
**CALIFORNIA STUDENT AID COMMISSION
COMPETITIVE CAL GRANT PROGRAM
2004-2007**



Legislative Report Requirement
California Education Code Section 69437.7, and
Section 8 of Senate Bill 1644 (Chapter 403, Statutes of 2000)

Acknowledgement

The data analyzes for the 2004-2007 Cal Grant Report Competitive Report was conducted by the Commission's Research and Policy Branch.

California Student Aid Commission Report #2007-02

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EXECUTIVE SUMMARY

On September 11, 2000, the Legislature and the Governor took an important step toward improving the opportunities available to California students by removing the financial barriers that could hinder the attainment of a postsecondary education. With the enactment of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act (SB 1644, Chapter 403, Statutes of 2000), California modified the existing Cal Grant Program into a two-tiered approach that a) guarantees an Entitlement Grant to graduating high school seniors and specified transfer students who meet the program eligibility requirements; and b) provides 22,500 Competitive Cal Grant awards to students who do not qualify for an entitlement grant.

The Commission conducts two award competitions each year. The March Competition provides 11,250 awards to students, regardless of the California educational institution they choose to attend. The September Competition, which also provides 11,250 awards, is reserved for students attending a California Community College. This report summarizes the quantitative results of the Competitive Cal Grant Program for academic years 2004-05, 2005-06, and 2006-07. Key findings include the following:

Recipients

It is clear that additional need exists in the program. For instance, in 2004-05, over 140,000 applicants met the basic eligibility requirements for a Competitive Cal Grant award and over 117,000 did not receive an award. In 2005-06, over 135,000 applicants were eligible for the Competitive Cal Grant and over 112,000 did not receive an award. In 2006-07 over 139,000 applicants met the basic eligibility requirements for the Competitive Cal Grant and over 114,000 did not receive an award offer.

Age of Recipients

In 2004-05, 64 percent were over the age 25 and the percentage recipients under the age 25 were at 36 percent. In 2005-06, 65 percent were over the age 25 and 35 percent were under the age 25. In 2006-07, 37 percent of the applicants were under the age 25 and 63 percent were over the age 25. Academic year 2006-07 represents a 2 percent decrease in applicants over the age 25 and a 2 percent increase in the number of applicants under the age 25.

Income and GPA of Recipients:

In 2004-05 82 percent of the Competitive Cal Grant recipients were from families with incomes below \$24,000. In 2005-06, 80 percent of the recipients' income was below an annual income of \$24,000 while 77 percent of the recipients in 2006-07 were below an annual income of \$24,000. This pattern reflects a decrease in the percentage of households with annual income below the \$24,000 annually. As in previous years, in 2004-05, 2005-06, and 2006-07, the majority of recipients had a GPA of 3.00 or higher.

In summary, the statutory limit on the number of new Competitive Cal Grant awards has remained unchanged since the program's inception and it is currently unable to respond to meet the rising demands for its awards. If California wants to assure financial access to postsecondary education for non-traditional, returning, and older adult students, consideration should be given increasing the number of awards provided by the Competitive Cal Grant program. The resources currently provided for this program are sufficient to meet the needs of the one in six eligible applicants the program is permitted to support, but remain inadequate to meet the challenges posed by a changing economy and the need for current workers to secure additional postsecondary education training.

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SECTION I
California Education Code

INTRODUCTION

The California Education Code Section 69437.7 requires that the California Student Aid Commission (Commission) annually review the Competitive Cal Grant Program and its priorities to gain a better understanding of the programs effectiveness. The Commission is required to report these findings to the Legislature and the Governor on an annual basis.

The Commission is the state's principal provider of inter-segmental statewide grant aid to postsecondary students. Founded in 1955 as the California State Scholarship Commission, the Commission's primary programmatic responsibilities include administration of the Cal Grant Program, the Chafee Grant Program and several targeted state scholarship and loan forgiveness programs.

The Commission consists of 15 appointed members. Eleven members are appointed by the Governor and represent segments of the State's higher education community, postsecondary education students, and the general public. In addition, the Speaker of the Assembly and the Senate Rules Committee each appoint two Commission members as representatives of the general public. The Commission also oversees the activities of its nonprofit student loan services auxiliary, EDFUND.

In its policy decision-making, the Commission receives advice and recommendations from its staff; its advisory committees, including the Grant Advisory Committee, and the Loan Advisory Council; the EDFUND Board, and ad hoc committees comprised of individuals that represent colleges and universities, secondary schools, student groups, the business community, lending institutions, and various levels of government. The Commission's strong tradition of public participation stems from its commitment to continuous improvement and responsiveness in the development and delivery of its financial aid programs and services.

BACKGROUND

On September 11, 2000, the Ortiz-Pacheco-Poohigian-Vasconcellos Cal Grant Act (SB1644, Chapter 403, Statutes of 2000) was signed into law. This historic bill transformed the previous Cal Grant A and B programs into the Entitlement Cal Grant A and B and Competitive Cal Grant A and B programs and retained the existing Cal Grant C and T programs. As with the original Cal Grant Program, a student must submit a Free Application for Federal Student Aid (FAFSA) and a Cal Grant Grade Point Average (GPA) verification form by the statutory deadlines to be considered for a Competitive Cal Grant award.

The enabling legislation for the new Competitive Cal Grant Competitive award Program established two separate award deadlines: March 2nd and September 2nd. The September deadline allows students who decide to apply for financial aid after March 2nd to compete for a California Community College Competitive Cal Grant award. Each Competition has 11,250 authorized awards and both offer Cal Grant A or Cal Grant B. The major difference between the two deadlines is that to be eligible for the September Competition, a student must be currently enrolled in a California Community College for

the fall term. The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act requires that the Commission do the following:

1. California Education Code Section 69437.7

After two award cycles, the Commission shall review the competitive grant program and its priorities to gain a better understanding of early participation patterns and to determine the initial level of program effectiveness. The commission shall report these findings to the Legislature and the Governor by December 31, 2003, and each year thereafter.

2. Section 8 of Senate Bill 1644 (Chapter 403, Statutes of 2000)

The Student Aid Commission shall annually report to the Legislature and the Governor on the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program from its inception on both of the following:

- (a) The number of Cal Grant applicants and new and continuing recipients each year. This data shall include at a minimum the following information about recipients: educational level, grade point average, segment of attendance, number of community college transfer students.
- (b) A longitudinal component that measures student persistence and graduation rates over time.

Transfer Entitlement: Change to the Cal Grant programs

An important distinction needs to be noted regarding recent legislation that extended the age of the Community College Transfer Entitlement Program. Specifically, AB 2813 (Chapter 822, Statutes of 2006) increased the age of eligibility for the California Community College Transfer Entitlement Program (CCCTEP) to allow students under the age of 28 (instead of 24) to be considered for a Cal Grant.

Prior to AB 2813, statute limited eligibility in the CCCTEP to students under the age of 24, using the federal student financial aid independence rules as a proxy for the age limitation. The Cal Grant Community College Transfer Entitlement Program was enacted as part of the major reforms of the Cal Grant program in 2000 (SB 1644, Chapter 403, Statutes of 2000). The program provides Cal Grant Entitlement awards to students who transfer from a California Community College to the University of California, the California State University (CSU) or independent and nonpublic California institutions, who demonstrate financial need, and have a minimum 2.4 grade point average from the Community College.

While several bills have been considered (including earlier versions of AB 2813) to increase the number of competitive awards, AB 2813 is the only bill that has been enacted, since the Cal Grant Entitlement program began in 2000, that has provided increased opportunity through the Cal Grant program. The bill was sponsored by the CSU and the California State Student Association to better serve the transfer population. The sponsors reported that the average transfer student is 27 years of age.

While the increased opportunity for transfer students will continue to aid transferring students, this program does not directly affect the Cal Grant Competitive Program on which this report is based.

METHODOLOGY

The Cal Grant applicant and recipient data were generated using year-end data for the 2004-05, 2005-06, and 2006-07 academic years. Commission staff compiled data to describe and compare applicants, recipients, and eligible non-recipients from several perspectives.

