

Information/Action Item

Strategic Policy and Planning Committee

Review of the Competitive Cal Grant program to consider ways more effectively to fill all of the 22,500 authorized awards

There are different types of Cal Grant awards offered to low-income students. To receive a Cal Grant, a student must be a California resident upon graduating from high school, be a U.S. Citizen, legal resident or meet AB 540 requirements, file a FAFSA or California Dream Act Application, be enrolled in a Cal Grant participating institution at least part-time, meet minimum Grade Point Average (GPA) requirements, and have financial need based on college costs.

The Cal Grant programs provide awards to financially needy and academically eligible students and include:

1. Cal Grant A & B entitlement programs for graduating high school seniors and recent graduates.
2. Cal Grant A & B competitive programs for students who begin college more than eighteen months after graduating from high school.
3. Cal Grant C for students attending occupational or vocational programs of at least four months in duration.

The Entitlement Cal Grant program offers unlimited awards to all applicants who meet the eligibility requirements. The Competitive program is limited to 22,500 annual awards and uses scoring criteria to rank applicants.

Background

On September 11, 2000, Governor Gray Davis signed Senate Bill 1644. This bill commencing with the 2001-02 academic year, established the Cal Grant A Entitlement Awards, Cal Grant B Entitlement Awards, Competitive Cal Grant A and B awards, California Community College Transfer Entitlement Awards, Cal Grant C Awards, and Cal Grant T awards. The enactment of this bill was to continue 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, the long-term policy of the Ortiz-Parcheco-Poochigian-Vasconcellos Cal Grant Program.

Under SB 1644, first-year Cal Grant awards are to be granted to all applicants with demonstrated financial need, eligible grade point averages, and who meet other prescribed criteria.

The California Student Aid Commission (Commission), on or before February 1, 2001, was to establish selection criteria for Cal Grant A and B awards under the competitive program that gave special consideration to disadvantaged students, taking into consideration those financial, educational, cultural, language, home, community,

environmental, and other conditions that hamper a student's access to, and ability to persist in, postsecondary education programs.

Currently, statute allows for a total of 22,500 Competitive Cal Grant A and B awards annually (CEC 69437(b)). If any awards are not distributed, statute permits the Commission to make additional awards, as practical, without exceeding an annual cumulative total of 22,500.

The Commission has annually received more applicants than awards are available. Due to the demand for the Competitive Cal Grant awards, selection criteria are used to provide grants to those students that best align with selection criteria.

Selection Process for Competitive Awards

Upon submission of the completed application (FAFSA and GPA), each student's electronic file goes through "Edits", which screen the data against the eligibility requirements. Common edits evaluate the applicants for overall Cal Grant eligibility and identify the most likely program for which an applicant may be eligible to receive further evaluation, such as a Cal Grant A or Cal Grant B, and include:

- Eligible school.
- Grade Point Average (at least 2.0 GPA for Cal Grant B and 3.0 high school GPA or 2.4 college GPA for Cal Grant A).
- Remaining eligibility for the program (has not used four years of Cal Grant benefits).

Financial Edits determine if students meet the income and asset standards, and are reviewed to determine whether they have sufficient financial need. Financial edits include:

- Income Ceilings – established and adjusted annually using the change in the California per capita income as specified in California Education Code Section 69432.7(k). Parental income is used for dependent applicants and student income is used for independent students.
- Asset Ceilings – established and adjusted annually using the change in the California per capita income as specified in California Education Code Section 69432.7(k). Parental assets are used for dependent applicants and students assets are used for independent students.
- Financial Need – California Education Code Section 69432.9(b)(2) defines financial need as the difference between the student's cost of attendance as determined by the Commission and the "expected family contribution".
- Unmet Need – California Education Code Section 69432.9(b)(3)(A), specifies the minimum financial need required for receipt of an initial Cal Grant A or Cal Grant C award. It shall not be less than the maximum annual award value for the applicable institution, plus an additional \$1,500 of financial need. California Education Code Section 69432.9(b)(3)(B) sets the minimum financial need required for a Cal Grant B award at \$700.

