

Information Item

California Student Aid Commission

Budget Update

At their January 26, 2012 meeting, in response to the Governor's proposals that included significantly changing the Cal Grant eligibility requirements and eliminating the Loan Assumption Programs, the Commission adopted the following resolution:

The California Student Aid Commission sees higher education as an investment in California's future. Education is the economic imperative of our time and the civil rights issue of our generation. Access to higher education is the basis for the formation of our democratic society. As the stewards of access to opportunity for higher education, we urge the Legislature to give the highest priority to students in the budget during this time of financial downturn.

The Commission's statement is echoed by President Obama. In his State of the Union address, and subsequent speech at the University of Michigan, President Obama unveiled a series of proposals for making college affordable and within reach for all Americans. The President stated:

"Of course, it's not enough for us to increase student aid...States also need to do their part, by making higher education a priority in their budgets. And colleges and universities have to do their part by working to keep costs down." (President Barack Obama, January 24, 2012)

BACKGROUND INFORMATION

The following is a list of significant issues we considered in analyzing the Governor's proposals:

- Access and Affordability
- Success/Completion
- Other Sources of Financial Aid
- Capacity/Enrollment Management
- Quality of Education

To facilitate the discussion of the policy questions underlying the Governor's proposals we've provided in the following enclosures our detailed analysis of the Governor's proposals, as well as summaries of federal and state policies and proposals regarding higher education and financial aid.

Tab 5.a Analysis of the Governor's Proposed 2012-13 Budget

Analysis of the Governor's 2012-13 Budget Proposals

Cal Grant Program

Raise Minimum Grade Point Averages (GPA)

The Governor proposes raising the minimum GPA for new applicants as noted below, affecting nearly 25,000 students and generating \$131.2 million in General Fund savings.

- Cal Grant A from 3.0 to 3.25
- Cal Grant B from 2.0 to 2.75
- Transfer Entitlement from 2.4 to 2.75

The Governor states that raising the minimum GPA requirements for new applicants will focus limited financial aid resources on those students who are most likely to complete their degrees.

As noted in Tab 5.a.3, the Governor's proposal to raise the minimum Cal Grant GPAs will significantly affect over 22,000 high school seniors and 2,600 community college transfer students who have done the work to qualify for a Cal Grant under the current eligibility requirements and do not have an opportunity to raise their GPA for the 2012-13 award year.

- 80 percent of these students are expected to attend a California Community College or a California State University.
- 83 percent are Cal Grant B students who have an average family income of \$17,000.

Reduce Maximum Award at Non-Public Institutions

The Governor proposes decreasing the maximum award for new and renewal students as noted below:

- from \$9,708 to \$5,472 for Independent, Non-Profit Colleges and Universities affecting 30,800 new and renewal students and generating \$111.5 million in savings; and
- from \$9,708 to \$4,000 for Private, For-Profit Colleges and Universities affecting 14,900 new and renewal students and generating a savings of \$59.1 million.

As shown in Tab 5.a.4, since the establishment of the Cal Grant Entitlement Program in 2001-02, the maximum award at non-public institutions has only been reduced new applicants in 2004-05 and 2005-06 from \$9,708 to \$8,322. This proposal would, for the first time, reduce the maximum award for both new and renewal recipients.

Reducing the maximum award at non-public institutions affects over 12,000 new and renewal Cal Grant recipients.

- ✓ The maximum award at non-public institutions has historically been the same for both the independent colleges and universities and the for-profit career colleges.

Analysis of the Governor's 2012-13 Budget Proposals

- ✓ The proposal would reduced the current maximum award amount of \$9,708 by 44 percent at independent colleges and universities and by 59 percent at for-profit career colleges.
- ✓ The savings estimate assumes no change in student behavior. If a student chooses to go to a public institution, the savings associated with the Governor's proposal could significantly diminish or end up increasing the cost of the program.
- ✓ New students must make their choice of postsecondary institution this spring before while the Governor's proposal will still be under consideration by the Legislature.
- ✓ Prior year budget reductions have resulted in enrollment management at the public institutions making it more difficult for new and transfer students to attend. The University of California has increased the number of seats for students who pay out-of-state tuition to cover raising costs.
- ✓ Renewal students at non-public institutions will have already invested time and resources in their education and are unlikely to be in a position to transfer to a public institution and may not be able to afford to remain in school.

Fund Shift

The Governor proposes to shift \$766.4 million in Cal Grant funding from the General Fund to \$736.4 million from Federal Temporary Assistance for Needy Families (TANF) reimbursements through an interagency agreement with the Department of Social Services and \$30 million in Student Loan Operating Funds from Educational Credit Management Corporation (ECMC).

Under the TANF program, TANF funds could be used for Cal Grant recipients who are age 25 or younger and have an annual parental/student income at or below \$50,000. We are still analyzing the amount of TANF funds given the Governor's proposed reductions in the Cal Grant Program.

The funding to be provided by ECMC will not be known until later this spring.