The Commission publishes a number of program-related reports annually. However, the pre-SB 1644 reports and data are not directly comparable to this and future Competitive Cal Grant Program reports. Changes in program criteria and structure make comparisons difficult. Academic year 2004-05 is the baseline for this Competitive Cal Grant Program report and explores the results of the last three fiscal years, but cannot be used to predict student behavior and program effectiveness. With each passing year, this report will become a more useful tool in the development of financial aid policy in California.

The charts, which are reference as *displays*, in this report illustrate the total number of awards that eligible recipients were awarded based on the Commission's specific selection criteria for those academic years noted and does not reflect the actual awards paid. The tables in this report, which are referenced as *awards offers actually paid* in this report illustrates the actual awards paid for those academic years noted.

SECTION II
THE APPLICATION PROCESS

It Just Takes Two!

The Competitive Cal Grant application process requires that students complete and submit two forms: a Free Application for Federal Student Aid (FAFSA) and a Cal Grant Grade Point Average (GPA) Verification Form by the March 2nd and/or September 2nd deadlines. Applicants who meet certain criteria may submit a test score (GED, SAT, or ACT) in lieu of a GPA.

Free Application for Federal Student Aid (FAFSA)

The FAFSA is the core application required to assist in determining financial eligibility for all federal, as well as many state and institutional, grant and loan programs. Students complete an online version of the FAFSA or submit a paper application to the federal government's central processor. Federal methodology prescribed by Congress is used to determine an applicant's Expected Family Contribution (EFC). The EFC is based on income, assets, family size and other factors derived from the FAFSA application. The EFC is the amount of money that the student and parent(s) of a dependent student can reasonably be expected to contribute toward the student's education.

The Commission receives these federal application data in an electronic format directly from the federal processor once the applicant's identity has been authenticated through a match with the Social Security Administration, the Department of Veteran's Affairs, and the Department of Homeland Security (formerly the Immigration and Naturalization Service). The federal processor sends data for all students who are California residents and/or nonresidents who list a California postsecondary institution on their application.

Cal Grant Grade Point Average (GPA) Verification Form

California Education Code Section 69432.9 requires students to submit a verified GPA for consideration in the Commission's Cal Grant program. Students work directly with their schools to ensure that a verified GPA is submitted by the application deadline. High school and postsecondary institution administrators may report individual or large volume GPA verifications through the Commission's secure web-enabled site or via individual reporting on optical-marked Scantron forms.

How Applications Are Processed

After receiving FAFSA records from the federal central processor, the Commission compares each FAFSA record to the Commission's database to determine if an applicant's record is already on file and is receiving an award. If not, then the record is matched to the Commission's database of Cal Grant GPA verifications received for the forthcoming competition.

Applicants with both a FAFSA and a verified GPA on file have new electronic records established in the database which then undergo an intensive automated evaluation. This sequential evaluation is often referred to as the edit process. The edits are grouped in broad categories known by the following terms: Common Edits, Program Edits, and Financial Edits. Applicants must pass all of the edits to remain in the eligible applicant pool.

Common Edits

Common Edits evaluate the applications for overall Cal Grant eligibility. Applicants must:

- be California residents
- be U.S. citizens or eligible non-citizens
- meet U.S. Selective Service requirements
- not have a baccalaureate or first professional degree
- attend a qualifying California postsecondary institution
- not be in default on any student loan
- not owe any federal or state grant refund

Program Edits

An applicant's record then is reviewed on the basis of Program Edits to 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. These edits include:

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

At this point in the process, Competitive Cal Grant applicants who do not satisfy the Common Edits or Program Edits are flagged as ineligible and are sent a letter notifying them that they are ineligible and the reasons why.

Financial Edits

Applicants are next evaluated to determine if they meet the income and asset standards, and then reviewed to determine whether they have sufficient financial need. These filters are described below:

1. Income Ceilings – Income ceilings are 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.
2. Asset Ceilings – asset ceilings are established and adjusted annually using the change in the California per capita income as specified in California Education Code Section 69432.7(k).
3. 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.” Because the Cal Grant program uses federal methodology as the basis of determining financial need, federal exclusions to reported income such as veteran’s benefits and federal work study are observed.
4. 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 who meet all of the Common Edits, Program Edits, and Financial Edits move next into the scoring phase for the Competitive Cal Grant program. Those applicants who do not pass the Financial Edits are filtered out and notified of their ineligible status.

Selection Criteria

The Competitive Cal Grant Program is limited to 22,500 grants based on the selection criteria. Since the pool of eligible applicants far exceeds the limit, the Commission must prioritize or rank each applicant on like criteria. California Education Code Section 69437 (1) requires the Commission to establish selection criteria for Competitive Cal Grant A and B awards that give special consideration to disadvantaged students, taking into account 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.

The Commission uses a scoring system for the Competitive Cal Grant Program to evaluate the socio-economic status of each eligible applicant. The selection criteria and scoring model was developed and is reviewed by Commission staff in coordination with the Commissions Grant Advisory Committee. Scores are based on a 200-point system that includes access equalizer points, which considers the high school the applicant attended and the number of years since the applicant attended high school. Access equalizer points are awarded for students submitting a GED test score or with GPAs submitted from one of the following:

1. a continuation high school; or
2. a high school in the upper quartile of free or reduced lunch program; or
3. A high school in the lowest quartile of university-going rate, excluding those high schools having no reported university-going rate and those having a free or reduced lunch rate of less than 25 percent.

In the other component of the access equalizer, applicants who have been out of high school for two to three years receive up to nine points, while applicants who have been out of school for eight or more years may receive up to eighteen points. The maximum points for the scoring for each year are displayed in the following table.

Selection Criteria Scoring Categories

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

Establishing a Cutoff Score

To establish a cutoff score for students who will receive a Competitive Cal Grant A or Cal Grant B award, the Commission sets the score at a number that is closest to the 11,250 awards authorized for each competition.

Students who scored above or within the cutoff score are awarded and notified of their Cal Grant eligibility. Those students who fell below the cutoff score are informed of their status and are considered eligible non-recipients.

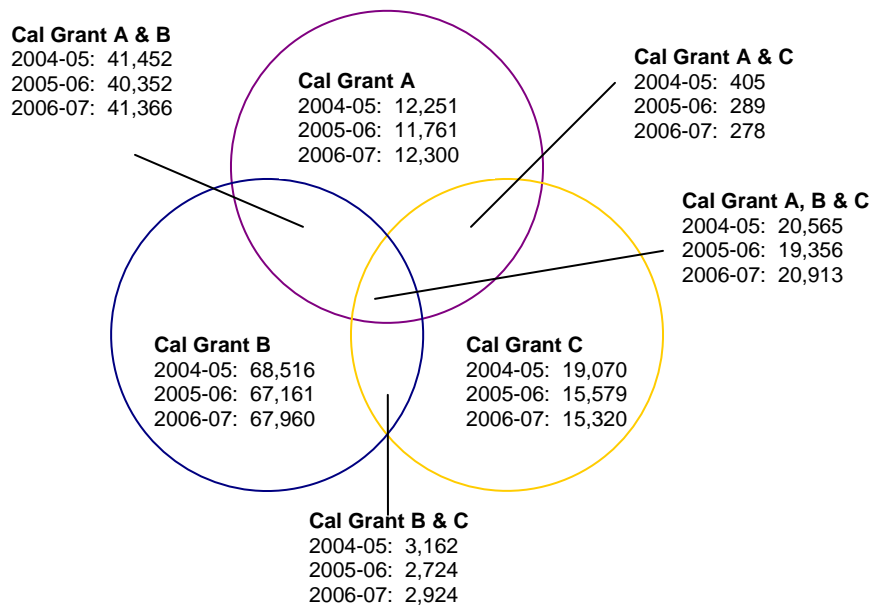
Minimum Score Required

AWARD YEAR	MARCH	SEPTEMBER
2002-03	156	158
2003-04	156	159
2004-05	157	159
2005-06	155	158
2006-07	154	157

Eligible Applicants

Display 1 illustrates the number of eligible applicants for the March and September Competitions, by Cal Grant program (Cal Grant A, B, and C) and by award year. Applicants who meet the eligibility criteria for more than one Cal Grant program are referred to as overlap applicants. For instance, in 2004-05, 2005-06 and 2006-07, approximately 20,000 students annually met the 3.0 merit requirement needed for a Cal Grant A, were from a very low-income family and so they qualified for a Cal Grant B, and also met the course of study requirements for a Cal Grant C. Recipients are placed in the program that will give them the best financial benefit.