Applicants identified as eligible for an Entitlement Cal Grant are offered an award through the criteria identified above. The remaining applicants who do not meet the Entitlement Cal Grant requirements are then considered for the Competitive award cycle. These applicants are identified and moved into the scoring phase for the March 2 Competitive award cycle. The Commission currently uses a 200-point scoring system to evaluate applications for the Competitive Cal Grant awards.

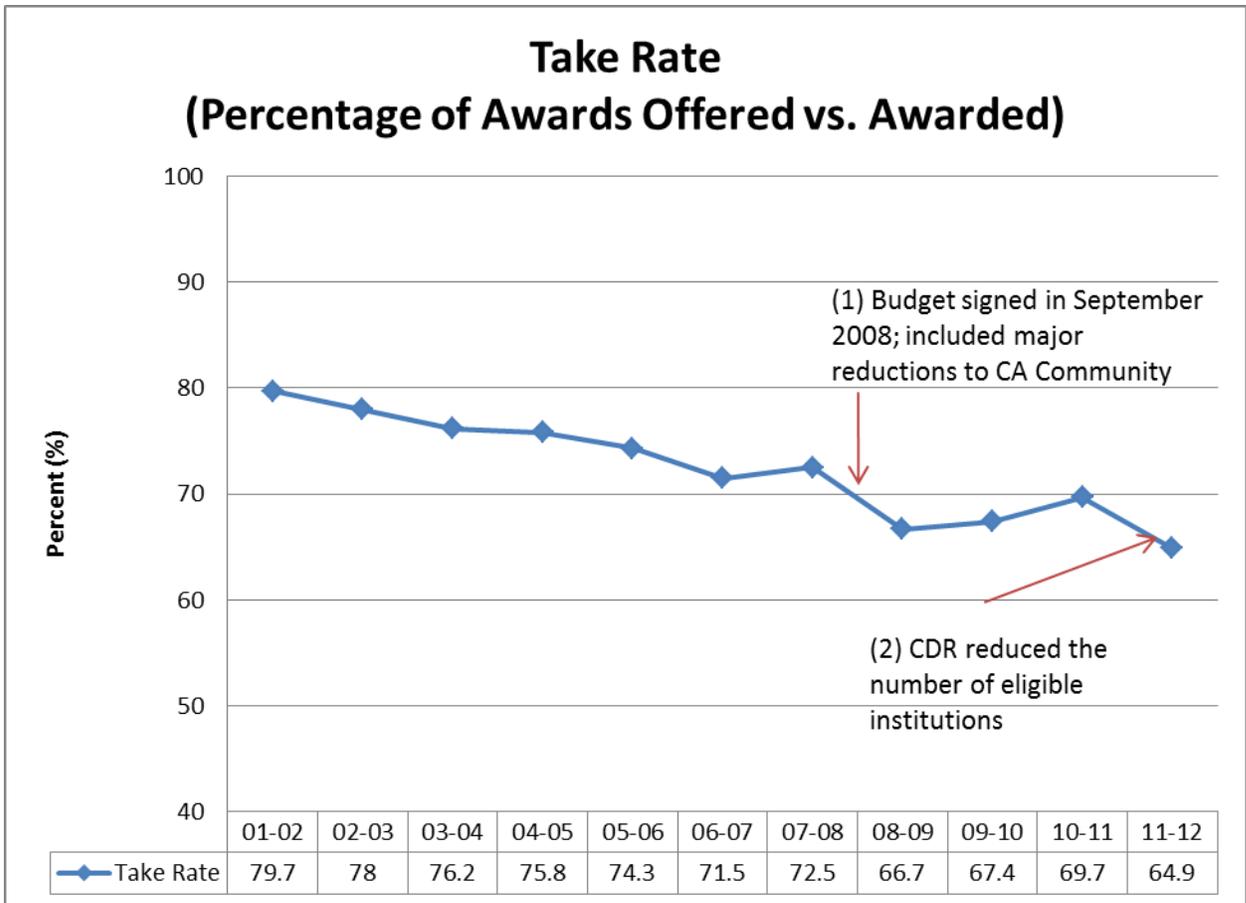
The maximum points for the scoring are displayed in the following table.