Loan Assumption Programs

The Governor proposes to phase out the following Loan Assumption Programs for teachers and nurses affecting approximately 2,600 teachers and 70 nurses and generating savings of \$7.6 million.

- Assumption Program of Loans for Education (APLE)
- Graduate Assumption Program of Loans for Education (Grad APLE)
- State Nursing Assumption Program of Loans for Education for Nursing Faculty (SN APLE)

Analysis of the Governor's 2012-13 Budget Proposals

The Governor's proposal not only eliminates the ability to offer new awards in the loan assumption programs, it would also eliminate loan assumption payments to recipients who have not already received their first year of benefits.

- ✓ Over 2,600 teachers and 70 nurses will have completed their first year of service in 2011-12 and are expecting loan payments in 2012-13 for that service.
- ✓ 14,000 additional students are either still in school (10,000) or will not have completed their first year of service in 2011-12 (4,000).
- ✓ All of the loan assumption program recipients have all signed agreements to complete their teaching or nursing education and provide services in specific areas. We are reviewing these agreements to determine if payments can be stopped as the Governor is proposing.
 - The agreement is the promise the State has made to help meet shortages in the state.
 - For example, the APLE program was specifically designed to encourage teachers to teach in low income and low performing schools and in specific subject areas such as math and science where shortages of teachers exist.

California Community College Transfer Entitlement Program

The Governor elevated the issue of the Commission's new policy for awarding Transfer Entitlement Cal Grant awards to allow otherwise eligible students to qualify for these awards without having attended a community college within the academic year before the award year to the legislative arena and expanded it into a budget issue. Implementation of this policy is on hold pending the outcome of the budget process.

SB 70 Eligibility Requirements

Senate Bill 70 (SB 70) enacted in 2011-12 changed Cal Grant eligibility requirements for institutions and students as indicated below.

Institutional Cohort Default Rate (CDR) Requirements:

Cal Grant participating institutions with more than 40 percent of their undergraduate enrollment borrowing federal student loans to have a three-year Trial CDR of less than 24.6 percent in 2011-12, or 30.0 percent in 2012-13 and every academic year thereafter, to be eligible for new and renewal Cal Grant awards in the 2011-12 academic year.

An otherwise qualifying institution that becomes ineligible due to the SB 70 CDR requirement may regain its eligibility following an academic year in which it satisfies the new CDR threshold.

- ✓ In 2011-12: 76 institutions had a CDR above 24.6.

Analysis of the Governor's 2012-13 Budget Proposals

- ✓ In 2012-13: 42 institutions had a CDR above 30.0; 34 institutions had a CDR above 24.6 and at or below 30.0. Under current law, if the CDR rates for these 34 institutions stay above 30.0 for another year, they would become eligible for the Cal Grant awards in 2013-14.

The Governor proposes to maintain the institutional CDR requirement at the 2011-12 level.

Initial and renewal Cal Grant recipients are not able to use their Cal Grant awards at institutions that fail to meet new institutional CDR requirements. A limited exception allows renewal Cal Grant A and B recipients to continue to use their Cal Grant awards at an ineligible institution if they had been enrolled at the institution in the academic year before the institution became ineligible due to CDR requirements, but their Cal Grant maximum award amounts shall be reduced by 20 percent.

Based on our data as of December 31, 2012:

- ✓ Of the 3,600 new students who indicated they were planning on attending an institution subsequently ineligible for Cal Grants, 14 percent have enrolled in an eligible institution, 2 percent have taken a leave of absence leaving the status of the remaining 84 percent unknown.
- ✓ Of the 1,800 renewal student who were attending an institution subsequently ineligible for Cal Grants, 51 percent remained at that institution with a reduced Cal Grant award, 7 percent transferred to an eligible institution, 4 percent have taken a leave of absence leaving the status of the remaining 38 percent unknown.

Renewal Student Financial Eligibility Requirements:

To renew their Cal Grant awards each academic year, Cal Grant recipients need to meet maximum income and asset ceilings and a minimum financial need requirement, all of which previously applied only to initial Cal Grant recipients.

- ✓ As of December 31, 2011, over 16,000 renewal recipients were withdrawn for not meeting the renewal financial eligibility requirements for a savings of \$106 million.
- ✓ Approximately 4,000 of the Cal Grant B recipients withdrawn to the renewal income ceiling are expected to be reinstated to a Cal Grant A as they were initially eligible for both and meet the Cal Grant A renewal income ceiling.

Additional analysis on the implementation of the SB 70 requirements is provided in Tab 5.d.

