

Action /Information Item***California Student Aid Commission*****Consideration of Preliminary Budget Change Proposals for 2008-2009**

During the June 21-22, 2007 Commission Meeting, staff presented preliminary operational Budget Change Proposals (BCP) for 2008-09. During this presentation, the Commission indicated they wanted to consider Cal Grant policy BCPs.

Based on the Commission's approved Legislative Principals and Cal Grant Guiding Principles for the 2007-08 Budget Discussions, staff has identified the following potential Cal Grant BCPs. Additional information about each potential policy proposal is enclosed.

- Increase the number of Cal Grant Competitive awards
- Increase the amount of the Cal Grant B access grant
- Provide Tuition and Fees for all first-year Cal Grant B students
- Increase the maximum award for Cal Grant recipients at non-public institutions
- Increase the number and amount of Cal Grant C awards

The Commission has not submitted any Cal Grant policy BCPs since fiscal year 2002-03. This has been due to the Administration's General Fund spending policies that either called for reductions in General Fund appropriations or, given the need to maintain a prudent General Fund reserve, prior agreement by the Department of Finance (DOF) to submit General Fund budget augmentation requests. The Cal Grant Programs were spared budget reductions in fiscal years 2004-05 and 2005-06 because the State was able to appropriate funds from the Student Loan Operating Fund for the Cal Grant Programs.

Given the status of the General Fund, it is likely that the Administration's policy will again indicate 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.

Notwithstanding this anticipated General Fund spending policy, the Commission may determine that these Cal Grant BCPs raise important policy issues that the Administration should be aware of and direct staff to submit them to DOF.

Commission staff is requesting direction from the Commission regarding the development of these Cal Grant BCPs. Staff notes that the Grant Advisory Committee (GAC) has historically provided advice on Cal Grant BCPs. If the Commission directs staff to fully develop any or all of these BCPs, a GAC meeting will be scheduled to allow for GAC's input.

Staff will present the final BCPs to the Commission at its September 6-7, 2007 Commission meeting. BCPs must be submitted to DOF no later than September 13, 2007.

Recommendation: Provide staff direction on the development of Cal Grant Budget Change Proposals for 2008-09.

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**CALIFORNIA STUDENT AID COMMISSION
2008-09 CAL GRANT POLICY CONCEPT
INCREASE NUMBER OF COMPETITIVE AWARDS**

Proposal:

To increase the number of Competitive Cal Grant A and Cal Grant B awards from the current limit of 22,500.

Background/History:

SB 1644 (Chapter 403, Statutes of 2000) established the Cal Grant Entitlement and Competitive Programs. The Cal Grant Programs provide awards to eligible students to receive a postsecondary education. 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, the California Community College Transfer Entitlement Awards, Competitive Cal Grant A and B awards, and Cal Grant C awards.

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 California Student Aid 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 high Grade Point Averages (GPA) and show excellent potential for success to attain future educational and career goals. In the 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.

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. As ultimately enacted, AB 2813 increased the maximum age for the California Community College Transfer Entitlement Program from 24 to 27 years of age.

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. The Commission did not take a position on either bill.

It is unknown whether legislation to increase the number of competitive awards will be introduced during the 2007-2008 Legislative session.

This proposal would also support 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.

Implications of proposal:

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 demonstrated financial need and met the initial GPA and income criteria. A typical eligible non-recipient was 27 years of age, earned approximately \$17,000, for a family of 3, and had a GPA of 2.9, but the Commission was required to apply scoring criteria to limit the awards to the authorized number.

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 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.

Technology implications:

Commission staff would need to alter the Grant Delivery System to administer the changes. An increase in the number of Competitive Cal Grants could be accomplished in the upcoming fiscal year (2008-09) if approved in the 2008-09 State Budget Act.

Fiscal Impact:

For AB 2813 (De La Torre, Ch. 822, Stat. 2006), the Legislative Analyst's Office, based on Commission staff input, estimated that the annual cost to double the number of Competitive Awards would be \$49 million.

Staff has not definitively determined the Commission's costs (personnel years, operating equipment and expenses) that would be associated with an increase in the number of Competitive Cal Grants. An increased number of Cal Grant Competitive awards would result in an increased number of Cal Grant GPA verification forms being processed as well as an additional number of student notifications and customer service. Commission staff will identify the need for additional positions as well as operating expenses and equipment as the nature and magnitude of the proposed increase is further explored.

