

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****Assembly Member Kevin McCarty, Chair****WEDNESDAY, APRIL 11, 2018****4 PM, STATE CAPITOL ROOM 126**

**CALIFORNIA STUDENT AID COMMISSION
CALIFORNIA COMMUNITY COLLEGES**

ITEMS TO BE HEARD		
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6980 CALIFORNIA STUDENT AID COMMISSION

The Governor's Budget includes \$2.3 billion all funds for the California Student Aid Commission (CSAC) in 2018-19, an increase of about \$80 million, or about 4%, from the current year. Of this funding, \$1.2 billion is General Fund, or about 52% of CSAC's total budget.

California Student Aid Commission Budget

(Dollars in Millions)

	2016-17 Revised	2017-18 Revised	2018-19 Proposed	Change From 2017-18	
				Amount	Percent
Local Assistance					
Cal Grants	\$1,948	\$2,090	\$2,162	\$71	3.4%
Middle Class Scholarships	74	100	102	2	2.2
Assumption Program of Loans for Education	10	7	7	-1	-6.8
Chafee Foster Youth Program	13	14	15	— ^a	2.0
Student Opportunity and Access Program	8	8	8	— ^a	2.3
National Guard Education Assistance Awards	2	2	2	—	—
Other programs ^b	1	1	1	— ^a	-26
Subtotals	(\$2,056)	(\$2,223)	(\$2,297)	(\$73)	(3.3%)
State Operations	\$16	\$16	\$22	\$7	44%
Totals	\$2,072	\$2,239	\$2,319	\$80	3.6%
Funding					
State General Fund	\$1,126 ^c	\$1,172 ^c	\$1,201	\$28	2.4%
Federal TANF	926	1,043	1,095	52	5.0
Other federal funds and reimbursements	17	18	18	— ^a	0.2
College Access Tax Credit Fund	4	6	6	— ^a	1.5

^a Less than \$500,000.

^b Includes Cash for College, Child Development Teacher/Supervisor Grants, Graduate Assumption Program of Loans for Education, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships, and State Nursing Assumption Program of Loans for Education for Nursing Faculty.

^c Reflects correction to remove double-counting of College Access Tax Credit funding.

TANF = Temporary Assistance for Needy Families.

ITEMS TO BE HEARD**ISSUE 1: REFORMING CALIFORNIA STUDENT AID**

The Subcommittee will discuss a recent report by the California Student Aid Commission (CSAC) regarding reforming financial aid programs. The report was requested by the Assembly as part of the 2017 Budget Act.

PANEL

- Robert Shireman, The Century Foundation
- Lande Ajose, California Student Aid Commission
- Lupita Cortez Alcalá, California Student Aid Commission
- Christopher Carter, University of California Office of the President
- Noelia Gonzalez, California State University Chancellor's Office
- Christian Osmeña, California Community Colleges Chancellor's Office

BACKGROUND

California's \$2 billion state-supported financial aid program is the largest in the country. Additionally, students can receive federal aid – mostly through the Pell Grant program – and institutional aid: the University of California collects one-third of student tuition revenue to support needy students, the California State University's State University Grant (SUG) Program waives tuition for needy students, and the California Community Colleges Promise Grant (formerly the Board of Governors Fee Waiver) also waives tuition for needy students.

Need-based aid programs typically assess financial need using the federal Free Application for Federal Student Aid, or FAFSA. The FAFSA asks students/families to provide various information, such as household income, certain available assets, and number of children in college. This information then feeds into a formula that determines an expected family contribution (EFC) toward college costs. A student's financial need is the total cost of attendance (tuition and living costs combined) at a particular campus less his or her EFC. For students not eligible for federal aid, California has developed the Dream Act Application, which asks many of the same questions as the FAFSA and allows California students to become eligible for state and institutional aid programs.

The chart below was compiled by the LAO and describes various aid programs and their costs. Federal, state and institutional aid totals more than \$7 billion.

Figure 11		
Majority of Financial Aid Programs for California Students Are Gift Aid		
<i>(In Millions)</i>		
Program^a	Coverage	Expenditures^b
Gift Aid		
Pell Grant (federal)	Some tuition and living expenses.	\$2,832
Cal Grant (state)	Full tuition and some living expenses for students attending public and some private institutions in California.	1,986
California College Promise Grant ^c (state)	Full tuition for CCC students.	758
UC Grant (state)	Full tuition and living expenses for UC students.	746
CSU State University Grant (state)	Full tuition for CSU students.	586
Middle Class Scholarship (state)	Partial tuition for UC and CSU students not eligible for a Cal Grant.	71
Supplement Education Opportunity Grant (federal)	Some tuition and living expenses.	65
CCC Full-Time Student Success Grant (state)	Some tuition and living expenses for full-time CCC students.	41
Subtotal		(\$7,085)
Loans		
Direct Student Loans (federal)	Any college expense. More generous terms for financially needy students.	\$1,610
Parent PLUS Loans (federal)	Any college expense. Available for parents of dependent students.	402
Perkins Student Loans (federal)	Any college expense. Typically more generous terms than other loans.	47
Subtotal		(\$2,059)
Tax Benefits^d		
Higher education credits and deductions (federal)	Tuition, books, and supplies.	\$1,210
Scholarshare savings plan (federal)	Any college expense. Accounts have tax benefits.	209
Coverdell education savings account (federal)	Any K-12 or college expense. Accounts have tax benefits.	4
Subtotal		(\$1,418)
Work Study (Federal/State)	Provides part-time jobs.	\$74
Total		\$10,637

^a All gift aid, work study, and Perkins Student Loans are need based. Other loans and tax credits are nonneed based.
^b Reflects 2015-16 data for federal programs and 2016-17 data for state programs.
^c Formerly known as the CCC Board of Governor's Fee Waiver.
^d Estimated based on nationwide expenditures.

