an education beyond high school, an increase to the access stipend paid to California's most financially needy students, would signify a necessary step for students and families with demonstrated financial need.

This proposal would directly supports the Commission's 2007-08 approved Legislative Principles, specifically the principle of *Foster Educational Access and Affordability - Funding Objectives for the Cal Grant Program: The Commission will advocate the expansion of the Cal Grant program and for increases in the value of all Cal Grant awards to help defray the cost of obtaining a postsecondary education.* If the mission of the Commission is to remove financial barriers to higher education for students with financial need, increasing the access grant for Cal Grant B students is a great first step that will benefit students across the segments.

The Legislature states under California Education Code Section 69500 that the purpose of student assistance programs is to provide equal opportunity and access to postsecondary education, to allow students to choose the most appropriate postsecondary educational opportunity, to provide assistance to individuals who desire to enroll in an independent college or university, to complement general statewide goals for public postsecondary education, and federal student assistance programs that enhance the effectiveness of state programs.

**CSAC Staff Summary
2008-09 Budget Change Proposal
Increase to the Cal Grant B Access Grant**

It is important to note that because the amount of the Cal Grant B Access Award is set in statute (California Education Code Section 69435 (3) (b)), any change to the number of awards would require legislation. However, the statute does include the following "*This amount may be adjusted in the annual Budget Act.*" The Budget Act is year to year so any permanent change would need to come through legislation.

Previous Legislation

At the Commission's April 19, 2007, meeting, the Commission took a support position on AB 175 (Price). This bill would require the access cost be increased between 5 percent and 10 percent beginning with the 2009-10 award year until the grant has reached or exceeded 20 percent of the amount recommended by SEARS. This bill remains in the Assembly Appropriations Committee.

AB 1315 (Liu, 2005-06) was identical to AB 175. This bill was held in the Senate Education Committee.

Options to Consider

1. Advocate for a change in the Cal Grant Competitive program to increase the Cal Grant B Access Grant up to \$3,582 as indicated in the triennial SEARS. In the 2008-09 fiscal year this proposal would result in an additional \$262 million General Fund investment in California students.
2. Advocate for a more modest increase in Cal Grant B access grant. the first year General Fund costs would be as follows:
 - 10 percent increase (from \$1,551 to \$1,706) = \$20 million
 - 20 percent increase (from \$1,551 to \$1,877) = \$42 million
 - 30 percent increase (from \$1,551 to \$2,064) = \$66 million

CSAC Staff Summary
2008-09 Budget Change Proposal
Providing Tuition and Fees for 1st year Cal Grant B Students

Proposal

The Commission should consider advocating for a change to the Cal Grant program to provide tuition and fee support for Cal Grant B students in their first year of attendance. A large number of Cal Grant B recipient student, among the lowest income and most disadvantaged of Cal Grant recipients, receive a smaller total lifetime award amount than their Cal Grant A counterparts.

Background

Cal Grant B provides an annual award of up to \$1,551 for books and living expenses for first-year recipients. In general, Cal Grant B does not pay for tuition or fees until the beginning of the second year. Under current law, only the top 2 percent of Cal Grant B recipients may also receive a tuition and fee award for their first year of postsecondary education. When students renew their Cal Grant B, or are awarded a Cal Grant B for study beyond their first year, they receive the living allowance in addition to a tuition and fee award.

When the Cal Grant B program was authorized in the early 1960s as the "College Opportunity Grant Program," the majority of awards were required to go to community college students. At the time, the California Community Colleges did not charge tuition or fees so it was assumed that the lowest-income students would not attend a four- year college or university right after high school but instead would choose to attend a community college first. Therefore, the program allowed for first-year tuition and fee payments for only the top 2 percent of Cal Grant B recipients based on GPA.

SB 1644 (Chapter 403, Statutes of 2000) established the Cal Grant Program. The Cal Grant Program provides awards to eligible students to attend college. These awards pay tuition, fees, and living expenses based on a variety of eligibility factors. The Cal Grant Programs are known as Cal Grant A and B Entitlement Awards, California Community College Transfer Entitlement Awards, Competitive Cal Grant A and B Awards, and Cal Grant C Awards and are administered by the California Student Aid Commission (Commission).

