

## Information/Action Item

### *California Student Aid Commission*

Consideration of establishing Cal Grant priorities for the 2010-11 state budget

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At its February 25, 2010 meeting, the Commission directed the Programs, Policy and Budget Committee to consider establishing Cal Grant priorities for the 2010-11 state budget in response to the Governor's budget reduction proposals.

Staff has provided the following information to assist in the discussion:

- Tab 1.a: Cal Grant Program Funding History and segmental distribution of recipients offered a Cal Grant Entitlement and Competitive in 2010-11
- Tab 1.b: Characteristics of the typical Cal Grant Entitlement and Competitive Recipients in 2009-10
- Tab 1.c: 2010-11 Cal Grant Program Funding prior to Governor's proposed reductions
- Tab 1.d: Governor's proposed 2010-11 Reductions
- Tab 1.e: Legislative Analyst's Office 201-11 Recommendations
- Tab 1.f: Excerpts from the Legislative Analyst's Office analysis of the 2010-11 Budget: Higher Education
- Tab 1.g: Highlights of HR 4872 Health Care and Education Reconciliation Act of 2010

In discussing priorities, staff also notes the following:

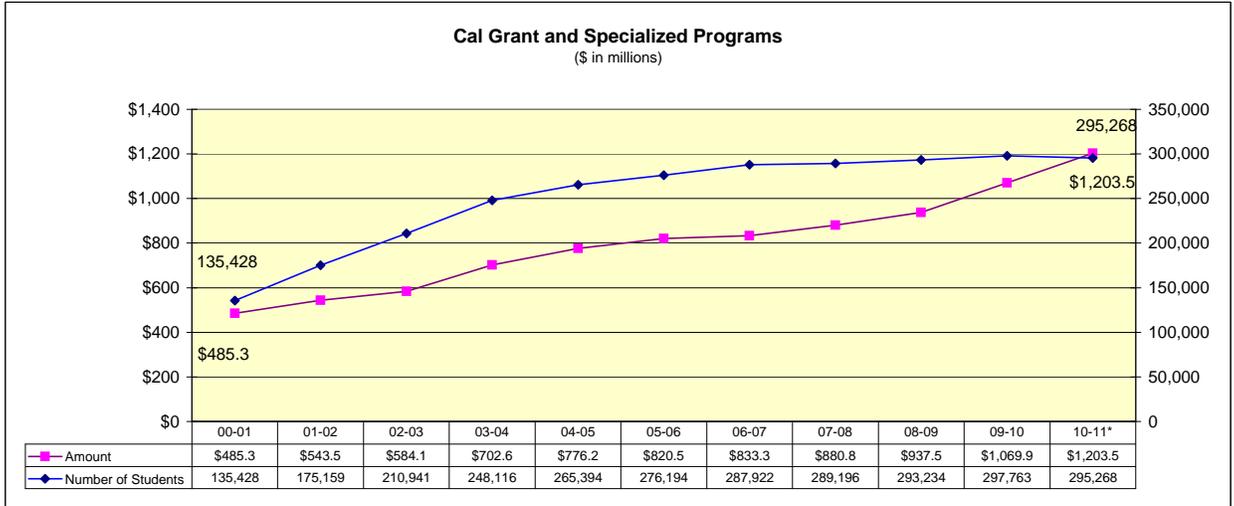
- At a time when unemployment is at a record high 12.5%, it is more critical than ever to;
  - Keep new and current students in college and on-track to degree completion and,
  - Promote access for those who need to retain or augment their education to be able to compete for current and future high-need, high growth jobs.

- The Cal Grant program is an investment of state funds that pays dividends.
  - A four-year longitudinal study of 100,000 students showed that receiving a Cal Grant was a significant factor in determining whether students enrolled immediately in the first year, re-enrolled in the second year, stayed at the same institution all four years, or remained enrolled anywhere in higher education for four years.
  - It is a program that provides educational opportunity to hundreds of thousands of students who would not be able to afford college otherwise.
- Student concerns about access and completion are evidenced by the increased number of applicants and eligible recipients in both the Cal Grant Entitlement and Competitive Cal Grant programs.
  - The number of California students submitting FAFSA's increased 14% in 2009-10 and 18% in 2010-11.
  - In 2009-10, there was a 6.5% growth in High School Entitlement applications and 7.5% growth in eligible students from 2008-09.
  - Although we are still processing 2010-11 High School Entitlement applications, we are seeing similar increases.
  - In 2009-10 over 209,000 students met the financial and basic eligibility criteria for the Competitive program. A 29% growth for the year.