Scoring Categories	Maximum Points
Family Income and Household Size	76
Grade Point Average (GPA)	70
Access Equalizer	18
Parents' Education Level (Mother and Father)	18
Student or Parent Household Status	18
Total Points	200

Cutoff scores are established to determine which cohorts of students will be issued an award. The number selected for the cutoff varies from year to year and is determined by an estimate, to get as close to the award amounts of 11,250 for each competition (March and September) as possible. The number of students in a cohort range between 1,000 and 2,000 applicants. Therefore, selecting the next cohort could increase the award offers significantly.

Cal Grant Competitive Program Take Rates

Since the implementation of SB 1644, the take rate for Competitive awards is shown in the graph below.

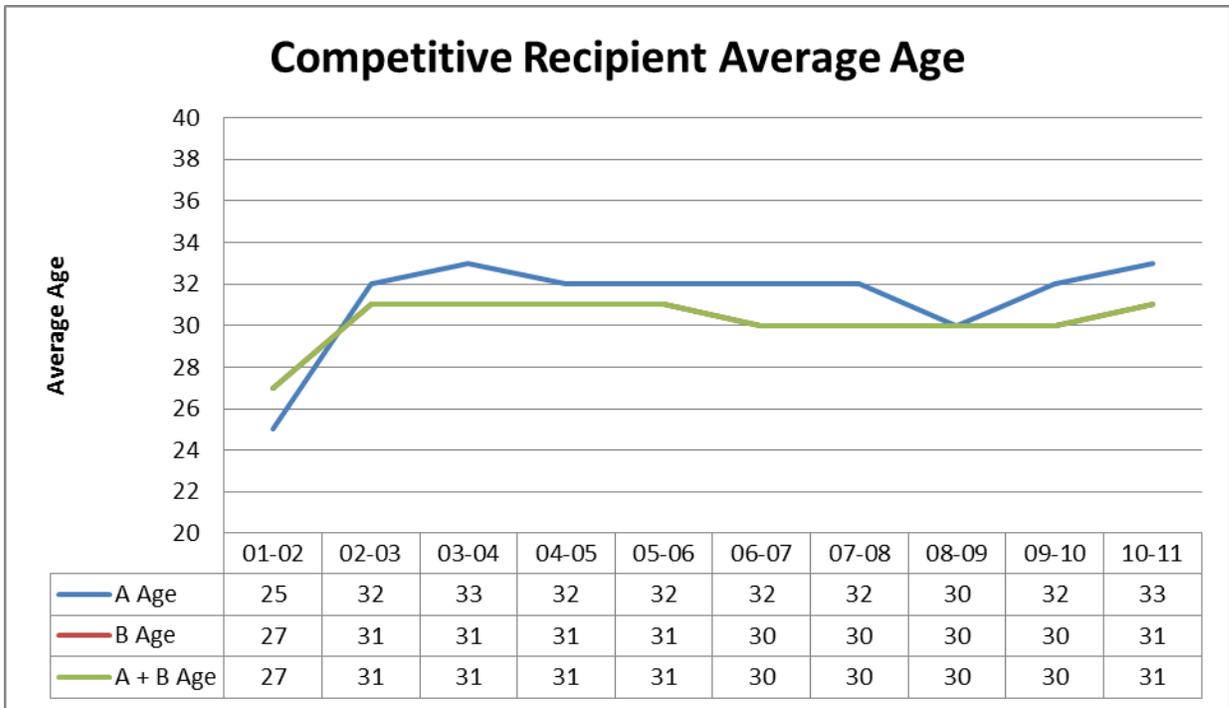


The “take rate” has seen a slight decrease year over year since inception. A couple of key external factors to take note of are indicated within the graphic.