Recommendations by the Commission's Grant Advisory Committee

At its August 16, 2007 meeting, the Grant Advisory Committee (GAC) proposed that the Commission support all of the policy issues with equal weighting. The GAC supports, and encourages the Commission to support efforts to seek increased budgetary (local assistance) support for the Cal Grant program through the 5 proposed policy proposals, however, the GAC recommends that pursuit of funding be based on a balanced approach among the five proposals as priorities for providing increased funding for the Cal Grant program (with one change to Cal Grant C to increase the amount of the awards rather than the number of Cal Grant C award authorized).

A significant number of lower income Cal Grant B students actually receive a smaller lifetime Cal Grant award than higher income Cal Grant A students. For instance, Cal Grant B recipients who attend a private college could receive \$3,504 less over the lifetime of their grant than Cal Grant A recipients at the same college. This is because the first-year Cal Grant A award for private colleges, up \$9,708 for academic year 2007-08, is \$3,504 more than the four years of

CSAC Staff Summary
2008-09 Budget Change Proposal
Providing Tuition and Fees for 1st year Cal Grant B Students

the Cal Grant B access grant (currently \$1,551 per year), plus the tuition and fee award for three years. For students attending a University of California campus, Cal Grant A recipients would receive \$432 more over four years than Cal Grant B recipients.

Tuition and fees are just a portion of the often substantial costs of attending college in California. In the decade from 1994-95 to 2003-04, non-fee related college costs increased from \$7,355 to \$9,689 (32 percent) at the University of California and from \$6,533 to \$7,881 (21 percent) at California State University.

In addition, the state's Master Plan for Higher Education has changed dramatically over the past 47 years. Cal Grant B policies are no longer consistent with the state's commitment to provide equal educational access to institutions of higher education for students with financial need. Income status is now restricting students' choice in selecting an institution for higher education. In fact, income status is penalizing a large number of Cal Grant B recipients ...

The inequity is compounded given that neither family income nor grant aid has kept pace with increases in tuition and other college costs, resulting in higher levels of borrowing, even among students with the greatest financial need.

Staff Discussion

The continued commitment from the State to improve the availability and amount of financial aid is crucial to ensure educational access for all California students. This commitment strengthens the state's economic well-being by educating California's future workforce. Increasing assistance in the first year for many of California's lowest income students would support this commitment by providing greater flexibility for students to apply choose the institution and program of their choice. Given the dramatic increase in tuition and fees at public and non-public colleges and universities, an change in the program to provide first year tuition and fees to Cal Grant B students, would signify a necessary step for students and families with demonstrated financial need.

This proposal would directly supports the Commission's 2007-08 approved Legislative Principles, specifically the principle of *Foster Educational Access and Affordability - Funding Objectives for the Cal Grant Program: The Commission will advocate the expansion of the Cal Grant program and for increases in the value of all Cal Grant awards to help defray the cost of obtaining a postsecondary education.*

The Legislature states under California Education Code Section 69500 that the purpose of student assistance programs is to provide equal opportunity and access to postsecondary education, to allow students to choose the most appropriate postsecondary educational opportunity, to provide assistance to individuals who desire to enroll in an independent college or university, to complement general statewide goals for public postsecondary education, and federal student assistance programs that enhance the effectiveness of state programs.

CSAC Staff Summary
2008-09 Budget Change Proposal
Providing Tuition and Fees for 1st year Cal Grant B Students

Related Legislation

Senate Bill 1644 (Chapter 403, Statutes of 2000). In 1999, Senate Bill 1644 expanded the Cal Grant Program by creating a two-tiered grant program that a) guarantees an Entitlement Cal Grant to every graduating high school senior and a designated number of transfer students who meet the eligibility requirements; and b) provides a limited number of Cal Grant Competitive awards to other students who qualify for a Cal Grant.

Assembly Bill 175 (Price), held in the Assembly Appropriations Committee, would provide for an increase in the maximum Cal Grant B access grant beginning in 2009-10. The Commission supported this bill.