**CALIFORNIA STUDENT AID COMMISSION
2008-09 CAL GRANT POLICY CONCEPT
INCREASE MAXIMUM CAL GRANT B ACCESS GRANT**

Proposal:

To increase the Cal Grant B maximum access grant from its current amount of \$1,551.

Background/History:

SB 1644 (Chapter 403, Statutes of 2000) established the Cal Grant Entitlement and Competitive Programs. The Cal Grant Programs provide awards to eligible students to receive a postsecondary education. 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, the California Community College Transfer Entitlement Awards, Competitive Cal Grant A and B awards, and Cal Grant C awards.

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 A program provides tuition and fees for up to four years of college. The Cal Grant B program provides only the access grant of \$1,551 to 98 percent of Cal Grant B recipients 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 recipients who demonstrate significant financial need receive the access grant, tuition and fee assistance in the first year of attendance at four-year colleges and universities.

In May 1999, the Commission's Grant Advisory Committee developed and presented the definition of "access costs" (previously known as the "subsistence grant" and now called the access grant) to the Commission as those costs, in addition to living expenses, incurred when attending college - transportation, books and 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 should be \$3,402 in 2006-07.

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 a previous SEARS. The increase was discussed and proposed in the spring budget process; however a compromise was reached by the Joint Legislative Budget Conference Committee to provide a 10 percent increase to the access grant from \$1,410 to \$1,551.

At the Commission's April 19, 2007, meeting, the Commission adopted a support position on AB 175 (Price). This bill requires that the access cost stipend be increased annually between 5 percent and 10 percent beginning with the 2009-10 award year until the award has reached or exceeded the 20 percent goal recommended by the latest SEARS. This bill was held by the Assembly Appropriations Committee.

AB 175 is identical to AB 1315 (Liu, 2005-06), a bill introduced last year. AB 1315 was held by the Senate Education Committee, and died.

This proposal would also support 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.*

Implications of proposal:

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 be a necessary step for students and families with demonstrated financial need.

Technology implications:

Commission staff would need to alter the Grant Delivery System to administer the changes. An increase in the value of the Cal Grant B access stipend could be accomplished in the upcoming fiscal year (2008-09) if approved in the 2008-09 State Budget Act.

Fiscal Impact:

The impact to the General Fund would be as follows, as calculated under AB 175 (Price):

	2008-09	2009-10	2010-11	2011-12
Current Access Grant	\$1,551			
AB 175 Proposed Access Grant		\$1,706	\$1,877	\$2,064
Increase over \$1,551		\$155	\$326	\$513
Percent Change		10.0%	21.0%	33.1%
Projected Paid Recipients	144,400	144,400	144,400	144,400
Estimated Increased Cost over \$1,551		\$20.0 m	\$42.1 m	\$66.3 m

The total estimated increased cost over the three-year period would be \$128.4 million.

Assumptions:

1. No growth in the number of projected paid recipients.
2. The 2008-09 Access Grant of \$1,551 is increased by ten percent for 2009-10, and by another ten percent in each of the following two years.

An increase in the award amount could be absorbed into the administrative costs of operating the current size (number of awards) of the Cal Grant program.

**CALIFORNIA STUDENT AID COMMISSION
2008-09 CAL GRANT POLICY CONCEPT
PROVIDE TUITION/FEEES TO ALL CAL GRANT B RECIPIENTS**

Proposal:

To eliminate the restriction in the Cal Grant B program that, in the first year of enrollment, denies tuition and fee benefits and instead provides only a stipend for access costs to 98 percent of Cal Grant B recipients and to implement first-year tuition and fee grants that will be phased in stages to mitigate costs.

Background/History:

SB 1644 (Chapter 403, Statutes of 2000) established the Cal Grant Entitlement and Competitive Programs. The Cal Grant Programs provide awards to eligible students to receive a postsecondary education. 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, the California Community College Transfer Entitlement Awards, Competitive Cal Grant A and B awards, and Cal Grant C awards.

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 annually.

