

California Student Aid Commission

Item 1 (Information)

Update on 2018-19 State budget issues, including the May Revision and items relating to the Commission's programs and operations

SUMMARY:

This item is an update on the May Revision to the Governor's Proposed Budget for Fiscal Year (FY) 2018-19, also known as the May Revise - specifically, those items that pertain to CSAC programs and operations, as well as other State financial aid programs and higher education funding in general.

RECOMMENDATION:

This update is an informational item. No action is required.

BRIEF HISTORY OF KEY ISSUE(S):

The January Governor's Proposed Budget for FY 2018-19 included the following funding items for State financial aid programs and operations:

- \$2.319 billion overall for CSAC, including \$1.201 billion from the State General Fund (GF) and \$1.112 billion in reimbursements from the federal Temporary Assistance to Needy Families (TANF) program;
- Full funding (\$7.4 million GF) for the first-year program costs of the Grant Delivery System Modernization (GDSM) Project, consistent with the Commission's Budget Change Proposal (BCP) submitted in October 2017;
- A proposal to permanently maintain the maximum Cal Grant tuition award for students attending private nonprofit institutions at its current level (\$9,084), avoiding the scheduled statutory reduction to \$8,056, provided this sector as a whole meets certain state-mandated targets for enrollment of transfer students from California Community Colleges; and
- A cost-of-living adjustment (COLA) for the existing consortia in the California Student Opportunity and Access Program (Cal-SOAP) of \$177,000, or 2.3 percent.

The history of these programs, and further detail regarding the January and May Revise budget proposals pertaining to CSAC and State financial aid, is discussed in further detail in Attachment 1.1.

ANALYSIS:

The May Revision to the Governor's Budget Proposal contains the following adjustments to CSAC programs and services:

- An increase of \$58.4 million GF to reflect increased Cal Grant participation estimates and reduced reliance on TANF reimbursements; and
- A slight modification to the proposed number of transfer students that nonprofit institutions must accept in order to maintain the current (\$9,084) maximum Cal Grant award - in 2018-19, the target would be set at 2,000 students, not 2,500 as previously proposed.

Attachment 1.1 contains more detail about the May Revision proposal and financial aid programs.

RESPONSIBLE PERSON(S):

David O'Brien, Director
Government Affairs

ATTACHMENTS:

Description

- ▣ Attachment 1.1.: Overview of the 2018-19 Governor's (May Revise) Budget Proposal
- ▣ Attachment 1.2: Governor's (May Revise) Budget Proposal
- ▣ Attachment 1.3: CSAC Recommendations Regarding TCF Report

CALIFORNIA STUDENT AID COMMISSION
Overview of the 2018-2019 Governor's Budget Proposal, May Revision
May 2018

SUMMARY

The May Revision to the Governor's Budget Proposal for Fiscal Year (FY) 2018-2019 would fund California Student Aid Commission (CSAC) programs and operations at a total of \$2.32 billion, including \$1.07 billion in federal reimbursements from the Temporary Assistance to Needy Families (TANF) program.

The major program changes and adjustments to CSAC's budget are as follows:

- **Full funding (\$5.5 million GF) of the first-year program costs for the Grant Delivery System Modernization (GDSM) Project**, consistent with the Commission's Budget Change Proposal (BCP) submitted October 2017. This project is crucial to maintaining CSAC's ability to issue financial aid awards and assist students in the process. *Note that this amount has been reduced by \$1.9 million from the total funding in the January Budget Proposal, consistent with changes to the GDSM business plan made by CSAC.*
- **An increase of \$7.9 million GF to maintain the maximum Cal Grant tuition award (\$9,084) for students attending private, nonprofit institutions.** To qualify for the higher award, the nonprofit sector as a whole would have to meet new requirements related to enrollment of transfer students. Cal Grant awards for students at for-profit institutions accredited by the Western Association of Schools and Colleges (WASC) would be reduced to \$8,056.
- **A \$177,000 increase in California Student Opportunity and Access Program (Cal-SOAP) base funding.** The administration indicates this funding is to be used as a cost-of-living adjustment (COLA) for the existing Cal-SOAP consortia.