Analysis of the Governor's 2012-13 Budget Proposal

(Note: If more than one proposal is enacted, the total "savings" will be less than the cumulative total of the selected proposals.)		Estimated Cost Savings in 2012-13		
		DOF	CSAC	CSAC - DOF
Proposed Changes to Cal Grant Program				
<ul style="list-style-type: none"> Lower the Cal Grant award amount from \$9,708 to \$4,000 for students attending private, for-profit schools. (From \$7,776 to \$3,204 for renewal recipients at schools affected by the SB 70 cohort default rate requirement.) 	14,900 new and renewal recipients \$59.1 m	12,000 new and renewal Cal Grant A and B recipients \$57.4 m	-\$1.7 m	
<ul style="list-style-type: none"> Lower the Cal Grant award amount from \$9,708 to \$5,472 for students attending independent, non-profit colleges and universities. (From \$7,776 to \$4,380 for renewal recipients at independent institutions affected by the SB 70 cohort default rate requirement.) 	30,800 new and renewal recipients \$111.5 m	30,600 new and renewal Cal Grant A and B recipients \$119.2 m	\$7.7 m	
<ul style="list-style-type: none"> Raise the minimum Cal Grant Grade Point Average (GPA) requirement for all new applicants in order to focus limited financial aid resources on those students most likely to complete their degrees. <ul style="list-style-type: none"> - High School Entitlement Cal Grant A from 3.0 to 3.25 3,660 Likely to be Paid Recipients by segment: 0% CCC, 18% UC, 59% CSU, 20% ICU, 3% PCC - High School Entitlement Cal Grant B from 2.0 to 2.75 18,440 Likely to be Paid Recipients by segment: 62% CCC, 2% UC, 22% CSU, 6% ICU, 8% PCC - CCC Transfer Entitlement Cal Grant A and B from 2.4 to 2.75 2,600 Likely to be Paid Recipients by segment: 0% CCC, 9% UC, 78% CSU, 10% ICU, 3% PCC 	26,600 new recipients \$131.2 m	24,700 new Entitlement Cal Grant A and B recipients \$97.1 m	-\$34.1 m	
<ul style="list-style-type: none"> - Competitive Cal Grant A <ul style="list-style-type: none"> - from 3.0 to 3.25 if high school GPA - from 2.4 to 2.75 if community college or college GPA - Competitive Cal Grant B from 2.0 to 2.75 		Competitive Cal Grant A and B qualifying applicant pool reduced from about 300,000 to 200,000 \$0.0 m		
Shifting Cal Grant Program Costs from General Fund				
<ul style="list-style-type: none"> To Student Loan Operating Fund 	\$30.0 m	\$30.0 m	\$0.0 m	
<ul style="list-style-type: none"> To federal Temporary Assistance for Needy Families (TANF) Program funds available from the Department of Social Services 	\$736.4 m	\$775.6 m (cumulative)	\$39.2 m	
Proposed Changes to Loan Assumption Programs				
<ul style="list-style-type: none"> Phase out Student Loan Assumption Program for Teachers and Nurses <ul style="list-style-type: none"> - Assumption Program of Loans for Education (APLE), including Credentialed Teachers - Graduate Assumption of Loans for Education (GRAD APLE) - State Nursing Assumption Program of Loans for Education for Nursing Faculty (SNAPLE NF) 	2,600 teachers and 70 nurses \$6.6 m	2,400 teachers and 40 nurses \$7.6 m	\$1.0 m	
Change to Cal Grant Program Not Reflected in Governor's Proposed Budget				
<ul style="list-style-type: none"> California State University (CSU) Trustees' approval to increase the systemwide fee from \$5,472 to \$5,970 for students attending CSU 		79,000 new and renewal recipients \$29.9 m (cost)		

Analysis of the Governor's 2012-13 Budget Proposal

**Students Affected by the Governor's Proposal
to Raise the Cal Grant Program Grade Point Average (GPA) Requirements for New Applicants**

2012-13 New Entitlement recipients likely to be paid	California Community Colleges	University of California	California State University	Independent Colleges and Universities	Private Career Colleges	Total
High School Entitlement Cal Grant A GPA raised from 3.0 to 3.25		650 18%	2,160 59%	730 20%	120 3%	3,660 100%
High School Entitlement Cal Grant B GPA raised from 2.0 to 2.75	11,390 62%	320 2%	4,160 22%	1,040 6%	1,530 8%	18,440 100%
CCC Transfer Entitlement Cal Grant A and B GPA raised from 2.4 to 2.75		230 9%	2,030 78%	260 10%	80 3%	2,600 100%
Total	11,390 46%	1,200 5%	8,350 34%	2,030 8%	1,730 7%	24,700 100%