Cal Grant B provides an annual award for access costs up to \$1,551 for books and living expenses for first-year recipients. Cal Grant B does not, however, pay for tuition and fees at qualifying postsecondary institutions until the beginning of the second year and thereafter for 98 percent of participants. Current law states that only the top 2 percent of Cal Grant B recipients receive tuition and fees for the first-year.

Related Legislation:

- Assembly Bill 175 (Price), held in the Assembly Appropriations Committee, provides for an increase in the maximum Cal Grant B access grant beginning in 2009-10.

Commission Position: Support

- Assembly Bill 302 (De La Torre), held in the Assembly Appropriations Committee, would eliminate the restriction that denies first year college students with a Cal Grant B tuition benefits and instead provides only a small stipend for access costs to 98 percent of Cal Grant B recipients.

Commission Position: Support

Implications of proposal:

In both the entitlement and competitive Cal Grant programs, a very low-income student qualifies for a Cal Grant B, while middle-income students qualify for a Cal Grant A. In recognition that Cal Grant B serves the lowest income students, the annual award pays for tuition and fees and a small stipend (currently \$1,551) toward books, supplies, food and rent. (Cal Grant A pays for tuition and fees only.)

However, because it was assumed when the Cal Grant B program was authorized (in the early 1960s as the "College Opportunity Grant Program"), that the lowest income students would not go to a four-year college or university, but rather would choose to first go to a community college, the Cal Grant B program does not pay for tuition and fees in the first year. Rather, most Cal Grant B recipients receive only the \$1,551 stipend in the first year. Tuition and fee payments, in the first year are paid

only to the top 2 percent of Cal Grant B recipients based on GPA. This assumption is no longer valid. Statistics from the March 2, 2007 entitlement application pool reflect that 53 percent of all Cal Grant B participants choose to go to a four-year college or university their first-year. Cal Grant B policies for the first year of attendance are no longer consistent with the state's commitment to provide equal educational access to and selection of an institution of higher education for students with financial need.

A significant number of lower income (Cal Grant B) students receive a smaller lifetime award than higher income (Cal Grant A) students. A Cal Grant B award recipient enrolling at a private college may receive \$3,504 less over the lifetime of the grant than the Cal Grant A recipient at the same school. This is because the first-year tuition benefit (currently a maximum of \$9,708) is more than four years of the access grant (currently \$1,551 per year) received under Cal Grant B. In 2007-08, under the student fee increase recently approved by the UC Regents, a Cal Grant A recipient would receive \$432 more over four years than a Cal Grant B recipient.

In addition, in the decade from 1994-95 to 2003-04, non-fee related costs increased from \$7,355 to \$9,689 (32%) at UC and from \$6,533 to \$7,881 (21%) at CSU. Last fiscal year, 90 percent of students lived away from home with an average on-campus budget of \$22,500. Grant aid has not kept pace with increases in total college costs, resulting in higher levels of borrowing, even among students with the greatest financial need. These factors combine to make it more difficult for students and/or institutions to fund the first year of college without the support of a Cal Grant for statewide tuition and fees.

An option the Commission may wish to consider is to phase out the restriction of tuition and fee awards to first-year Cal Grant B participants in stages. Examples of the phased-in approach are 1) award for tuition and fees to the top 2 percent to the top 5 percent of the Cal Grant B Entitlement Program based on GPA, and 2) award tuition and fees to 5 percent of Cal Grant B participants based on the current scoring practices.

Technology implications:

Commission staff would need to alter the Grant Delivery System to administer the changes. Adding first year tuition and fee support for Cal Grant B students, with an increase in the value of the Cal Grant B access stipend (Tab.5.b), could be accomplished in the upcoming fiscal year (2008-09) if approved in the 2008-09 State Budget Act.

Fiscal Impact:

The Commission would incur increased local assistance costs and costs for the establishment and operation of processing, reporting, outreach and system modifications. The significant cost of \$49 million to implement this change may be a challenge given the state's ongoing structural deficit.

