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Information Item

California Postsecondary Education Commission

Commission Recommendations Concerning Alternate Delivery Options for the State's Cal Grant Program

Supplemental Report Language to the 2002-03 State Budget requested the Commission to convene a task force to examine alternative Cal Grant delivery options. This report responds to that request and offers a series of Commission's recommendations concerning changes in the Cal Grant delivery system.

At the meeting, staff will summarize the report's major findings and recommendations. The report will be brought back to the Commission for action at its April meeting.

Presenter: Karl Engelbach.

Commission Recommendations Concerning Alternate Delivery Options for the State's Cal Grant Program

A Report to the Governor and Legislature in Response to Supplemental Report Language to the 2002-03 State Budget Act

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
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Executive Summary

Background

In September 2002, the California Legislature adopted Supplemental Report Language (SRL) directing the California Postsecondary Education Commission (CPEC) to convene a task force to examine alternative delivery systems for the State's Cal Grant program. This report responds to that legislative request.

The recommendations contained in this report are informed by the discussions of the legislatively mandated task force referenced above, but the recommendations themselves – highlights of which follow in this executive summary – are those of the Postsecondary Education Commission.

The most salient of the Commission's Cal Grant delivery recommendations include:

- The State needs to obtain complete and accurate information concerning the "true" costs of both the current Cal Grant delivery system as well as implementing the alternative models recommended.

- The California Student Aid Commission should establish and maintain a comprehensive database of grade point average (GPA) information required for purposes of establishing eligibility for the Cal Grant programs. The primary purpose of the database would be to assist postsecondary education institutions in identifying those students who meet the academic merit requirements of the State's Cal Grant programs.

- Given that the high school GPA required for the Cal Grant programs differs from that used for nearly any other purpose at either the high school or college levels, the California Student Aid Commission should convene a task force to develop a new definition of and methodology for calculating the high school Cal Grant GPA that is more commonly available from high schools and more readily used by colleges.

- The State should undertake a transition toward a decentralized, campus-based model for the delivery of both Cal Grant Entitlement and Competitive awards, one that is more consistent with the federal student aid delivery system. This recommended decentralized, campus-based delivery approach will require some statutory changes and can be accomplished while preserving the state's current priorities for the Cal Grant programs.

- While the Commission recommends the decentralization of both the Entitlement and the Competitive Cal Grant Programs, the Commis-

sion believes that decentralizing the delivery of only one of the two Cal Grant programs would only add to the already overwhelming level of confusion and complexity associated with these programs.

Further, while not directly related to the delivery of Cal Grant awards, based upon issues and problems identified by task force discussions, the Commission also offers the following two policy recommendations relating to the State's current Competitive Cal Grant programs:

- The Governor, Legislature, and the California Student Aid Commission should modify the current Cal Grant Competitive program to ensure that the program clearly addresses the unique needs of older, adult, non-traditional, returning, and re-entry students. The program should be modified to reflect the unique information and outreach needs of this student population, including the differing time periods at which these students apply for financial aid.

- The Governor, Legislature, and the California Student Aid Commission should also modify the current Cal Grant program structure and related program provisions to ensure that the needs of students pursuing vocational and technical education programs are adequately being met. Once appropriate modifications have been made, it may be possible for the State to eliminate the current Cal Grant C Program by ensuring that the needs of students the program was designed to serve are met by the Entitlement and Competitive grants.

Finally, while the primary focus of this effort was to examine alternative Cal Grant *delivery* options, a number of issues tangential to the delivery of Cal Grant awards were identified during the task force discussions. The Postsecondary Education Commission recommends that the State and the Student Aid Commission engage in discussions to resolve the following Cal Grant program issues:

- The timing of award payments from the California Student Aid Commission to participating postsecondary education institutions,

- Providing an administrative allowance to institutions participating in the Cal Grant programs,

- The need for continued and enhanced student financial aid outreach efforts,

- Providing tuition and fee awards to the top two percent of Cal Grant B Entitlement award recipients,

- The continuing need for student financial aid policy, planning, research, and program accountability activities, and

- Allowing use of the simplified FAFSA (Free Application for Federal Student Aid) form to apply for Cal Grant assistance.

1 Introduction

Background

In September 2002, the California Legislature adopted Supplemental Report Language (SRL) directing the California Postsecondary Education Commission (CPEC) to convene a task force to examine alternative delivery systems for the Cal Grant program. A copy of the SRL appears in the appendix to this report. The task force was instructed to:

- Compare the awarding policies and delivery systems of the Cal Grant programs to those of other financial aid programs;
- Propose possible alternatives to the existing Cal Grant delivery system; and
- Assess the current and proposed delivery systems in light of their implications for four key stakeholders: students, the state, colleges and universities, and high schools.

The Cal Grant Alternative Delivery Task Force

After enactment of the 2002-03 State budget, the Postsecondary Education Commission staff immediately convened a task force as called for by the Supplemental Report Language. A listing of the individuals invited to participate on the Cal Grant Alternative Delivery Task Force appears in the technical background paper to this report. From October 2002 through January 2003, the task force typically met every other week.

The task force began its discussions by obtaining a clear understanding of the current Cal Grant delivery system and its relationship to the delivery of federal and institutional student financial aid programs. The task force then focused the remainder of its work discussing options for alternative Cal Grant delivery systems.

The task force identified four principal Cal Grant issue areas related to the delivery system:

- Obtaining the necessary grade-point-average information for determining a student's Cal Grant eligibility;
- Simplifying and streamlining the Cal Grant Entitlement Program for students, high schools, and participating postsecondary education institutions;
- Simplifying and streamlining the Cal Grant Competitive Program; and

- Improving for students, institutions, and the Student Aid Commission various administrative, financial, and procedural aspects associated with the Cal Grant Programs.