Display 1: Competitive Cal Grant Eligibility Pool



Source: Self reported student data collected from Free Application for Student Aid (FAFSA) for each academic year noted in Venn diagram.

**SECTION III
AWARD RECIPIENTS**

COMPETITIVE CAL GRANT AWARDS

California Education Code Section 69437(b) authorizes the Commission to grant 22,500 Competitive Cal Grant A and B awards beginning with the 2001-02 academic year, and each academic year thereafter. One-half of the awards are distributed during the March Competition and the remaining awards are distributed during the September Competition. All eligible applicants are ranked by the score generated by the selection criteria and sorted in descending order. Beginning with those in the 200-point cohort, applicants are selected within each cohort until all of the awards are allocated.

California Education Code Section 69437(b)(3) stipulates that the Commission shall make any awards not distributed during the initial allocation to as many eligible applicants as possible, without exceeding an annual cumulative total of 22,500 awards. It also specifies that the undistributed awards shall be offered to eligible applicants with the lowest expected family contribution and highest academic merit.

March Competition

The Commission offered 12,674 awards in the March 2006-07 Competition. This was a 10 percent increase from the 11,475 awards offered in the 2005-06 March Competition and an 11 percent increase from the 11,430 awards offered in 2004-05 to qualified recipients. The Commission offers more awards in a competition than the authorized number to allow for attrition. It is expected that the number of awards paid would not exceed 11,250 in any cycle.

Recipients by Program

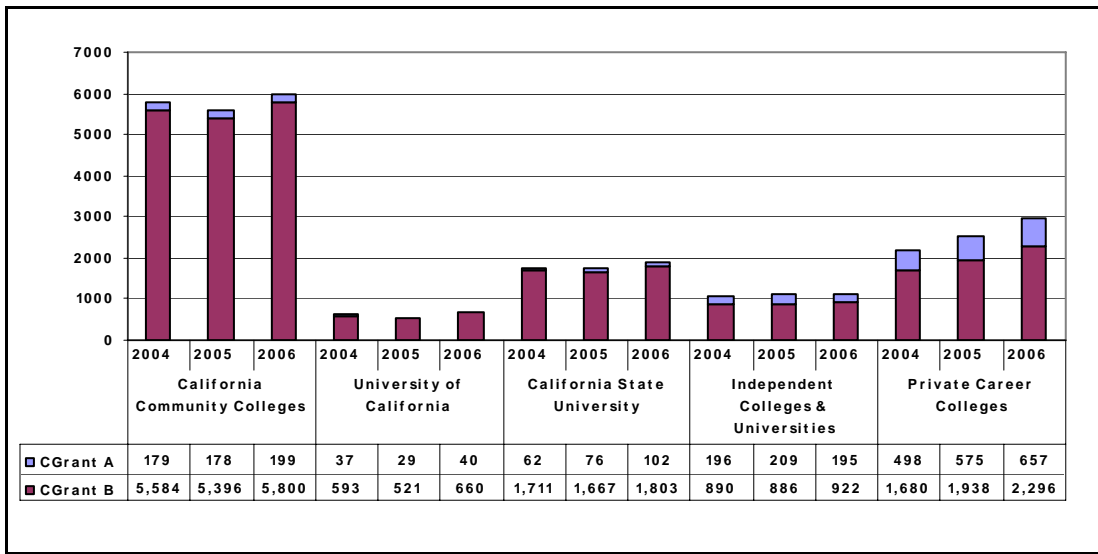
Since the beginning of the program, over 90 percent of the March Competitive Cal Grant award recipients received a Cal Grant B award. This was also true for academic years 2004-05, 2005-06, and 2006-07. In most cases, the Cal Grant B award offers a greater financial benefit to low income students over time than the Cal Grant A award.

Recipients by Segment

When the Cal Grant programs were first created, the goals were to provide access to higher education and to provide a choice for college to students who might otherwise not have such an opportunity. The Cal Grant programs look different after SB 1644, but the commitment to both access and choice remains unchanged. The portability of the Cal Grant supports the State's long-standing commitment to access and choice for California's most disadvantaged students. It provides a way to choose an institution best suited to the student, not just what the student initially might think they can afford. As a result, Cal Grant awards are offered to students attending all segments of Cal Grant eligible postsecondary institutions: the California Community Colleges, the University of California, the California State University, as well as a large variety of non-profit and for-profit independent institutions.

Display 2 illustrates the segmental distribution of new recipients from the March Competition for the latest three years of the Competitive Cal Grant Program¹. As in previous years, California Community Colleges continue to account for the largest number of recipients. In 2006-07, almost 6,000 or 47 percent of the March Competitive recipients indicated that they would attend a California Community College. In 2005-06, 49 percent of the March Competitive recipients indicated that they would attend a California Community College, and in 2004-05, 50 percent of the March Competitive recipients indicated that they would attend a California Community College. Additionally, Private Career Colleges continued to be the second choice for the March Competitive recipients. In 2006 -07, 2,953 or 23 percent of recipients indicated they would attend Private Career Colleges. Between 2004-05 and 2006-07, there was 3 percentage point shift from low-cost CCC to a higher-cost PCC.

Display 2: Segmental Distribution of March Competitive Recipients

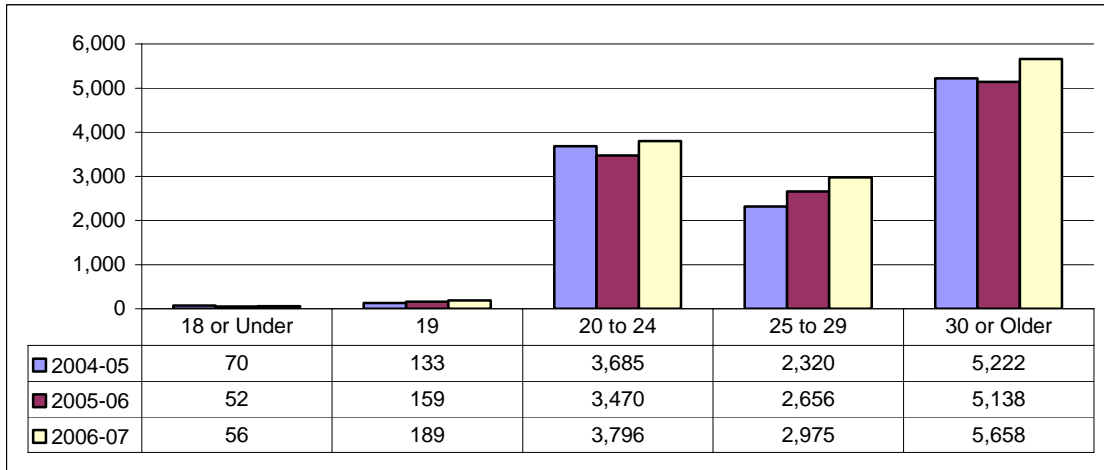


Recipients by Age

Display 3 illustrates the age distribution of new recipients for the March Competition. In 2004-05, 2005-06, and 2006-07, the age distribution remained rather constant. For instance, in 2006-07 and 2005-06, approximately 68 percent of recipients were age 25 years or older, and in 2004-05, 66 percent of recipients were age 25 years or older. Additionally, as in previous years, in 2004-05, 2005-06, and 2006-07 approximately 30 percent of recipients were 24 years of age or younger.