FINANCIAL AID PROGRAMS

Cal Grant Program

The Budget proposes a total of \$2.185 billion in Cal Grant spending, including \$1.119 billion GF and \$1.066 billion TANF. Note that this amount does not consider increases in tuition and fees at either the University of California (UC) or the California State University (CSU). While the CSU Board of Trustees has chosen not to enact a tuition increase for the 2018-19 academic year, instead looking to seek additional state GF support, the UC Board of Regents may still consider a tuition increase for 2018-19.

In response to the prospect of a tuition increase at either CSU or UC, the Administration is proposing budget bill language that would, if tuition increases, automatically reduce either segment's GF appropriation for 2018-19 by the amount of funding that would be raised from any tuition increase. However, the CSU Board of Trustees has already chosen not to consider a tuition increase for 2018-19, and the UC Board of Regents has indicated that it will not either.

Cal Grants for Non-Profit Institutions

The Administration proposes to permanently maintain the maximum Cal Grant award at private nonprofit institutions at \$9,084, providing the CSAC budget with an additional \$7.9 million GF (FY 2018-19). The estimated cost of \$7.9 million in the first year would increase to \$26.6 million in FY 2021-22.

As a condition of receiving this full Cal Grant award, starting in the 2019-2020 academic year, schools in this sector would have to admit a specified number of community college transfer students under the state’s Associate Degree to Transfer (ADT) protocol. Specifically, the sector as a whole would be required to admit 2,000 students via the ADT protocol in 2018-19, 3,000 students in 2019-20, and 3,500 students in 2020-21 and thereafter. CSAC would be responsible for verifying that the sector is meeting this quota.

Cal Grants for WASC-Accredited For-Profit Institutions

Historically, students attending nonprofit institutions and for-profit institutions with WASC accreditation have been eligible for the same maximum Cal Grant award – currently \$9,084. In the FY 2018-19 Budget Proposal, the Administration proposes to reduce the maximum award for students attending WASC-accredited for-profit institutions to \$8,056, a reduction of \$1,028 per student.

Other CSAC Financial Aid Programs

The Governor’s Budget Proposal does not make any major changes to all other CSAC financial aid programs. The Assumption Program of Loans for Education (APLE) continues to be phased out. The Graduate Assumption Program of Loans for Education (GAPLE) and the Child Development Teacher and Supervisor Grants will be fully phased out by FY 2018-19 under the Governor’s Proposal.

OUTREACH PROGRAMS

The May Revision continues to propose an increase of \$177,000, or 2.3 percent, to the Cal-SOAP program, to reflect increased program and business costs. The detail of proposed funding levels to the Commission’s two major Outreach programs is in the table below.

Note that, while the Governor’s Budget does not include funding to establish a Cal-SOAP consortium in Orange County pursuant to 2017 legislation (AB 584, Quirk-Silva, Chapter 500, Statutes of 2017), it does include a \$177,000 increase to the existing consortia, to reflect increased program and business costs.

Program	2017-18 Enacted Budget	2018-19 Budget Proposal
<i>Cal-SOAP</i>		
Consortia	14	14
Amount	\$7,721,000	\$7,898,000
<i>Cash for College</i>		
Regional Coordinating Offices	7	7
Amount	\$328,000	\$328,000

INFORMATION TECHNOLOGY

Grant Delivery System Modernization

In October 2017, CSAC submitted a BCP requesting \$7.4 million in one-time funds from the General Fund, to complete the development, implementation and launch of the GDSM Project with the selected contractor. This BCP was fully funded in the Governor's January Budget Proposal.

Since then, changes to the GDSM business plan have resulted in a \$1.9 million reduction in first-year program costs, to \$5.5 million. It is expected that CSAC will have to submit a BCP requesting a similar amount for the second year of project costs (2019-20), with reduced costs in the third (2020-21), fourth (2021-22), and ongoing years.

COMMUNITY COLLEGES PROPOSALS

Financial Aid

The Governor's Budget proposes \$46 million in Proposition 98 GF to fund AB 19 (Santiago, Chapter 735, 2017), which created a process by which community colleges can waive unit fees for all first-time, full-time students in their first year of attendance. This legislation renamed the Board of Governor's Fee Waiver the California College Promise Grant, and authorizes colleges to waive these fees for students if the college and the student meet certain requirements – including requiring all students to complete a FAFSA or CADAA to receive the grant.

Additionally, the Governor's Budget proposes to consolidate two existing community college grant programs – the Full-Time Student Success Grant and the CCC Completion Grant – into a single grant, which would scale up based on the number of units a student is taking. Students enrolled in at least 15 semester-equivalent units could receive a maximum of \$4,000 annually.