The task force was charged with advising the Postsecondary Education Commission concerning alternative Cal Grant delivery systems. The recommendations that follow in this report are those of the Postsecondary Education Commission and not those of the task force. The task force's comments, discussions, and insights into the various Cal Grant delivery issues proved invaluable and without its assistance the following recommendations would not have been possible. The recommendations, however, are those of the Postsecondary Education Commission.

Content of this report and the technical background paper to this report

Following this introductory section, the remainder of this report contains the Commission's recommendations concerning the delivery of Cal Grant awards as requested by the Supplemental Report Language.

The Commission's first recommendation – in Section Two of the report – relates to obtaining information concerning the costs of delivery of Cal Grant awards under both the current delivery system as well as proposed alternative models.

The Commission's subsequent recommendations are organized in four sections consistent with the primary issues discussed by the task force:

- Obtaining the necessary grade-point-average information for determining a student's Cal Grant eligibility;
- Simplifying and streamlining the Cal Grant Entitlement Program for students, high schools, and participating postsecondary education institutions;
- Simplifying and streamlining the Cal Grant Competitive Program; and
- Improving for students, institutions, and the Student Aid Commission various administrative, financial, and procedural aspects associated with the Cal Grant Programs.

While this report is limited to the recommendations of the Commission concerning the alternative delivery of Cal Grant awards, much additional information has been compiled relating to the Cal Grant program and alternative options for the delivery of Cal Grant awards. This additional information can be found in the technical background paper to this report. The technical background paper includes the following information:

- Descriptions of the current Cal Grant delivery process and the processes used for the delivery of federal and institutional student aid programs;

- A report prepared by a subcommittee of the California Student Aid Commission's Grant Advisory Committee (GAC) that served as the foundation for the consideration of alternative Cal Grant delivery models including graphic representations of the delivery system;

- An analysis prepared by California Student Aid Commission staff concerning the impact of the current Cal Grant delivery system on high schools, postsecondary education institutions, students, and the State;

- Comments from task force participants concerning the aforementioned analysis prepared by the Student Aid Commission staff;

- Listings of the various options, alternatives, and comments offered by task force members concerning alternative Cal Grant delivery issues, coupled with their assessments of the advantages and disadvantages associated with the suggested options; and

- A listing of the individuals who participated on the Alternative Cal Grant Delivery Task Force.

2 Data Needed for Determining the Total Cost of Delivering Cal Grant Awards

THE STATE needs to obtain complete and accurate information concerning the "true" cost of both the current Cal Grant delivery system as well as the alternative models recommended.

Given the limited time available for preparation of this report, the Postsecondary Education Commission staff was not successful in obtaining a clear and agreed-upon understanding of comprehensive costs of the current Cal Grant delivery system or reliable estimates of the costs of proposed alternatives. While some cost data were presented, none appeared to be universally agreed upon by Commission staff or members of the task force.

It must be acknowledged that the cost of the current Cal Grant delivery system is not limited solely to the expense items that appear in the California Student Aid Commission's budget. Postsecondary education institutions that participate in the Cal Grant programs incur costs, often not insignificant, associated with delivering Cal Grant awards under the current system.

During task force discussions, California Community College task force members identified the need for some type of an administrative allowance from the State to reimburse the colleges for the significant workload expenses associated with the delivery of Cal Grant awards even under the current delivery system. The community colleges assert that lack of support for the workload associated with administering Cal Grants is a critical delivery system issue, regardless of centralized or decentralized Cal Grant delivery. The significant increase in the number of Cal Grant awards to community college students in the last two years has presented a concomitant increase in community college workload that has not been recognized with increased administrative or budgetary support.

Given the lack of clarity about the costs of delivering Cal Grant awards, the Postsecondary Education Commission recommends that:

> *The Governor and Legislature direct the Department of Finance and the Legislative Analyst's Office to jointly convene a technical workgroup to determine comprehensive and reliable cost estimates associated with both the current Cal Grant delivery system as well as the alternative models proposed. The Postsecondary Education Commission recommends that this analysis include not only the delivery costs borne by the California Student Aid Commission, but those borne by participating postsecondary education institutions and the State's*

high schools. In addition, the analysis should explore the costs associated with transitioning to any alternative system as well as the ongoing annual costs associated with operating the alternative delivery system.

3 Issues Associated With Obtaining Students' Grade-Point-Averages for Use in the Cal Grant Programs

Major findings relating to GPAs in the Cal Grant Programs

The State of California has required some form of academic merit for grant eligibility since the inception of the State Scholarship Program in 1955. The Task Force believes the State is firmly committed to this policy. The evaluation of academic merit, however, presents serious challenges regardless of delivery model.

Members of the Cal Grant Alternative Delivery Task Force identified the following seven findings associated with the collection and use of grade point averages (GPAs) in determining Cal Grant eligibility:

- Students are ultimately responsible for ensuring that their GPAs are submitted and in most instances, are responsible for initiating the request for the release of information. Students must know to "opt in" to this system. This requirement serves as a barrier for the most underrepresented and disadvantaged students, particularly for those students enrolled in high schools without adequate counseling and support staff.

- The current requirements present a significant outreach challenge. It is highly desirable for high schools and colleges to universally provide the GPA. If academic merit information were to be universally available without relying upon the student to be knowledgeable about the system, the Cal Grant programs would better serve the needs of students.

- Parents, students, educational administrators and legislators are increasingly concerned about privacy and confidentiality issues. Some form of student release is desirable, hopefully in an "opt-out" format so a student's disadvantaged background is not a barrier.