The Subcommittee has noted several concerns regarding financial aid during discussions in previous budget cycles, including:

Aid is largely focused on tuition instead of overall college costs. State and institutional aid have traditionally targeted tuition costs for low-income and middle-income students. More than 60% of CSU students have their tuition covered by grants or waivers, and about half of UC and community college students do not pay tuition due to financial aid.

Far less aid is available for living expenses, however, which contribute more to the cost of college than tuition. For example, the Student Aid Commission reported non-tuition student expenses of \$19,386 per year for California students living off campus in 2017-18.

The state's aid programs that seek to address living expenses – the Cal Grant B Access Award and the Full-Time Student Success Grant and the Completion Grant at community colleges – do not cover all major expenses such as housing, books and food. The Cal Grant B Access Award, for example, provides \$1,672 per student.

Hundreds of thousands of low-income students do not receive Cal Grants. The Cal Grant program supports more than 350,000 low-income Californians. But there are many restrictions on Cal Grant that exclude needy students. The entitlement Cal Grant – which allows students to automatically qualify for a Cal Grant if they fall within income and asset limits and have specific grade point averages in high school – is only available for students who have graduated from high school within one year, for example. And due to a combination of differing grade point average and income and asset requirements for Cal Grant A and B, many students with income levels that disqualify them for a Cal Grant B but grade point averages that disqualify them for a Cal Grant A are excluded completely from the program. For example, a student with a family income of \$58,000 annually (too high for a Cal Grant B) and a 2.9 GPA (too low for a Cal Grant A) is not eligible for a Cal Grant. Cal Grant eligibility is displayed below.

About 25,000 competitive Cal Grants are available every year for needy students who do not qualify for an entitlement Cal Grant, but on average more than 300,000 students apply for this program.

Award Amounts
<p>Cal Grant A Tuition awards for up to four years. Full systemwide tuition and fees (\$12,240) at UC. Full systemwide tuition and fees (\$5,472) at CSU. Fixed amount (\$9,084) at nonprofit or WASC-accredited for-profit colleges. Fixed amount (\$4,000) at other for-profit colleges.</p> <p>Cal Grant B Up to \$1,656 toward books and living expenses for up to four years. Tuition coverage comparable to A award for second through fourth years.</p> <p>Cal Grant C Up to \$2,462 for tuition and fees for up to two years. Up to \$547 for other costs for up to two years.</p>
Eligibility Criteria
<p>High School Entitlement (A and B) — High school senior or graduated from high school within the last year. — Minimum high school GPA of 3.0 (for A award) or 2.0 (for B award).</p> <p>Transfer Entitlement (A and B) — CCC student under age 28 transferring to a four-year school. — Minimum college GPA of 2.4.</p> <p>Competitive (A and B) — Cannot be eligible for entitlement. — Minimum high school GPA of 3.0 (for A award) and 2.0 (for B award). — State law authorizes 25,750 new awards per year.</p> <p>Competitive (C) — Must be enrolled in career technical education program at least four months long. — No GPA minimum. — State law authorizes 7,761 new awards per year.</p>

Source: Legislative Analyst's Office (LAO)

Community college students - typically the students with the highest need - receive the least aid. According to an analysis by The Institute for College Access and Success (TICAS), about 55% of community college students have a family income so low that the U.S. Department of Education estimates they cannot support any of the costs associated with college. Yet California community college students typically have less access to aid than other students. Unlike UC, for example, community colleges do not offer significant institutional aid to help cover living expenses. In a 2016 report, TICAS noted that while California community colleges enroll about 65% of Californians attending college, they receive only 31% of Cal Grants and account for only 7% of overall Cal Grant spending.

The Report. The 2017 Budget Act included supplemental reporting language requiring CSAC to review California financial aid programs and provide options to consolidate existing programs that serve similar student populations in order to lower students' total cost of college attendance, including tuition and fees, books and supplies, transportation, and room and board.

CSAC contracted with the Century Foundation, a nonpartisan research foundation, to conduct the review and write the report. The project team interviewed more than fifty stakeholders, including representatives from college access organizations, K-12 education, all of the higher education segments, several state agencies including the legislature, and others. Below is a summary of the report's major recommendations:

- **Consolidate the Cal Grant and Middle Class Scholarship programs and connect award level to the Expected Family Contribution, not tuition.** Combine all versions of the Cal Grant with the Middle Class Scholarship program into a single Cal Grant that no longer takes into account time out of high school or GPA, broadening eligibility to more Californians. The proposal also would delink the programs from tuition and instead connect the amount to student need based on the EFC.
- **Using updated EFC and cost of attendance methodology, set the Cal Grant award level to cover gaps in unmet need that meet affordability targets.** CSAC would adopt a revised, standardized methodology to assess the cost of attendance and financial need. The Legislature would link aid at all segments to covering gaps between the reformed estimated cost of attendance and students' ability to pay. The state would not cover all unmet need, but move closer to CSAC-identified affordability targets by covering an increasing share of financial need, thus reducing the pressure on students to seek high levels of "self-help" in the form of work hours and student loans.
- **Expand the Cal Grant to meet need.** The state would continue to use reformed estimated cost of attendance and financial need calculations and provide adequate funding to reduce or eliminate students' need for loans or excessive work.
- **Create the Fund for Innovation in Financial Aid.** The state could provide a large, one-time investment to create a Fund for Innovation in Financial Aid, allowing CSAC to pilot and study approaches to addressing students' specific challenges and identify areas to gain efficiencies that reduce the cost of attendance. For example, CSAC could explore initiatives such as providing transportation vouchers, offering free meals on campus (at least in the initial weeks) for new students at community colleges, pre-purchasing textbooks for key courses, expanding work-study opportunities, arranging for child care, or funding an emergency aid program to cover unforeseen student needs.
- **Update information and advising strategies and tools.** CSAC should pursue a modernized, technology-savvy approach to information and advising. Create a fuller web presence, build online capabilities and a partnership with the state Franchise Tax Board to allow students to easily obtain personalized estimates of their aid eligibility and to compare aid award letters, and an increased role in advising and college savings initiatives. CSAC might, for example, work with administrators of Scholarshare, the California college savings plan, to develop communication strategies to encourage participation. This role will require a significant focus on public communications and outreach, building on CSAC's

existing outreach programs, to bring a sophisticated approach to reaching millions of students and families across the state.

The report includes numerous other recommendations for improvement, including allowing Cal Grants for shorter-term certificate programs and increasing financial aid counseling.

STAFF COMMENT/QUESTIONS

The Assembly in recent years has become concerned with the difficulty financially-needy students face in covering all of the costs associated with college. State aid programs have historically targeted tuition because in the past tuition was the largest cost students faced. Times have changed. Housing is likely the highest-priced item for many students.

This report is an important step in reviewing and reforming aid programs to better serve today's students. Issues for the Subcommittee to consider as it discusses this report include:

Full implementation of recommendations would be costly. The report's recommendations would provide aid to far more students than the state currently serves, and would provide more state dollars to some students already being served. The report considers the cost of its recommendations, but notes data limitations that make it difficult to determine exact costs of full implementation. While the report suggests that costs for supporting UC students might not differ much from current costs, there would be increased costs for CSU students and as much as \$1.5 billion in new costs to serve community college students. Estimates suggest a fully implemented program could add nearly \$2 billion on top of current state financial aid spending. It should also be noted that if the state were to implement these reforms without a new, higher funding level, state aid could shift from UC students to CSU and particularly community college students.

Recommendations could have significant impacts at each segment, require more interaction between CSAC and the segments. Some of the recommended reforms adopt policies already in place at the University of California, which currently uses federal, state and institutional aid to cover the total cost of attendance for students, minus a student contribution that assumes a part-time job or loans and a family contribution depending on the FAFSA-determined expected family contribution. This is not the case at California State University and California Community Colleges, however, which have little institutional aid available to cover nontuition costs. Thus, both segments would be required to significantly change their financial aid strategies. Community colleges in particular would likely need to significantly bolster financial aid offices at campuses. Currently, all three segments know the amount of state aid that is coming to campus with each Cal Grant student, as it is either tied to tuition or the access award. This proposal would provide varying aid for each student, which could add complication for campuses as they package students, and would certainly require much more interaction between the segments and CSAC.

Report wisely proposes changes to rigid and unfair Cal Grant eligibility rules. Hundreds of thousands of needy California students are left out of the Cal Grant program. Rules that prohibit an entitlement Cal Grant due to age or time out of high school limit participation, blocking access to higher education for many low-income adults. GPA and income/asset cutoffs in combination leave some deserving students out.

The report notes that the impact of GPA and asset cutoffs is relatively small, but some data suggest that transfer students may be missing out on a Cal Grant due to data matching problems between CSAC and community colleges over students' GPAs. These findings suggest these rules may not have much impact but are overly complicated and leave out many deserving students.

Expected Family Contribution and Cost of Attendance need more attention. As this report and other reports have noted, the federal guidelines for expected family contribution are the same for every region in the country. This is a problem for students attending California colleges in high-cost areas. The report notes that CSAC would need to determine regional costs to apply to the federal formula. In addition, the report notes a wide variation in calculating student costs by institution and sector. Estimated textbook costs vary wildly, and UC and CSU differ quite a bit in how they calculate costs for students living at home with parents. The report suggests CSAC take a lead role in standardizing these costs.

Earlier information for students and families is critical. The report notes that many families overestimate the price of college, and research indicates that showing them possible aid amounts, net price indicators and providing assistance in FAFSA completion increases college enrollment. Yet California students face a significant information gap, and they often make application decisions without a thorough understanding of college costs and available grant aid. "The college expenses that a family will face should not be a mystery that is revealed months after the college application deadlines and only days before they have to make decisions," the report notes. The report makes sound recommendations to provide more information earlier to students, which will take cooperation among multiple state agencies, the Commission, and the segments. This work should be done regardless of whether other reforms are enacted.

Many recommendations would help students and would not add significant operational costs. The report provides multiple recommendations that would provide better support for students but not require major new state investments. CSAC, for example, can upgrade its website and enter into information-sharing agreements with the Franchise Tax Board and Scholarshare to provide outreach to families about saving for college and personalized potential college costs based on family tax data, for example. Better standardizing students' total cost of attendance would require work and cooperation between CSAC and the segments. These types of activities would potentially require state and institutional policy changes and some new funding, but costs would be in the millions, not billions.