Analysis of the Governor's 2012-13 Budget Proposal

Cal Grant Award Maximums

California State University - Undergraduate Systemwide Fee		Change
Proposed Cal Grant A and B Award		
2012-13		
Governor's Proposed Budget (Jan 2012)	\$5,472	0.0%
Increase approved by CSU Trustees (Nov 2011)	\$5,970	9.1%
Previous Cal Grant A and B Award		
2011-12	\$5,472	23.2%
Historical Cal Grant A and B Award		
2010-11		
With full-year increase / annualized	\$4,440	10.3%
With mid-year increase (quarter-term school)	\$4,370	8.5%
With mid-year increase (semester-term school)	\$4,335	7.7%
2009-10	\$4,026	32%
2008-09	\$3,048	10%
2007-08	\$2,772	10%
2005-06, 2006-07	\$2,520	8%
2004-05	\$2,334	
University of California - Undergraduate Systemwide Fee		Change
Proposed Cal Grant A and B Award		
2012-13		
Governor's Proposed Budget (Jan 2012)	\$12,192	0.0%
No increase approved by UC Regents at this time		
Previous Cal Grant A and B Award		
2011-12	\$12,192	18.3%
Historical Cal Grant A and B Award		
2010-11		
2009-10	\$10,302	15.0%
2009-10		
With full-year increase / annualized	\$8,958	26%
With mid-year increase	\$8,373	17%
2008-09	\$7,126	7%
2007-08	\$6,636	8%
2005-06, 2006-07	\$6,141	8%
2004-05	\$5,684	
Independent Institutions and Private Career Colleges - Tuition/Fee		Change
Proposed Cal Grant A and B Maximum Award		
2012-13 Governor's Proposed Budget (Jan 2012)		
Independent Institutions with Cohort Default Rate		
At or below 24.6 (Eligible)	\$5,472	-44%
Above 24.6 (Not Eligible)	\$4,380	-44%
Private Career Colleges with Cohort Default Rate		
At or below 24.6 (Eligible)	\$4,000	-59%
Above 24.6 (Not Eligible)	\$3,204	-59%
Previous Cal Grant A and B Maximum Award		
2011-12 Schools with Cohort Default Rate		
At or below 24.6 (Eligible)	\$9,708	0%
Above 24.6 (Not Eligible)	\$7,776	-20%
Historical Cal Grant A and B Maximum Award		
2006-07, 2007-08, 2008-09, 2009-10, 2010-11		
	\$9,708	17%
2004-05, 2005-06		
	\$8,322	
Other Cal Grant Awards - no change from 2011-12 (or since 2001-02)		
Cal Grant B access award	\$1,551	
Cal Grant C tuition and fee award	\$2,592	
Cal Grant C book and supply award	\$576	

Tab 5.b Federal and State Higher Education Proposals
Tab 5.c Cal Grant Policy
Tab 5.d Analysis of the Implementation of Senate Bill 70

POLICY DISCUSSION

GPA as an Indicator of Success

The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act enacted in 2000 made access and affordability to higher education a guarantee to every qualified California student. The Governor's proposed changes to the Cal Grant Program would significantly undermine that guarantee and could have more far reaching consequences. Policy discussions related to access and choices in higher education now seem to focus on providing opportunity to only to those students who are considered "most likely to succeed".

Most research literature provides a strong argument that high school preparation (GPA) is strongly related to college outcomes. It is also well known that children from affluent families tend to do better in school. Schools in more affluent areas are able to attract more qualified teachers, have the resources to provide better facilities and a broader range of curriculum, such as AP courses, and have parents who invest more time and money in their children. Schools in more challenged economic areas find it difficult to attract and keep highly qualified teachers who must compete with socio-economic conditions affecting the community. Lower-income families are increasingly stretched for time and resources making it harder for parents to prepare their children for college.

GPA is not the sole factor in students entering and persisting in college. Receiving a Cal Grant was found to be significant in determining whether students enrolled immediately in the first year, stayed at the same institution all four years, or remained enrolled somewhere for four years. These findings are important from a policy perspective, not only in the short term as policy makers struggle with constrained budget choices, but also in the long term as the State weighs how to invest its resources in the most effective manner. Since all public higher education is heavily subsidized (through direct funding to institutions and student grants and loans) and private education is subsidized to some degree (through student grants and loans), it is important for policymakers to know that their investment is more effective than previous studies may suggest.

The Commission's 2004 study "Determined to Succeed: Realizing the College Dream in California" found that receiving a Cal Grant stands out as a factor in a student's ability to persist, regardless of other factors that may influence a student's progress toward education goals, such as family background or prior academic achievement. By studying what happened to the 100,000 students and what differences in their circumstances appear to be linked to outcomes, a picture emerges of a population that is determined to succeed and realize their college dream despite obstacles.

More recent national studies on persistence echo our earlier findings and indicate that lowering financial barriers by increasing need-based financial aid appears to be a necessary condition for bachelor degree completion.

Other Financial Aid Resources

So what other financial aid is available for students who would no longer be eligible for a Cal Grant under the Governor's proposals? Low-income students attending a community college will most likely be eligible for fee waivers and PELL Grants. However, since one of the goals is for students to transfer and complete a bachelor's degree, scarce financial aid once again becomes an obstacle. Some other sources of financial aid include are:

- Institutional aid – Colleges are not obligated to provide reports on which students receive such aid making it difficult for students to determine if this aid is available to them.
- Federal and private student loans - Student loan debt now tops U.S. credit card debt. Federal student loans have annual and aggregate limits and private student loans typically have high interest rates. So additional borrowing may not be an option for the students who would not be qualified for a Cal Grant under the Governor's proposals.
- Tax Credits – Eligible families certainly benefit from tax credits, however families must first have the resources to pay for college.
- Loan Forgiveness Programs – Federal programs are limited and the Governor is proposing to eliminate the State's Assumption Program of Loans for Education (APLE), and the State Nursing Loan Assumption Programs affecting 2,600 teachers and 70 nurses who have already met their service obligations and make it that much harder, for example, for schools in low-income areas to hire qualified teachers. The Governor's proposal will also affect the 14,000 additional students who are either still in school (10,000) or will not have completed their first year of service in 2011-12 (4,000).