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

California Student Aid Commission  
Financial Aid Programs  
Funding History

Tab 1.a



Percent Change from 2000-01 to 2010-11:

Amount: 148%

Number: 120%

\* 2010-11 projection based on Governor's Proposed 2010-11 Budget, with new Cal Grant Competitive Awards added back in.

Note: 2001/02 was the first year of Cal Grant Entitlement Program.

**Cal Grant Entitlement Programs**

Segment	2007-08		2008-09		2009-10	
	Offers	%	Offers	%	Offers	%
University of California	15,714	23%	17,295	22%	18,442	21%
California State University	21,824	32%	26,463	33%	27,412	31%
California Community Colleges	22,881	33%	26,216	33%	30,433	35%
Independent Colleges	5,829	8%	6,709	8%	7,802	9%
Private Career Colleges	3,004	4%	3,437	4%	4,050	4%
<b>Total All</b>	<b>69,252</b>	<b>100%</b>	<b>80,120</b>	<b>100%</b>	<b>88,139</b>	<b>100%</b>

**Cal Grant Competitive Program**

	2007-08		2008-09		2009-10	
Number of Eligible Applicants	148,439		162,044		209,196	
Segment	Offers	%	Offers	%	Offers	%
University of California	908	4%	670	3%	534	2.0%
California State University	2,383	9%	2,068	8%	1,546	6.0%
California Community Colleges	17,927	70%	18,444	73%	18,703	76.0%
Independent Colleges	893	3%	716	3%	587	2.0%
Private Career Colleges	3,511	14%	3,469	13%	3,391	14%
<b>Total All</b>	<b>25,622</b>	<b>100%</b>	<b>25,367</b>	<b>100%</b>	<b>24,761</b>	<b>100%</b>

**CALIFORNIA STUDENT AID COMMISSION  
CAL GRANT PROGRAM  
Typical New Recipient by Program**

<b>2009-10 New Cal Grant A and B Recipients</b>		
	<b>Entitlement</b>	<b>Competitive</b>
<b>Offers</b>	<b>88,139</b>	<b>24,761</b>
<b>Average income</b>	\$28,388	\$13,270
<b>Average GPA</b>	3.09	3.36
<b>Average age</b>	19	30
<b>Average family size</b>	3.8	3.0
<b>Percent Female</b>	61%	72%

**CALIFORNIA STUDENT AID COMMISSION**  
**2010-11 CAL GRANT PROGRAM**  
Prior to Governor's Proposed Reductions

<b>Program</b>	<b>Students</b>	<b>Amount (\$ in millions)</b>
<b>Entitlement Awards</b>	208,420	\$1,020.9
<b>Competitive Awards</b>	40,392	\$108.0
<b>Cal Grant C</b>	14,735	\$8.3
<b>Total</b>	<b>263,547</b>	<b>\$1,137.2</b>

**CALIFORNIA STUDENT AID COMMISSION  
2010-11 CAL GRANT PROGRAM**

Tab 1.d

**Governor's Proposed Reductions**

Proposal	Students Affected	Amount Reduced (\$ in millions)
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<i>Reduction</i>		
<b>Eliminate New Competitive Cal Grants</b>	New	<b>22,500</b>

