
Item 3

Information Item

Discussion of the Cal Grant Program's alignment with the four principles of financial aid redesign identified in the Education commission of the States report *Redesigning State Financial Aid: Principles to Guide State Aid Policymaking*

SUMMARY OF THE ISSUE(S):

The Education Commission of the States (ECS) recently published a report on the role of state student financial aid programs. The report "Redesigning State Financial Aid: Principles to Guide State Aid Policymaking" identifies a set of principles that encourage states to redesign financial aid programs to best support the needs of students and support state education goals. ECS presented their findings of the study to the California Student Aid Commission (Commission) at its February 4-5, 2016 meeting.

This item provides information on how the Commission's Cal Grant Program is aligned with the principles identified in the ECS report, as well as those areas that could be redesigned to better serve the needs of students and families.

RECOMMENDATION:

Research and analyze the effectiveness of the structure of the Cal Grant Program and recommend strategies for eliminating barriers to better serve students and their families in their postsecondary education journey.

Two strategies already identified, modernizing the Commission's Grant Delivery System and expanding Customer Support, will safeguard student and parent financial data, maximize the effectiveness of state-authorized financial aid programs and provide a more secure platform for exchanging sensitive data to influence financial aid policy and programs that affect California students, parents and institutions.

BRIEF HISTORY OF KEY ISSUE(S):

College affordability is a concern for many families. As the price of college and cost of living continues to rise, students and families question whether they can afford attending an institution of higher education or continue their educational goals and graduate. For most low-income families, financial aid programs are vital in making it possible to attend college.

The Commission is the primary state agency responsible for administering California’s student financial aid programs, and is responsible for providing leadership on student financial aid issues. Through the Cal Grant Program, the Commission ensures access for low-income and historically underrepresented California students to eligible colleges and universities. The Cal Grant Program provides financial support for living expenses and costs of attendance to assist low-income families and their students to pursue postsecondary education by reducing affordability obstacles.

States across the nation are considering and implementing innovative approaches to state financial aid to address the issue of college affordability for many students and families. The ECS study focused on the following four principles to redesigning state financial aid programs to respond to the current needs of students and states.

Principle 1: Financial aid programs should be student centered.

Principle 2: Financial aid programs should be goal driven and data informed.

Principle 3: Financial aid programs should be timely and flexible.

Principle 4: Financial aid programs should be broadly inclusive of all students’ educational pathways.

Families and students must have access to a system that provides information and services needed to successfully achieve their academic goals. Over the last sixty years, California Governors and the Legislature have supported the Commission in its mission of “Making education beyond high school financially accessible to all Californians.” The state scholarship program has evolved to meet the challenging environment for individuals seeking financial support to complete a postsecondary degree program. Senate Bill 1644, Statutes of 2000 (Chapter 403), created a new Cal Grant Program with guaranteed Entitlement awards for recent high school graduates. The foundation of the Cal Grant Program was to ensure higher education access to all students. The Entitlement legislation represented the greatest expansion of access to higher education in California.

ANALYSIS:

Principle 1: Financial aid programs should be student centered: Aid programs designed around students and their needs set students up for successful outcomes.

When the Cal Grant programs were first created, the goals were to provide access to higher education and to provide a choice for college to students who might otherwise not have such an opportunity. With the enactment of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act (Senate Bill 1644, Chapter 403, Statutes of 2000), California modified the existing Cal Grant Program into a two-tiered approach that:

- Guarantees an Entitlement Cal Grant to graduating high school seniors and community college transfer students who meet the program eligibility requirements; and

Cal Grant Program: Student Centered

- ✓ Financial aid to all California students regardless of school choice.
- ✓ Guarantee of an Entitlement Cal Grant award to all students who meet the criteria.
- ✓ Early notification of Cal Grant award notification.
- ✓ Portability of award – follows student.

- Provides a limited number of Competitive Cal Grant awards to students who do not qualify for an Entitlement grant.

The Cal Grant programs were modified after SB 1644, but the commitment to students' access and choice remains unchanged.

The *portability* of the Cal Grant supports the State's long-standing commitment to access and choice for California's most disadvantaged students. The Cal Grant Program is established as a student benefit rather than institutional benefit because the awards follow the students, giving them the financial aid funds at any eligible institutions they choose to attend. It provides a way to choose an institution best suited to the student, not just what the student initially might think is affordable. As a result, Cal Grant awards are offered to students attending all segments of Cal Grant eligible postsecondary institutions: the University of California, the California State University, the California Community Colleges, as well as a large variety of non-profit and for-profit institutions.