Choice of Institution

Where students enroll can also influence their success or completion. Students have greater success when initially attending a four-year college.

The Governor's budget has prioritized full-fee funding in the public universities over choice of institution. The Cal Grant award covers the system-wide tuition/fee at the University of California (UC) and the California State University (CSU). UC fees have increased by \$5,556 or 83.7 percent from 2007-08 (\$6,636) to 2011-12 (\$12,192). CSU fees increased by \$2,700 or 97.4 percent from 2007-08 (\$2,772) to 2011-12 (\$5,472). There is no policy regarding the maximum award amount at non-public institutions. Since 2001-02, the amount has been specified in the budget.

Budget reductions at California public postsecondary institutions have led to enrollment management resulting in reduced access for new and transfer students and decreases in course offerings, which lead to longer times to

graduate or worst case, students not completing at all. For example, the University of California has increased the number of seats for students who pay out-of-state tuition to cover raising costs. In addition, financial constraints have resulted in students making choices that lower the probability of their persistence and degree completion including enrolling at two-year institutions, attending part-time, working more and borrowing.

Cal Grant recipients have always had the option of applying to California public two-year and four-year colleges, as well as independent colleges and universities and for-profit private career colleges. Some independent institutions in the State include large campuses that are recognized worldwide for their traditional undergraduate, graduate and professional degree programs. However, for-profit colleges have come under increased scrutiny for recruitment violations, high student loan default rates and low job placement rates among some of their institutions.

Last year, through Senate Bill (SB) 70, the State implemented new Cal Grant institutional eligibility criteria regarding high cohort default rates and new institutional reporting requirements on enrollment, persistence, and graduation data and for some institutions, job placement rates and salary and wage information. While not available at this time, this information will be beneficial to future policy discussions and will assist students and their families make decisions about their college or career education choice.

The Governor has proposed to keep the cohort default rate criteria at the 2011-12 rate of 24.6 percent instead of allowing it to increase to 30 percent as provided in SB 70. This would have minimal impact on the 2012-13 award year as none of the 76 schools affected in 2011-12 are eligible in 2012-13.

The Governor has also proposed to reduce the maximum award amounts at non-public institutions. The proposal would reduced the current maximum award amount of \$9,708 by 44 percent to \$5,472 at independent colleges and universities and by 59 percent to \$4,000 at for-profit career colleges. This could have a much broader affect on student access and affordability as approximately 18 percent of Cal Grant recipients attend non-public institutions. New students must make their choice of postsecondary institution this spring before while the Governor's proposal will still be under consideration by the Legislature. As noted, prior year budget reductions have resulted in enrollment management at the public institutions making it more difficult for new and transfer students to attend those institutions. Renewal students at non-public institutions will have already invested time and resources in their education and are unlikely to be in a position to transfer to a public institution or may not be able to afford to remain in school without incurring additional debt.

Added Value of a Cal Grant

State and Federal efforts to emphasize improving the education of elementary and secondary school and our outreach efforts have encouraged students to work towards meeting the Cal Grant eligibility requirements in order to obtain a postsecondary education. The number of students meeting

the current Cal Grant eligibility requirements has increased from 135,000 in 2000-01 to over 350,000 in 2011-12.

The Governor's proposal to raise the minimum Cal Grant GPAs will affect over 22,000 high school seniors and 2,600 community college transfer students who have done the work to qualify for a Cal Grant under the current eligibility requirements and do not have an opportunity to raise their GPA for the 2012-13 award year. Approximately 83 percent of those affected will be Cal Grant B eligible students with an average family income of \$17,000 and 80 percent are expected to attend a California Community College or a California State University.

Without a bachelor's degree, many people get stuck in dead-end jobs earning low wages. In fact, a college graduate working full-time for 40 years will earn \$1 million more than someone with just a high school degree, according to recent Census Bureau data. A recent article in the Washington Post indicates that Americans with a high school education or less were hit especially hard by the recession but they have continued losing ground in the recovery that has followed. According to the Urban Institute, a nonpartisan think tank, nearly a third of the nation's labor market has only a high school diploma. More than one in 10 of these workers lost their jobs between late 2007 and early 2011. Employment prospects are modestly improving for college graduates, but dimming for those who have a high school diploma or less.

California faces a shortage of nearly 1 million college graduates to meet the need of the workforce. If students cannot attend college this fall, they face the worst job market in the nation. At a time when the future job market will demand higher skills, denial of financial aid to California's student will lead to higher unemployment, greater pressure on the State budget and an erosion of our quality of life.

In passing the California Dream Act of 2011 (Assembly Bills (AB) 130 and 131), the Legislature and Governor expanded financial aid eligibility to AB 540 students noting that increased access to financial aid for all students in California's universities and colleges increases the State's collective productivity and economic growth.

