

Exhibit 20

Information/Action Item

Update on Middle Class Scholarship

Background

The 2014-15 academic year is the inaugural year for the Middle Class Scholarship (MCS) Program. The California Student Aid Commission (Commission), University of California (UC), and California State University (CSU) have been working diligently to implement the new financial aid program for middle class families and students. As the 2014-15 academic year progresses, continued efforts are being focused on awarding and disbursing MCS funds to eligible students as promptly as possible. The following information will provide some insight into the students that the MCS is serving.

MCS Applicant and Award Information

The MCS was designed to provide financial aid to students attending a UC or CSU campus, whose family incomes were equal to or less than \$150,000. The MCS, when combined with other Federal, State, and Institutional aid, is not to exceed 40% of the system wide tuition and fees (for 2014-15, the phase in factor was 35% of the 40%; effectively 14% of system wide tuition and fees). Students with a family income of \$100,000 or greater would also have their potential MCS award reduced by 0.6% for every \$1,000 in excess of \$100,000.

Chart 1 shows MCS applicants, awards, percent awarded, and total offered amount, by segment as of February 2, 2015. As the chart reveals, only about one out of five students or 19% (81,038/416,051) who are reported on a UC or CSU enrollment file are offered MCS awards. Although the award rate seems low, the majority of the students not offered an MCS award were offered other financial aid that already covered at least 40% of their system wide tuition and fees. In fact, approximately 312,000 of the 416,051 applicants were deemed ineligible for MCS due to receiving other financial aid.

Chart 1
Applicant & Award Information (as of 2/2/2015)

Segment	Applicants*	Awards	% Awarded of Applicants	Offered Award Amount
UC	134,005	17,361	13%	\$ 19,174,322
CSU	282,046	63,677	23%	\$ 38,845,936
Total	416,051	81,038	19%	\$ 58,020,258

**An "applicant" is any student that is reported by a UC or CSU campus via their enrollment file. A student MUST be on an enrollment file to be considered for the MCS award. The enrollment file also contains the other financial aid the student is expected to receive for the year.*

Data Analysis and Review

After the initial application and award processing in the fall, staff began to analyze the student data to determine the profile of the MCS applicants. Chart 2, below, contains the income breakdown of MCS offered awardees by family size (as reported on the FAFSA/Dream Act Application).

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Chart 2
MCS Income by Family Size (as of 2/2/2015)

Segment	Household Income	Family Size						Total
		1	2	3	4	5	6+	
UC	\$0 or Less	180	34	51	76	35	26	402
	\$1-10,000	241	50	54	43	29	7	424
	\$10,001-20,000	173	58	79	74	29	12	425
	\$20,001-30,000	97	76	76	70	36	14	369
	\$30,001-40,000	52	87	107	105	37	15	403
	\$40,001-50,000	25	73	134	131	48	26	437
	\$50,001-60,000	22	67	138	143	65	33	468
	\$60,001-70,000	9	66	153	213	79	37	557
	\$70,001-80,000	10	84	207	254	96	44	695
	\$80,001-90,000	8	154	417	413	148	63	1,203
	\$90,001-100,000	4	168	539	705	251	53	1,720
	\$100,001-110,000	2	154	634	887	324	122	2,123
	\$110,001-120,000	2	120	555	938	372	128	2,115
	\$120,001-130,000	2	93	555	953	370	157	2,130
	\$130,001-140,000	1	78	512	911	364	158	2,024
	\$140,001-150,000	1	67	408	909	360	123	1,868
		UC Total	829	1,429	4,619	6,825	2,643	1,018
CSU	\$0 or Less	476	81	91	95	48	35	826
	\$1-10,000	931	148	111	108	59	44	1,401
	\$10,001-20,000	1,054	194	153	128	65	30	1,624
	\$20,001-30,000	3,528	253	241	165	80	57	4,324
	\$30,001-40,000	2,137	693	299	239	109	52	3,529
	\$40,001-50,000	871	834	477	365	147	56	2,750
	\$50,001-60,000	346	1,029	1,008	706	287	112	3,488
	\$60,001-70,000	147	955	1,346	1,234	543	189	4,414
	\$70,001-80,000	82	796	1,468	1,733	837	333	5,249
	\$80,001-90,000	29	608	1,604	2,214	1,148	510	6,113
	\$90,001-100,000	29	439	1,412	2,506	1,399	573	6,358
	\$100,001-110,000	14	341	1,210	2,361	1,373	698	5,997
	\$110,001-120,000	2	195	1,030	2,251	1,267	680	5,425
	\$120,001-130,000	5	180	891	1,881	1,123	566	4,646
	\$130,001-140,000	5	126	738	1,757	934	462	4,022
	\$140,001-150,000	2	92	582	1,558	874	401	3,509
		CSU Total	9,658	6,964	12,661	19,301	10,293	4,798
TOTAL AWARDS		10,487	8,393	17,280	26,126	12,936	5,816	81,038