Assembly Bill 302 (H. De La Torre), held in the Assembly Appropriations Committee, would eliminate the restriction in the Cal Grant B program that, in the first year of enrollment, denies tuition benefits and instead provides only a stipend for access costs to 98 percent of Cal Grant B Entitlement recipients. The Commission supported this bill.

Options to Consider

1. Advocate for a change in the Cal Grant Competitive program to provide tuition and fee assistance to Cal Grant B Competitive and Entitlement students in their first year of attendance at a postsecondary institution. In the 2008-09 fiscal year this proposal would result in an additional \$76.6 million General Fund investment in California students.
2. Advocate for a more modest increase in number of students who would qualify for Cal Grant B tuition and fees in the first year of attendance at a postsecondary institution. The first year General Fund costs would be as follows:
 - Increase from 2 percent to 10 = \$5.9 million
 - Increase from 2 percent to 20 percent = \$13.1 million
 - Increase from 2 percent to 30 percent = \$20.4 million

CSAC Staff Summary
2008-09 Budget Change Proposal
Parity in Cal Grant Maximum for Students Attending Non-Public
Institutions

Proposal

The Commission should consider advocating for a statutory formula that would provide parity in the Cal Grant program by basing the maximum award amounts for students attending non-public postsecondary institutions on the estimated average General Fund costs of educating a student at the public four-year institutions.

Background

Affordability has always been a priority for higher education in California. The Commission is concerned that budget constraints and the resulting increases in tuition and fees over time makes it difficult for many students and families to afford a postsecondary education. The rising cost of higher education has created an affordability gap, and that this gap prevents low- and middle-income families from accessing higher education. The purpose of the proposal is to:

1. Provide equity by increasing the current maximum award amount for students attending nonpublic postsecondary institutions.
2. Support the development of a statutory formula that adjusts the maximum award amount for students attending nonpublic postsecondary institutions that would be predictable and provide parity.

The Cal Grant Entitlement program provides grants to graduating California high school seniors and California Community College students transferring to an eligible four-year college or university. Students (non-traditional, returning, and older adult) who do not meet the eligibility criteria for an Entitlement award may compete for Cal Grant Competitive awards, which are limited to 22,500 per year.

The Cal Grant program was designed as a key component to college access in the California Master Plan for Higher Education. The Master Plan was a compact among the higher education segments, the State, and Californians to ensure that needy and high-performing students have the ability to choose a California institution of their choice, whether it be UC, CSU, the community colleges, or the independent California colleges and universities.

However, the nonpublic Cal Grant maximum award amount has not kept pace with increases in college costs, resulting in higher levels of borrowing, even among students with the greatest financial need. For example, in the academic years 2004-05 and 2005-06 (see chart 1 and chart 2 below), college costs (including fees and tuition) increased for public and private students alike; however, the Cal Grant award increased for public university students while the private university Cal Grant declined. For the same academic years, Chart 2 shows that the nonpublic Cal Grant provided less than 50 percent of tuition and fees costs for students who attended California's Independent Colleges and Universities.

Tuition and Fees for CSU, UC and California's Independent Colleges and Universities,

Chart 1

**CSAC Staff Summary
2008-09 Budget Change Proposal
Parity in Cal Grant Maximum for Students Attending Non-Public
Institutions**

2000-01 through 2006-07

Academic Year	CSU Tuition and Fees	UC Tuition and Fees	ICU Weighted Average Tuition and Fees
2000-01	\$1,839	\$3,964	\$14,572
2001-02	\$1,876	\$3,859	\$15,696
2002-03	\$2,005	\$4,017	\$15,906
2003-04	\$2,572	\$5,530	\$17,136
2004-05	\$2,916	\$6,312	\$18,173
2005-06	\$3,164	\$6,802	\$18,925
2006-07	\$3,164	\$6,802	\$19,935

Maximum Cal Grant Award and Weighted Average Tuition and Fees at California's Independent Colleges and Universities, 2000-01 through 2006-07