CONCLUSION

Our review of numerous research reports on student success and completion and the need for financial aid for access and choice in postsecondary education leads to the conclusion that it is increasingly important for policy makers to promote and protect programs that help students, particularly those from low-income families, to attend and complete college.

Responsible Person(s): Janet McDuffie, Chief
Administration & External Affairs Division

Federal and State Higher Education Proposals

Federal Proposals

Among President Obama's proposals for making college affordable and within reach for all Americans are plans to:

- Reform campus-based student aid to reward institutions that:
 - ✓ Offer relatively low net-tuition prices or restrain tuition growth,
 - ✓ Offer quality education and training that prepares students to obtain employment and repay their loans, and
 - ✓ Enroll and graduate relatively high numbers of low-income (Pell-eligible) students.
- Invest \$1 billion in Race to the Top Affordability and Completion grants to incentivize states to seek ways to reform state financing, align K-12 and college entry and exit standards to facilitate on-time completion, and seek other cost-saving measures and innovative reforms.
- Provide consumers with clearer information about college costs and quality to help students and families in their decision-making and hold institutions accountable for their tuition and outcomes. He intends to accomplish this through:
 - ✓ The Creation of a "College Scorecard" for all degree-granting institutions,
 - ✓ Updating the "Financial Aid Shopping Sheet" and making it a required template for all colleges, and
 - ✓ Collecting earnings and employment information for colleges.
- Call on Congress to keep student loan interest rates low, double the number of work-study jobs available, and make the American Opportunity Tax Credit permanent.

In addition to the President's plans for making college affordable, his administration is continuing its quest for ideas to improve U.S. higher education and put out a Request for Information (RFI) for "promising and practical strategies...that have improved rates of postsecondary success, transfer, and graduation" at postsecondary institutions. The information and recommendations gathered will be placed on a new Postsecondary Completion Web site in a form that will allow sharing, comments, and discussions.

California Community College "Student Success Task Force" Recommendations

Last year, the California Community Colleges Board of Governors established the Student Success Task Force to find new and better ways to increase student outcomes. After a year of study and research, the task force issued a report with 22 recommendations aimed at improving the educational outcomes of students and the workforce preparedness of our state. In a January 9, 2012 press release, the California

Federal and State Higher Education Proposals

Community Colleges Chancellor's Office indicates that the task force's recommendations:

- Will make community colleges more responsive to the needs of students and the economy, which is increasingly demanding college-educated workers,
- Is aimed at rebalancing priorities to focus on the core missions of remedial education, workforce preparation, certificate and degree attainment and transfer,
- Rewards students who make progress toward meeting their goals with priority enrollment,
- Adjust course offerings according to the needs of students based on their education plans, and
- Improves the student assessment process and promote better use of technology to help students reach their educational goals on time.

Legislative Analyst's Office's (LAO) Overview of the Governor's Higher Education Proposal

The LAO report included the following recommendations regarding the Governor's proposals:

- Approve the Governor's proposals to halt the raising of the default limit and the removal of the transfer time limit.
- End the Loan Assumption Programs but fulfill current agreements.
- Reject the proposed cuts to Cal Grants at private institutions and consider alternative approaches.
 - ✓ Reducing students' access to private institutions could depress overall college attendance and completion rates.
- Consider more modest GPA adjustments in context of broader reforms.
 - ✓ Raising the GPA requirement for Cal Grant B awards to no higher than 2.5, and phasing in any changes. An increase from 2.0 to 2.25 in one year would affect about 8,000 students and save about \$8 million. A subsequent increase to 2.5 would affect another 9,000 students and increase the annual savings to about \$21 million. These changes would eliminate aid primarily to low-income students at the community colleges who receive a maximum access award of \$1,551 annually. Under current policies these students would continue to receive full fee waivers and any other aid, including federal Pell Grants and tax credits for which they qualify.

Federal and State Higher Education Proposals

The LAO presented several alternative actions for the Legislature to consider if it wishes to achieve some or all of the Governor's proposed savings through financial aid reductions.

Budget Year Savings Recommendations:

- Increase General Fund offset from SLOF from the Governor's estimate of \$30 million to \$62 million.
- Eliminate non-need-based tuition waivers.
- Limit new Competitive Cal Grant Awards to stipends only.
- Adjust Cal Grant financial eligibility criteria such as decreasing the income ceilings or using only an Expected Family Contribution ceiling.
- Reduce all awards.
- Modify CCC Board of Governor Fee Waiver Program requirements.

Long-Term Reforms:

- Institute a more consistent and comprehensive approach to financial aid across postsecondary segments.
- Change the award from a flat tuition and fee amount at the public institutions to a varying amount that is more sensitive to student need levels.
- Establish a rational policy basis for maximum award levels at different types of institutions.
- Establish a limit on awards for lower-division studies.
- Improve delivery of Cal Grants by decentralizing Cal Grant delivery to campus financial aid offices to improve service to students without increasing costs.
- Learn from ongoing research and evaluation of studies and strategies of financial aid policy and practices.