CSAC has adopted a plan to work on report recommendations. At its meeting last week, the Commission voted on a plan to implement some of the report's recommendations, and to further discuss the major reforms proposed. In 2018-19, the Commission is seeking:

- An increase in the Cal Grant B Access Award, which provides nontuition support (for books, supplies, technology, or other education-related expenses, including living costs) to low-income students – as a first step towards using state financial aid to reduce the need for students to rely on loan debt to finance their education.
- Funding for a dedicated team at CSAC to perform financial aid outreach, education, and training – along with a mandate to focus on the most underserved student populations in California (such as students of color, rural students, current and former foster youth, to name a few) and on providing early, personalized information to students and families about their financial aid eligibility.
- Establishing an innovation fund, in which CSAC could provide grants to higher education segments or institutions to pilot innovative ideas to enhance and improve college affordability. Some ideas suggested by the report include subsidized child care for low-income students who have children, fully subsidized meal plans for students with high levels of need, emergency aid programs, etc.

The Commission intends to further discuss the report's major recommendations at its June meeting, and to have conversations with stakeholders during the summer and fall. The Commission then could offer a proposal for legislative consideration next year.

ISSUE 2: CAL GRANT FOR PRIVATE NONPROFIT INSTITUTIONS

The Subcommittee will discuss the Governor's Budget proposal to continue the maximum Cal Grant award for students attending private nonprofit institutions at \$9,084 if the sector meets community college transfer admittance targets.

PANEL

- Bijan Mehryar, Department of Finance
- Jennifer Kuhn, Legislative Analyst's Office
- Kristen Soares, Association of Independent California Colleges and Universities
- Lupita Cortez Alcalá, California Student Aid Commission

BACKGROUND

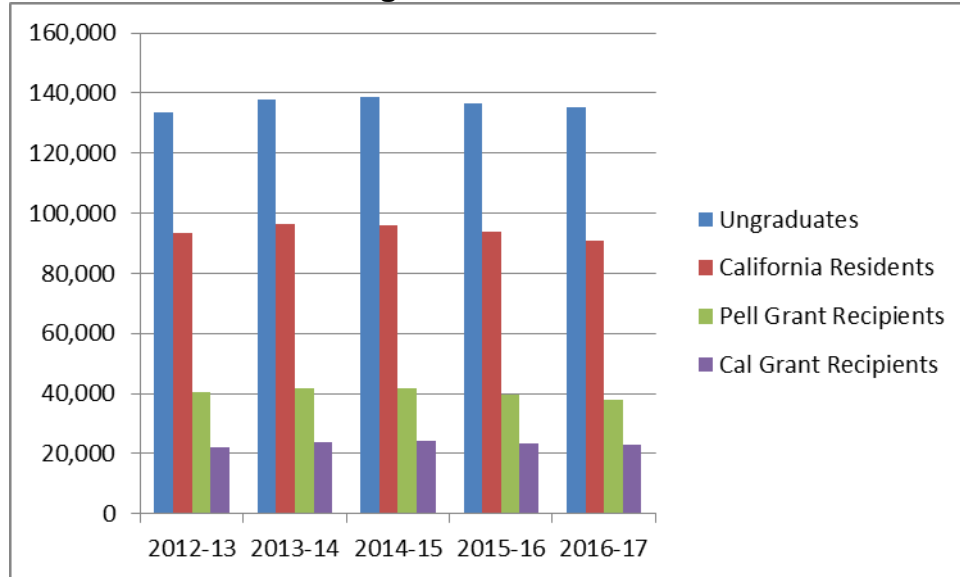
The 2017 Budget Act delayed a planned reduction in the Cal Grant award for students at private nonprofit institutions until 2018-19 and added statutory language that WASC-accredited private colleges participating in the Cal Grant program make a good faith effort to enroll more low-income students, enroll more transfer students, and offer more online courses. These institutions are required to report on progress towards meeting these goals by March 15 of each year.

Most private nonprofit colleges in California are members of the Association of Independent California Colleges and Universities (AICCU), which has taken the lead in responding to the budget language and representing the colleges in front of the Legislature. AICCU includes 70 undergraduate-serving institutions. The report released on March 15, 2018 includes the following information:

California and Low-income Students

- AICCU institutions enrolled more than 135,000 undergraduates in 2016-17, and about 67% (almost 91,000) of those students are Californians.
- California enrollment has decreased by almost 3% during the past five years.
- About 28% of undergraduates are Pell Grant recipients.
- About 17% of undergraduates are Cal Grant recipients.
- The number of Pell Grant recipients at these institutions has dropped by 6% during the past 5 years, but the number of Cal Grant recipients has grown by 4%.
- AICCU institutions provide, on average, \$17,409 in institutional grant aid per Cal Grant student.
- About 39% of Pell Grant students, and 46% of Cal Grant recipients, are Hispanic/Latino. About 9% of Pell Grant students, and 7% of Cal Grant recipients are African American.
- AICCU Cal Grant students graduate faster than other students: the Cal Grant student 4-year graduation rate is 62%, compared to the overall 4-year graduation rate of 54%. The six-year graduation rate for Cal Grant students is 76%, compared to 66% for all students.