- The provision of sensitive information is further exacerbated because the entire student aid system (federal and state) relies upon the student social security number for identification purposes. The social security number is the most accurate and most efficient method of matching the correct GPA to the correct Cal Grant application. The K-12 system does not regularly collect this number for its students.

- High schools and postsecondary educational institutions are faced with legal concerns and potential liability in releasing GPA data without appropriate authority and releases;

- There is a lack of clarity and confusion about the entity or organization ultimately responsible for verifying the accuracy and validity of GPA information used for purposes of establishing Cal Grant eligibility; and

- The methodology used for calculating the high school GPA for the Cal Grant Program differs from that used for nearly any other purpose such as college admissions thus increasing the administrative burden at the State's high schools. The current Cal Grant GPA definition was adopted in 1955 and no longer conforms with the GPA calculations commonly used by most of the State's postsecondary education institutions for admission decisions.

Recommendations relating to changes in GPAs in the Cal Grant Programs

The California Postsecondary Education Commission's primary interest is simplifying and streamlining the Cal Grant application process for both students and educational institutions to enable as many eligible students as possible to obtain the information and assistance necessary to make a postsecondary education financially possible. The Commission believes it is in the best interest of the State to remove barriers that disproportionately affect the lowest income and least advantaged students. To that end, the Postsecondary Education Commission offers the following policy recommendations relating to the use and collection of grade point average data for establishing eligibility for Cal Grants:

- *The California Student Aid Commission shall establish and maintain a comprehensive database of grade point average information required for purposes of establishing eligibility for the Cal Grant programs. Consistent with the Postsecondary Education Commission's subsequent recommendations to move to a decentralized delivery model for the Cal Grant programs, this database shall be electronically accessible by appropriate personnel of all postsecondary education institutions eligible to participate in the State's Cal Grant Programs. The primary purpose of the database is to identification of students who meet the academic merit requirements -- as evidenced by GPA -- of the State's Cal Grant programs.*

- *Given that the high school GPA required for the Cal Grant Program differs from that used for nearly any other purpose at either the high school or college levels, the California Student Aid Commission should convene a task force to develop a new definition and methodology for calculating the high school Cal Grant GPA that is more commonly and readily used by high schools and colleges. Representatives from the State's high schools, the State Department of Education, and each segment of postsecondary education should be included on this task force. The recommendations of the task force should then be introduced in legislation in order to change the definition now contained in State law.*

- *Current State law should be amended to require that each of the State's public high schools annually transmit to the California Student Aid Commission the grade point average, the anticipated high school graduation date for all seniors, and the actual graduation date of prior year graduates of the high school. These elements are necessary for determining award eligibility. The Postsecondary Education Commission staff recognizes that this requirement will likely be viewed as a State mandated cost for which schools are eligible for State reimbursement. Given the significance of the grade point average information in the Cal Grant programs, any potential cost should be viewed as necessary to ensure that California's financially needy students receive the assistance they need and for which they are eligible under current State law.*

- *The required data elements must be linked to an identifier. The State's public high schools should be encouraged to send a notice to parents and guardians requesting that they provide the school with the social security number for their children as this is the most accurate and effective identifier. For those records without an SSN, a "single identifier" should be developed to link information available in all public high schools to the data elements on the student aid application. The lessons learned in the current "Single Identifier" project should prove valuable in development of this methodology.*

- *Respecting the rights and concerns that students, parents, and guardians may have related to the privacy of their information, appropriate procedures must be implemented to ensure that parents, guardians, and/or students are afforded an opportunity to specify that the high schools not transmit student information as identified above. The high schools shall honor all such requests.*

- *As with current Student Aid Commission practice and procedures, students should continue to have the right and opportunity to submit a certified GPA Verification to the Student Aid Commission. However, given implementation of the above recommendations, it is presumed that only a limited number of students -- such as students enrolled in high schools outside of California, students attending military schools, students enrolled in private institutions that do not provide this service, or students who have requested that their information not be automatically transmitted on their behalf to the California Student Aid Commission -- will need to personally obtain and transmit a certified GPA verification form to the Student Aid Commission.*

- *California's colleges and universities shall also be required to submit grade point average information linked to an SSN and other data elements for a single identifier for students who attend or have attended their institutions. Colleges and universities shall acknowledge the provision of this information as their responsibility in their participation agreement with the Student Aid Commission.*

- *The information submitted by the State's high schools, colleges, universities, and students should be used to produce the comprehensive Cal Grant GPA database to be developed and maintained by the California Student Aid Commission. The principle purpose of this database is for administering the merit component of the State's Cal Grant Program and providing the State with a research tool to evaluate merit in its student aid programs.*

- *After consultation with all affected constituencies, the California Student Aid Commission shall publish appropriate rules, regulations, guidelines, and procedures to provide for efficient management of the data base, confidentiality of information, protection of data integrity, rules for submission and retrieval of information and the conditions under which the data may be used for research purposes.*

- *State law should also be amended to provide explicit authorization to the California Student Aid Commission to conduct audits of the grade point average data and other information submitted to the Commission's database to ensure that it is being calculated and submitted consistent with appropriate State laws and applicable Commission regulations.*

- *The Student Aid Commission shall continue to develop and permit alternatives to the use of the grade point average that are consistent with and complementary to the State's goals for the Cal Grant Programs. The Student Aid Commission shall develop and publish appropriate rules, regulations, guidelines, and procedures relating to these alternatives.*

- *In order to serve a significant nontraditional population, the Student Aid Commission should explore the potential for automatic inclusion of GED information in this database.*

4 Simplifying and Streamlining the Delivery of Cal Grant Entitlement Awards

Major findings relating to the delivery of Cal Grant Entitlement awards

Task force members identified six major findings associated with the delivery of Cal Grant entitlement awards:

- Students must interact with multiple institutions – CSAC, their high school, and the colleges to which they have applied for financial aid – to ensure that their eligibility determination is made based upon complete and accurate data.