Funding Formula

The May Revision continues a proposal from the Governor's January Budget Proposal to implement a Student-Focused Funding Formula for California Community Colleges (CCCs), similar to the Local Control Funding Formula enacted for K-12 school districts under the Brown Administration. The CCC funding formula proposal is relevant to CSAC because individual districts would receive additional state funding based on the percentage of their students receiving federal Pell Grants. The proposed formula includes the following elements:

- *Base Grant* – A base grant for each CCC district based on enrollment.
- *Supplemental Grant* – Additional grant funding based on the number of low-income students enrolled in each district, as measured by both students that receive a College Promise Grant fee waiver and students that receive a Pell Grant.
- *Student Success Incentive Grant* – Additional grant funding based on the number of students that earn a degree or certificate within a specified timeframe.

HIGHER EDUCATION

Higher Education includes the California Community Colleges (CCC), the California State University (CSU), the University of California (UC), the Student Aid Commission, and several other entities. The Budget includes total funding of \$33.9 billion (\$18.8 billion General Fund and local property tax and \$15.1 billion other funds) for all higher education entities in 2018-19.

CALIFORNIA COMMUNITY COLLEGES

The CCCs are the largest system of higher education in the nation, serving roughly one-quarter of the nation's community college students, or approximately 2.1 million students. The CCCs provide basic skills, vocational, and undergraduate transfer education with 72 districts, 114 campuses, and 78 educational centers. In 2016-17, the community colleges awarded more than 81,000 certificates and 139,000 degrees and transferred more than 106,000 students to four-year institutions.

STUDENT-FOCUSED FUNDING FORMULA

The Governor's Budget proposed a new student-focused funding formula for general purpose apportionments that reflected the following core components: (1) a base grant largely comprised of a funding rate per Full-Time Equivalent Student (FTES), (2) a supplemental grant based on a funding rate per low-income student, and (3) a student success incentive grant comprised of a funding rate per degree, certificate, and award granted to a student.

The proposed student-focused funding formula also included a hold harmless provision that ensured that in 2018-19 and 2019-20, no district would receive less funding than it received in 2017-18.

Since the release of the Governor's Budget, the CCC Chancellor's Office has engaged college leaders and executives and other stakeholders on the proposed formula. The May Revision proposes the following adjustments in response to this feedback and recommendations by the Chancellor's Office:

- **Formula Framework**—The revised components of the Student-Focused Funding Formula reflect the distribution of 60 percent as a base funding allocation, 20 percent as a supplemental funding allocation, and 20 percent as a student success incentive funding allocation. Non-credit FTES, including career development and college preparation FTES, are not included in the formula and are funded at existing rates. Further, the base funding allocation calculation reflects the use of a three-year rolling average to protect districts from enrollment swings and the peaks and valleys of the economic cycle.
- **Supplemental Metrics**—The revised components of the supplemental funding allocation reflect the number of low-income students over the age of 25 receiving a College Promise Grant fee waiver, specified undocumented students qualifying for resident tuition, and the total number of students receiving a Pell grant.
- **Student Success Incentive Metrics**—The revised components of the student success incentive funding allocation include completion of associate degrees and certificates over 18 units, Associates Degrees for Transfer (ADTs), successful transfer to four-year institutions, completion of transfer-level math and English courses in the first year, obtaining a regional living wage within 12 months of completing a degree or certificate program, and successfully completing nine units of career technical education courses. Additionally, the revised student success incentive funding allocation reflects an allocation based upon the successful outcomes of economically disadvantaged students.
- **Hold Harmless**—The revised hold harmless provision ensures that no district will receive less in both 2018-19 and 2019-20 than it received in 2017-18. Thereafter, each district would be held harmless to its 2017-18 marginal rate of funding. Additionally, the May Revision proposes \$104 million one-time Proposition 98 General Fund to provide one-time discretionary resources to districts whose year-over-year increase in general purpose apportionment funding would be less than 2.71 percent (the budget year's cost-of-living adjustment).

The Governor's Budget also directed the Chancellor's Office to consult with stakeholders and develop a proposal for the May Revision that would consolidate categorical programs. Based on

recommendations from the Chancellor’s Office, the May Revision proposes to integrate the Student Success and Support Program, Student Equity Program, and the Student Success for Basic Skills Program into a block grant program. These programs all target similar students, and consolidation will give districts enhanced flexibility to serve them.