Chart 2

Academic Year	ICU Weighted Average Tuition and Fees	Nonpublic Cal Grant	% of Average Tuition and Fees Covered by the Maximum Award
2000-01	\$14,572	\$9,708	66.6%
2001-02	\$15,696	\$9,708	61.0%
2002-03	\$15,906	\$9,708	56.6 %
2003-04	\$17,136	\$9,708	56.7%
2004-05	\$18,173	\$8,322	45.8%
2005-06	\$18,925	\$8,322	44.0%
2006-07	\$19,935	\$9,708	48.7%

In passing Senate Bill 1644, the Legislature revised the language pertaining to the maximum Cal Grant award for students attending nonpublic colleges and universities. Senate Bill 1644 specified that the maximum Cal Grant award for students attending non-public California colleges and universities would be determined in the annual State Budget Act. This remains statutory policy today and is codified as Education Code Section 66021.2.

Prior to the adoption of SB 1644, the maximum Cal Grant award for students attending nonpublic colleges and universities was specified in State law.

A statutory policy would treat financially needy students attending private and public universities equitably and would preserve the value of the award over time; a policy and related formula that

CSAC Staff Summary
2008-09 Budget Change Proposal
Parity in Cal Grant Maximum for Students Attending Non-Public
Institutions

would provide a simple means by which the State could ensure that it contributes about the same amount of support for all financially needy students. In recent years, the Legislative Analyst Office (LAO) has recommended the Legislature establish in statute a policy that would link the value of the Cal Grant for financially needy students at nonpublic institutions to the General Fund subsidy the State provides for needy students at public institutions. The LAO believes that, without a specific policy, Cal Grant decisions can appear arbitrary, unpredictable, and inconsistent.

Recommendations by the Commission's Grant Advisory Committee

At its August 16, 2007 meeting, the Grant Advisory Committee (GAC) proposed that the Commission support all of the policy issues with equal weighting. The GAC supports, and encourages the Commission to support efforts to seek increased budgetary (local assistance) support for the Cal Grant program through the 5 proposed policy proposals, however, the GAC recommends that pursuit of funding be based on a balanced approach among the five proposals as priorities for providing increased funding for the Cal Grant program (with one change to Cal Grant C to increase the amount of the awards rather than the number of Cal Grant C award authorized).

Staff Discussion

Because the maximum award for non-public institutions is in the Budget Act rather than in statute, it is susceptible to annual reductions. The last time the State increased the maximum nonpublic Cal Grant award amount was in 2000-2001 when the award was raised from \$9,420 to \$9,708. The Governor's current budget proposal does not increase maximum award amounts for any Cal Grant awards. The maximum Cal Grant award for Cal Grant recipients attending private and independent institutions would remain at \$9708. Cal Grant award maximum amounts for students attending public colleges and universities are tied to the statewide tuition and fees charged by the institutions.

In the Governor's 2004-2005 proposed State budget, the Governor proposed to reduce the maximum Cal Grant for students attending nonpublic colleges and universities by 44 percent from \$9,708 to \$5,482. This recommendation was not adopted, but the maximum award was reduced to \$8,322 for two years to reduce General Fund expenditures. For the 2005-06 fiscal year, the Governor again proposed to reduce the maximum Cal Grant award for new recipients attending nonpublic colleges and universities by 10.5 percent, bringing the maximum Cal Grant award for new recipients down to \$7,449. This recommendation was not adopted.

This proposal would directly supports the Commission's 2007-08 approved Legislative Principles, specifically the principle of *Foster Educational Access and Affordability - Funding Objectives for the Cal Grant Program: The Commission will advocate the expansion of the Cal Grant program and for increases in the value of all Cal Grant awards to help defray the cost of obtaining a postsecondary education.*

The Legislature states under California Education Code Section 69500 that the purpose of student assistance programs is to provide equal opportunity and access to postsecondary education, to allow students to choose the most appropriate postsecondary educational

CSAC Staff Summary
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Institutions

opportunity, to provide assistance to individuals who desire to enroll in an independent college or university, to complement general statewide goals for public postsecondary education, and federal student assistance programs that enhance the effectiveness of state programs.

It is important to note that because the amount of the Cal Grant maximum award is set in the Budget Act, (California Education Code Section 69432 (b), any change to remove the authority from the Budget Act would require legislation.