- Many students receive award letters from CSAC that lack sufficient information to allow them to make an informed decision about their education or choice of institution.

  - The letters indicate the student's preliminary Cal Grant eligibility at a subset of the institutions indicated on the student's FAFSA.

  - The letters do not reflect the comprehensive financial aid package that the students may receive at any given institution.

- Institutions must accommodate a delivery system that differs significantly from that of the federal Pell Grant program and every other major source of federal and institutionally administered student aid.

- Much of the worked performed by the California Student Aid Commission in the current delivery system duplicates the work that financial aid offices already perform in determining student eligibility for other financial aid programs and assembling aid packages.

- While CSAC has worked diligently to improve many aspects of the delivery system, it nevertheless is based upon a centralized model that was more appropriate for the pre-entitlement Cal Grant program, and which results in needless duplication and added complexity for the new Cal Grant Entitlement program.

Recommendations relating to changes in the delivery of Cal Grant Entitlement Awards

The California Postsecondary Education Commission is interested in simplifying and streamlining the Cal Grant Entitlement Program for students, educational institutions, and the Student Aid Commission to ensure that as many eligible students as possible are provided with the financial resources necessary to make a postsecondary education financially possible. To achieve that objective, the Postsecondary Education Commission recommends that:

- *The State should undertake a transition toward a decentralized, campus-based model for the delivery of both Cal Grant Entitlement and Competitive awards, one that is more consistent with the federal student aid delivery system. This recommended decentralized, campus-based delivery approach will require some statutory changes and can be accomplished while preserving the state's priorities for the Cal Grant program. It includes:*

  - *Continuing -- the merit component in the Cal Grant Programs as reflected in the minimum GPA requirements;*

  - *Allowing student choice of postsecondary education institutions;*

  - *Allowing students to renew their Cal Grant awards provided that they continue to demonstrate financial need;*

  - *Continuing -- at the same level as now exists -- student portability of their Cal Grant award;*

  - *The financial aid resource components reflected in the financial need, income and asset ceilings, and minimum need requirements;*

  - *Provisions that encourage students to enroll in college directly out of high school; and*

  - *Application deadlines that serve as rationing mechanisms for limited state resources.*

It is important to note that ***the Commission recommends the decentralization of both the Entitlement and the Competitive Cal Grant Programs.*** It is the considered view of the Commission that decentralizing the delivery of only one of the two Cal Grant programs would only add to the already overwhelming level of confusion and complexity associated with these programs.

Under the recommended decentralized approach, **eligible postsecondary education institutions would:**

- According to State law and California Student Aid Commission explicit eligibility guidelines and regulations, determine students' eligibility for new and renewal A, B, and Transfer Cal Grant Entitlement awards. Institutions shall make this determination using information obtained from the results of the students' Free Application for Federal Student Aid (Expected Family Contribution, residency, appropriate income and asset ceilings), the institutions' own student expense budgets, high school graduation dates, and grade point averages contained in the comprehensive GPA database to be developed and maintained by the California Student Aid Commission;

- Include Cal Grant awards in their typical financial aid award letters to students;

- Electronically transmit students' awards, education level, and any other data in a timely manner as required by the Student Aid Commission for payment, to maintain the Student Aid Commission's records relating to students' remaining Cal Grant eligibility, and for future research and policy planning purposes;

- Provide data as required by the California Student Aid Commission needed for program accountability, planning, and performance reporting purposes.

The California Student Aid Commission would:

- Retain responsibility for policy, planning, and research concerning Statewide student financial aid programs (including the Cal Grant Programs), analyzing the need for additional Statewide student financial aid programs and additional State funding for such programs;

- Develop and maintain a comprehensive database containing information concerning grade point averages and high school graduation dates;

- Develop and maintain a database accessible to postsecondary education institutions participating in the State's Cal Grant programs that tracks students' remaining Cal Grant eligibility (which institutions would use to determine a student's continued eligibility for the renewal of their Cal Grant award);

- Issue payments to postsecondary education institutions on behalf of the students identified by the institutions as eligible;

- Continue to develop rules for institutional participation in the Cal Grant Programs and execute participation agreements with institutions;

- After consultation with all affected constituencies, publish appropriate rules, regulations, guidelines, and procedures relating to all aspects of the decentralized, campus-based Cal Grant Entitlement Award program;

- Revise its program review and institutional audit practices as needed in light of the recommended changes in the Cal Grant Entitlement delivery process; and

- Retain responsibility for outreach to students relating to student financial aid, including publicizing and promoting student financial aid programs statewide.

High schools and colleges would:

- Provide the Student Aid Commission with the grade point average and related information as previously recommended; and
- Participate in student financial aid outreach and training efforts.

Students would continue to be responsible for:

- Filing a FAFSA by the March 2 deadline and submitting any updates to the federal processor;
- Working with the school financial aid office to establish their complete financial aid package, including their eligibility for a Cal Grant award;
- Responding to prompts when additional information is required to process their application for student financial aid; and
- In limited circumstances, submitting a GPA Verification Form if their high school does not transmit their grade point average information or high school graduation date to the Student Aid Commission.