Cal Grant Policy

SB 1644

In September 2000, the Governor approved Senate Bill (SB) 1644. This bill enacted the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program, which, among other things, set forth the long-term policy that first-year Cal Grant awards be granted to all applicants with demonstrated financial need and eligible grade point averages, and who meet other prescribed criteria.

SB 1644 included the following Legislature declarations, which continue to be relevant over a decade later:

- The California 1960 Master Plan for Higher Education established a structure for the organization of a world-class postsecondary system of education. A cornerstone of the Master Plan was a promise that the state would ensure all qualified students access to a quality higher education. Over the past four decades this policy evolved into a promise of affordability for all qualified students using a balance of fees and financial aid for low-income students.
- California reflects the ethnic and cultural diversity of today's world. Evidence of this change is most pronounced within our public elementary and secondary education system. As California enters the 21st century, there is no single group that represents a majority of elementary and secondary enrollment. These changing demographics present great challenges and great opportunities. California must invest in higher education and in the future of its young people so they can acquire skills and knowledge to compete and lead the nation and the world.
- The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act makes access and affordability a guarantee to every qualified student. It reaffirms the basic tenets of the 1960 Master Plan for Higher Education by guaranteeing a Cal Grant award to every student who is financially and academically eligible to receive one. Students with financial need and academic merit will no longer wonder whether they will be one of the relatively few students selected to receive a Cal Grant award each year.
- The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act removes poverty as a barrier to access to the opportunities of a higher education for all academically successful students and provides an opportunity to enroll and complete a higher education and take on the challenges presented by the Information Age and the ever-changing, technology-driven economy of the 21st century.
- The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act takes an historic step in putting California at the forefront of the nation in providing access to all academically qualified students with financial need who are pursuing the dream of a higher education. With the enactment of this measure California will keep faith with its decades-long promise to make higher education

Cal Grant Policy

available and affordable to every qualified student who deserves a chance to aim high and succeed.

SB 1644 was noted as being consistent with the State's historic commitment to provide educational opportunity by ensuring both student access to and selection of an institution of higher education for students with financial need.

California Dream Act

In passing the California Dream Act of 2011 (Assembly Bills (AB) 130 and 131), the Legislature expanded financial aid eligibility to AB 540 students noting that increased access to financial aid for all students in California's universities and colleges increases the state's collective productivity and economic growth.

- Students are considered AB 540 eligible if they:
 - ✓ Have attended a California high school for a minimum of three years,
 - ✓ Graduate from a California high school or pass the California High School Proficiency Exam (CHSPE) or get a General Equivalency Diploma (GED, also called General Educational Development test),
 - ✓ Enroll in an accredited California institution of higher education, and
 - ✓ In the case of students without legal immigration status, fill out an affidavit stating that they have filed or will file an application to legalize their immigration status as soon as they are eligible to do so.

- AB 130 allows students who meet AB 540 criteria to apply for and receive non-state funded scholarships for public colleges and universities beginning in the 2012-13 award year.

- AB 131 allows students who meet AB 540 criteria to apply for and receive state-funded financial aid such as institutional grants, community college fee waivers beginning in the 2012-13 award year and Cal Grant and Chafee Grants beginning in the 2013-14 award year.

Analysis of the Implementation of Senate Bill 70

Senate Bill 70 Cohort Default Rate (CDR) Requirement

Beginning with the 2011-12 award year, Senate Bill 70 (SB 70) changes Cal Grant eligibility requirements for both institutions and students.

California Education Code (CEC) Section 69432.7(l)(3)(C) requires that Cal Grant participating institutions with more than 40 percent of their undergraduate enrollment borrowing federal student loans to have a three-year Trial CDR of less than 24.6 percent in 2011-12, or 30.0 percent in 2012-13 and every academic year thereafter, to be eligible for new and renewal Cal Grant awards in the 2011-12 academic year.

CEC Section 69432.7(l)(3)(D)(i) specifies that an otherwise qualifying institution that becomes ineligible due to the SB 70 CDR requirement may regain its eligibility following an academic year in which it satisfies the new CDR threshold.

CEC Section 69432.7(l)(3)(F) provides a limited exception that allows renewal Cal Grant A and B recipients to continue to use their Cal Grant awards at an ineligible institution if they had been enrolled at the institution in the academic year before the institution became ineligible due to a high CDR, but their Cal Grant maximum award amounts shall be reduced by 20 percent.

The table displays the specified CDR status of the Cal Grant participating institutions by segment for academic years 2011-12 and 2012-13.

Segment	Total Institutions	Specified Cohort Default Rate ¹		
		Eligible	Not Eligible	Not eligible but may be in 2013-14 ²
2011-12				
		At or below 24.6	Above 24.6	
California Community Colleges	113	113		
University of California	10	10		
California State University	23	23		
Independent Colleges and Universities	120	111	9	
Private Career Colleges	165	98	67	
Total	431	355	76	
2012-13				
		At or below 24.6	Above 30.0	Above 24.6 and at or below 30.0
California Community Colleges	115	115		
University of California	11	11		
California State University	23	23		
Independent Colleges and Universities	121	112		9
Private Career Colleges	165	98	42	25
Total	435	359	42	34

¹ CDRs reported by the U.S. Department of Education were certified as of October 1, 2011.