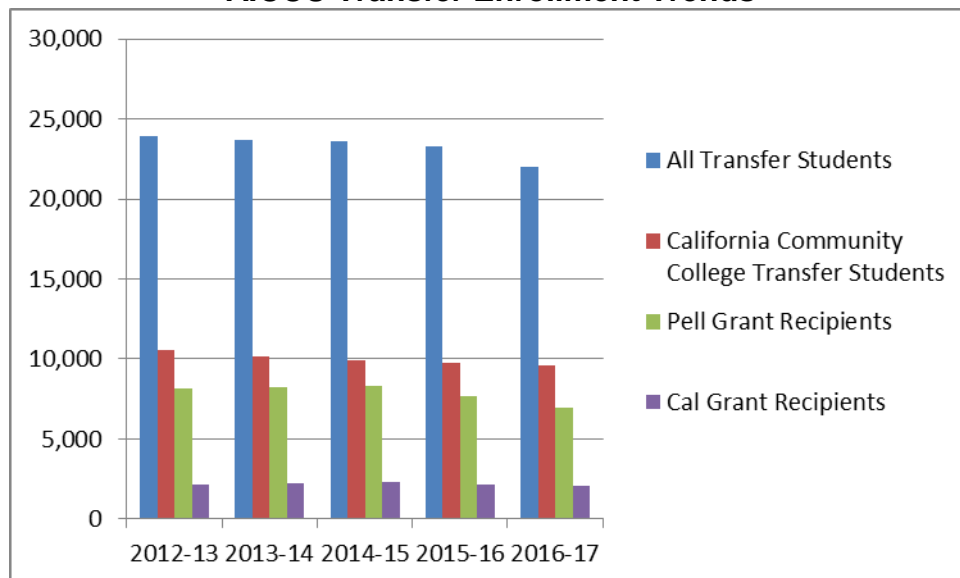
AICCU Undergraduate Enrollment Trends



Transfer Students

- AICCU institutions enrolled about 23,000 transfer students in 2016-17.
- Of those, about 9,500 are California community college transfer students.
- Overall, transfer enrollment at these institutions has dropped by 8% in the last five years. California community college transfer enrollment has dropped by almost 9%.
- 56 AICCU institutions have articulation agreements with at least one California Community College. Seven institutions accept Associate Degrees for Transfer.

AICCU Transfer Enrollment Trends



Online Education

- AICCU institutions have seen an increase of 12% in undergraduate students enrolled in at least one online course for credit during the past five years.
- AICCU institutions offer 5,777 completely online courses for undergraduate students.
- 33 institutions plan on expanding online course offerings.

Governor's 2018-19 Budget Proposal

The Governor's Budget proposes to maintain the private nonprofit award at \$9,084 (\$1,028 higher than the otherwise reduced level of \$8,056) in 2018-19. This action increases Cal Grant costs by \$7.9 million General Fund. To be able to receive the \$1,028 differential in 2019-20, the Governor proposes to add a requirement that the sector in 2018-19 accept at least 2,500 transfer students who have earned an Associate Degree for Transfer from a California Community College. The Governor proposes to increase the expectation to 3,000 in 2020-21. Beginning in 2021-22, the target changes, and would be based on the percent change in the number of total transfers the sector admitted in the prior year. For example, if the sector increases overall transfer enrollment by 3 percent in 2021-22, then it would be expected to grow ADT enrollment by 3 percent in 2022-23. The Governor indicates that this proposal is part of a broader effort to make transfer easier across all segments and improve timely completion rates for transfer students.

Trailer bill language requires the association representing these institutions to report every March on the number of ADT students it is admitting; if the sector does not admit the appropriate amount of students, the per-student maximum Cal Grant level would drop the following year.

The Governor also proposes to reduce the Cal Grant award for students attending WASC-accredited for-profit institutions—providing \$8,056 for those students instead of the higher \$9,084. The Governor's budget recognizes \$600,000 in total associated savings.

LAO Recommendation

The LAO recommends rejecting this proposal. The LAO states that it is not clear that there is a problem regarding transfer students at private institutions. The LAO also states that the Governor's proposal departs notably from the original, overarching goals of the Cal Grant program to provide more choice for low-income students, greater overall capacity in the state's higher education system, and lower overall state costs, instead tying a portion of the Cal Grant to a very specific transfer-focused goal.

The LAO also notes that nonprofit colleges are diverse and have differing missions, and they do not have a central governing body to hold accountable for meeting state-mandated requirements.

The LAO recommends a prior policy that calculated the private Cal Grant amount by adding together (1) 75 percent of the state General Fund cost per CSU student and (2) the average of the tuition and fees charged by UC and CSU. This would amount \$16,500.

The LAO also recommends rejecting the proposal to reduce the amount for WASC-accredited for-profit schools.

STAFF COMMENT/QUESTIONS

The Governor's proposal does seek to address a longstanding issue regarding the dollar amount of a Cal Grant for a needy California student who wishes to attend a private California college or university. This Subcommittee and the Legislature have successfully advocated in recent years to maintain the maximum award amount at \$9,084, instead of a lesser amount that was agreed to during the Great Recession.

Additionally, the Legislature does have an interest in ensuring that low-income students have the choice to attend a private college if they determine it is the best fit for them, and the expansion of the Associate Degree for Transfer program could ensure that more students take the most efficient route possible to earn a bachelor's degree. This is in the state's interest as it could lower overall higher education costs.

Finally, AICCU representatives state the sector is supportive of this proposal. In addition to the seven institutions that already accept ADTs, AICCU reports that 8 more are working on accepting them and 21 more have indicated interest. AICCU is also developing a memorandum of understanding with the California Community Colleges Chancellor's Office to develop some systemwide standards and a marketing and communications plan to ensure community college students are aware of this transfer pathway.