The Commission's centralized application system, referred to as the Grant Delivery System (GDS), reinforces the Cal Grant Programs central focus on students. GDS uses every applicant's Free Application for Federal Student Aid (FAFSA) or California Dream Act Application data to determine financial eligibility for various California state and federal financial aid programs administered by the Commission. Each year, the GDS collects and stores Grade Point Average (GPA) data directly from all California high schools and community colleges to determine students' Cal Grant Program eligibility. The GDS award processing system considers all qualifying California applicants for a Cal Grant, Middle Class Scholarship and other Specialized Programs at over 350 eligible California institutions.

Students benefit from Cal Grants and other when they are directly served and have choices in their educational pathway. Cal Grant and Pell Grant students know how much aid they may be eligible to receive well before they make the decision where they will attend. By filling out the FAFSA or California Dream Act application, students learn whether they are eligible for Cal Grants and other financial aid without being required to express intent to enroll. The criteria for institutional aid programs differ by institution and often are developed based on available funding and timing of the institution's decision to admit a student. Institutional financial aid programs do not allow portability to another institution or campus, making it difficult for a student to know how much aid is available until an institution has decided to admit the student and the student commits to attending that one institution.

Cal Grant Program: Goal Driven and Data Informed

- ✓ Student and institutional information is used to analyze program activity and identify trends.
- ✓ Cal Grant participating institutions are required to annually report enrollment, persistence, and graduation data for all students.
- ✓ Cohort default rates and graduation rates hold institutions accountable and remove institutions with high student loan default rates and low graduation rates.
- ✓ Partnerships with other agencies and external entities allow for exchanging data to benefit students.
- ✓ The centralized GDS is capable of generating reports, simulating projections, analyzing issues, and evaluating program performance.
- ✓ Regular consultation with stakeholders are held to improve the application, award and payment processes and increase the awareness and utilization of the Cal Grant program.

The Commission developed the WebGrants systems for students and institutions to manage the Cal Grant awards and to give students choice. However, the technology is outdated and in need of upgrades to better serve students, institutions and the general public. While we provide some work-arounds to assist institutions and students to meet their needs, investing additional resources in the GDS will strengthen the focus on students by streamlining application processes that currently pose barriers for students and their families.

Finally, the message of all the Commission's outreach activities and programs is to encourage all students to apply for financial aid. The Commission's Cash for College and California Student Opportunity and Access Program (Cal-SOAP) outreach programs and services advance awareness of financial aid for all California students and their families, including financial aid materials made available to all California high schools and colleges and universities.

How the Cal Grant Program can be more student centered.

In summarizing the Principle 1 of student centered financial aid programs, the Cal Grant Program is structured to benefit the student. Investing in the GDS would improve the processes to provide an easier path to state financial aid. A more student centered Cal Grant Program would include:

- Enhanced student communications and delivery method, such as text messaging.
- Removing deadlines for Cal Grant Entitlement and Cal Grant C awards.
- A Community College Cal Grant award specific to the needs of community college students.
- A four-year-institution Cal Grant award to meet the needs of students who are unable to persist due to limited program eligibility or higher costs to complete.

Many of the Cal Grant Program features serve students following the traditional postsecondary pathway, from high school to a two or four year college degree program. However, with the rising costs of attending college, many low-income students must work to save enough to pay the additional costs that a Cal Grant or other financial aid may not cover, to enroll and attend.

Principle 2: Financial aid programs should be goal driven and data informed: Aid programs should have a clearly defined and easily understood intent aligned with measurable state education and workforce goals.

Each year, the Commission sets strategic goals for the Cal Grant and other state financial aid programs aimed at postsecondary enrollment, persistence and completion. FAFSA, California Dream Act Application and Grade Point Average (GPA) information is stored in the GDS data warehouse. This student-level data is used to analyze and monitor Cal Grant applicants, award offers and payments. The data is also used to monitor progress on efforts made to increase the number of FAFSA applicants and their success in receiving financial aid.

The Commission has been influential in establishing quality standards and consumer protections for students attending any California institution. The Commission was the first to recommend that institutions participating in the Cal Grant Program have low student loan default rates. The Commission also recognized that students should be better informed about an institution's enrollment, persistence, and graduation data, as well as job placement, salary, and wage information for undergraduate programs. Per the requirements of Senate Bill 70 (Chapter 7,

Statutes of 2011), institutions recently began reporting this data, which is posted to the Commission's website and accessible to students and families.

