

2007 Institutional Participation Agreement
Consideration of a Decentralized Cal Grant Program

Issue

Should the Commission delay adoption of a new IPA to consider whether the Cal Grant program be decentralized?

Background

SB 1644, (Chapter 403, Statutes of 2000) reaffirmed existing law that established the California Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education.

The Legislature was clear on the intent of SB 1644 when they added Section 66021.2 to the California Education Code, which states the following:

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, the long-term policy of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program established pursuant to Chapter 1.7 (commencing with Section 67430) of P-art 42 shall be as follows....

Thus, the law establishes the Cal Grant program as one in which the student chooses the institution at which he or she will use the Cal Grant funds, rather than the institution choosing the students on whom to spend Cal Grant funds. This is a centralized program.

Recommendations by the Commission's Grant Advisory Committee

The Grant Advisory Committee (GAC) has proposed that Commissioners delay a decision on a new IPA in favor of considering moving to a decentralized the Cal Grant Program. GAC recommends as a second option that the Commission place the responsibility for administering the Cal Grant Program on institutions, and fund the institutions' cost of administration. As a third option GAC recommends that the Commission would take complete responsibility for the accuracy of the initial eligibility determination. Finally, GAC has recommended that an assessment of the accuracy of the current process may alleviate the need to change it if the assessment establishes the error rate of the current process to be low.

Staff Discussion

As indicated above, current law does not authorize a decentralized program. It does not authorize institutional control of state funds appropriated by the Legislature for Cal Grant program purposes. Therefore, there is no basis for the Commission to delay consideration of a new IPA to discuss decentralization. The Commission may choose to refer consideration of a proposal to decentralize to an appropriate Commission committee, but a policy discussion of decentralization has no relevance to the operation of the existing Cal Grant

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Program and does not remove the need to define the operational responsibilities of the Commission and institutions through a new IPA.

It should be noted that legislation supporting decentralization has previously been proposed, and failed. Assemblywoman Hannah Beth Jackson proposed AB 1323 in 2003 to require a plan to be developed by December 31, 2004, for the implementation of a decentralized, campus-based approach for the Cal Grant Programs. The bill further stipulated the intent to implement a decentralized Program by December 31, 2006. The bill did not make it out of the Assembly and was held under submission.

There is no indication that any legislation will be introduced in the current 2007-2008 Legislative session that would entertain a decentralized model.

In fact, the Legislative Analyst's Office (LAO) has recommended just the opposite for a number of years. The LAO has recommended in the annual analysis of the Governor's Budget that the Legislature consider expanding Cal Grant programs by consolidating institutional aid programs into the Cal Grant Program. The LAO's most recent rationale dealt with the Cal Grant Competitive program and was characterized as follows:

Although the state guarantees financial aid for all recent high school graduates who meet financial and academic requirements, it limits the number of awards (22,500) for older students. In 2005-06, about 136,000 students competed for these awards—thus, the program served fewer than one in six eligible applicants. The competitive Cal Grant programs could be expanded without new costs by consolidating them with existing undergraduate institutional financial aid programs. The University of California, California State University, and California Community Colleges together spend more than \$700 million on such programs. Each of these programs operates under different rules. Thus, students with similar financial need are treated differently based on the campus they attend. Consolidating these grants under a single program would result in consistent policies that treat similar students alike. Statewide consolidation also would improve accountability because institutional aid policies are currently developed outside of the Legislature's direct purview.

GAC's second option of authorizing the institutions to administer the entire Cal Grant Program and to pay institutions for the costs of administration is not authorized by the law. Current law does not authorize the Commission to pay schools for the costs of administration. The Legislature is the only governmental entity that has the power to authorize payment of State funds, and accomplishes this through an appropriation included in the Budget Act or in a legislative bill.

Again, the Commission may want to refer consideration of proposing legislation that would allow the Commission to pay institutions for administrative costs related to the Cal Grant Program, but the issue does not remove the need to

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define the operational responsibilities of the Commission and institutions through a new IPA.

The discussion of whether the Commission or institutions should bear workload responsibilities can be accomplished during consideration of the open issues, on an issue-by-issue basis, as discussed in the accompanying issue papers.

Staff is sensitive to workload issues placed on institutions. Staff attended work group meetings led by the California Postsecondary Education Commission (CPEC) in 2003 to discuss potential alternative delivery concepts. CPEC issued its report in February 2003 entitled *Commission Recommendations Concerning Alternate Delivery Options for the State's Cal Grant Program* as requested in the Budget Act of 2002. Commission staff used information gathered in the workgroup meetings to implement changes to the program that would help streamline the process for students and for schools.

Commission staff continues to work with EDFUND and our partners in higher education to streamline and improve Cal Grant processing, including adding real-time database and reporting capabilities, re-inventing the Commission's award and denial letter process, streamlining the GPA collection process and improving Grant Delivery System (GDS) access for schools and students. Phase I of the real time GDS project is currently funded and in progress. Phase II of the project is included in the Governor's Budget and will be considered by the Legislature this spring. Administration and Legislative commitment to fund technological improvements to the Commission's processing system is an indication of continued support for the current centralized process.

As described in the Tab 9 cover, the Commission staff included stakeholder participation in the new IPA development process, including numerous meetings with the Commission's Grant Advisory Committee (GAC), as well as two town-hall type discussions held in northern and southern California and an Internet-based discussion. Commission staff gathered and summarized numerous and varied comments and incorporated suggestions that would be favorable to schools and to students as long as they allow compliance with current law.

Finally, an assessment may be informative, but would not be sufficient to excuse the Commission from developing a process through the IPA that ensures, to the best extent possible, that information and procedures are in place to ensure student access, to ensure student eligibility, and to ensure State funds are appropriately spent.

Staff Recommendation

Commission staff recommends that the Commission proceed to discuss and adopt the new IPA and not to delay adoption to consider whether the Cal Grant Program should be decentralized.