<i>Trigger Reductions (if \$6.9 million in Federal Funding not Received)</i>		
<b>Reduce Fee Coverage (Decouple)</b>		<b>113,480</b>
<b>At UC from \$10,302 to \$8,958</b> (Excludes \$0.5 million for 390 new Competitive Cal Grants)	<i>New</i>	13,700
	<i>Renewal</i>	35,855
	Total	49,555
<b>At CSU from \$4,429 to \$4,026</b> (Excludes \$0.5 million for 390 new Competitive Cal Grants)	<i>New</i>	20,615
	<i>Renewal</i>	43,310
	Total	63,925
<b>Freeze Income Ceiling</b>		<b>280</b>
<b>For Cal Grant As at 2009-10 levels</b> (with UC @ \$10,302 and CSU @ \$4,429)	New	90
		\$0.7
<b>For Cal Grant Bs at 2009-10 levels</b> (with UC @ \$10,302 and CSU @ \$4,429)	New	190
		\$0.4
<b>Total Trigger Reductions</b>		<b>113,760</b>

<b>Total Reductions</b>	<b>136,260</b>	<b>\$124.2</b>
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**CALIFORNIA STUDENT AID COMMISSION  
2010-11 CAL GRANT PROGRAM**

<b>Legislative Analyst's Office Recommendations</b>		
<b>Proposal</b>	<b>Students Affected</b>	<b>Amount (\$ in millions)</b>
<b>Preserve the Cal Grant Entitlement Program: do not approve trigger reductions</b>	<b>All 113,760</b>	<b>\$78.7</b>
<b>Do not Eliminate new Cal Grant Competitive Program</b>	<b>New 22,500</b>	<b>\$45.5</b>
<b>Increase Minimum GPA for HS Entitlement Cal Grant B's from 2.0 to 2.5 <sup>1/</sup></b>	<b>New 13,500</b>	<b>(\$13.0)</b>
<b>Limit new Competitive Cal Grants to Access Grants of \$1,551 for 2 years <sup>2/</sup></b>	<b>New 22,500</b>	<b>(\$20.0)</b>
<b>Elinimate non-need based waivers. (Does not impact Cal Grant Program)</b>		
<b>Affects 5,000 students)</b>		<b>(\$20.0)</b>

<sup>1/</sup> The Legislative Analyst's Office cites a CSU study that students with a GPA of 2.0 have extremely low rates of persistence and success in college.

<sup>2/</sup> The Legislative Analyst's Office indicates that this proposal would not affect the three-quarters of new recipients who are CCC students. Other students would have the option to attend a CCC for two years with fee waivers and stipends, or seek additional financial aid at other institutions.

**CALIFORNIA STUDENT AID COMMISSION****Excerpts from the Legislative Analyst's Office Analysis of the  
2010-11 Budget: Higher Education****Important Changes to Federal Financial Aid Programs**

Recent changes in federal financial aid have helped California students:

- **Federal Grants.** The maximum Pell Grant has increased by \$1,300 since 2006-07. The maximum in 2009-10 is \$5,350. (In 2007-08, about 14 percent of California Community Colleges [CCC] students had federal grants averaging \$2,500, and about 32 percent of University of California [UC] and California State University [CSU] students had federal grants averaging \$3,400.)
- **Veterans' Education Benefits.** The Post-9/11 GI Bill became effective August 1, 2009, and covers tuition and fees, a monthly housing allowance, and an annual stipend for books and supplies. Estimated benefits exceed \$25,000, \$23,000, and \$12,000 annually for full-time students at UC, CSU, and CCC respectively.
- **Federal Tax Credits.** Expanded federal tax credits in 2009 and 2010 are helping to cover all or a portion of fee increases for many students. The American Opportunity Tax Credit (AOTC) reimburses students (or their parents) with a family income of up to \$160,000 for 100 percent of the first \$2,000 in costs, and 25 percent of the next \$2,000. This is an enhancement of the Hope tax credit, which reimbursed 100 percent of the first \$1,200 and 50 percent of the next \$1,200, and had lower income ceilings. The AOTC is refundable—even families who do not owe taxes can qualify for partial refunds.

**Blue and Gold Opportunity Plan**

In an effort to communicate financial aid opportunities clearly to families concerned about affordability, the University of California developed the *Blue and Gold Opportunity Plan*—a guarantee that fees will be covered for students from families earning up to \$60,000. (The income cap will rise to \$70,000 for 2010-11, and will be reviewed annually to ensure it remains at or above the median California household income.) Fees for nearly all of these students are covered by Cal Grants and institutional aid, irrespective of the Blue and Gold plan. The new program is primarily a packaging strategy that reduces a more complex discussion of financial aid into an easily understood message. The California State University has announced a similar guarantee, as have numerous public and private universities around the country.