If the Commission proposal incorporated a phased-in approach as discussed above and assuming the 5 percent phased-in approach, Commission staff estimates for the first year that approximately 960 additional High School Entitlement Cal Grant B recipients would receive a Tuition and Fee award at an estimated cost of \$4.0 million. In addition, about 90 March Competitive Cal Grant B recipients would receive a Tuition and Fee award at an estimated cost of \$0.4 million. Staff recommends that the proposal would be fully implemented in the first year, but a phased-in approach until the first-year Cal Grant B students are fully funded may gain more traction.

Because the infrastructure for Cal Grant B already exists, additional long-term staffing needs will be studied, but are not anticipated at this time.

**CALIFORNIA STUDENT AID COMMISSION
2008-09 CAL GRANT POLICY CONCEPT
INCREASE MAXIMUM AWARD AT NON-PUBLIC INSTITUTIONS**

Proposal:

To increase the current maximum award amount for nonpublic postsecondary institutions and support the development of a statutory formula that adjusts the maximum award amount for nonpublic postsecondary institutions that would not be subject to the annual budget process.

Background/History:

SB 1644 (Chapter 403, Statutes of 2000) established the Cal Grant Entitlement and Competitive Programs. The Cal Grant Programs provide awards to eligible students to receive a postsecondary education. 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, the California Community College Transfer Entitlement Awards, Competitive Cal Grant A and B awards, and Cal Grant C awards.

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.

Cal Grant award maximum amounts for students attending public colleges and universities are tied to the statewide tuition and fees charged by the institutions. However, maximum award amounts for students attending nonpublic institutions are established in the Annual Budget Act. 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.

Prior to the adoption of SB 1644, the maximum Cal Grant award for students attending nonpublic colleges and universities was specified in state law developed in consultation with representatives from all of California's postsecondary education institutions as well as the Legislative Analyst's Office and the Department of Finance. At that time, California Education Code Section 66021.2 stipulated that:

The maximum award for students attending nonpublic institutions shall be set and maintained at the estimated average General Fund cost of educating a student at the public four-year institutions of higher education. In accordance with this policy, the formula for determining the estimated average General Fund cost shall include both of the following: (1) seventy-five percent of the average General Fund cost per student at the California State University, and (2) the average of the University of California and the California State University system wide and campus-based student fees.

In the Governor's 2004-2005 state budget proposal, 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 save the General Fund money.

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.

Last year the Legislature passed AB 358 (Liu) 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 proposes 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.

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. LAO believes that, without a specific policy, Cal Grant decisions can appear arbitrary, unpredictable, and inconsistent.

Implications of proposal:

In November 2004, the California Student Aid Commission (Commission) convened an ad hoc Committee on the Future of the Cal Grant to develop a recommended formula for future adjustments in the maximum Cal Grant award for students attending nonpublic California colleges and universities. After two meetings, the ad hoc Committee recommended to the Commission that it sponsor legislation to establish a policy. At its January 13, 2005 meeting, the Commission directed CSAC staff to sponsor legislation to amend the state's Education Code to read:

69432(b): Maximum award amounts for students at independent institutions ~~and for Cal Grant C and T awards shall be identified in the annual Budget Act~~ based on the estimated average General Fund costs of educating a student at the public four-year institutions. The estimated general fund cost is defined as the weighted average of the General Fund component of the marginal cost at the University of California and the California State University (as determined jointly by the Department of Finance, the Legislative Analyst Office, and the segments) plus the weighted average Cal Grant award at the University of California and California State University. Maximum award amounts for Cal Grant A and B awards for students attending public institutions shall be referenced in the annual Budget Act.

Commission staff worked with Assembly Member, and Chair of the Assembly Higher Education Committee, Carol Liu to include the proposed language into AB 358, which eventually died.

The nonpublic Cal Grant maximum award amount has not kept pace with increases in total college costs, resulting in higher levels of borrowing, even among students with the greatest financial need. During difficult fiscal times, some policymakers argue that the nonpublic Cal Grant should be reduced as one way to ensure that nonpublic institutions share the budget shortfalls. The purpose of the Cal Grant program, however, is to increase access and choice for financially needy students at their choice of California colleges and universities. Although some private institutions are well endowed and might be able to offset any reduction made to their financially needy students' Cal Grant awards, the rising cost of higher education makes it difficult for many students and families to afford a postsecondary education.

