CALIFORNIA STUDENT AID COMMISSION

FREQUENTLY ASKED QUESTIONS FOR INSTITUTIONS
REGARDING THE
CAL GRANT PROGRAM REQUIREMENTS PER SENATE BILL 70

The Legislature recently passed, and the Governor signed on March 24, 2011, a number of budget-related bills to achieve savings in state spending, including Chapter 7 of the Statutes of 2011 ("SB 70"), which implements savings in the Cal Grant Program, among other things. Following are the initial questions from institutions related to this legislation. This document will be updated as needed.

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1. What are the household income and asset limits for Cal Grant recipients who want to renew their Cal Grant awards?

   For renewing recipients initially awarded a Cal Grant before the 2011-12 academic year, the income and asset levels that must be met shall be the greater of:

   - *The adjusted maximum levels in place in the year of renewal; or*
   - *The levels in place in the 2010-11 academic year.*

   For renewing recipients initially awarded a Cal Grant in the 2011-12 academic year or later, the income and asset levels that must be met shall be the greater of:

   - *The adjusted maximum levels in place in the year of renewal; or*
   - *The levels in place in the year of the initial Cal Grant award.*

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2. For a renewing student, is the income level to be used for the year in which the Cal Grant was first awarded based on the income for the student's household size in that original year?

   No. The Commission will use the income, asset and household size data from the renewal year to determine if the renewal recipient meets the income and asset levels as described in question 1.

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3. If assets were not collected on the FAFSA in the year the Cal Grant was first awarded (i.e., the student qualified for the simple needs test), is the student assumed to have met the asset ceiling even if assets are collected on the FAFSA in the current/renewal year?

   No. A student who qualified for the simple needs test when first awarded a Cal Grant is not assumed to have met the asset ceiling in a renewal year, even if assets are collected on the FAFSA in the renewal year. However, a renewal student who qualifies to be considered under the simple needs test in a renewal year is presumed to meet the annually adjusted maximum asset level in that renewal year.

4. If a student loses eligibility for the Cal Grant award in one year (e.g., when a sophomore), can he or she be re-evaluated for eligibility and regain the Cal Grant if he or she qualifies in the following year (e.g., when a junior)? Can a student just be ineligible for payment, or could he or she opt to take a leave from payment?

Failure to meet the income or asset ceilings or minimum need for renewal of a Cal Grant will result in a student's withdrawal from the Cal Grant Program.

A student who is withdrawn for failure to meet the income or asset ceilings or minimum need may not take a leave of absence or leave from payment to avoid losing the award.

Students who are withdrawn from the Cal Grant Program, but have not exhausted their payment eligibility, may reapply for a Cal Grant award. However, applications from previously withdrawn Cal Grant students, who have not used all their Cal Grant eligibility, will be processed as new applicants for Cal Grant.

5. For UC, does the minimum need calculation equal Federal UC system-wide fees plus $1500 (Cal Grant A) or $700 (Cal Grant B)? Does the student's Pell Grant have to be counted?

The minimum need calculation for Cal Grant A is the maximum award for the segment plus $1500. For Cal Grant B, the minimum need is $700.

For UC schools, the current (2011-12) minimum need calculation is $12,192 + $1,500 = $13,692 minimum need.

Pell Grant is not counted in the new renewal formula.

6. Is minimum need also subject to the comparison between the initial award year and the renewal year?

No. Determination of minimum need for the renewal year is based on applying the formula using information for the renewal, not the initial, year of the award.

Minimum Financial Need for Cal Grant purposes is calculated:

Cost of Attendance (COA)
<u>Less Expected Family Contribution (EFC)</u>
Minimum Financial Need

Using UC as an example, if a student was awarded in 2008-09 with a $7,126 Cal Grant A award, the student's minimum need for that year was $7,126 +$1,500 = $8,626. However, in order to renew for 2011-12, the student must meet the 2011-12 minimum need calculation: $12,192 + $1,500 = $13,692 minimum need.

Keep in mind that as fees rise (e.g., $7,126 to $12,192), the cost of attendance (COA) rises dollar by dollar as well.

The Commission recommends that institutions submit accurate college cost estimate forms every January to establish true costs at the institution.

7. **What is the minimum need calculation for a part-time student? If the student was part-time for the first year he/she received a Cal Grant but is now full-time, would the minimum need calculation for the first year option be the original part-time calculation (and vice versa)?**

   The Commission's calculation for minimum financial need has not changed under SB 70. Since cost of attendance (COA) and expected family contribution (EFC) are derived using full-time figures, the minimum need calculation is also used with full-time components, even for part-time students. Award payments are adjusted based on enrollment status.

8. **Since some Cal Grant renewals will have first received their Cal Grant at another institution, institutions will need to rely on the Commission to provide the income/asset ceiling and minimum need that must be used for the original Cal Grant determination. Will the Commission provide such figures for each renewal recipient? Can those figures be added to the Cal Grant roster, rather than be provided in a separate file?**

   The Commission will implement the Senate Bill 70 (SB 70) income/asset and minimum need requirements by processing all renewals through the Grant Delivery System. Therefore, institutions will not need the income/asset and minimum need amounts for the original Cal Grant determination for each renewal recipient.

   The Commission can provide income/asset ceilings for prior years to institutions, if needed. However, the Commission is not able to provide minimum need amounts for initial year awards to institutions.

9. **If a Cal Grant B renewal student does not meet the minimum need and income/asset ceiling requirements for a Cal Grant B in the renewal year, but does meet the requirements for a Cal Grant A in the renewal year, can the student receive a Cal Grant A?**

   If the student has already received payment under the Cal Grant B program, the student's award cannot change to a Cal Grant A.