ONLINE COLLEGE

The Governor’s Budget proposed the creation of an online college to provide quality, affordable, and flexible educational opportunities for working adults without a postsecondary credential to improve their economic mobility. As proposed, the online college would design industry-valued credentials that lead to wage gain or promotion, delivered through competency-based education to recognize the skills students bring to community colleges and allow for flexible start-times and other supports. The first two pathways developed by the college would be an information technology support credential program and a medical coding credential program. CalWORKs employment support services funding would provide some students with a laptop, internet access, and books needed to participate in California Online Community College courses, as referenced in the Health and Human Services Chapter.

The May Revision proposes the following clarifications:

Governance—The Board of Governors would serve as the governing board of the online community college. The Chancellor and the Board of Governors would choose the president of the online college and the college’s president would manage and control the operations of the college. Further, the president of the online college would establish an advisory council, which would include representatives from local trustees and employees of the college, to advise him or her on issues related to the college.

Collective Bargaining—The faculty and classified employees of the online college would be represented for the purposes of collective bargaining. To accomplish this, the online college would partner with an existing district for the purposes of establishing a collective bargaining agreement. The online college’s president would retain the authority to recommend staff for hire and to assign and direct staff workload.

Student Success—The online college would report on outcome measures similar to all other community colleges. To provide greater accountability, the online college would provide a comprehensive status report in its third year of operation regarding student outcomes and the college’s progress on reaching working adults. The college would be required to share promising practices and processes with California’s 114 traditional community colleges. Additionally, provisions added to the proposed legislation would require the college to comply with disability and accessibility requirements, develop a process for recording and addressing

complaints, and report back to the Legislature on compliance with these requirements.

Accreditation—The president of the online college would be responsible for commencing the accreditation process upon enrollment of the college’s first cohort of students. While the college is seeking accreditation, the Workforce Development Board would certify that programs offered by the online college have job market value. The proposed legislation will direct the college to explore a process for allowing students to retroactively obtain credit units upon demonstrated mastery of competencies for programs completed after the college becomes accredited.

Curriculum—The curriculum developed by the online college and its faculty would have the same academic protections granted to all curricula developed by other community college faculty. The proposed legislation will clarify the intent of the online college to create unique content and not duplicate content offered by local colleges. The faculty of the online college would also review the Online Education Initiative protocols for online content and adopt as appropriate.

Significant Adjustments:

- **Apportionments**—An increase of \$73.7 million Proposition 98 General Fund, which includes the following:
 - An increase of \$46.9 million Proposition 98 General Fund to reflect the amount of FTES funding earned back by community college districts that declined in enrollment during the previous three years.
 - An increase of \$14.9 million Proposition 98 General Fund to reflect unused growth provided in 2016-17.
 - An increase of \$11.9 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 2.51 percent to 2.71 percent.
- **Discretionary Resources for Specified Districts**—An increase of \$104 million one-time Proposition 98 General Fund to provide limited-term discretionary resources to districts whose year-over-year increase in general purpose apportionment funding would be less than 2.71 percent.
- **Financial Aid Awards**—An increase of \$7.8 million Proposition 98 General Fund for the proposed Student Success Completion Grant to reflect an increased estimate of students.
- **Financial Aid Technology Improvements**—An increase of \$13.5 million one-time and \$5 million ongoing Proposition 98 General Fund to upgrade colleges’ financial aid management systems for more efficient processing.