**Federal Tax Benefits Applied Toward Higher Education Fees**  
2010

<b>American Opportunity Tax Credit</b>	<b>Lifetime Learning Credit</b>	<b>Tuition and Fee Deduction</b>
<ul style="list-style-type: none"> <li>• Directly reduces tax bill and/or provides partial tax refund to those without sufficient income tax liability.</li> </ul>	<ul style="list-style-type: none"> <li>• Directly reduces tax bill for unlimited number of years.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduces taxable income.</li> </ul>
<ul style="list-style-type: none"> <li>• Covers 100 percent of the first \$2,000 in tuition payments and textbook costs. Covers 25 percent of the second \$2,000 (for maximum tax credit of \$2,500).</li> </ul>	<ul style="list-style-type: none"> <li>• Covers 20 percent of first \$10,000 in fee payments (up to \$2,000 per tax year).</li> </ul>	<ul style="list-style-type: none"> <li>• Deducts between \$2,000 and \$4,000 in fee payments (depending on income level).</li> </ul>
<ul style="list-style-type: none"> <li>• Designed for students who:— Are in first through fourth year of college.— Attend at least half time. — Are attempting to transfer or acquire a certificate or degree.</li> </ul>	<ul style="list-style-type: none"> <li>• Designed for students who:— Already have a bachelor’s degree. — Carry any unit load. — Seek to transfer or obtain a degree/certificate—or simply upgrade job skills.</li> </ul>	<ul style="list-style-type: none"> <li>• Designed for any student not qualifying for a tax credit.</li> </ul>
<ul style="list-style-type: none"> <li>• Provides full benefits at adjusted income of up to \$160,000 for married filers (\$80,000 for single filers) and provides partial benefit at adjusted income of up to \$180,000 (\$90,000 for single filers).</li> </ul>	<ul style="list-style-type: none"> <li>• Provides full benefits at adjusted income of up to \$100,000 for married filers (\$50,000 for single filers) and provides partial benefit at adjusted income of up to \$120,000 (\$60,000 for single filers).</li> </ul>	<ul style="list-style-type: none"> <li>• Capped at adjusted income of \$80,000 for single filers and \$160,000 for married filers.</li> </ul>

**CALIFORNIA STUDENT AID COMMISSION**  
**Highlights of the**  
**H.R. 4872 Health Care and Education Reconciliation Act of 2010**

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**Pell Grant**

- Since 2008, the Pell Grant program has been funded through a hybrid of discretionary appropriations, for the base award, and mandatory funding to provide an additional sum to the base. That has not changed, but the formula for determining the mandatory portion has been enhanced.
- Maximum Pell grant for 2010 will be \$5,550, up \$200 from last FY.
- Maximum Pell grant will grow to \$5,975 by 2017.

**Student Loan Reform**

- Students should not see any change in their student loan services.
- Loans will be coming directly from U.S. Treasury instead of through private lenders.
- The money that the federal government will save (\$61 billion over 10 years) by not paying subsidies to the private lenders will be used to
  1. Pay down Pell grant shortfall due to higher-than-expected usage this year;
  2. Increase Pell maximums slightly;
  3. Fund the other provisions of the SAFRA Act; and
  4. Pay down the federal deficit.
- Borrowers who have not yet started repayment will have one
- Borrowers experiencing financial hardship who qualify for the Income Based Repayment program (IBR) would see their monthly payments lowered to 10% of their prior year's income, down from 15%; and their remaining loan balance would be forgiven after 20 years of repayment, down from 25 years.

**Additional Funding**

- \$750 million over the next five years for states to help low-income students with college access and completion.
- \$2 billion over four years for the Community College and Career Training Grant Program.
- \$2.1 billion over ten years for Historically Black Colleges and Universities and Minority-serving Institutions.