One area of particular interest of policy makers is the rate of completion for Cal Grant recipients as a measure of the effectiveness of the program. The institutions will be reporting graduation data for Cal Grant recipients to the Commission, but not at a student level. However, institutions report student-level data to the National Clearinghouse. Approximately \$86,000 is needed to match and analyze the Cal Grant data to the data in the Clearinghouse.

Throughout the years, various issues have been analyzed with student data and addressed through consultation. The Commission has taken numerous steps to improve state financial aid with the network of stakeholders and key constituents. The Commission continues to respond to the needs of students by implementing policy decisions for new ways to serve students more efficiently and address their needs.

Although some measures have been implemented to establish goals, performance standards and data reports, California still lacks a clear strategy to collect, analyze and use this information for a state financial aid blue print. With the dissolution of The California Postsecondary Education Commission (CPEC), data is not readily available in a centralized agency. Instead, many educational entities rely on studies conducted by researchers, state agencies and private entities. CPEC calculated college-going rates prior to its closure in 2011. Data for college-going rates could assist in the decision-making process in the determination of state financial aid. Longitudinal studies would identify trends, patterns and anomalies that could benefit state policymakers in state financial aid decisions.

Due to budget reductions, the Commission cannot independently provide robust research on the Cal Grant Program. The Commission used to conduct a Student Expense and Resource Survey (SEARS) every three years collecting up-to-date student expense information on the actual costs of obtaining a postsecondary education in California. The last survey was conducted in 2006-07. To fill its research gap, the Commission partners with various research organizations to measure the Cal Grant program's performance.

How the Cal Grant Program can be more goal driven and data informed.

To better align with Principle 2 that financial aid programs should be goal driven and data informed, the Cal Grant Program needs:

- To research and analyze program data to better identify trends and problems students encounter during their postsecondary education experience.
- To build an effective data system with the capability of matching all student data with institutional data to set and measure performance targets.
- To measure how well the Cal Grant Program helps the student to persist and complete.
- Partner with various research organizations to design the Cal Grant Program to best respond to the needs of students.
- To set benchmarks and performance standards for institutions to participate in state financial aid programs.

The Cal Grant Program's data can be used to perform studies and set goals for the state. Making research funding a priority will allow the Commission to create opportunity to redesign the Cal Grant Program.

Principle 3: Financial aid programs should be timely and flexible: Aid programs should provide financial support to students when it can have the greatest impact on enrollment and persistence decisions.

The Commission provides timely award notification soon after receiving the FAFSA or California Dream Act Application and GPA for the March 2 award cycle. This early notification provides information that can significantly influence a student's choice of school and decision to enroll and persist. The September 2 Competitive award cycle allows for students planning to attend a community college who may have missed the March 2 deadline to compete for a Cal Grant. These authorized Competitive Cal Grant awards are set aside for non-traditional students attending a California Community College to give them another opportunity to receive state aid.

The flexibility in the Cal Grant Program similarly encourages enrollment and persistence. Cal Grant recipients can attend classes during their breaks (winter and/or summer) or attend institutions that have non-traditional terms. They may also use their Cal Grant funding year-round if they choose to have continuous enrollment to meet an accelerated learning process. Students who need to defer their award may reserve their Cal Grant award.

Cal Grant funds can be advanced to institutions prior to students attending classes. Advance payments to institutions ensure that Cal Grant funds are available to students at the time of their enrollment. The Commission's GDS tracks and monitors payments to ensure those advanced state funds are paid to eligible students. However, many institutions have requested Cal Grant funds be disbursed similar to the Pell Grants allowing institutions to request funding as soon as they have established student eligibility. This model is being developed as part of the GDS Modernization Project.

An objective of the Cal Grant program is to ensure that awards are timely, flexible and portable to any eligible California institution. Increasing outreach efforts and evaluating ways to award students even before their high school senior year, similar to Oklahoma's Promise program, may be of great benefit to students.

How the Cal Grant Program can be more flexible and timely.

Exploring legislative changes in collaboration with internal and external stakeholders could make the Cal Grant Program more flexible and timely as described in Principle 3. To assist more low-income students and encourage persistence and completion, the Commission should consider the following changes:

- Eliminate the March 2 deadline for the Entitlement Program.