- Apprenticeships—An increase of \$4.8 million ongoing Proposition 98 General Fund for increased reimbursements to K-12 and community college-sponsored apprenticeship programs and an increase of \$5.9 million one-time Proposition 98 General Fund to backfill shortfalls in Related and Supplemental Instruction hours in the prior years.
- Open Educational Resources—An increase of \$6 million one-time Proposition 98 General Fund to expand open educational resources.
- NextUp Program Augmentation—An increase of \$5 million Proposition 98 General Fund to expand the NextUp Program, which supports current and former foster youth, at 20 community college districts.
- K-12 Strong Workforce Program—An increase of \$2 million Proposition 98 General Fund to support the consortia administrative costs associated with the K-12 Strong Workforce Program, as referenced in the K-12 Education Chapter.
- Adult Education Block Grant Program—An increase of \$1 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 2.51 percent to 2.71 percent in 2018-19.
- Course Identification Numbering System—An increase of \$685,000 one-time Proposition 98 General Fund to support a course identification numbering system.
- Categorical Program Cost-of-Living Adjustment—An increase of \$581,000 Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 2.51 percent to 2.71 percent for the Disabled Student Programs and Services program, the Extended Opportunities Programs and Services program, the Special Services for CalWORKs Recipients program, and the Child Care Tax Bailout program.
- Deferred Maintenance—A decrease of \$131.7 million one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects to reflect alternative spending priorities.
- Local Property Tax Adjustment—An increase of \$53 million Proposition 98 General Fund as a result of decreased offsetting local property tax revenues.
- Student Enrollment Fee Adjustment—A decrease of \$12.8 million Proposition 98 General Fund as a result of increased offsetting student enrollment fees.

UNIVERSITY OF CALIFORNIA

Consisting of ten campuses, the UC is the primary institution authorized to independently award doctoral degrees and professional degrees. The UC educates approximately

270,000 undergraduate and graduate students and receives the highest state subsidy per student among the state's three public higher education segments.

UPDATE ON THE AGREEMENT WITH THE UNIVERSITY OF CALIFORNIA

In 2015, the Governor and the UC President reached an agreement in which the state would provide the UC stable funding in exchange for student-focused reforms and efforts to reduce its cost structure. Components of the agreement included piloting new technologies to enhance student learning and UC fiscal administration, increasing transfer student access and improving the transfer process, and efforts to reduce costs for students.

At the time of the passage of the 2017 Budget Act, two of these components—the completion of three activity-based costing pilots and each campus achieving a ratio of one entering transfer student for every two new freshmen students—had yet to be accomplished. In light of the report by the State Auditor on the UC Office of the President released in April 2017, the enacted budget conditioned the release of \$50 million from the UC's appropriation. These conditions included the UC meeting the framework goals, implementing State Auditor recommendations, halting supplemental retirement payments to new Senior Management Group employees, and releasing additional information regarding the UC Office of the President's finances.

The UC has completed activity-based costing pilots, implemented most of the reforms recommended by the State Auditor, adopted a policy ending supplemental retirement payments, and released additional information on system wide and presidential initiatives. Although two campuses are expected to be above the expected transfer ratio, progress has been made towards this goal and the UC President has signed a memorandum of understanding with the CCC Chancellor's Office to streamline the transfer process for students and build upon the existing ADT process. This agreement represents a bold commitment to improve the transfer process between the two systems and increasing ADT portability for students.

The UC and the State Auditor provided evidence regarding the 2017 conditions to the Director of Finance. Several items are pending approval by the Regents. While the May Revision assumes the release of the \$50 million, the Director will determine the release of funds after the Regents act in May.

Significant Adjustments:

- Tuition's Impact on the Cal Grant and Middle Class Scholarship Programs—Existing practice adjusts the Cal Grant and Middle Class Scholarship tuition award for students attending the UC to reflect the amount of tuition charged by the UC. If the UC were to increase tuition for the 2018-19 fiscal year by 2.5 percent, the state's Cal Grant and Middle Class Scholarship costs would increase by approximately \$22.3 million and \$574,000, respectively. To address these potential costs, the May Revision proposes adding budget bill language authorizing the Director to reduce the UC's primary appropriation by the amount of estimated Cal Grant and Middle Class Scholarship program cost increases should a tuition increase be implemented in 2018-19.
- Deferred Maintenance—An increase of \$100 million one-time General Fund to support deferred maintenance projects, as referenced in the Statewide Issues and Various Departments Chapter.
- Mental Health Graduate Medical Education—An increase of \$55 million one-time General Fund to support psychiatric graduate medical education programs serving Health Professional Shortage Areas or Medically Underserved Areas in rural portions of the state. This is part of a larger package of mental health proposals, as referenced in the Health and Human Services Chapter.
- Anti-Bias Training at Campuses—An increase of \$1.2 million one-time General Fund to administer a two-year pilot program to provide anti-bias training to administrators, faculty, staff, and student leaders at campuses of the UC and the CSU.
- Center for Global Conflict and Cooperation—An increase of \$1 million ongoing General Fund to support the operations of the Institute for Global Conflict and Cooperation.