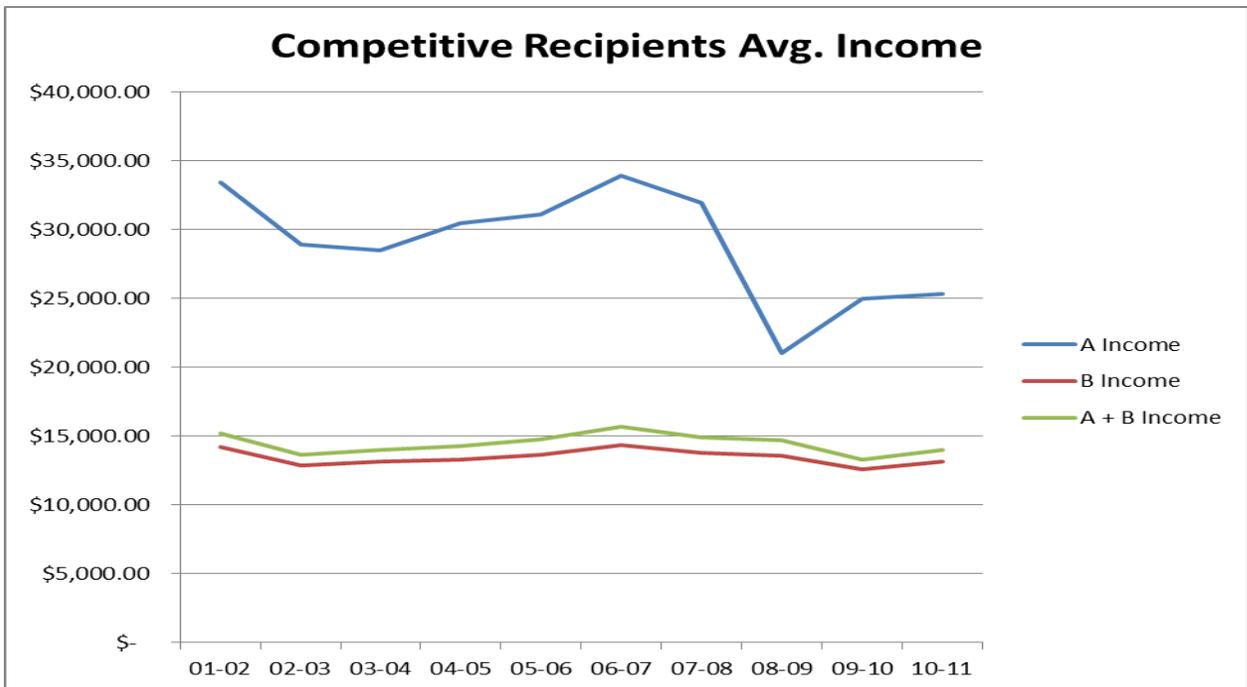
- (1) During 2008-09 academic year, the State Budget was not signed in until late September. This resulted in communications having to be sent to schools and students that may have impacted their decisions to attend for that period of time.
- (2) During the 2011-12 academic year, the implementation of Cohort Default Rates as eligibility requirements reduced the number of institutions eligible to participate in the Cal Grant Program. Half of the 22,500 Competitive awards are offered to community college students and with budgets cuts beginning in the 2008-09 fiscal year, students may have been impacted for various reasons.