Cal Grant Program: Timely and Flexible

- ✓ Various programs to meet different student populations.
- ✓ Early award notification to help students make decisions to enroll and persist.
- ✓ Year-round funding for non-traditional terms and accelerated learning process.

- Eliminate the Cal Grant C deadline.
- Eliminate age limits to Transfer Entitlement Cal Grant applicants to allow any student transferring from community college to a four-year institution.
- Allow students to use a portion of their Cal Grant funds to pay for registration fees at four-year institutions.

The Cal Grant Program could be structured to allow more flexibility for non-traditional student populations. Many students who plan to go to college right after high school face obstacles that prohibit them from going to college. Unfortunately, students who do not figure out the process of applying for admissions or who enroll too late, change their plans, miss deadlines and may decide to work first before pursuing a college degree. These students may no longer qualify for the Entitlement Program and will have to compete in the Cal Grant Competitive Program if they wish to enroll and attend a four year institution.

Cal Grant Program: Broadly Inclusive

- ✓ Awards can be used at any eligible public or private California institution.
- ✓ Awards are pro-rated for part-time attendance.
- ✓ Awards can be used for two-year and four-year degrees, certificate, career technical and vocational programs.

Principle 4: Financial aid programs should be broadly inclusive of all student’s educational pathways: Aid programs need to respond to the diverse enrollment options available to students.

The Cal Grant Program’s responsiveness to diverse enrollment options includes not only the flexibility described under Principle 3, above, but also additional student-centered features. The Cal Grant Program offers different types of awards: Entitlement awards to recent high schools graduates and students transferring from a California Community College to an eligible four-year degree granting institutions; Competitive Cal Grants to adults seeking a college degree or technical training; and a Cal Grant C for students seeking career or technical education.

Students can use Cal Grant awards at any public university or college and many private non-profit and for-profit institutions. The Cal Grant Program allow for rolling admissions and multiple start dates. Cal Grant students can attend college part-time, three-quarter time, or full-time. Cal Grant awards can be extended an additional year for students enrolled in five-year programs such as the teacher credentialing and engineering programs. Cal Grant students can pursue two-year and four-year degrees, as well as, certificate, career technical and vocational programs.

How the Cal Grant Program can be more inclusive.

The Cal Grant Program is generally inclusive of most students’ educational pathways. As the educational delivery models and enrollment options continue to change to meet students’ needs, the Cal Grant Program should adapt better with the changes being made available to students. The Cal Grant Program can be more inclusive by:

- Increasing the four years of eligibility under the Cal Grant Program to enable students to complete their degrees. The Pell Grant Program allows a student 6 years of eligibility.
- Not using educational level to establish the length of program eligibility.

- Allowing offered awardees more time to activate their Cal Grant.
- Require 15 units to meet full-time enrollment, rather than 12 units.
- Increase award amounts for full-time students.

The Commission should continue to monitor the enrollment changes made at institutions to address the needs of students. The current Cal Grant model should be continuously monitored and changed, where necessary, to respond to the diverse population of students.

The Cal Grant Program invests in students, ultimately benefitting California's future economy. In the face of rising demand for enrollment, increasing fees, and economic uncertainties at colleges and universities, the Cal Grant Program provides access and choice to students seeking postsecondary education or job retraining. However, while the Cal Grant Program aligns with the four principles identified by ECS, it could be strengthened to better serve students:

- While the Entitlement Program guarantees an award to recent high school graduates and transferring community college students (with some restrictions), only about 7 percent of eligible applicants receive a Competitive award due to statutory limits.
- While the average length of time it takes to graduate has been increasing, at some institutions to nearly six years, students are eligible to renew their Cal Grant award for up to four years only.
- While the program serves many students, not all students receive the same level of funding and there are some differences in eligibility requirements.
- The Grant Delivery Modernization Project will further enhance the redesign of the system to allow more flexibility to better serve the needs of students and families.

To better align with all four principles identified by ECS, state financial aid programs could be redesigned to allow the total financial aid package to follow the student - where and when the student chooses to enroll and attend. Students would be able to see the estimated total state financial aid offers well before they make the decision to attend college. Low-income families need more time to plan and understand how much they will need to contribute to the cost of attendance. Such a redesign of all state financial aid could be one solution for more low-income families to realize a postsecondary education for their students.

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ATTACHMENT(S): None