CALIFORNIA STATE UNIVERSITY

The CSU serves over 470,000 students across 23 campuses and receives funding from a variety of sources, including state General Fund, federal funds, lottery funds, and student tuition and fees. The May Revision maintains the \$92.1 million investment in the CSU proposed at the Governor's Budget and the expectation that these funds be used to make progress on the Graduation Initiative.

Significant Adjustments:

- Tuition's Impact on the Cal Grant and Middle Class Scholarship Programs—Existing practice adjusts the Cal Grant and Middle Class Scholarship tuition award for students attending the CSU to reflect the amount of tuition charged by the CSU. If the CSU were to increase tuition for the 2018-19 fiscal year by 4 percent, the state's Cal Grant and Middle Class Scholarship costs would increase by approximately \$23 million and \$3 million, respectively. To address these potential costs, the Administration proposes adding budget bill language authorizing the Director to reduce the CSU's primary appropriation by the amount of estimated Cal Grant and Middle Class Scholarship program cost increases should a tuition increase be implemented in 2018-19.
- Deferred Maintenance—An increase of \$100 million one-time General Fund to support deferred maintenance projects, as referenced in the Statewide Issues and Various Departments Chapter.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission administers financial aid programs, including the Cal Grant program and the Middle Class Scholarship Program.

Significant Adjustments:

- Cal Grant Program Costs—An increase of \$58.4 million General Fund in 2018-19 to account for the following:
 - Participation Estimates—An increase of \$29.3 million in 2018-19 to reflect an increase in the number of new recipients in 2017-18. The May Revision also reflects increased costs of \$76.3 million in 2017-18 and savings of \$4.1 million in 2016-17 to update prior estimates.
 - Temporary Assistance for Needy Families (TANF) Reimbursements—A decrease of \$29.1 million in 2018-19, which increases the amount of General Fund needed for program costs by a like amount. Combined with reimbursements included in the Governor's Budget, the May Revision offsets \$1.1 billion in General Fund costs for Cal Grants with TANF reimbursements in 2018-19.

- Tuition Award for Students at Private Nonprofit Institutions—The May Revision proposes to adjust the ADT annual admissions goal required to maintain the maximum Cal Grant tuition award for new students attending private nonprofit institutions at \$9,084 to 2,000 ADT students admitted in 2018-19, 3,000 students admitted in 2019-20, and 3,500 students admitted in 2020-21 and thereafter.

HASTINGS COLLEGE OF THE LAW

Hastings College of the Law is affiliated with the UC system, but is governed by its own Board of Governors. Located in San Francisco, it primarily serves students seeking a Juris Doctor degree, but also has masters programs. In 2016-17, UC Hastings enrolled 951 full-time equivalent students. Of these, 919 were JD students.

Since the end of the Great Recession, UC Hastings College has received stable ongoing funding increases. In turn, tuition at UC Hastings has been flat for six years. This has kept a quality legal education within reach for hundreds of Californians. However, UC Hastings faces the cost of implementing the UC Path payroll, accounting, and human resource modernization project—a significant cost at a time when tuition has been held steady and Hastings has been spending reserve funds to maintain tuition discounts.

Significant Adjustments:

- Funds for UC Path—An increase of \$1.5 million one-time General Fund to support implementation of the UC Path project at Hastings College of the Law.
- Deferred Maintenance—An increase of \$1 million one-time General Fund to support deferred maintenance projects, as referenced in the Statewide Issues and Various Departments Chapter.

CALIFORNIA STATE LIBRARY

The California State Library serves as the central reference and research library for the Governor and Legislature. Additionally, the State Library provides critical assistance to the 184 library jurisdictions and nearly 1,200 libraries across the state.

Significant Adjustments:

- Collection Protection Activities—An increase of \$663,000 General Fund to purchase emergency supplies, restore damaged books, and procure a vault to further protect the library’s collection.
- California Newspaper Project—An increase of \$430,000 General Fund ongoing to support the California Newspaper Project, located at UC Riverside.
- Digital Preservation Activities—An increase of \$195,000 General Fund ongoing to preserve information on state websites four times each year and records collected by the State Archivist.