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The shaded sections of Chart 2 identify the MCS offered awardees by family household size that were below the Cal Grant income ceilings. (The shaded areas are not the exact cutoffs of the income ceiling, but are within that income bracket.) Staff has not yet analyzed the data in Chart 2 for the reasons the students within the shaded areas may not have been offered Cal Grants.

However, Exhibit 20.1 is an analysis of earlier data, showing the reasons 45,684 students, as of November 26, 2014, who received MCS awards, and had not been offered Cal Grants even though their family incomes were at or below the Cal Grant income ceilings. The data reveal:

- About 80% of the students who appeared to be below the Cal Grant income ceiling were sophomores, juniors and seniors and would not have qualified for Cal Grants in 2014-15, even if all other Cal Grant eligibility requirements had been satisfied, because their applications would not have been submitted in the academic year of high school graduation or the year after.
- Further, the students in that 80% grouping of the sophomore grade levels and above, are not likely to have been eligible for the High School Entitlement program during their freshman year. Most of these students would have been considered for the Competitive Cal Grant program, but were below the cutoff score and did not receive a Cal Grant offer.
- Nearly 7,900 students of the 45,684 in Exhibit 20.1 were freshmen, and were not offered Cal Grants, for a number of reasons, including a late FAFSA, assets in excess of the asset ceiling and no grade point average submitted.

After the income component was assessed, staff also looked at the assets. Unlike the Cal Grant Program, there is no asset ceiling in the MCS program. Therefore many of the MCS students have reported assets in excess of the Cal Grant asset ceilings, which are \$67,600 in 2014-15. As illustrated in Charts 3A and 3B, below:

- 15,092, or 19% of the 81,038 of students awarded MCS at both UC and CSU have reported assets above \$67,600.
- 6,368, or about 37% of the 17,361 UC students who received MCS awards, reported assets above \$67,600.
- 8,724, or about 14% of the 63,677 CSU students who received MCS awards, reported assets above \$67,600.

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Chart 3A
MCS Asset Levels for UC (as of 2/2/2015)

Asset Levels								
Household Income	Blank*	\$67,600	\$67,601-100,000	\$100,001-150,000	\$150,001-200,000	\$200,001-250,000	>\$250,000	Total
\$0 or Less	289	43	2	3	4	2	59	402
\$1-10,000	264	124	1	1	1	3	31	425
\$10,001-20,000	206	155	4	5	2	2	53	427
\$20,001-30,000	155	138	3	7	4	1	61	369
\$30,001-40,000	129	151	9	13	5	10	86	403
\$40,001-50,000	104	171	11	8	13	6	124	437
\$50,001-60,000	9	262	10	20	9	9	149	468
\$60,001-70,000	10	288	16	16	12	13	202	557
\$70,001-80,000	7	311	18	41	27	30	258	692
\$80,001-90,000	6	592	62	78	76	46	341	1,201
\$90,001-100,000	5	1,031	97	108	82	58	339	1,720
\$100,001-110,000	7	1,382	112	118	83	65	356	2,123
\$110,001-120,000	13	1,420	100	124	83	65	310	2,115
\$120,001-130,000	9	1,301	109	142	94	59	416	2,130
\$130,001-140,000	7	1,269	101	121	89	65	372	2,024
\$140,001-150,000	1	1,134	98	110	82	49	394	1,868
Total	1,221	9,772	753	915	666	483	3,551	17,361