Should the Governor and Legislature support the recommendation to transition from a centralized to a decentralized, campus-based approach for the delivery of Cal Grant Entitlement awards, the Postsecondary Education Commission further recommends that:

- *A Cal Grant Transition Delivery Logistics Work Group should be formed to discuss, negotiate, and resolve the myriad technical and logistical issues associated with transitioning from the current centralized delivery mechanisms to the recommended decentralized, campus-based approach for the Cal Grant Entitlement program.*
- *The Cal Grant Transition Delivery Logistics Work Group should be composed, at a minimum, of representatives from the California Student Aid Commission, California's postsecondary education systems, the California Department of Education, high school counselors and administrators, practicing student financial aid administrators, students, the Department of Finance, the Legislative Analyst's Office, interested legislative staff, and the California Postsecondary Education Commission. In addition, the workgroup should include at least one subcommittee focused on technology related issues associated with transitioning to the new delivery system.*

Advantages, disadvantages, and other implications of the proposed system

This recommendation would have a significant impact on many stakeholders of the Cal Grant Entitlement Program, including students, colleges, the state, and high schools. Advantages, disadvantages, and other implications include:

Advantages for Students:

- Students will have a single point of contact – their institution's financial aid office – for all matters relating to federal, state, and institutional aid;

- Student and family inquiries can encompass the entire financial aid package without being directed to another agency to make queries regarding one portion of that award offer;

- Students will no longer receive CSAC award letters, which provide an incomplete and potentially misleading picture of the financial aid available to the student;

- Students and families with special circumstances can be served with greater sensitivity, ease, efficiency and timeliness.

- Students (and their families) will be better served by a diversion of CSAC resources away from processing award letters and related activities and toward expanded public awareness and outreach efforts.

Other Implications for Students:

- The award letter performs an outreach function to the extent that it influences a student's decision to pursue a college education. However, any such influence presumably works both ways: letters indicating awards and letters denying awards both send signals to students. They also only reach students who have already taken the initiative to complete a FAFSA. They are thus imperfect vehicles for increasing the number of students who consider or choose to pursue a college education.

Advantages for Postsecondary Education Institutions:

- Postsecondary education institutions would play a role in the Cal Grant delivery system that is more consistent with their role in other aid programs;

- The proposal reduces the need for institutions to update both CSAC and the federal processor when a student's information changes; and

- The proposal reduces the back-and-forth transmission of roster information that currently occurs.

Disadvantages for Postsecondary Education Institutions:

- Postsecondary education institutions would experience one-time costs associated with transitioning to the new system.

- Aspects of the ongoing workload of postsecondary institutions may increase (e.g., identification of eligible Cal Grant A recipients by

community colleges). These may be partly or completely offset by the advantages listed above.

Advantages for the State:

- Eliminating award letters and related activities allows for potential cost savings or a more effective use of those resources;

- The proposal allows the state to focus on those areas of the program to which it is in a unique position to add value – e.g., setting policy, auditing, statewide forecasting, and outreach; and

- Determining need using more accurate student budgets would increase the program's adherence to statutory intent.

Disadvantage for the State:

- There will be one-time transition costs associated with changes in the delivery system for the program. However, these costs may be partly or completely offset by a reduction in the costs of future operational activities.

Other Implications for the State:

- The state would continue to make all decisions regarding the policy objectives of the program and student eligibility parameters;

- The state would retain accountability for program management, but the means by which it exercises that accountability would change. Rather than determining student eligibility on a case-by-case basis, the state would utilize audits and program reviews to ensure compliance; and

- At its option, the state could choose to receive additional information for research purposes from institutions (as a condition or program participation) or from the federal processor.

Advantages for High Schools:

- High schools would benefit to the extent that CSAC refocuses its efforts away from award letters, etc. and towards (1) outreach efforts at the high school level and (2) assisting high schools with the electronic submission of GPAs.

5 Simplifying and Streamlining the Delivery of Cal Grant Competitive Awards

Major findings relating to the delivery of Cal Grant Competitive awards

Most of the major findings identified relating to the Cal Grant Entitlement Program were also identified as findings associated with the Competitive Cal Grant Program. Task force members identified the following major findings associated with the delivery of Cal Grant Competitive awards:

- Students must interact with multiple institutions – CSAC, their high school, and the colleges to which they have applied for financial aid – to ensure that their eligibility determination is made based upon complete and accurate data. Students receive award letters from CSAC that lack sufficient information to allow students to make an informed decision about their education.

- The letters indicate the student's preliminary eligibility at a subset of the institutions indicated on the student's FAFSA.

- The letters do not accurately reflect the complete financial aid package that the students receive.

- Institutions must accommodate a delivery system that differs significantly from that of the Pell program and every other major source of federal and state student aid.

- The current delivery system duplicates the work that financial aid offices already perform in determining student eligibility for other programs and assembling aid packages.

Recommendations relating to changes in the delivery of Cal Grant Competitive Awards

The California Postsecondary Education Commission is interested in simplifying and streamlining the Cal Grant Competitive Program for both students and educational institutions such that as many eligible students as possible are provided with the financial resources necessary to make a postsecondary education financially possible. To achieve this objective, the Postsecondary Education Commission recommends that:

- *The State should undertake a transition toward a decentralized, campus-based approach for the delivery of Cal Grant Competitive awards (including Cal Grant A, B, C, and T awards). The decentralized approach would delegate the task of selecting award recipients to participating institutions while preserving the essential elements of the current Cal Grant Competitive Program – namely:*

- ➢ *All of the existing eligibility requirements, and*
- ➢ *Scoring and selection criteria that reflect the state's priorities as specified in statute.*

Under the proposed decentralized approach, in addition to the responsibilities outlined in the Entitlement section, **the California Student Aid Commission would:**

- Allocate competitive awards to colleges, which would award them competitively to eligible students based upon criteria established by the State and by the Student Aid Commission. Multiple options exist for allocating awards among eligible postsecondary education institutions. In developing an allocation methodology, the Student Aid Commission should seek to achieve a distribution of awards that is generally consistent with the distribution under the current competitive program. The present distribution of recipients among institutions and segments resulted from deliberately established statutory provisions, including a decision to reserve one-half of all competitive awards for students attending California Community Colleges.