Staff does, however, agree with some of the LAO's assessment: there is not necessarily a rationale policy nexus between the Cal Grant amount and the number of ADT students these institutions take, and enforcing this requirement may be difficult because there is no true centralized governing body for these institutions, which have wildly differing missions and student bodies.

And because the sector cannot provide information on the current number of ADT students it admits, it is unclear if the specific requirements the Administration has set are appropriate.

Despite these concerns, the proposal does resolve the continuing private Cal Grant issue and address legislative concerns regarding expansion of the ADT program and access for low-income students to higher education institutions of their choosing. The LAO's proposal to tie the private Cal Grant amount to UC and CSU tuition is likely cost prohibitive at this time. The Subcommittee may wish to approve this proposal and monitor implementation to ensure it is meeting those key objectives.

ISSUE 3: GRANT DELIVERY SYSTEM

The Subcommittee will discuss the Governor's Budget proposal and subsequent April Finance Letter seeking funding for the Grant Delivery System Modernization Project. The Administration is seeking \$5.5 million one-time General Fund to complete the development, implementation, and launch of the project.

PANEL

- Bijan Mehryar, Department of Finance
- Jennifer Kuhn, Legislative Analyst's Office
- Lupita Cortez Alcalá, California Student Aid Commission

BACKGROUND

The Commission uses an information technology (IT) platform known as the Grant Delivery System to process student financial aid applications, make aid offers to students, and manage aid payments. Students and campus administrators also use the system. Most notably, students use the system to submit financial aid applications and administrators use it to process financial aid payments on behalf of students. The Commission has used its current IT system for 30 years. The annual average cost of operating and staffing the current system is \$9.9 million—consisting of \$8.1 million in staff (81 full-time equivalent positions) and \$1.8 million in other operating costs.

Most state IT projects are required to go through the Project Approval Lifecycle (PAL), a four-stage planning process overseen by the California Department of Technology (CDT). The process begins with an agency identifying a programmatic problem or opportunity and ends with bidding the project and finalizing IT project details. Once a project has completed the fourth stage, the agency may execute the project. The CDT continues to provide project oversight during and after project execution.

The Grant Delivery System replacement is currently in stage three of PAL. The Commission indicates the project will enter stage four in spring of 2018. The CDT estimates that the Commission is on schedule to execute the project beginning in July 2018. Recent budgets have provided a total of \$1.8 million in one-time funding to the Commission for staff to help develop and navigate the project. Of this amount: the 2015 Budget Act included \$842,000, the 2016 Budget Act included \$396,000, and the 2017 Budget Act included \$546,000. Additionally, the Commission has shifted about ten staff from working on the current Grant Delivery System to assisting in planning the new system. The CDT indicates that shifting some existing staff resources during the planning phases is common with PAL.

Governor's 2018-19 Budget Proposal and April Finance Letter

The Governor's Budget proposed \$7.4 million in one-time General Fund to begin the replacement of the Grant Delivery System. Of the \$7.4 million, CSAC indicated \$5.5 million would go to project vendors to (1) build, test, and pilot the new system; (2)

conduct project management activities; and (3) provide training and materials for staff using the new system. The remaining \$1.9 million would go to licensing fees, staffing and overhead costs, and fulfillment of certain CDT project requirements, such as independent project oversight. The \$7.4 million would be the first-year cost of a two-year project. In 2019–20, the administration anticipates that it will request a further \$8.1 million in one-time funding to complete the project. After the project is completed, the administration indicates that the estimated ongoing costs to support the system will be \$11.1 million—consisting of \$8.8 million in staff (about 90 full-time equivalent positions) and \$2.3 million in other operating costs.

An April Finance Letter reduces the request by \$1.9 million, for a new total of \$5.5 million. The reduced price is due to the Commission's decision to divide the project into multiple tasks and to use open source software for the project, which lowers vendor costs.

LAO Recommendation

The LAO recommends approval of this proposal. The LAO notes that since the Grant Delivery System was developed 30 years ago, financial aid programs and technology have changed notably. The current system is unable to accommodate many of these changes without numerous work-arounds and manual processes. In addition, during the last year, the Commission reports that the system has experienced over 25 unplanned outages. During these outages, students could not submit applications or update their school information, high schools could not upload grade point average information, and colleges could not request Cal Grant payments.

The LAO notes that CDT has approved the project thus far and indicated that the project is on track to complete stage four and be executed in 201819.

STAFF COMMENT/QUESTIONS

The current system is outdated and not serving students well. Ongoing outages prevent some students from accessing critical financial aid information, and the system's inability to interact with modern technology, including mobile phones, is problematic. Additionally, the Commission reports that the current system requires significant staff time due to several manual processes, and difficulty in interfacing with other public agencies. The need for an upgrade is clear.

Staff notes that the Commission has been in continual contact with the segments to ensure that their new system will interact well with campus financial aid systems. An updated system should also allow the Commission to provide better outreach to students, as suggested by the recent Cal Grant reform report discussed earlier in this agenda.

6980 CALIFORNIA COMMUNITY COLLEGES**ISSUE 4: STUDENT SUCCESS COMPLETION GRANT**

The Subcommittee will discuss the Governor's Budget proposal to consolidate two financial aid programs for community college students and increase aid for students' living expenses by \$33 million Proposition 98 General Fund.