² Institutions may regain eligibility for new and renewal Cal Grant awards for the 2013-14 academic year provided all other requirements are met.

Analysis of the Implementation of Senate Bill 70

Tab 5.d.1

2011-12 New Cal Grant Award Offers ¹

Data as of December 31, 2011

	All Award Offers		Not at SB 70 Affected School		Total Initially at SB 70 Affected School		Status		
							Taken Leave of Absence at SB 70 Affected School	Moved to non-SB 70 Affected School ²	Unknown ³
Entitlement									
Cal Grant A	45,890		45,732		158		3	36	119
Cal Grant B	90,668		89,674		994		16	197	781
Total	136,558	80%	135,406	81%	1,152	32%	19	233	900
Competitive									
Cal Grant A	1,863		1,280		583		3	37	543
Cal Grant B	23,596		22,536		1,060		27	168	865
Total	25,459	15%	23,816	14%	1,643	46%	30	205	1,408
Cal Grant C	8,758	5%	7,959	5%	799	22%	17	81	701
All Cal Grants	170,775	100%	167,181	100%	3,594	100%	66	519	3,009
		100%		98%		2%			
						100%	2%	14%	84%

¹ SB 70 affected schools are not eligible to receive Cal Grant funds for any student who is new to the institution.

² The table below reflects student movement.

Segment Moved From	Segment Moved to							
	CCC	UC	CSU	ICU	PCC	Total		
Independent Colleges and Universities (ICU)	4					4	1%	
Private Career Colleges (PCC)	198	5	22	26	264	515	99%	
Total	202	5	22	26	264	519	100%	
	39%	1%	4%	5%	51%	100%		

³ "Unknown" status reflects that the Commission has no new information about the student's college plans.

Analysis of the Implementation of Senate Bill 70

Tab 5.d.1

2011-12 Renewal Cal Grant Award Offers ¹

Data as of December 31, 2011

	All Award Offers		Not at SB 70 Affected School		Total Initially at SB 70 Affected School		Status			
							At SB 70 Affected School		Moved to non-SB 70 Affected School ²	Unknown ³
							Paid	Taken Leave of Absence		
Entitlement										
Cal Grant A	56,002		55,814		188		98	5	12	73
Cal Grant B	90,823		90,091		732		403	32	46	251
Total	146,825	80%	145,905	80%	920	51%	501	37	58	324
Competitive										
Cal Grant A	1,611		1,451		160		75	3	20	62
Cal Grant B	29,061		28,707		354		173	12	38	131
Total	30,672	17%	30,158	17%	514	28%	248	15	58	193
Cal Grant C	5,946	3%	5,564	3%	382	21%	171	17	11	183
All Cal Grants	183,443	100%	181,627	100%	1,816	100%	920	69	127	700
		100%		99%		1%				
						100%	51%	4%	7%	38%

¹ Renewal Cal Grant recipients continuing at a SB 70 affected school receive a maximum Cal Grant A or B award amount reduced by 20 percent. The Cal Grant B Access Grant and Cal Grant C award amounts are not reduced.

² The table below reflects student movement.

Segment Moved From	Segment Moved to					Total	
	CCC	UC	CSU	ICU	PCC		
Independent Colleges and Universities (ICU)				1		1	1%
Private Career Colleges (PCC)	60		6	14	46	126	99%
Total	60	0	6	15	46	127	100%
	47%	0%	5%	12%	36%	100%	

³ "Unknown" status reflects that the Commission has no new information about the student's college plans.

Analysis of the Implementation of Senate Bill 70

Senate Bill 70 Financial Requirement for Renewing Recipients

Data as of December 31, 2011

Beginning with the 2011-12 award year, renewing Cal Grant recipients must meet the Senate Bill 70 (SB 70) financial requirement¹, which consists of meeting income and asset ceilings and minimum financial need in order to continue their eligibility in the Cal Grant Program. For a Cal Grant A, the minimum need is the tuition/fee plus \$1,500. For a Cal Grant B, the minimum need is \$700.

Financial Criteria	2011-12 Renewing Cal Grant Recipients	
Over income ceiling	14,458	89%
Over asset ceiling	1,394	8%
Below financial need criteria	423	3%
Total	16,275	100%

Segment	2011-12 Renewing Cal Grant Recipients		Amount (in millions)	
California Community Colleges	4,142	25%	\$6.0	6%
University of California	4,041	25%	\$44.0	41%
California State University	5,719	35%	\$30.9	29%
Independent Colleges and Universities	1,734	11%	\$17.3	16%
Private Career Colleges	639	4%	\$8.2	8%
Total	16,275	100%	\$106.4	100%

¹ For more information, see California Education Code Sections 69432.7(k) and 69432.9(b).