- Develop criteria to be used by institutions in selecting Competitive Cal Grant award recipients. The new criteria should be sensitive to the availability of information at the campus level and the ease of incorporating such information into its award decisions. While the criteria should continue to implement current statutory requirements, institutions should have some flexibility in both what criteria are used and how they are used. For example, the revised criteria will allow institutions to use locally determined measures of disadvantageness (e.g., participation in an outreach program like TRIO, MESA, Puente, EOP, or enrollment in English as a Second Language or known disability, etc.) instead of the current "access equalizer." The intent language of SB 1644 can be more fully realized.

- Track remaining eligibility (which institutions would use to determine eligibility for renewal awards).

- Issue payments on behalf of recipients identified by the institutions.

- Adapt its program review and audit practices as appropriate.

- Retain responsibility for publicizing and promoting the program to students.

For the Cal Grant Competitive program, **participating postsecondary education institutions would:**

- Initiate the competitive awards based upon selection criteria as defined by CSAC and in accordance with current statutory requirements,

- Include Cal Grant awards in their standard award letters to students,
- Electronically transmit students' awards, education level, and any other necessary data to CSAC for payment and to maintain CSAC's records of students' remaining eligibility, and
- Report any information to CSAC needed for CSAC's competitive allocation process.

High schools and postsecondary education institutions would:

- Continue to work with CSAC to electronically transmit data (such as GPAs and high school graduation dates).

Students would continue to be responsible for:

- Filing a FAFSA by the institution's established deadlines and submitting any updates to the federal processor,
- Submitting a GPA Verification Form if their high school or college does not transmit this information electronically, or if they need to submit an alternative to the GPA, and
- Working with the school financial aid office to establish their financial aid package, including their eligibility for a Cal Grant.
- Responding to prompts when additional information is required to process their application for student financial aid; and

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Delivery work group to resolve issues associated with the decentralization of the Competitive Cal Grant awards

Should the Governor and Legislature support the recommendation to transition from a centralized to a decentralized, campus-based approach for the delivery of Cal Grant Competitive awards, the Postsecondary Education Commission further recommends that:

- *Cal Grant Transition Delivery Logistics Work Group should be formed to discuss, negotiate, and resolve the myriad technical and logistical issues associated with transitioning from the current centralized delivery mechanisms to the recommended decentralized, campus-based approach for the Cal Grant Competitive program. This should be the same group as recommended for the Entitlement Program, although some aspects of the deliberation will be specific to the Competitive Program only. A separate or subgroup may be desirable to address these unique issues.*
- *Included among the myriad issues that the Cal Grant Transition Delivery Logistics Work Group needs to resolve solely in relation to the Competitive Program are:*
  - *The allocation of Competitive awards among participating postsecondary education institutions;*

- *The selection and eligibility criteria to be used by participating institutions in identifying Competitive award recipients;*
- *The number and type of Cal Grant awards to be initiated by each institution;*
- *The transferability provisions relating to these Competitive awards;*
- *Ensuring that the program is structured in such a way as to ensure that no questions exist concerning the program's Constitutionality; and*
- *The data and accountability information to be transmitted from participating institutions to the California Student Aid Commission.*

Advantages, disadvantages, and other implications of the proposed system

This recommendation would have a significant impact on many stakeholders of the Cal Grant Competitive Program, including students, colleges, the state, and high schools. Advantages, disadvantages, and other implications include:

Advantages for Students:

- Students will have a single point of contact – their institution's financial aid office – for all matters relating to federal, state, and institutional aid.
- Students will no longer receive communications directly from CSAC, which provide an incomplete and potentially misleading picture of the financial aid available to the student.
- Students may be better served by a diversion of CSAC resources away from processing award letters and related activities and toward expanded outreach efforts.

Disadvantages for Students:

- The award would be marginally less portable in the sense that a student may receive an award at Institution A but not at Institution B, due (at least in part) to the number of awards that each institution is allocated to grant. However, it should be noted that awards are not fully portable under the existing system, in which a student's eligibility for a Cal Grant at any given institution depends upon the institution's student budget, the professional judgment exercised by the student's financial aid office, and other factors. (Note: The Transition Work Group is expected to address the details of portability once a student has received a payment of Cal Grant.)

Advantages for Postsecondary Education Institutions:

- Colleges would play a role in the Cal Grant delivery system that is more consistent with their role in other aid programs.

- Corrections can be processed for Cal Grant along with all other programs, eliminating the separate communication with CSAC.

- The proposal reduces colleges' need to update CSAC when a student's information changes.

- The proposal reduces the back-and-forth transmission of roster information and transactions that currently occurs (e.g., the school change process).

- Special circumstances of the student and family will be recognized on a more timely basis, ensuring full consideration for a Cal Grant award.

Disadvantages for Postsecondary Education Institutions:

- Colleges would experience one-time costs associated with transitioning to the new system.

- Aspects of colleges' ongoing workload may increase (e.g., assessing students according to the revised criteria specified by CSAC). These may be partly or completely offset by the advantages listed above.