* For financial aid purposes, when reporting assets on the Free Application for Federal Student Aid (FAFSA) or California Dream Act application (CADAA), only certain personal assets must be reported. In addition, every FAFSA/CADAA applicant is given an asset protection allowance based on the age of the oldest parent (for dependent students). The integrated FAFSA/CADAA logic will determine if the applicant even must answer any asset questions or if they can be skipped if below the asset protection allowance. In these cases, the Commission and institutions will not receive any asset information from these applicants.

The shaded areas represent the MCS offered awardees at UC who would be over the Cal Grant asset ceiling.

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Chart 3B
MCS Asset Levels for CSU (as of 2/2/2015)

Asset Levels								
Household Income	Blank*	\$67,600	\$67,601 - 100,000	\$100,001- 150,000	\$150,001- 200,000	\$200,001- 250,000	>\$250,000	Total
\$0 or Less	706	61	1	3	2	3	50	826
\$1-10,000	1,037	316	3	9	5	2	30	1,402
\$10,001-20,000	1,026	495	13	14	3	3	71	1,625
\$20,001-30,000	2,761	1,399	10	12	16	17	111	4,326
\$30,001-40,000	1,974	1,329	17	30	23	29	127	3,529
\$40,001-50,000	1,126	1,326	45	50	39	30	134	2,750
\$50,001-60,000	82	2,834	82	110	69	70	241	3,488
\$60,001-70,000	61	3,732	128	124	75	63	231	4,414
\$70,001-80,000	41	4,445	150	146	88	72	306	5,248
\$80,001-90,000	45	5,228	158	196	111	74	298	6,110
\$90,001-100,000	39	5,373	182	177	137	100	350	6,358
\$100,001-110,000	24	5,150	165	184	92	82	301	5,998
\$110,001-120,000	24	4,567	162	182	85	84	322	5,426
\$120,001-130,000	27	3,784	149	169	107	93	317	4,646
\$130,001-140,000	17	3,193	145	157	110	78	322	4,022
\$140,001-150,000	8	2,723	150	155	79	73	321	3,509
Total	8,998	45,955	1,560	1,718	1,041	873	3,532	63,677
TOTAL UC & CSU AWARDS	10,219	55,727	2,313	2,633	1,707	1356	7,083	81,038

Note: "Total UC & CSU Awards" is the sum of Charts 3A and 3B.

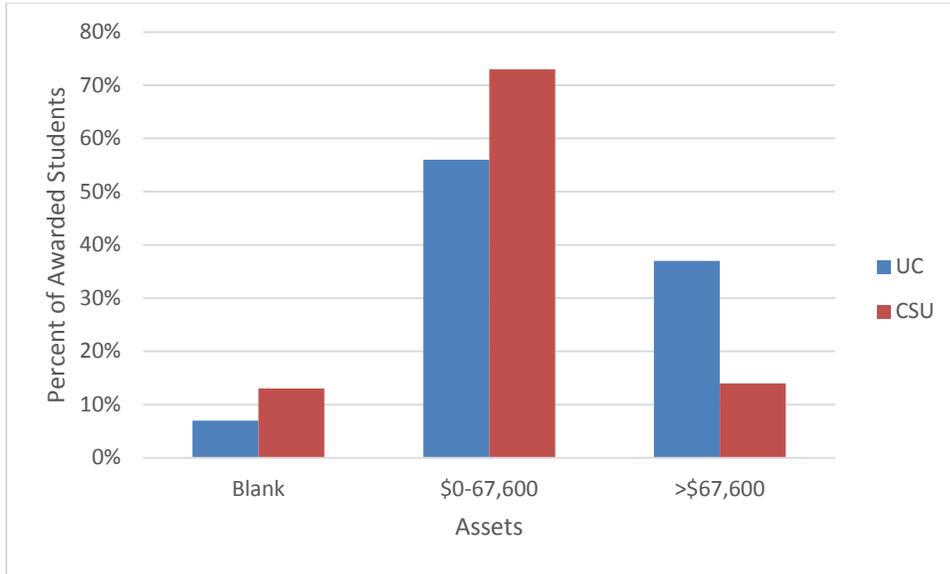
* For financial aid purposes, when reporting assets on the Free Application for Federal Student Aid (FAFSA) or California Dream Act application (CADAA), only certain personal assets must be reported. In addition, every FAFSA/CADAA applicant is given an asset protection allowance based on the age of the oldest parent (for dependent students). The integrated FAFSA/CADAA logic will determine if the applicant even must answer any asset questions or if they can be skipped if below the asset protection allowance. In these cases, the Commission and institutions will not receive any asset information from these applicants.