¹This is calculated using the first eligible Cal Grant participating institution listed on the financial aid application (FAFSA)

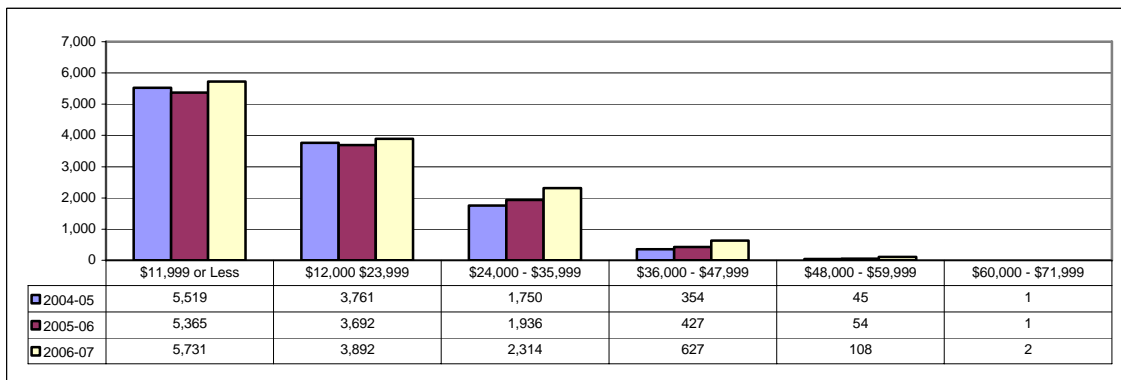
Display 3: Age Distribution of March Competitive Recipients



Recipients by Income

Display 4 illustrates that in 2004-05, 2005-06, and 2006-07, new recipients from families with incomes of less than \$12,000 continue to account for the largest number of awards as in past years. Recipients with incomes of less than \$12,000 accounted for 5,731 or 45 percent of the 2006-07 March Competition awards. This was an increase of 7 percent from the prior year. In 2006-07, the second largest category continued to be comprised of new recipients with incomes of \$12,000 to \$23,999. These recipients accounted for 3,892 or 31 percent of the March Competition awards, and experienced a 5 percent increase from 2005-06. As in past years, new recipients with incomes of more than \$24,000 accounted for the fewest number of awards. In 2006-07, these recipients accounted for 24 percent of the March Competition awards. This was a 3 percent increase from 2005-06 and a 5 percent increase from 2004-05. The data reflects the objective of the program, which is to serve students from disadvantaged, and low and middle-income families.

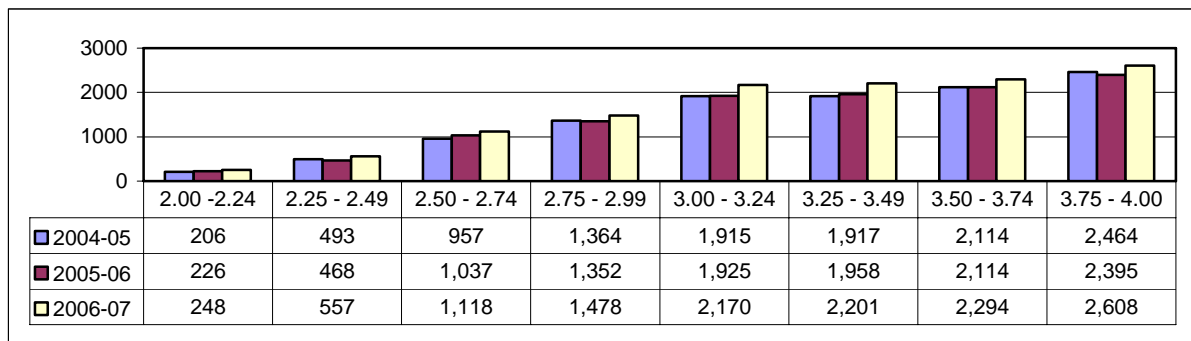
Display 4: Income Distribution of March Competitive Recipients



Recipients by Grade Point Average (GPA)

Display 5 illustrates the shift in the academic achievement of new recipients during the past three years of the Competitive Cal Grant Program. In 2004-05, 2005-06, and 2006-07, students with a GPA of 3.75 or higher accounted for over 20 percent of March Competition recipients. Additionally in 2004-05, 2005-06, and 2006-07, as in previous years, the majority of students had a GPA of 3.00 or higher. For instance, in 2006-07, 9,273 recipients or 79 percent had a GPA of 3.00 or higher. As in previous years, in 2004-05, 2005-06, and 2006-07, the number of recipients with a GPA below 2.50 remained at about 6 percent.

Display 5: GPA Distribution of March Competitive Recipients



Participation Patterns

SB 1644 required that the Commission review the Competitive Cal Grant Program to gain a better understanding of early participation patterns. For this report, the Commission compared at the number of March Competitive Cal Grant recipients for whom at least one payment transaction was reported to and reconciled by the Commission (paid) against the number of recipients who were offered an award. The payment transaction may have occurred during the year the applicant was offered a Cal Grant award, for one or more subsequent year(s), or for all three years.

Participation Patterns by Initial Educational Level

Tables 1, 2, and 3 look at the Competitive Cal Grant recipients by the educational level in which they were initially offered an award. The educational level is the self-reported grade level the recipient indicates on the FAFSA. For 2004-05, 2005-06 and 2006-07, Cal Grant A and B, and at all educational levels, there seem to be very little difference in the number of recipients paid in the March Competition.

2004-05 March Competition

Table 1 provides information about the 2004-05 March Competitive recipients who were paid in their first and/or second and/or third year(s) in the Competitive Cal Grant Program. Overall, 60 percent of the Cal Grant A recipients and 77 percent of the Cal Grant B recipients were paid during their first year in the Competitive Cal Grant Program. In their second year, 38 percent of Cal Grant A recipients and 44 percent of Cal Grant B recipients were paid, and during their third year in the Competitive Cal Grant Program, 19 percent of the Cal Grant A recipients and 24 percent of the Cal Grant B recipients were paid.

Table 1
2004-05 March Competitive Award Offers Actually
Paid in 2004-05, 2005-06 and 2006-07
By Initial Educational Level

	2004 - 05		Paid in 2004 - 05			Paid in 2005-06			Paid in 2006 - 07		
	#	%	#	%	% Paid	#	%	% Paid	#	%	% Paid
Cal Grant A											
Freshman	488	50.2%	250	2.9%	51%	153	3.1%	31%	85	3.1%	17%
Sophomore	287	29.5%	139	1.6%	48%	121	2.5%	42%	75	2.8%	26%
Junior	135	13.9%	131	1.5%	97%	81	1.6%	60%	18	0.7%	13%
Senior	62	6.4%	62	0.7%	100%	13	0.3%	21%	2	0.1%	3%
Total	972	100.0%	582	6.7%	60%	368	7.5%	38%	180	6.7%	19%
Cal Grant B											
Freshman	2,307	22.1%	1,542	17.9%	67%	963	19.5%	42%	611	22.6%	26%
Sophomore	5,389	51.5%	4,088	47.5%	76%	2,544	51.6%	47%	1,656	61.2%	31%
Junior	1,451	13.9%	1,227	14.2%	85%	903	18.3%	62%	210	7.8%	14%
Senior	1,311	12.5%	1,172	13.6%	89%	154	3.1%	12%	49	1.8%	4%
Total	10,458	100.0%	8,029	93.2%	77%	4,564	92.5%	44%	2,526	93.4%	24%
Cal Grant A & B											
Freshman	2,795	24.5%	1,791	20.8%	64%	1,116	22.5%	40%	696	25.7%	25%
Sophomore	5,676	49.7%	4,227	49.1%	74%	2,665	54.0%	47%	1,731	64.0%	30%
Junior	1,586	13.9%	1,339	15.5%	86%	984	20.2%	62%	228	8.4%	14%
Senior	1,373	12.0%	1,254	14.6%	90%	167	3.3%	12%	51	1.9%	4%
Total	11,430	100.0%	8,611	100.0%	75%	4,932	100.0%	43%	2,706	100.0%	24%

2005-06 March Competition

Table 2 provides information about the 2005-06 March Competitive recipients who were paid in their first and/or second year(s) in the Competitive Cal Grant Program. In 2005-06, 56 percent of the Cal Grant A recipients and 76 percent of the Cal Grant B recipients were paid during their first year in the Competitive Cal Grant Program. Also, 33 percent of the Cal Grant A recipients and 44 percent of the Cal Grant B recipients were paid during their second year in the Competitive Cal Grant Program.