PANEL

- Maritza Urquiza, Department of Finance
- Jennifer Kuhn, Legislative Analyst's Office
- Christian Osmeña, Community Colleges Chancellor's Office
- Lupita Cortez Alcalá, California Student Aid Commission

BACKGROUND

In addition to waiving enrollment fees for many community college students, the state traditionally has provided some aid to cover a portion of some students' living costs. Specifically, the Student Aid Commission administers two Cal Grant awards that provide nontuition coverage for certain financially needy community college students. The state funds both types of Cal Grant awards with non-Proposition 98 General Fund. The two types of awards are:

- The Cal Grant B Nontuition Award. This award provides low-income students with \$1,672 annually to cover living expenses. The majority of Cal Grant B nontuition awards are given to students who enroll in college within a year of graduating high school. Whereas these students are entitled to awards, older students compete for a fixed number of awards each year. In 2016-17, about 74,000 community college students received entitlement awards and about 33,200 older students received competitive awards.
- The Cal Grant C Nontuition Award. This award provides low-income students enrolled in CTE programs with \$1,094 for materials and other nontuition expenses. Students of any age can receive the grant, but the state caps the number of awards offered annually. In 2016-17, about 5,200 community college students received these awards.

Community colleges also administer the federal Pell Grant program, which provides financially needy students up to \$5,920 annually, if enrolled in 12 or more units. The award amount is pro-rated downward for part-time students. As financially needy community college students get their enrollment fees waived, they may use their Pell Grants for living expenses. In 2016-17, 450,000 community college students received Pell Grants.

Due to concerns with low completion rates and limited nontuition aid for community college students, the Legislature recently created two programs administered by the community colleges to provide more aid for students' living costs if they enroll in more units. The 2015 Budget Act created the Full-Time Student Success Grant. The Full-Time Grant provides students who receive a Cal Grant B award with an additional \$1,000 annually if they enroll in 12 or more units per term. The 2017 Budget Act created the CCC Completion Grant. The Completion Grant provides an additional \$2,000 annually to students receiving the Full-Time Grant if they enroll in 15 or more units per term, complete an education plan, and remain on track to earn a certificate or degree. The state funds both programs with Proposition 98 General Fund.

In 2016-17, about 78,000 students received a Full-Time Grant. Data are not yet available on the number receiving a Completion Grant. The Chancellor's Office has reported implementation problems with the new program, as colleges report that students either do not have an educational plan or financial aid offices are not able to verify that students have a plan.

The chart below was compiled by the LAO and indicates the nontuition aid available for qualifying community college students.

Figure 35
Several Programs Help Financially Needy Students Cover Living Expenses
Reflects Annual Awards, 2017-18

	15 Units Per Term	12-14 Units Per Term
Cal Grant B Students		
Pell Grant ^a	\$5,902	\$5,902
Completion Grant	2,000	—
Cal Grant B	1,672	1,672
Full-Time Grant	1,000	1,000
Total Maximum Aid	\$10,574	\$8,574
Cal Grant C Students		
Pell Grant ^a	\$5,902	\$5,902
Completion Grant	2,000	—
Cal Grant C	1,094	1,094
Full-Time Grant	1,000	1,000
Total Maximum Aid	\$9,996	\$7,996

^a Assumes student has sufficient financial need to qualify for maximum award amount. Students with incomes under \$50,000 typically qualify for an award.

Governor's 2018-19 Budget Proposal

The Governor's Budget proposes to create a new program called the Community College Student Success Completion Grant that replaces the rules underlying the existing Full-Time Grant and Completion Grant. Cal Grant B and C students would continue to be eligible for aid, but instead of two tiers of funding based on the number of units a student takes per term, the new grant program would have four tiers. The maximum annual grant would be \$1,000 for recipients enrolled in 12 units per term, with incremental increases for recipients enrolled in 13 and 14 units, and a maximum of

\$4,000 for recipients enrolled in 15 units per term. The proposal includes language that funding must not exceed a student's demonstrated financial need (as calculated under the federal methodology). The proposal includes the same student requirements as the current Completion Grant, meaning eligible students must complete an education plan and be considered on track to obtain a certificate or degree.

The Governor's intent is to provide more funding to certain community college students such that they could complete their degree more quickly by not working as much, and to consolidate two similar programs. The Governor estimates that the cost of the grant program would total \$124 million in 2018-19, a \$33 million increase over the combined cost of the Full-Time Grant and Completion Grant programs in the current year. The LAO chart below indicates current award amounts and amounts proposed by the Governor.

Figure 36
Comparing Grant Amounts Under Existing and Proposed Rules
Reflects Annual Awards^a

Units Per Semester	Current Grant Amount	Governor's Proposed Grant Amount
12	\$1,000	\$1,000
13	1,000	1,250
14	1,000	1,900
15+	3,000	4,000

^a A student would need to be enrolled full time in both fall and spring semesters to qualify for the amounts shown in the figure. Governor's proposed amounts reflect maximum amounts, as awards could not exceed students' financial need.

The proposal requires the Chancellor's Office to report by April 1, 2020 on outcomes for the first year of the program, including information about the number of grant recipients and their college goals, their GPAs, and how many are on track to complete college in 2 or 3 years.

LAO Recommendation

The LAO recommends rejecting this proposal, and offers an alternative for legislative consideration. Regarding the Governor's proposal, the LAO lists the following concerns:

- Similar to the current programs, the Governor's proposal would provide aid to about 60,000 needy community college students, but excludes about 200,000 needy community college students who do not receive a Cal Grant. Most of the excluded students do not qualify for a Cal Grant because they entered college more than one year after high school graduation.