CSAC Recommendations Regarding TCF Report

The Century Foundation (TCF) report *Expanding Opportunity, Reducing Debt: Reforming California Student Aid* recommends substantial reforms to California’s financial aid system. In the interest of providing the Commission, stakeholders, and the Legislature enough time to fully consider the policy, fiscal and programmatic implications of the TCF proposals, CSAC is recommending a phased approach for the consolidation of financial aid and additional reforms. CSAC’s policy recommendations are broken down into three phases, representing a holistic reform of State financial aid that would create a streamlined system and make college more affordable for hundreds of thousands of students.

PHASE 1: ACCESS AWARD, OUTREACH & INNOVATION

Proposals for the Current Legislative Session

Proposal 1: Increase Cal Grant B Access Award

Background: The Cal Grant B Access Award (currently \$1,672 per academic year) provides support for non-tuition expenses (e.g. textbooks/supplies, housing, food, transportation, etc.). Over 240,000 students are projected to receive the Access Award in 2018-19.

Recommendation: Phase in, over five years, an increase to the Cal Grant B Access Award, commencing with the 2018-2019 academic year.

Rationale: The Cal Grant B Access Award award is one of the most effective ways of getting grant aid directly in the hands of students with high levels of unmet financial need, but the award amount has not kept pace with inflationary costs. Increasing the award amount would better address total cost of attendance, help to alleviate food and housing insecurity, and reduce reliance on student loans.

	2018-2019	2019-20	2020-21	2021-22	2022-23
Total Award	\$1,800	\$2,100	\$2,400	\$2,700	\$3,000
Paid Students	251,242	263,804	276,994	290,844	305,386
Increased Cost	\$32,460,466	\$101,353,535	\$177,054,760	\$260,072,723	\$350,949,845

Table 1: Estimated costs for increasing the Cal Grant B Access Award over five years. Chart assumes paid student increase of 5% per year and average award is 85% of maximum award

Proposal 2: Improve CSAC Outreach and Early Information

Background: The TCF report recommendations regarding outreach and early information are consistent with recent CSAC efforts to expand outreach to underserved communities, such as the African-American Student Outreach Initiative and the Race to Submit Campaign.

Recommendation:

- Fund a permanent, dedicated outreach unit at CSAC (4 positions) with a mandate to prioritize efforts to the most underserved communities in California (e.g. students of color, rural students, current/former foster youth, etc.).

- Require CSAC to provide students and families personalized information about aid estimates (federal, state, institutional aid), provided reliable estimates can be obtained.

Rationale: This proposal would facilitate improved communication and outreach, allowing students and families to better plan for the costs of college.

Proposal 3: Innovation in Financial Aid

Background: Individual campuses may have innovative ideas (e.g. emergency aid programs, meal plan programs, child care programs, etc.) for enhancing college affordability that have not yet been taken into consideration by the State's grant aid system.

Recommendation: Establish a 'Fund for Innovation in College Affordability', housed and administered by CSAC. CSAC would administer grants to institutions via a competitive application process and report outcomes.

Rationale: This proposal would allow the State to evaluate the merit of pilot proposals at the campus level. Pilot programs that yield positive results could be adopted statewide.

Phase 2: Cal Grant Consolidation

Proposals for the Current Legislative Session (or 2019 year)

The second phase of financial aid reform would involve the Commission and stakeholders considering major policy changes to the construction, eligibility, and award amounts of the Cal Grant program, by consolidating all major grant programs (Cal Grant A, B, and C, and possibly the Middle-Class Scholarship) into a single unified Cal Grant.

Cal Grant A/B/C & Middle-Class Scholarship → Cal Grant

As much as possible, this consolidation should involve closing the current "gaps" in the Cal Grant system, such as the provision limiting the number of first-year students at four-year schools eligible for a Cal Grant B tuition and fee award. Consolidation would ease administrative burdens on CSAC and campus financial aid offices in addition to making financial aid more accessible to students.

Phase 3: Overhaul of Financial Aid System

Proposals for the 2019-2020 Legislative Session

The TCF report recommends that California adopt a substantial overhaul of the current financial aid system, moving from a system where Cal Grants primarily cover tuition, and eligibility is determined by income and asset ceilings to a more holistic system addressing total cost of attendance, and determined by unmet need according to Expected Family Contribution (EFC).

Tuition/Fees Model → Expected Family Contribution (EFC) Model

While staff feels that there is merit to such a model, remaking California financial aid on this scale requires extensive discussions with policymakers and stakeholders, and deeper analyses of the likely impact to students, institutions, and the State.