Advantages for the State:

- Eliminating award letters, ineligibility letters, recipient manuals, student phone and email contacts and related activities allows for potential cost savings or a more effective use of those resources.

- The proposal allows the state to focus on those areas of the program to which it is in a unique position to add value – e.g., setting policy and eligibility criteria, auditing, research on outcomes, statewide forecasting, and outreach.

- Determining need using more accurate student budgets and more accurate student financial information would increase the program's adherence to statutory intent.

- A competition in the local context will allow for student selection based upon more of the disadvantaged criteria contained in SB 1644.

Disadvantages for the State:

- There will be one-time transition costs associated with the program. However, these may be partly or completely offset by a reduction in operational activities.

Other Implications for the State:

- A statutory change may be required to implement this proposal. Statute currently requires that these awards be made "competitively." Under this proposal, awards would be made on a locally competitive basis (i.e., among eligible students at each institution), but it is not clear whether this practice would meet current statutory requirements.

- The state would retain accountability for program management, but the means by which it exercises that accountability would change. Rather than determining student eligibility on a case-by-case basis, the state would utilize audits and program reviews to ensure compliance.

- At its option, the state could choose to receive additional information for research purposes from institutions (as a condition of program participation) or from the federal processor.

Advantages for High Schools:

- High schools would benefit to the extent that CSAC refocuses its efforts away from award letters, etc. and towards (1) outreach efforts at the high school level and (2) assisting high schools with the electronic submission of GPAs.

Recommendations to modify the current Cal Grant Competitive program to better serve targeted students

In the process of discussions leading to this report, many task force members expressed concern that the current delivery structure of the Cal Grant programs does not adequately meet the needs of:

- Non-traditional, adult students who are often entering college years after their formal high school education or returning to college after a break in enrollment; and

- Students who wish to pursue short-term, vocational or technical training programs.

The State should modify the current Cal Grant Competitive program to ensure that the program clearly focuses on serving the needs of adult, non-traditional, and returning students.

With the implementation of the Cal Grant Entitlement Programs and eligibility restrictions of those programs, the restructured Cal Grant Competitive Program now largely serves the needs of older, adult, non-traditional, returning, and re-entry students. These students typically have different needs and enrollment patterns and make decisions at different points in time than the traditional high school student population. The Competitive Cal Grant Program application deadlines, grade-point requirements, and other program provisions for the Competitive Cal Grant awards are more closely aligned with the needs of traditional high

school students, rather than those of older, adult, returning students. As such, the Postsecondary Education Commission recommends that:

> *The Governor, Legislature, and the California Student Aid Commission should modify the current Cal Grant Competitive program to ensure that the program clearly addresses the unique needs of older, adult, non-traditional, returning, and re-entry students. The program should be modified to reflect the unique information and outreach needs of this student population including the differing time periods at which these students apply for financial aid.*

The State should modify the current Cal Grant program structure to ensure that the needs of students pursuing short-term vocational and technical education programs are adequately being met.

The State currently provides limited support for the Cal Grant C program – a financial aid program designed to provide need-based grant aid to students pursuing vocational and technical training programs -- for at least the past decade, there have been conversations about the need to expand the Cal Grant C Program. The Cal Grant B program (both entitlement and competitive grants) is also available for students enrolled in vocational and technical education programs. In the course of task force discussions, several participants suggested that the current Cal Grant C program be merged with the current Cal Grant A and B awards.

The Postsecondary Education Commission strongly supports the provision of Cal Grant assistance to encourage students to complete vocational and technical training programs since vocational and technically trained individuals are needed to fuel the State's overall labor force needs. To that end, the State should review the Cal Grant program structure to ensure that the programs provide for incentives and assistance to students seeking to complete such training. The Postsecondary Education Commission recommends that:

> *The Governor, Legislature, and the California Student Aid Commission should modify the current Cal Grant program structure and related program provisions to ensure that the needs of students pursuing vocational and technical education programs are adequately being met. Once appropriate modifications have been made, it may be possible to eliminate the current Cal Grant C Program.*

6 Improving Various Administrative, Financial, and Procedural Aspects Associated With the Cal Grant Programs

WHILE THE PRIMARY FOCUS of the Supplemental Report Language was to examine alternative Cal Grant delivery options, the task force also identified a number of issues tangential to the delivery of Cal Grant awards. Unfortunately, due to the limited time provided by the Supplemental Report Language to complete this study, the Postsecondary Education Commission was unable to thoroughly analyze these tangential issues. However, the issues identified by the task force are outlined in this section and the Postsecondary Education Commission recommends that the California Student Aid Commission convene appropriate State and segmental representatives to work through and resolve these issues.

Revise the Timing of Award Payments from the California Student Aid Commission to Participating Postsecondary Education Institutions

Currently, the Student Aid Commission advances an institution 95 percent of their prior year award payments. However, this 95% advance payment system fails to effectively serve the needs of students enrolled in institutions that cannot carry fund grants to students while awaiting state payments (e.g., the community colleges and many proprietary institutions). A new payment system should be developed that (1) ensures that students receive their access payments as soon as possible and (2) reduces the lost float for the State. The payment system should be revised regardless of delivery mode.

Provide an Administrative Allowance to Institutions Participating in the Cal Grant Programs

As previously noted, postsecondary education institutions that participate in the Cal Grant programs incur costs, often not insignificant, associated with delivering Cal Grant awards under the current system.

During task force discussions, California Community College task force members suggested that they need some type of an administrative allowance from the State to reimburse the colleges for the significant workload expenses associated with the delivery of Cal Grant awards even under the current delivery system. The community colleges assert that lack of support for the administrative burden is a critical Cal Grant delivery issue, regardless of centralized or decentralized Cal Grant delivery. The signifi-

cant increase in the number of Cal Grant awards to community college students in the last two years has presented a concomitant increase in community college workload that has not been recognized with increased administrative or budgetary support.