Related Legislation

AB 358 (Liu): Last year the Legislature passed AB 358 that would have set the nonpublic Cal Grant maximum at 90 percent of the weighted public cost of educating a needy student at UC or CSU. This bill was vetoed by the Governor. For 2007-2008, the Governor proposed to leave the maximum private Cal Grant award unchanged at \$9,708, which is estimated to be about \$1,300 lower than the parity target sought by AB 358. The Commission established an ad hoc committee to explore options related to the maximum Cal Grant award, recommended the AB 358 solution and supported AB 358.

Options to Consider

1. The Legislative Analyst's Office (LAO) recommended the state establish in statute a policy and an associated award formula that can be used for budgeting purposes and link the Cal Grant for financially needy students attending private universities to the General Fund subsidy the State provides for financially needy students attending public universities. In the 2008-09 fiscal year, with a phased-in process at 90 percent in 2008-09, this proposal would result in an additional \$13.1 million General Fund investment in California students.
2. The Commission may wish to advocate for legislation that would require the non-public institutions to match, at a minimum, the amount of the Cal Grant award for their students.

CSAC Staff Summary
2008-09 Budget Change Proposal
Increase to the Value of Cal Grant C Awards

Proposal

The Commission should consider advocating for a change to the Cal Grant C program to increase the Cal Grant C book and supply allowance.

Background

The Cal Grant C program is the Commission's state-funded financial aid program for postsecondary students pursuing short-term career technical and occupational training. Cal Grant C provides assistance with tuition and fees and books and supplies to low- and middle-income students. Cal Grant C is financed through the State's General Fund. It is a competitive program and eligibility is based on financial need, among other criteria.

For the 2007-2008 fiscal year, the authorized number of new awards is 7,761; the authorized maximum tuition and fee award remains at \$2,592 and the authorized award for training-related costs remains at \$576. In the academic year 2006-2007, the California Student Aid Commission (Commission) granted 16,074 continuing and new Cal Grant C awards. The California Community Colleges represent the largest number of Cal Grant C recipients with over 11,207 students. Eligible Community Colleges students receive a Board of Governors Fee Waiver to cover the tuition portion of the program costs. The private career colleges represent only 23 percent of recipients for the academic year with 3,822 students.

Every three years, Commission staff conducts the Student Expense and Resource Survey (SEARS). Currently, the Cal Grant C program provides up to \$2,592 for tuition and fees and \$576 for books, supplies, and training related costs. According to the 2003-04 SEARS, the book and supply allowance in 2003-04 should be \$1,434 and in 2007-08 (adjusted for inflation from the 2003-04 survey) the allowance should be \$1,684 (see attachment 1).

Career and technical education is a massive enterprise in the United States. Thousands of comprehensive high schools, vocational and technical high schools, area vocational centers, and community colleges offer career and technical education programs. Virtually every high school student takes at least one career and technical education course, and one in four students takes three or more courses in a single program area. One-third of college students are involved in career and technical programs, and as many as 40 million adults engage in short-term postsecondary occupational training according to the U.S. Department of Education. In California, for the academic year 2003-2004, over 1.6 million postsecondary students enrolled in career technical education. The current and projected industry demand for a 2-year associate degree and career technical education is rising. Of the approximately 1.5 million positions which will require this level of education by 2022, about 57 percent are in just two occupational categories, Healthcare with 36.8 percent of the total, and Professional, Scientific, & Technical Services with 19.7 percent.

In a report *Keeping California's Edge: The Growing Demand for Highly Educated Workers*, published by the Applied Research Center at the California State University, Sacramento, the report discussed that California has benefited enormously as one of the top wealth generating economies in the United States and the world for decades. California's economy has one of the

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highest concentrations of the fastest growing industries compared to other states, and a high concentration of industries, which require a higher educated workforce. However, California is uncertain about whether it can maintain its current high share of the United States economic activity in future decades. The Report stated that some of the key factors affecting California's future are its demographic and educational compositions. The long-term views for California show a slowing in educational attainment of the population. California is struggling with low completion rates at all levels of education, including both secondary and postsecondary levels. This trend is affecting the quality of the labor force and number of skilled workers. To make matters even worse, California is seeing increasing housing costs beginning to affect California's ability to attract highly skilled workers from out-of-state.