Table 2
2005-06 March Competitive Award Offers Actually Paid in 2005-06 and 2006-07
By Initial Educational Level

	2005-06 Offers		Paid in 2005 - 06			Paid in 2006 - 07		
	#	%	#	%	% Paid	#	%	% Paid
Cal Grant A								
Freshman	535	50.1%	253	3.0%	47%	141	2.9%	26%
Sophomore	272	25.5%	113	1.3%	42%	90	1.8%	33%
Junior	162	15.2%	139	1.6%	86%	107	2.2%	66%
Senior	98	9.2%	97	1.1%	99%	13	0.3%	13%
Total	1,067	100.0%	602	7.1%	56%	351	7.2%	33%
Cal Grant B								
Freshman	2,378	22.8%	1,627	19.1%	68%	1,017	20.8%	43%
Sophomore	5,279	50.7%	3,926	46.2%	74%	2,478	50.5%	47%
Junior	1,501	14.4%	1,270	14.9%	85%	914	18.6%	61%
Senior	1,250	12.1%	1,085	12.7%	87%	144	2.9%	12%
Total	10,408	100.0%	7,908	92.9%	76%	4,553	92.8%	44%
Cal Grant A & B								
Freshman	2,913	25.4%	1,880	22.1%	65%	1,158	23.6%	40%
Sophomore	5,551	48.4%	4,039	47.5%	73%	2,568	52.4%	46%
Junior	1,663	14.5%	1,409	16.6%	85%	1,021	20.8%	61%
Senior	1,348	11.7%	1,182	13.8%	88%	157	3.2%	12%
Total	11,475	100.0%	8,510	100.0%	74%	4,904	100.0%	43%

2006-07 March Competition

Table 3 provides information about the 2006-07 March Competitive recipients who were paid during their first year in the Competitive Cal Grant Program. In 2006-07, 55 percent of the Cal Grant A recipients and 74 percent of the Cal Grant B recipients were paid during their first year in the Competitive Cal Grant Program.

Table 3
2006-07 March Competitive Award Offers Paid in 2006-07
By Initial Education Level

	2006 - 07 Offers		Paid in 2006 - 07		
	#	%	#	%	% Paid
Cal Grant A					
Freshman	539	45.2%	209	2.3%	39%
Sophomore	302	25.3%	142	1.5%	47%
Junior	178	14.9%	142	1.5%	80%
Senior	174	14.6%	161	1.8%	93%
Total	1,193	100.0%	654	7.1%	55%
Cal Grant B					
Freshman	2,596	22.6%	1,634	17.8%	63%
Sophomore	5,487	47.8%	3,921	42.7%	71%
Junior	1,810	15.8%	1,440	15.7%	80%
Senior	1,588	13.8%	1,529	16.7%	96%
Total	11,481	100.0%	8,524	92.9%	74%
Cal Grant A & B					
Freshman	3,135	24.7%	1,844	20.1%	59%
Sophomore	5,789	45.7%	4,063	44.3%	70%
Junior	1,988	15.7%	1,582	17.2%	80%
Senior	1,762	13.9%	1,690	18.4%	96%
Total	12,764	100.0%	9,178	100.0%	72%

Typical Recipients

Table 4 illustrates the characteristics of the typical new recipient for the 2004-05, 2005-06, and 2006-07 academic years of the Competitive Cal Grant A and B Program. The data demonstrates that the Commission has met the legislative intent of the revised program. Awards were offered to students who demonstrated merit along with family income constraints and were older, late-entry students who do not have access to the Entitlement Program. The age and income characteristics are revealing and reinforce the need to continue supporting this student population. GPAs earned by these students demonstrate excellent potential for success in achieving their educational goals.

**Table 4
Typical New Competitive Cal Grant A and B Recipients**

Award Year	Program		Competition		
			March	September	Total
2004-05	Cal Grant A Recipients		972	391	1,363
		Average Income	\$28,112	\$36,327	\$30,468
		Average GPA	3.59	3.60	3.59
		Average Family Size	3.0	3.1	3.0
		Average Age	32	34	32
	Cal Grant B Recipients		10,458	11,081	21,539
		Average Income	\$12,684	\$13,796	\$13,256
		Average GPA	3.27	3.26	3.27
		Average Family Size	2.9	3.1	3.0
		Average Age	31	30	31
	Cal Grant A & B Recipients		11,430	11,472	22,902
		Average Income	\$13,996	\$14,564	\$14,280
		Average GPA	3.30	3.27	3.29
		Average Family Size	2.9	3.1	3.0
		Average Age	31	31	31
2005-06	Cal Grant A Recipients		1,067	475	1,542
		Average Income	\$27,877	\$38,438	\$31,130
		Average GPA	3.57	3.61	3.58
		Average Family Size	3.0	3.3	3.1
		Average Age	32	34	32
	Cal Grant B Recipients		10,408	11,712	22,120
		Average Income	\$13,275	\$13,929	\$13,622
		Average GPA	3.26	3.27	3.27
		Average Family Size	2.9	3.0	2.9
		Average Age	31	30	31
	Cal Grant A & B Recipients		11,475	12,187	23,662
		Average Income	\$14,633	\$14,884	\$14,762
		Average GPA	3.29	3.28	3.29
		Average Family Size	2.9	3.0	3.0
		Average Age	31	30	31
2006-07	Cal Grant A Recipients		1,193	518	1,711
		Average Income	\$31,254	\$40,170	\$33,953
		Average GPA	3.56	3.58	3.56
		Average Family Size	3.0	3.1	3.1
		Average Age	32	33	32
	Cal Grant B Recipients		11,481	12,189	23,670
		Average Income	\$13,873	\$14,744	\$14,322
		Average GPA	3.26	3.24	3.25
		Average Family Size	2.9	3.0	3.0
		Average Age	31	29	30
	Cal Grant A & B Recipients		12,674	12,707	25,381
		Average Income	\$15,509	\$15,781	\$15,645
		Average GPA	3.29	3.25	3.27
		Average Family Size	2.9	3.0	3.0
		Average Age	31	30	30

September Competition

Prior to SB 1644, the Cal Grant B program required that a majority of all Cal Grant B awards be given to students planning to attend a California Community College. SB 1644 demonstrated a continued financial commitment to community college students, especially disadvantaged students who make late enrollment decisions, by establishing a second Competition with a filing deadline of September 2nd each year. Only students enrolled for the fall in a California Community College may receive one of the 11,250 September Competitive awards.

Recipients by Program

As in the past, Cal Grant A fee awards have no monetary value at a California Community College. This is due to the low fees charged at the community colleges and the availability of a Board of Governors fee waiver to all financially eligible students. The award is held in reserve until the recipient transfers to a tuition or fee charging institution.

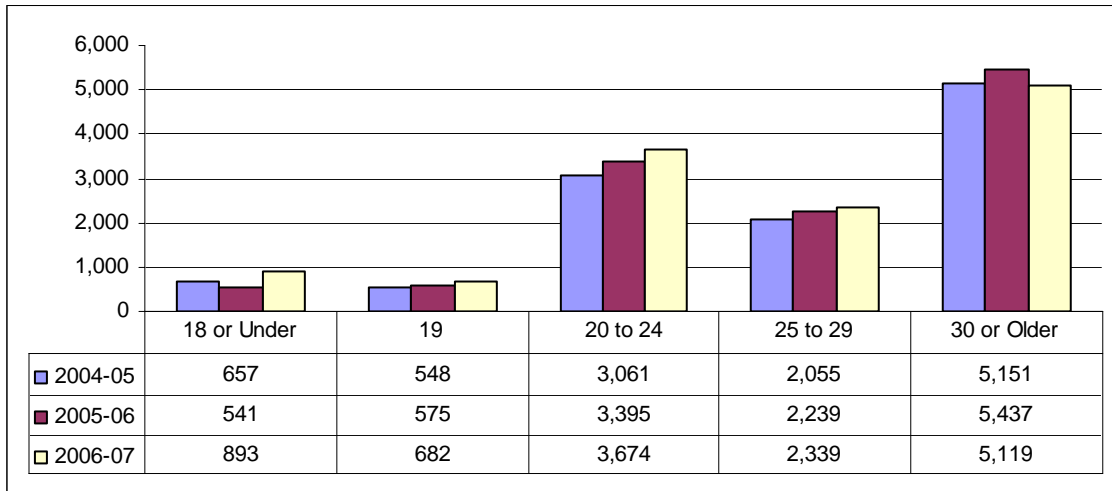
Since the beginning of the program, over 90 percent of September Competitive Cal Grant award recipients received a Cal Grant B award. This was also true for academic years 2004-05, 2005-06, and 2006-07.