The shaded areas represent the MCS offered awardees at CSU who would be over the Cal Grant asset ceiling.

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Chart 3C compares the reported assets of students at UC to students at CSU.

Chart 3C
Assets and MCS Awards (as of 2/2/2015)



“Blank” – For financial aid purposes, when reporting assets on the Free Application for Federal Student Aid (FAFSA) or California Dream Act application (CADAA), only certain personal assets must be reported. In addition, every FAFSA/CADAA applicant is given an asset protection allowance based on the age of the oldest parent (for dependent students). The integrated FAFSA/CADAA logic will determine if the applicant even must answer any asset questions or if they can be skipped if below the asset protection allowance. In these cases, the Commission and institutions will not receive any asset information from these applicants.

Chart 4, below, shows the number of award offers, total awards offered (in dollar value), and the average award amount, by household income as of February 2, 2015.

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Chart 4¹

MCS Average Award by Income Level (as of 2/2/2015)

Segment	Household Income	Total Awards	Total Amount Offered	Average Award
UC	\$0 or Less	402	\$558,656	\$1,390
	\$1-10,000	425	\$575,618	\$1,354
	\$10,001-20,000	427	\$523,043	\$1,225
	\$20,001-30,000	369	\$505,051	\$1,369
	\$30,001-40,000	403	\$525,762	\$1,305
	\$40,001-50,000	437	\$558,732	\$1,279
	\$50,001-60,000	468	\$624,520	\$1,334
	\$60,001-70,000	557	\$749,978	\$1,346
	\$70,001-80,000	692	\$959,180	\$1,386
	\$80,001-90,000	1,203	\$1,543,672	\$1,283
	\$90,001-100,000	1,719	\$2,239,419	\$1,303
	\$100,001-110,000	2,123	\$2,710,907	\$1,277
	\$110,001-120,000	2,115	\$2,421,734	\$1,145
	\$120,001-130,000	2,129	\$2,138,932	\$1,005
	\$130,001-140,000	2,024	\$1,558,792	\$770
	\$140,001-150,000	1,868	\$980,326	\$525
		Total	17,361	\$19,174,322
CSU	\$0 or Less	826	\$442,427	\$536
	\$1-10,000	1,402	\$723,432	\$516
	\$10,001-20,000	1,625	\$764,373	\$470
	\$20,001-30,000	4,325	\$2,578,728	\$596
	\$30,001-40,000	3,526	\$2,384,501	\$676
	\$40,001-50,000	2,750	\$1,808,657	\$658
	\$50,001-60,000	3,488	\$2,241,537	\$643
	\$60,001-70,000	4,414	\$3,048,081	\$691
	\$70,001-80,000	5,249	\$3,781,621	\$720
	\$80,001-90,000	6,114	\$4,542,137	\$743
	\$90,001-100,000	6,357	\$4,783,182	\$752
	\$100,001-110,000	5,998	\$4,147,200	\$691
	\$110,001-120,000	5,426	\$3,147,422	\$580
	\$120,001-130,000	4,646	\$2,179,810	\$469
	\$130,001-140,000	4,022	\$1,430,968	\$356
	\$140,001-150,000	3,509	\$841,860	\$240
		Total	63,677	\$38,845,936
TOTAL AWARDS		81,038	\$58,020,258	\$895

¹ Chart 4 is subject to change as new awards corrections are continually processed. Total Awards, Total Amount Offered, and Average Award numbers may increase or decrease over time.