Furthermore, many educators believe that current trends in increasing fees for higher education will eventually lead to decreasing enrollments, especially at California Community Colleges that serve the most disadvantaged students with the lowest levels of education and where the majority of Cal Grant C recipients attend. Low-levels of educational attainment will lead to increased difficulties in finding employment and lower paying jobs for the most disadvantage segments of the population.

Recommendations by the Commission's Grant Advisory Committee

At its August 16, 2007 meeting, the Grant Advisory Committee (GAC) proposed that the Commission support all of the policy issues with equal weighting. The GAC supports, and encourages the Commission to support efforts to seek increased budgetary (local assistance) support for the Cal Grant program through the 5 proposed policy proposals, however, the GAC recommends that pursuit of funding be based on a balanced approach among the five proposals as priorities for providing increased funding for the Cal Grant program (with one change to Cal Grant C to increase the amount of the awards rather than the number of Cal Grant C award authorized).

Staff Discussion

In his 2005-06 budget request, Governor Arnold Schwarzenegger proposed sweeping reforms for the state's education system, including the expansion of career and technical education (CTE) programming. A key component of the governor's CTE reform plan was the increased awareness of career and technology programs for students. It also called for the governor's administration to work with the California Occupational Information Coordinating Committee (COICC) to ensure that information about career programs is being distributed to students.

On September 27, 2005, Governor Arnold Schwarzenegger signed a bill, SB 70 (Chapter 352, Statutes of 2005), into law that invested \$20 million in career and technical education. SB 70 expanded California schools' vocational education programs which equip students with essential skills and experience to prepare them for various careers in today's demanding job environment. "Vocational education is a first-class ticket to a high-paying job and a solid career in the California economy. But for too long it has been neglected and hasn't gotten the respect it deserves," Gov. Schwarzenegger said. "This bill will dedicate millions of dollars to career-tech this year, the first major funding increase in many years."

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Senator Scott, the author of SB 70 also acknowledged the importance of the investment in California's economy. "As a lifetime educator, I've long believed that career and technical education is a vital component of our educational offering and an essential factor in improving California's workforce," stated Sen. Scott. "For many years the vocational education programs in this state have been severely under-funded. That's why I am pleased to see that Gov. Schwarzenegger supported these proposals as a first step in rebuilding our state's vocational education programs."

However, Governor Schwarzenegger and the Legislature stopped short of increasing funds for career technical and occupational training in postsecondary institutions where many students pursue continuing education and training. Cal Grant C award amounts increased for first time in 16 years in academic year 2000-01; Cal Grant C has not increased in number or value since.

- The Commission supports legislative policies that encourage all efforts to increase the level of need-based state funding for student financial assistance. This proposed increase is consistent with the Commission's Legislative Principles, specifically, to *Foster Educational Access and Affordability-Funding Objectives for the Cal Grant Program*.

It is important to note that because the value Cal Grant C awards is determined each year in the Budget Act (Education Code Section 69439). The number of awards, according to the same code section, shall be the same number of Cal Grant C awards that were made in the 2000-01 fiscal year.

Related Legislation

Senate Bill 1644 (Chapter 403, Statutes of 2000). In 1999, Senate Bill 1644 expanded the Cal Grant Program by creating a two-tiered grant program that a) guarantees an Entitlement Cal Grant to every graduating high school senior and a designated number of transfer students who meet the eligibility requirements; and b) provides a limited number of Cal Grant Competitive A, B, and C awards to other students who qualify for a Cal Grant.

Options to Consider

1. Advocate for an increase in the Books and Supplies allowance currently provided to Cal Grant C students from \$576 to \$1,684. In the 2008-09 fiscal year this proposal would result in an additional \$6.7 million General Fund investment in California students.
2. Advocate for a more modest increase in value of the Books and Supplies allowance for Cal Grant C students. The first year General Fund costs would be as follows:
 - 25 percent increase (from \$576 to \$720) = \$.9 million
 - 50 percent increase (from \$576 to \$864) = \$1.7 million
 - 75 percent increase (from \$576 to \$922) = \$2.6 million