Student Demographics

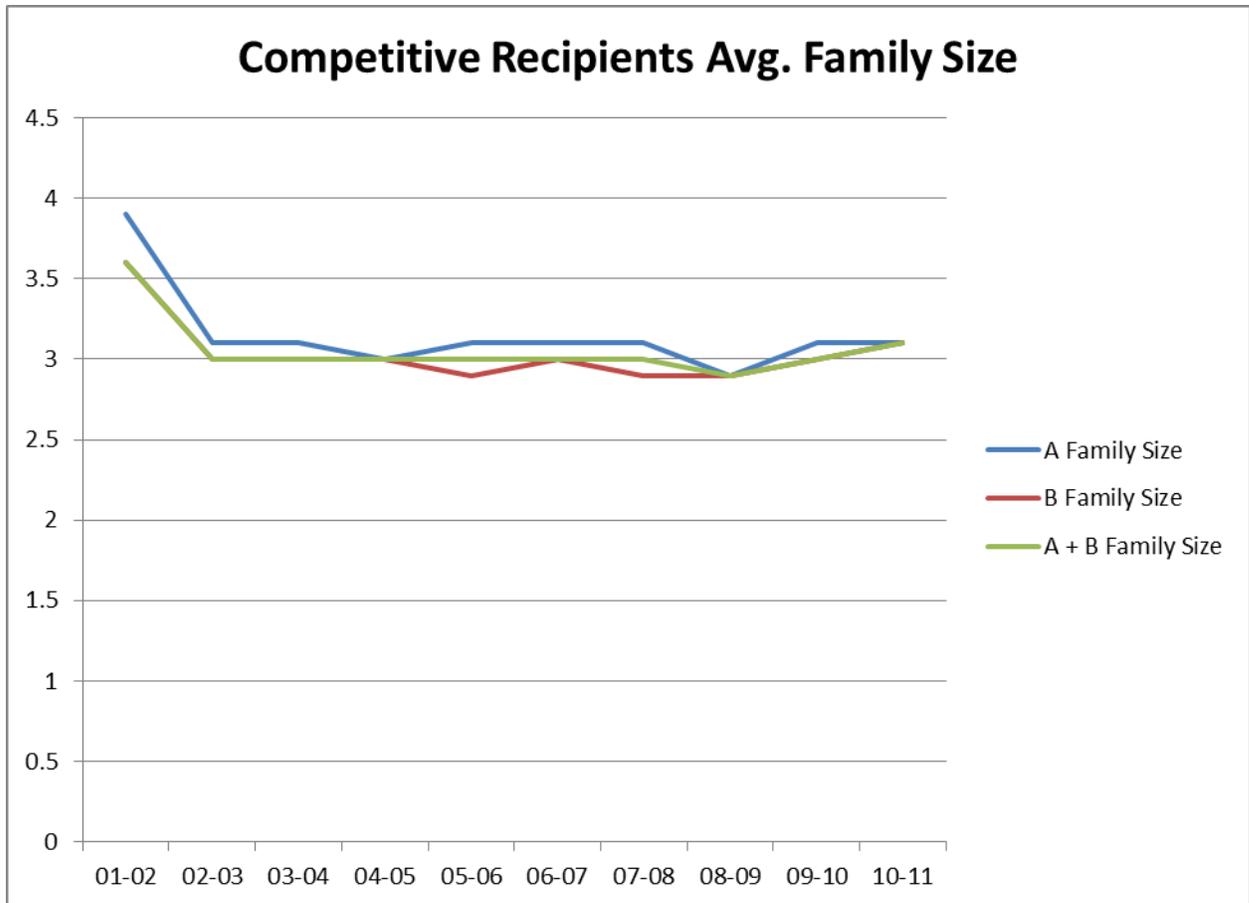
The demographics of the student population served by the Competitive Cal Grant A and B awards are that of “non-traditional” students. The demographics reviewed include age, income, and family size of Competitive Cal Grant A and B recipients.



The Average Age for a Competitive Award recipient is 30.2 years of age and has remained relatively consistent over the last 10 years.



The disparity between the Cal Grant A average income and the Cal Grant B average income is due to the eligibility criteria. The Competitive Cal Grant A awards income ceilings are significantly higher than that of the Competitive Cal Grant B award.



The average family size for the Competitive Cal Grant A and B recipients has been relatively constant at just slightly above three (excluding year 1, Academic Year 2001-02).

Summary

Traditionally, Competitive Cal Grant A and B awards have been geared toward non-traditional students. Due to the population that is being served, there are a number of possibilities that could explain, or at a minimum, provide some statistical insight as to why students are either choosing, or unable to accept and/or receive their awards. In an effort to serve as many students as possible, the Commission makes more award offers than the available allocations. With a “take rate” hovering around 70%, historical evidence might suggest this can be safely done to maximize award amounts.

It is worth noting, that while this percentage holds true, it may be argued that the Commission can still make more award payments. Operating with a 70% “take rate”, means that 6,750 awards have not been utilized annually in the past. However, despite the historical “take rate,” the Commission is at risk of having an abnormal number of awards accepted by students in any particular year. The law limits the Commission to making award payments to 22,500 recipients each year. Increasing the award offers to approach a 90% “take rate”, at the current level of awards offered, could lead the Commission to exceed statutory limits on awards.

The State Budget Act of 2012 creates another factor to consider. Control language was added requiring the Commission to obtain approval from the Director of Finance for any policy or practice change which has an annualized fiscal effect exceeding \$5,000,000. The circumstances under which the Department of Finance would exercise its authority have not yet been specified or determined.

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