The Commission offered 12,707 awards in the September 2006-07 Competition. This was a 4 percent increase from the 12,187 awards in the 2005-06 September Competition and an 11 percent increase from the 11,472 awards offered in 2004-05 to qualified recipients. The Commission offers more awards in a competition than the authorized number to allow for student attrition. It is expected that the number of awards funded would not exceed 11,250 in any cycle.

Recipients by Age

Display 6 illustrates the average age distribution of new recipients for the September Competition. In 2004-05, 2005-06, and 2006-07, the age distribution remained rather constant. For instance, in 2004-05, 2005-06, and 2006-07 approximately 60 percent of recipients were age 25 years or older. Additionally, as in previous years, approximately 40 percent of recipients were 24 years of age or younger. For instance, in 2006-07, 41 percent of recipients were 24 years of age or younger.

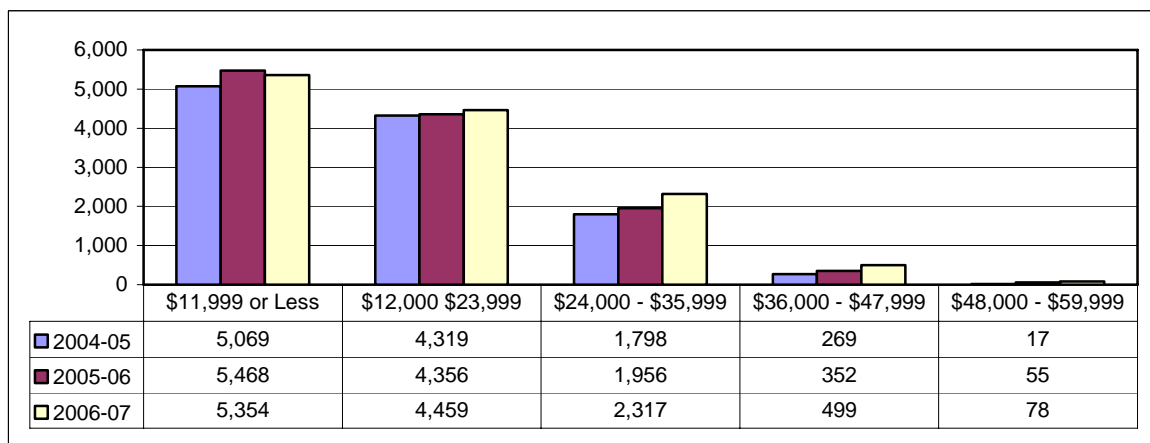
Display 6: Age Distribution of September Competitive Award Recipients



Recipients by Income

Display 7 illustrates that in 2006-07, new recipients from families with incomes of less than \$12,000 continued to account for the largest number of awards as in past years. Recipients with incomes of less than \$12,000 accounted for 5,354 or 42 percent of the 2006-07 September Competition awards. This was an increase of 3 percent from the prior year, 2006-05. In 2004-05, 2005-06, and 2006-07, the second largest category continued to be comprised of new recipients with incomes of \$12,000 to \$23,999. For instance, in 2006-07 these families accounted for 4,459 or 35 percent of the September Competition awards, and remained constant from 2004-05 and 2005-06. As in past years, recipients with incomes of more than \$24,000 accounted for the fewest number of awards. In 2006-07, these families accounted for 23 percent of the September Competition awards. This was a 4 percent increase from 2005-06 and a 5 percent increase from 2004-05.

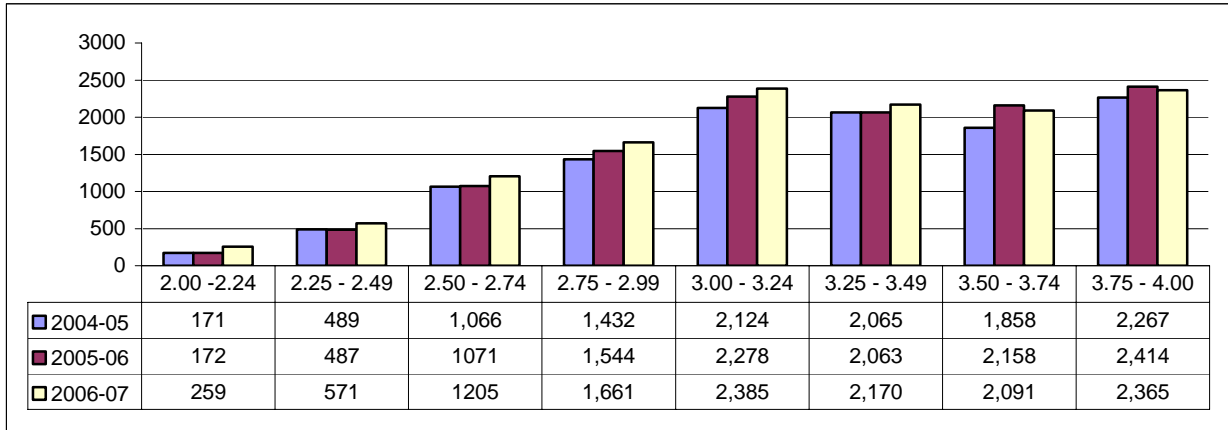
Display 7: Income Distribution of September Competitive Recipients



Recipients by Grade Point Average (GPA)

Display 8 illustrates the shift in the academic achievement of new recipients during the past three years of the Competitive Cal Grant Program. In 2004-05, 2005-06, and 2006-07, students with an average GPA of 3.75 or higher accounted for most of the September Competition awards. For instance, in 2006-07, 9,011 recipients or 71 percent had a GPA of 3.00 or higher. In 2004-05, 2005-06, and 2006-07, as in previous years, the number of recipients with a GPA below 2.50 remained at about 6 percent.

Display 8: GPA Distribution of September Competitive Recipients



Participation Patterns

Using the same methodology as for the March Competition, the Commission looked at the number of September Competitive Cal Grant recipients for whom at least one payment transaction was reported to and reconciled by the Commission and compared it to the number of recipients who were offered an award. The payment transaction may have occurred during the year the applicant was offered a Cal Grant award, for one or more subsequent year(s), or for all three years.

Participation Patterns by Initial Educational Level

Tables 5, 6, and 7 display the 2004-05, 2005-06, and 2006-07 September Competitive Cal Grant recipients by initial educational level. The educational level is a self-reported grade level the recipient indicates on the FAFSA. For the three years and all educational levels, there is little change in the number of recipients paid in the September Competition.

2004-05 September Competition

Table 5 provides information about the 2004-05 September Competitive recipients who were paid in their first and/or second and/or third year(s) in the Competitive Cal Grant Program. In 2004-05, 76 percent of the Cal Grant A and B recipients were paid during their first year in the Competitive Cal Grant Program. Additionally, 49 percent of the Cal Grant A and B recipients were paid during their second year in the Competitive Cal Grant Program. During their third year in the Competitive Cal Grant Program, 32 percent of the Cal Grant A and B recipients were paid during their third year in the Competitive Cal Grant Program.

**Table 5
2004-05 September Competitive Award Offers Actually Paid in 2004-05, 2005-06,
and 2006-07 By Initial Educational Level**

	2004 - 05		Paid in 2004 - 05			Paid in 2005 - 06			Paid in 2006 - 07		
	#	%	#	%	Paid	#	%	Paid	#	%	Paid
Cal Grant A											
Freshman	143	1.2%	10	0.1%	7%	17	0.3%	12%	21	0.6%	15%
Sophomore	244	2.1%	10	0.1%	3%	26	0.5%	11%	34	0.9%	14%
Junior	2	0.0%	2	0.0%	100%	2	0.0%	100%	0	0.0%	0%
Senior	2	0.0%	2	0.0%	100%	0	0.0%	0%	0	0.0%	0%
Total	391	3.4%	24	0.3%	6%	45	0.8%	12%	55	1.5%	14%
Cal Grant B											
Freshman	4,873	42.5%	3,851	44.0%	79%	2,540	45.1%	52%	1,646	44.4%	34%
Sophomore	6,197	54.0%	4,871	55.5%	79%	3,041	54.0%	49%	2,000	54.0%	32%
Junior	6	0.1%	6	0.1%	100%	4	0.1%	67%	2	0.1%	33%
Senior	5	0.1%	5	0.1%	100%	1	0.0%	20%	1	0.0%	20%
Total	11,081	96.6%	8,733	99.7%	79%	5,586	99.2%	50%	3,649	98.5%	33%
Cal Grant A & B											
Freshman	5,016	43.7%	3,861	44.1%	77%	2,557	45.4%	51%	1,667	45.0%	33%
Sophomore	6,441	56.1%	4,881	55.7%	76%	3,067	54.5%	48%	2,034	54.9%	32%
Junior	8	0.1%	9	0.1%	100%	6	0.1%	75%	2	0.1%	25%
Senior	7	0.1%	7	0.1%	100%	1	0.0%	14%	1	0.0%	14%
Total	11,472	100.0%	8,757	100.0%	76%	5,631	100.0%	49%	3,704	100.0%	32%

See notes explanation at end of table 7.