   Renewing Cal Grant students may change their awards from a Cal Grant B to a Cal Grant A only if the students have not received payment on the Cal Grant B and the award year is still open.

10. **Some institutions feel the workload associated with building the alternative original minimum need and income/asset ceilings into their Cal Grant eligibility determination process is significant and not worth the benefit that would accrue to the small number of recipients who would be able to retain their Cal Grant. They would rather substitute another benefit such as retaining a Cal Grant A if ineligible for a Cal B renewal or allowing students to re-establish eligibility in following years or something else. What are the possibilities here?**

    Since the Commission will process renewals for all Cal Grant students, the burden on institutions should be minimal. Financial aid offices should still check students who are selected for verification by the United States Department of Education (USED).

    Some institutions use the income/asset ceilings and minimum need formula to project or estimate Cal Grant awards. Institutions will need to rely on the grant roster for their renewal students. The process for new students will not change.

11. **Have you heard anything about what we do with renewal Competitive Cal Grant B awards? Do they have to be rescored?**

    Renewal students must meet income/asset ceilings and minimum need formulas, but they do not need to be rescored.

12. What are the new requirements for a qualifying institution for the Cal Grant program?

For the 2011-12 academic year, an otherwise qualifying institution with a 2008 trial three-year cohort default rate equal to, or greater than, 24.6 percent, as reported by the United States Department of Education (USED), is ineligible for new and renewal Cal Grant awards.

For the 2012-13 academic year and each year following, institutions with a three-year cohort default rate that is equal to or greater than 30 percent, as reported by the USED as certified by the Commission on October 1, 2011, and every year thereafter, are ineligible for new or renewal Cal Grant awards.

The above cohort default rate thresholds will not apply to qualifying institutions with 40 percent or less of undergraduate students borrowing federal student loans.

A limited exception will be made for renewal recipients who were enrolled at the SB 70 affected institution in the academic year immediately prior to the year in which the institution was determined to be ineligible (see question 16).

If a three-year cohort default rate (rate) has not been reported by the USED, the institution will be provisionally eligible to participate in the Cal Grant program until a three-year cohort default rate has been reported by the USED.

13. Can a school appeal their CDR?

Because cohort default rates (CDR) are set by the United States Department of Education (USED), an institution may only appeal its CDR to USED. If USED corrects or revises an institution's three-year cohort default rate that originally failed to satisfy the requirements established by Senate Bill 70 (SB 70) and the correction or revision results in the institution's three-year cohort default rate satisfying the requirements, that institution shall immediately regain its eligibility for the academic year to which the corrected or revised three-year cohort default rate would have applied.

A SB 70 affected institution may regain its eligibility for the academic year following an academic year in which it meets the CDR requirements.

14. How does an institution find out if it is affected as a result of the changes made by SB 70?

The Commission will send a letter to the SB 70 affected institutions (signees of the Institutional Participation Agreement). A list of institutions affected by Senate Bill 70 (SB 70) is posted on the Commission's website.

15. How does being an SB 70 affected institution affect a student's ability to use a Cal Grant award at that institution?

A Senate Bill 70 (SB 70) affected institution is not eligible to receive Cal Grant funds for any student who is new to the institution in the 2011-12 academic year. This includes both new Cal Grant recipients and Cal Grant recipients wishing to transfer to the SB 70 affected institution.

SB 70 affected institutions are eligible to receive Cal Grant funds for students who are continuing at the institution for the 2011-12 academic year. However, the maximum Cal Grant award payable will be reduced by 20 percent (see question 16).

16. **For those continuing students at SB 70 affected schools, will all payments be reduced by 20%? Full time, half-time, reduced need?**

Under a limited exception provided by Senate Bill 70 (SB 70), if a student's Cal Grant award is renewed, and the student was enrolled at the SB 70 affected institution in the academic year immediately before the academic year for which the institution is affected, the student may choose to stay enrolled at the affected institution and receive a reduced Cal Grant award. The maximum Cal Grant A and B award will be reduced by 20 percent. If the student's enrollment changes to part time, then the award payment amount will be adjusted accordingly.

The Cal Grant B access award of the renewing recipient (or continuing student) will not be reduced under this exception.

The Cal Grant C tuition and fee award and book and supply award of the renewing recipient (or continuing student) will not be reduced under this exception.

17. **Will the Commission communicate to students about how the change in law affects their ability to use their Cal Grant at the SB 70 affected institutions?**

Yes. The Commission is preparing a separate communication to the Cal Grant students who have indicated they were planning on attending a Senate Bill 70 (SB 70) affected institution in 2011-12.

18. **Will SB 70 affected institutions be notified of those Cal Grant students currently showing at their school?**

The 2011-12 Cal Grant roster of a Senate Bill 70 (SB 70) affected institution will reflect those students who are not eligible to receive a Cal Grant and those whose Cal Grant award will be reduced.

19. **If the Commission is sending written communication to students informing them that some institutions are not eligible for Cal Grants because those institutions do not meet legal requirements established by SB 70, will the Commission share the communication with institutions?**

The Commission will send a Special Alert and copies of student letters to institutions prior to students being notified.

20. **What is the definition of "undergraduate students" in the section excepting institutions with 40% or less of undergraduate students borrowing federal student loans from the cohort default rate provisions?**

The Commission is not defining "undergraduate students". The Commission will be using the undergraduate, borrower, and cohort default rates published by the United States Department of Education (USED). USED uses the undergraduate numbers reported by institutions to the Integrated Postsecondary Education Data System (IPEDS) and borrower data from the National Student Loan Data System (NSLDS).