- The Governor's proposal consolidates two programs but may actually add complication, by introducing four award tiers rather than the existing two.
- The Governor does not provide any rationale for the amounts proposed. The Governor's proposal does not link grants specifically with financially needy students' unmet living costs. It also does not take into account how unmet need is likely to vary at different unit loads. For example, the proposal provides \$250 more annually to students enrolled in 13 rather than 12 units per term. The Governor provides no rationale for why \$250 is an appropriate amount to provide for a student enrolled in 1 more unit. If taking 12 rather than 13 units per term, a student could work for the 3 hours a week he/she otherwise would have spent in class and on homework. At minimum wage, that student could earn over \$1,000 more in the course of an academic year by working rather than receiving the grant to take 1 extra unit. The Governor's proposal, therefore, could be more closely linked to the incentives that students consider when deciding whether to work or take a higher course load.

The LAO recommends instead that the Legislature consolidate all existing aid programs covering nontuition costs for financially needy community college students. The consolidated program would use Proposition 98 funds (consistent with virtually all other CCC operational funding) and be administered by the Chancellor's Office. The program would combine funding from the community college Cal Grant B nontuition award (\$158 million non-Proposition 98), the Cal Grant C nontuition award (\$5 million non-Proposition 98), the Full-Time Grant, and the Completion Grant (at the Governor's higher combined proposed funding level of \$124 million Proposition 98). Thus, a total of \$287 million would be available.

The new program could provide award amounts to all needy students, not just Cal Grant recipients, and be based on students' living arrangements as well as their expected family contributions and federal aid, as well as a reasonable work expectation of about 15 hours per week. The LAO notes that after applying a work expectation of 15 hours per week, an average family contribution, and an average Pell Grant award, they estimate that financially needy dependent students who live at home and enroll full time on average already have their living costs covered. For full-time dependent students not living at home, the LAO estimates average unmet living costs of \$2,700 annually, after applying the same work, family contribution, and Pell Grant expectations. For full-time independent students not living at home, the LAO estimates unmet living costs of \$4,300 annually, after applying the same expectations.

For all financially needy full-time students across all living arrangements, the LAO estimates covering unmet living costs would total about \$500 million annually. This cost is significantly higher than current program costs because all financially needy full-time students' unmet living expenses would be covered.

As the \$287 million for the new program would be insufficient to cover all unmet living costs for financially needy community college students enrolled full time, the Legislature could consider various options to prioritize available funding. A common way the Legislature prioritizes funding is based on financial need. Under this approach, the financially neediest students would get all their unmet living costs covered, then

students with slightly less financial need would receive coverage, until all available funds were spent. Alternatively, the Legislature could pro-rate awards downward, covering a portion of unmet living costs for all financially needy students. Another option would be to prioritize dependent students, then independent students, as research generally finds that younger students are more likely to complete college than older students.

STAFF COMMENT

The Governor's proposal addresses a legitimate issue: the creation of the Full Time Student Success Grant and the Completion Grant, while laudable for providing more aid to needy students, has also resulted in a patchwork of programs that are complicated to administer and confusing for students. This is an important discussion about how best to provide more nontuition aid to low-income community college students, who typically receive the least state help in paying for college costs.

The Subcommittee could consider the following pros and cons of the Governor's and LAO's proposals. In addition, the staff notes that The Institute for College Access and Success (TICAS) has provided a third option to consider.

Governor's proposal provides more aid, but may add complication and retains rules that are difficult to implement. The Administration should be commended for seeking reform of two programs with similar goals, and increasing support for needy students by \$33 million. This funding is needed for students facing high housing, books and food costs. But as the LAO notes, the proposal creates four tiers of funding for students where there have been two. In addition, the trailer bill language that continues student requirements from the Completion Grant ignores the problems colleges are currently having in administering the Completion Grant.

LAO proposal increases aid to a much broader group of needy students, but adds significant Proposition 98 costs, further fractures the Cal Grant program, and could add administrative costs. The LAO recommends rejecting the Governor's proposal, and provides an alternative that would significantly increase support for many more needy students. Staff agrees with the LAO concern that the current programs provide aid to a relatively small group of needy students. If enacted, the LAO proposal would address a longtime legislative concern about fully supporting all needy students. However, staff notes significant concerns from some community college stakeholders: the proposal would shift Cal Grant costs that had previously been supported by the General Fund into Proposition 98, dramatically increasing the amount of Proposition 98 being used for student aid. In addition, the proposal to separate out the Cal Grant B Access Award for community college students from other Cal Grant programs runs counter to the current legislative discussion about how best to consolidate and simplify the Cal Grant program. Additionally, the LAO proposal would place a new administrative burden on community college financial aid offices, which most agree are already underfunded and understaffed.

TICAS proposal provides two funding rates, eliminates student requirements and allows for summer aid. TICAS has provided a third option for the Subcommittee to consider. The TICAS proposal would provide \$1,800 for all Cal Grant B and C students taking between 12 and 14 units per semester, and \$2,600 for any such student taking 15 units or more. This proposal would eliminate the requirement that students have an educational plan and only require that students make satisfactory academic progress, which is defined under federal law and used in the Pell Grant and Cal Grant programs, thus making it much easier to administer. The TICAS proposal also would allow students who receive less than the \$2,600 in the fall and spring terms to use the remaining balance during summer, which might encourage summer session enrollment and faster time-to-degree. It is unclear if this proposal would require more campus administrative efforts in paying out additional summer funding.