2005-06 September Competition

Table 6 provides information about the 2005-06 September Competitive recipients who were paid in their first and/or second year(s) in the Competitive Program. In 2005-06, 74 percent of the Cal Grant A and B recipients were paid during their first year in the Competitive Cal Grant Program. Also, 49 percent of the Cal Grant A and B recipients were paid during their second year in the Competitive Cal Grant Program.

Table 6
2005-06 September Competitive Award Offers Actually Paid in 2005-06 and 2006-07
By Initial Educational Level

	2005-06		Paid in 2005-06			2006-07		
	#	%	#	%	% Paid	#	%	% Paid
Cal Grant A								
Freshman	171	1.4%	7	0.1%	4%	13	0.2%	8%
Sophomore	302	2.5%	16	0.2%	5%	48	0.8%	16%
Junior	2	0.0%	2	0.0%	100%	2	0.0%	100%
Senior	0	0.0%	0	0.0%	0%	0	0.0%	0%
Total	475	3.9%	25	0.3%	5%	63	1.1%	13%
Cal Grant B								
Freshman	5,233	42.9%	4,085	45.0%	78%	2,742	45.7%	52%
Sophomore	6,463	53.0%	4,947	54.5%	77%	3,175	53.0%	49%
Junior	9	0.1%	9	0.1%	100%	9	0.2%	100%
Senior	7	0.1%	7	0.1%	100%	3	0.1%	43%
Total	11,712	96.1%	9,048	99.7%	77%	5,931	98.9%	51%
Cal Grant A & B								
Freshman	5,404	44.3%	4,092	45.1%	76%	2,755	46.0%	51%
Sophomore	6,765	55.5%	4,963	54.7%	73%	3,225	53.8%	48%
Junior	11	0.1%	11	0.1%	100%	11	0.2%	100%
Senior	7	0.1%	7	0.1%	100%	3	0.1%	43%
Total	12,187	100.0%	9,073	100.0%	74%	5,994	100.0%	49%

See notes explanation at end of table 7.

2006-07 September Competition

Table 7 provides information about the 2006-07 September Competitive recipients who were paid in their first year in the Competitive Cal Grant Program. In 2006-07, 71 percent of the Cal Grant A and B recipients were paid during their first year in the Competitive Cal Grant Program.

**Table 7
2006-07 September Competitive Award Offers Paid in 2006-07
By Initial Educational Level**

	2006 -07 Offers		Paid in 2006-07		
	#	%	#	%	% Paid
Cal Grant A					
Freshman	210	1.7%	8	0.1%	4%
Sophomore	306	2.4%	12	0.1%	4%
Junior	2	0.0%	2	0.0%	100%
Senior	0	0.0%	0	0.0%	0%
Total	518	100.0%	22	0.2%	4%
Cal Grant B					
Freshman	5,830	45.9%	4,331	48.3%	74%
Sophomore	6,336	49.9%	4,592	51.2%	72%
Junior	14	0.1%	12	0.1%	86%
Senior	9	0.1%	9	0.1%	100%
Total	12,189	95.9%	8,944	99.8%	73%
Cal Grant A & B					
Freshman	6,040	47.5%	4,339	48.4%	72%
Sophomore	6,642	52.3%	4,604	51.3%	69%
Junior	16	0.1%	14	0.2%	88%
Senior	9	0.1%	9	0.1%	100%
Total	12,707	100.0%	8,966	100.0%	71%

See notes explanation at end of table 7.

Notes for Tables 5, 6, and 7:

- 1 "2004-05 Offers" reflect the number of competitive recipients notified as of December 31, 2004.
- 2 "2005-06 Offers" reflect the number of competitive recipients notified as of December 31, 2005.
- 3 "2006-07 Offers" reflect the number of competitive recipients notified as of December 31, 2006.
- 4 "Paid in 2003-04" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2004.
- 5 "Paid in 2004-05" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2005.
- 6 "Paid in 2005-06" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2006.
- 7 "Paid in 2006-07" reflects those recipients for whom at least one payment transaction was reported and reconciled as of December 31, 2007.
- 8 Paid data excludes Cal Grant A Reserve awards because they have no monetary value at a California Community College.

**SECTION IV
ELIGIBLE NON-RECIPIENTS**

Eligible Non-Recipients

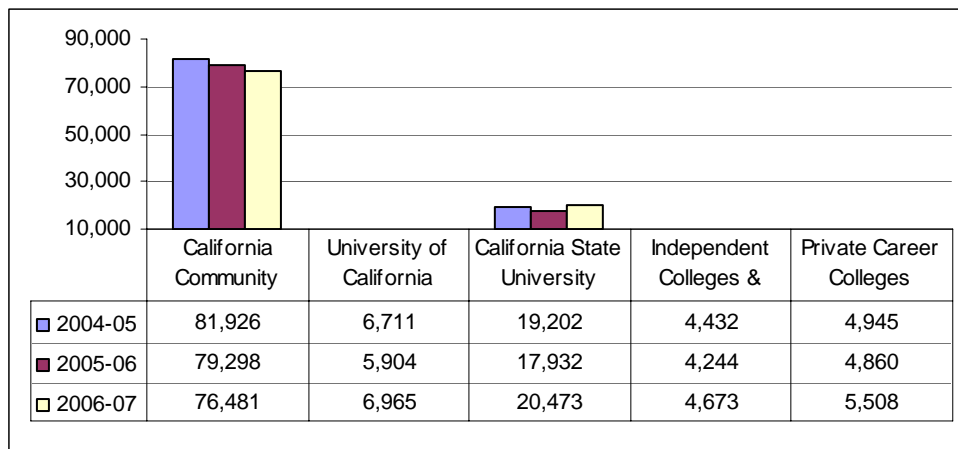
Eligible non-recipients are those applicants, from the March and September Competitions, who successfully passed the common, program, and financial edits (described in Section II) but did not receive an award because their scores were below the cutoff point. Had more awards been available, the number of eligible non-recipients within this pool would be lower.

The Displays and Table below show characteristics of the eligible non-recipients in 2004-05, 2005-06, and 2006-07. Demographically, there is no discernable difference in age, income or GPA. In 2004 –05, 2005-06, and 2006-07, there were over 112,000 applicants who met all eligibility criteria but did not receive an award because of the statutory limitation.

Eligible Non-Recipients by Segment

Display 9 illustrates segmental distribution of the eligible non-recipients for the latest three years of the Program. From 2005-06 to 2006-07, the University of California had the largest increase at 18 percent; the California State University segment had an increase of 14 percent; Private Career Colleges were up by 13 percent; the Independent Colleges and Universities increased by 10 percent; and the California Community Colleges decrease by almost 4 percent. From 2004-05 to 2005-06, the California Community Colleges had decreased by almost 7 percent.