The community colleges note that they have administered these programs for almost 50 years without a dollar of administrative allowance or a single dollar of institutional revenue through Cal Grant payment or tuition or fees. They strongly suggest that the State has a significant interest in ensuring administrative capacity for the offices that provide financial access for students. Regardless of whether the Cal Grant delivery system continues to be centralized or decentralized, the State should explicitly decide whether it wishes to reimburse postsecondary education institutions for any of the costs associated with the processing Cal Grant awards.

Continue and Enhance Student Financial Aid Outreach

Regardless of the Cal Grant delivery system, student financial aid outreach efforts are imperative. Further, to the extent that the Student Aid Commission expends fewer State resources on the processing of Cal Grant awards, those funds could be redirected to improve and enhance the State's student financial aid outreach and awareness activities. The Postsecondary Education Commission encourages the Student Aid Commission to continue and expand its out reach and to work collaboratively with all stakeholders to inform students about the availability of all forms of student financial aid, including the Cal Grant Program, and to facilitate students' access to these programs. These stakeholders include:

1. The K-12 education community, including school, district, county, and state administrators, teachers, counselors through local state organizations such as the California Department of Education, the Association of California School Administrators, the California Teachers Association, the California Association of School Counselors, and the California County Superintendents Educational Services Association;

2. The systems of higher education, including their numerous student academic outreach programs and their intersegmental partnership efforts;

3. Parent and community educational support groups, including the California Parent Teacher Association, American Association of University Women, Parent Institute for Quality Education.

Revise the State's Policy Concerning Providing Tuition and Fee Awards to the Top 2% of Cal Grant B Entitlement Award Recipients

Currently, only the top 2% of Cal Grant B recipients in the Cal Grant Entitlement program receive a Cal Grant award that includes payment of both tuition and fees and the "access" grant. The State and the Student

Aid Commission should explore providing either all or none of Cal Grant B students with funding for tuition and fees in order to promote program simplicity and equity.

Enactment of this change would not only make the Cal Grant B program more equitable and understandable, but it would streamline the processing of Cal Grant B awards. Further, providing tuition and fee funding would promote access and choice for many very low-income students who have met the income, need, and GPA requirements of the Cal Grant B Program. The Postsecondary Education Commission recognizes that fully funding the tuition and fee component for all first year Cal Grant B recipients would be costly and eliminating funding for the top 2% of first-year Cal Grant B Entitlement recipients would generate only moderate cost savings for the State.

Enhance Student Financial Aid Policy, Planning, Research, and Program Accountability

Regardless of the Cal Grant delivery system, postsecondary education institutions participating in the Cal Grant programs must provide data to the Student Aid Commission regarding their Cal Grant recipients. Further, the Student Aid Commission needs to use these data for a variety of purposes including development of Cal Grant program policies, program and fiscal planning, research, program improvement, and for accountability purposes. The Student Aid Commission is encouraged to jointly identify with affected constituents the data that are needed for these purposes and a framework and timeline for the on-going policy, planning, and research of the Cal Grant Programs.

Allow the Simplified FAFSA Form to be Used in Applying for Cal Grant Assistance

The federal government permits aid applicants who meet specified criteria to complete only a portion of the FAFSA in order to apply for federal student aid. The State and the Student Aid Commission should explore the possibility of conforming California's policies and practices consistent with these federal provisions in order to eliminate confusion and potential barriers to low-income students receiving Cal Grant assistance.

Appendix Supplemental Report Language to the 2002-03 State Budget Concerning Alternative Delivery Options for the State's Cal Grant

Cal Grant Delivery Systems. The establishment of the Cal Grant entitlement program provides an opportunity to reconsider the process by which Cal Grants are made available to students. It may be possible to develop an alternative delivery system that improves service to students and increases efficiency to the state and institutions. Therefore, it is the intent of the Legislature that CPEC (a) convene a task force to undertake a study of alternative delivery approaches for the Cal Grant entitlement programs and the competitive Cal Grant programs and (b) submit by February 28, 2003, a report to the fiscal and education committees of the Legislature on the implications of each approach considered. The study of each approach should include:

- ***Effect on Students.*** This shall include the impact on the transparency and ease of use of the process, timeliness of wards, responsiveness and sensitivity to individual applicants, and access to and participation in the program.

- ***Effect on the State.*** This shall include the impact on adherence to current statutory provisions, administrative efficiency, administrative costs, the ability to make projections of program funding needs, fiscal accountability, program award integrity, and portability of awards.

- ***Effect on Colleges and Universities.*** This shall include the impact on workload and costs, communication with students, coordination of Cal Grants with other aid programs, and coordination of Cal Grant delivery with other aid delivery.

- ***Effect on High Schools.*** This shall include the impact on workload, costs, and communication with students.

To provide greater context and coherence to the study, the report should also compare the awarding policies and delivery systems of the Cal Grant entitlement program, Cal Grant competitive program, institutional aid programs, federal Pell Grant programs, and federal campus-based programs.

The task force shall include representation from each of the five higher education segments, college students, SAC, the California Association of Student Financial Aid Administrators, a California high school, the Department of Finance, the LAO, and appropriate legislative policy and fiscal committees.

It is further the intent of the Legislature that the task force focus on alternative delivery mechanisms that can accommodate the current statutory provisions of the program. However, the report may include consideration of an alternative delivery system that would require some modification of current statutory program provisions if the alternative delivery system would provide significant improvements over the current delivery system.