Affordability has always been a priority for higher education in California. Higher education researchers and advocates are concerned that budget constraints and the resulting increases in tuition and fees over time have created an "affordability gap", and that this gap prevents low- and middle-income families from accessing higher education. Adequate funding for financial aid programs and enrollment growth are necessary to ease the burden of college costs for California families and reduce the affordability gap.

Technology implications:

Commission staff would need to alter the Grant Delivery System to administer the changes. An increase in the number of Competitive Cal Grants could be accomplished in the upcoming fiscal year (2008-09) if approved in the 2008-09 State Budget Act.

Fiscal Impact:

The Senate Appropriations Committee estimated that the cost to increase the maximum Cal Grant award based on the AB 358 formula would be \$12.3 million in year one and \$86.2 million when fully implemented after four years. The cost was determined with input from Commission Staff.

Staff has not definitively determined the Commission's costs (personnel years, operating equipment and expenses) that would be associated with an increase in Cal Grant maximum award. Commission staff will identify the need for additional positions as well as operating expenses and equipment as the nature and magnitude of the proposed increase is further explored.

**CALIFORNIA STUDENT AID COMMISSION
2007/08 POLICY CONCEPT
INCREASE NUMBER AND AMOUNT OF CAL GRANT C AWARDS**

Proposal:

To increase the number of awards and grant amounts in the Cal Grant C program.

Background/History:

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.

The number of awards and grant amounts are determined through the annual State Budget Process. In the 2000-01 academic year, Cal Grant C award amounts increased for the first time in 16 years: the book and supplies allowance increased from \$530 to \$576 and tuition and fee awards increased from \$2,360 to \$2,592. Since 2000-2001, the award amounts and number of new awards (7,761), have remained unchanged, while the cost of college has increased and the number of eligible students competing for an award continues to exceed the number of awards allocated in the annual Budget Act.

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.

Implications of proposal:

According to the U.S. Department of Education, 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 in the United States. In California, for the academic year 2003-2004, over 1.6 million postsecondary students enrolled in career technical education.

Employment opportunities for people with vocational degrees and certification continue to grow. The demand for building construction, electrical and technical workers, skilled craftspeople, welders, machinists and auto technicians remains strong. Health care and information technology are two of the fastest-growing career technical and occupational fields. Registered nurses are in particularly high demand in California.

Affordability has always been a concern for higher education advocates in California. Higher education researchers and advocates are concerned that budget constraints and the resulting increases in tuition and fees over time have created an "affordability gap", and that this gap prevents low- and middle-income families from accessing higher education.

However, the availability of grant aid has been constrained both at the state and federal levels and, coupled with persistently escalating costs, has led to substantial increases in borrowing for both low and middle income families. The Commission supports legislative policies that encourage all efforts to increase the level of need-based state funding for student financial assistance. An increase in the number of Cal Grant C awards and in the amounts of the awards would be consistent with the Commission's Legislative Principles, specifically, to *Foster Educational Access and Affordability-Funding Objectives for the Cal Grant Program*:

- Provide continuous educational opportunities by adopting budget principles, which intend to, at a minimum, preserve the Cal Grant Entitlement and Competitive Program's eligibility requirements, preserve the value of the award, and maintain the current number of awards.
- Pursue a state budget that is supportive of access and institutional choice through the Cal Grant Program.
- Advocate for funds that increase the number of competitive Cal Grant awards for qualified non-recipient students.
- Support full fee funding for Cal Grant students at the public universities and a maximum Cal Grant award that supports the ability of students to choose to attend a private university.
- Continue to help students fund their unmet financial need through low-cost loans under the federal student loan program.

Technology implications:

Commission staff would need to alter the Grant Delivery System to administer the changes. An increase in the number of Cal Grant C awards could be accomplished in the upcoming fiscal year (2008-09) if approved in the 2008-09 State Budget Act.

Fiscal Impact:

Staff has not definitively determined the Commission's costs (personnel years, operating equipment and expenses) that would be associated with an increase in the number of Cal Grant C awards. An increased number of Cal Grant C awards would result in an increased number of Cal Grant C Supplements (applications) being processed as well as an additional number of student notifications and customer service. Commission staff will identify the need for additional positions as well as operating expenses and equipment as the precise nature and magnitude of the proposed increase is further explored.