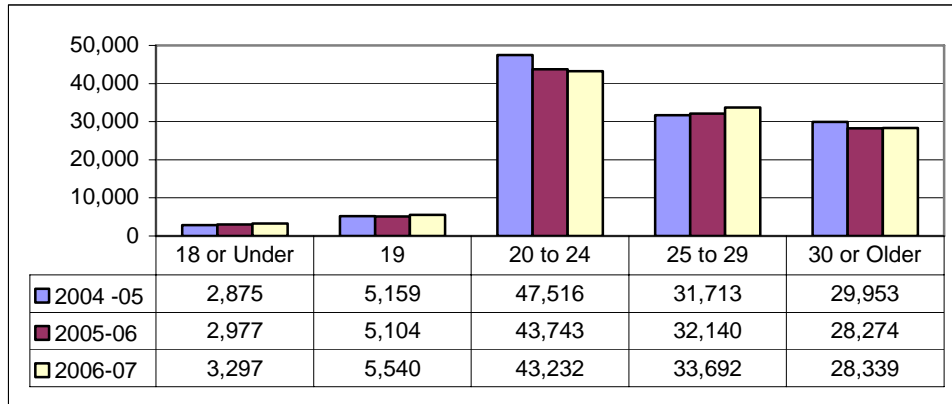
Table 9: Segmental Distribution of Eligible Non-Recipients



Eligible Non-Recipients by Age

Display 10 illustrates that the age distribution of eligible non-recipients remained fairly constant during the years 2004-05, 2005-06, and 2006-07. As in previous years, over one-half of all eligible non-recipients were 25 years of age or older and are considered non-traditional or returning students.

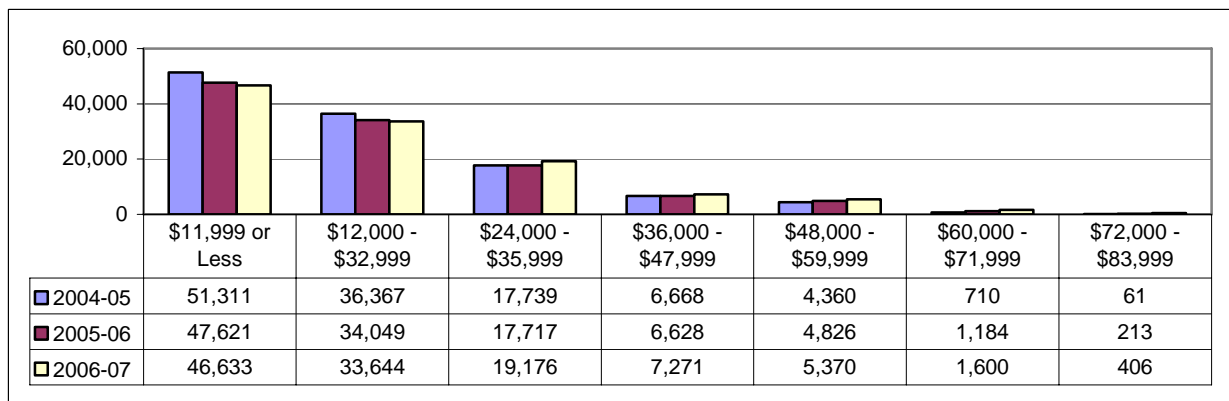
Display 10: Age Distribution of Eligible Non-Recipients



Eligible Non-Recipients by Income

The proportion of Competitive Cal Grant Program eligible non-recipients by income changed very little during 2004-05, 2005-06, and 2006-07. Display 11 illustrates that over the past three years just over 40 percent of all eligible non-recipients earned less than \$12,000 per year.

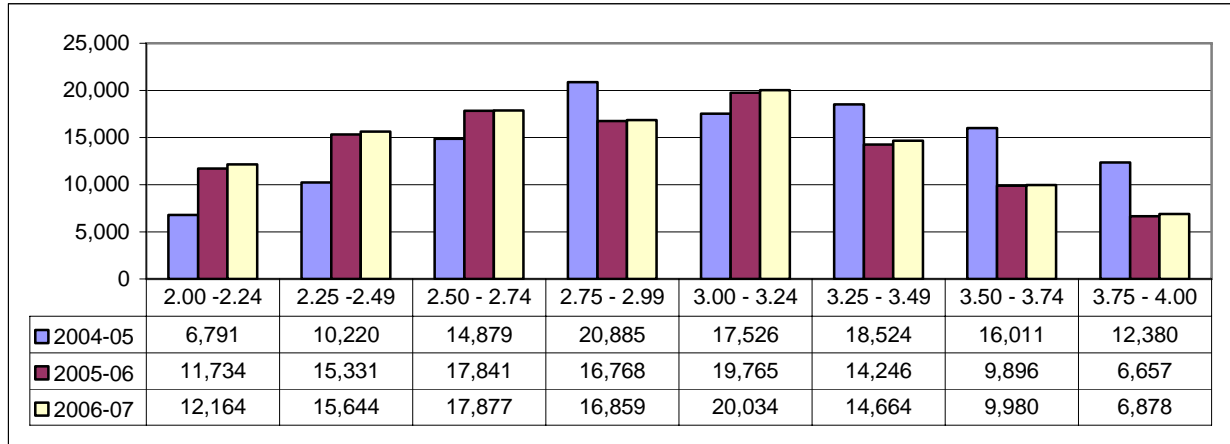
Display 11: Income Distribution of Eligible Non-Recipients



Eligible Non-Recipients by Grade Point Average (GPA)

Display 12 illustrates the GPA distribution of those students who were eligible but due to the number of awards, were not granted an award.

Display 12: GPA Distribution of Eligible Non-Recipients



Typical Eligible Non-Recipients

Table 8 presents the typical eligible non-recipient for the Competitive Cal Grant Program.

**Table 8
A Typical Competitive Eligible Non-Recipient
Award Years 2004-05 through 2006-07**

	2004-05	2005-06	2006-07
Number of Eligible Non Recipients	117,216	112,238	114,100
Average Income	\$16,862	\$17,749	\$18,659
Average GPA	2.91	2.91	2.91
Average Family Size	2.6	2.5	2.5
Average Age	27	27	27

CONCLUSION

The Competitive Cal Grant Program continues to play a vital and crucial role in making education beyond high school financially accessible to all Californians. A priority of the Commission and the State is continued advocacy for increased higher education opportunities for California students. Any funds invested in the Competitive Cal Grant Program should be considered an investment in the future of the State's economy. With California's changing labor market and fluctuating economy, an increasing number of non-traditional, returning, and older adult students are seeking education and training. To meet the demands of this group, the Competitive Cal Grant Program needs to respond effectively with more awards. Students who achieve a postsecondary education in California will increase their income potential and will contribute to the future tax base as their income increases.

The Competitive Cal Grant Program is constrained because the number of awards has remained at 22,500 since 2001 and the pool of eligible applicants continues to exceed this limit. For example, in 2006-07, over 139,000 students were successful in meeting the financial and basic eligibility criteria for the Competitive Cal Grant program, however, only 18 percent, or about one out of six, of successful applicants received awards and over 100,000 qualified students remained unserved.

The number of eligible non-recipients has steadily increased since 2001-02 when the Competitive Cal Grant Program began. However, the profile of those who do not receive an award remains fairly consistent. The typical eligible non-recipient in 2006-07 was 27 years old, earned approximately \$18,659, for a family of 2.5 persons, and had a GPA of 2.9, but failed to receive an award because the Commission must apply scoring criteria to reduce the number of eligible students as mandated by statute. The continued rise in the number of both applicants and eligible non-recipients is attributable to the following:

- Improvements in promoting the federal electronic FAFSA on the Web filing system;
- Improvements in the Commission's Cal Grant GPA verification process;
- Improvements in the Commission's partnerships with secondary schools, postsecondary institutions, California student financial aid associations, and members of the Legislature to promote extensive outreach efforts;
- Collaboration with business and industry to deliver focused Cal Grant financial aid outreach; and especially
- The struggling economy and the changing labor market driving increasing numbers of older workers to seek additional education to upgrade or acquire new job skills.

In summary, these findings clearly show that in the face of rising demand for enrollment, increasing fees, and economic uncertainties at postsecondary institutions, the California Competitive Cal Grant Program provides access and choice to a limited number of students seeking higher education or job retraining. If California wants to assure financial access to postsecondary education for non-traditional, returning, and older adult students, consideration should be given to increasing the number of Competitive Cal Grant awards beyond the 22,500 currently authorized in statute [California Education Code Section 69437(b)]. Therefore, the resources currently provided for this program will continue to remain inadequate in meeting the challenges posed by a changing economy and the need for current workers to secure additional postsecondary education and training in California.