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Processing and Implementation Updates

The Commission continues to process weekly awards and payments for MCS. As of January 9, 2015, \$15,752,275 has been disbursed to the UC and CSU campuses. Campuses continue to have the opportunity to report students that may not have previously been considered for a MCS award. Award processing will continue through the end of the academic year, and students determined to be newly eligible will receive payments for all applicable terms.

In addition to continually processing new awards, campuses are reporting corrections and payments for currently awarded MCS students. As part of the correction process, a student's MCS award may increase or decrease depending on the financial elements that change. Thus, for example, as the year progresses, there could be a decrease in the number of awarded students, but an increase in the total value of offered awards. Changes to a student's total income, tuition and fees, or the value of his or her Federal, State, or Institutional aid are factors which would cause the award to increase or decrease.

2015-16 Academic Year

The 2015-16 academic year is quickly approaching. The MCS law currently establishes funding for 2015-16 at \$152,000,000. The phase-in factor would also increase from an effective rate of 14% in 2014-15 to an effective rate of 20% in 2015-16. These percentages reflect the maximum MCS award a student may receive based on systemwide tuition and fees. Also, beginning in the 2015-16 academic year, MCS applicants will have to submit a FAFSA or Dream Act application by March 2, 2015 in order to be considered. A communication is being drafted to remind current 2014-15 MCS students about the deadline for the upcoming academic year.

From a processing perspective, 2015-16 will see MCS award notifications sent much earlier in the academic year. Commission staff anticipates being able to notify students of their awards during the month of August. During the 2014-15 academic year, students did not receive an award notification until the beginning of September. This, in large part, was due to changes required by trailer bill language as part of the 2014-15 state budget.

Consultation

The MCS Advisory Committee, comprised of UC and CSU representatives, meets regularly with Commission staff to continue the development of both the business process and the system requirements needed to implement the MCS. Currently, the committee is meeting and working on enhancements to the 2014-15 academic year system, as well as any potential future enhancements that will allow for easier administration of the MCS program by both campus and Commission staff. The MCS Advisory Committee and Commission staff will also be monitoring any major proposed legislative changes to the MCS program and staff will inform the Commission accordingly.

Responsible Person(s): Catalina Mistler, Chief
Program Administration and Services Division

Tae Kang, Senior Manager
Institution and Program Support Branch

**2014-15 Middle Class Scholarship Program
Offered Awardees with Income at or below the Cal Grant Program Income Ceiling of \$101,000
Cal Grant Status by Educational Level and Segment**

University of California and California State University	Educational Level					Total	
	Freshman	Sophomore	Junior	Senior	Total		
Late Filers	1,068	858	3,952	6,984	12,862	28%	
Filed after March 2nd	1,068	858	3,952	6,984	12,862		
Financially Ineligible Reason for Cal Grant	4,781	2,226	5,248	5,206	17,461	38%	
Only over income ceiling	2,007	922	2,369	2,500	7,798		
Only over asset ceiling	125	80	129	151	485		
Only unmet financial need	93	152	189	176	610		
Multiple financially ineligible reasons	2,470	975	2,405	2,291	8,141		
Both financially and not financial ineligible reasons	86	97	156	88	427		
Ineligible Reason (not Financial) for Cal Grant	1,928	1,689	2,602	8,635	14,854	33%	
No GPA provided	1,521	1,247	558	1,003	4,329		
GPA below minimum	14	61	87	315	477		
Educational level greater than 4	36	4	301	2,428	2,769		
Less than 100% or no remaining eligibility	4	0	59	1,292	1,355		
Score below cutoff for Competitive Cal Grant	79	316	1,456	2,715	4,566		
All Entitlement Program criteria not met	227	44	68	61	400		
Has bachelor degree	15	4	21	728	768		
Other	32	13	52	93	190		
Miscellaneous	91	92	102	222	507	1%	
Receiving Cal Grant funds	3	1	0	1	5		
SB 860 renewal Cal Grant * processed after offering MCS award	0	1	4	4	9		
Last "complete" Cal Grant application processed in 2013-14 or before	88	90	98	217	493		
Total	7,868	4,865	11,904	21,047	45,684	100%	
	17%	11%	26%	46%	100%		

University of California	Educational Level					Total	
	Freshman	Sophomore	Junior	Senior	Total		
Late Filers	183	146	586	1,030	1,945	24%	
Filed after March 2nd	183	146	586	1,030	1,945		
Financially Ineligible Reason for Cal Grant	818	377	1,021	1,216	3,432	42%	
Only over income ceiling	112	87	243	301	743		
Only over asset ceiling	34	19	41	57	151		
Only unmet financial need	4	10	12	15	41		
Multiple financially ineligible reasons	668	249	713	827	2,457		
Both financially and not financial ineligible reasons		12	12	16	40		
Ineligible Reason (not Financial) for Cal Grant	305	363	411	1,555	2,634	32%	
No GPA provided	143	304	204	418	1,069		
GPA below minimum		1	2	51	54		
Educational level greater than 4	2		19	520	541		
Less than 100% or no remaining eligibility	1		3	149	153		
Score below cutoff for Competitive Cal Grant	9	17	136	257	419		
All Entitlement Program criteria not met	124	35	29	24	212		
Has bachelor degree	3	1	4	97	105		
Other	23	5	14	39	81		
Miscellaneous	13	22	31	92	158	2%	
Receiving Cal Grant funds	3				3		
SB 860 renewal Cal Grant * processed after offering MCS award		1	2	1	4		
Last "complete" Cal Grant application processed in 2013-14 or before	10	21	29	91	151		
Total	1,319	908	2,049	3,893	8,169	100%	
	16%	11%	25%	48%	100%		

California State University	Educational Level					Total	
	Freshman	Sophomore	Junior	Senior	Total		
Late Filers	885	712	3,366	5,954	10,917	29%	
Filed after March 2nd	885	712	3,366	5,954	10,917		
Financially Ineligible Reason for Cal Grant	3,963	1,849	4,227	3,990	14,029	37%	
Only over income ceiling	1,895	835	2,126	2,199	7,055		
Only over asset ceiling	91	61	88	94	334		
Only unmet financial need	89	142	177	161	569		
Multiple financially ineligible reasons	1,802	726	1,692	1,464	5,684		
Both financially and not financial ineligible reasons	86	85	144	72	387		
Ineligible Reason (not Financial) for Cal Grant	1,623	1,326	2,191	7,080	12,220	33%	
No GPA provided	1,378	943	354	585	3,260		
GPA below minimum	14	60	85	264	423		
Educational level greater than 4	34	4	282	1,908	2,228		
Less than 100% or no remaining eligibility	3		56	1,143	1,202		
Score below cutoff for Competitive Cal Grant	70	299	1,320	2,458	4,147		
All Entitlement Program criteria not met	103	9	39	37	188		
Has bachelor degree	12	3	17	631	663		
Other	9	8	38	54	109		
Miscellaneous	78	70	71	130	349	1%	
Receiving Cal Grant funds		1		1	2		
SB 860 renewal Cal Grant * processed after offering MCS award			2	3	5		
Last "complete" Cal Grant application processed in 2013-14 or before	78	69	69	126	342		
Total	6,549	3,957	9,855	17,154	37,515	100%	
	17%	11%	26%	46%	100%		

* SB 860 renewal Cal Grant is a former Cal Grant offered awardee or paid recipient who was disqualified for a renewal award in 2012-13 or 2013-14 for exceeding the maximum household income and/or asset threshold or failing to meet the minimum need threshold but now meets the eligibility requirements in 2014-15.