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Recommendations for Adjusting the Maximum Cal Grant Award at California's Nonpublic Colleges and Universities

This report discusses proposals to adjust the maximum Cal Grant award for students attending California's nonpublic colleges and universities. The Commission agrees with the need to enact a long-term policy for adjusting the maximum award and offers two additional recommendations to address implementation and institutional reporting requirements.

Contents

Background	1
Legislative Analyst's Office Recommendation	3
California Student Aid Commission Recommendation.....	3
CPEC Recommendations.....	4
Assembly Bill 358.....	4

The Commission advises the Governor and Legislature on higher education policy and fiscal issues. Its primary focus is to ensure that the state's educational resources are used effectively to provide Californians with postsecondary education opportunities. More information about the Commission is available at www.cpec.ca.gov.

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Background

Prior to the adoption of Senate Bill 1644 in September 2000 which reformed California's Cal Grant program and created Cal Grant Entitlement awards, the maximum Cal Grant award for students attending non-public colleges and universities was specified in state law. At that time, California Education Code Section 66021.2 stipulated that:

The maximum [Cal Grant] award for students attending nonpublic institutions shall be set and maintained at the estimated average General Fund cost of educating a student at the public four-year institutions of higher education. In accordance with this policy, the formula for determining the estimated average General Fund cost shall include both of the following: (1) seventy-five percent of the average General Fund cost per student at the California State University, and (2) the average of the University of California and the California State University systemwide and campus-based student fees.

This statutory formula for setting and adjusting the maximum Cal Grant level was developed in consultation with representatives from all of California's postsecondary education institutions as well as the Legislative Analyst's Office and the Department of Finance.

In passing Senate Bill 1644, the Legislature revised the language pertaining to the maximum Cal Grant award for students attending nonpublic colleges and

universities. Senate Bill 1644 specified that the maximum Cal Grant award for students attending non-public California colleges and universities would be determined in the annual State Budget Act. This remains statutory policy today and is codified as Education Code Section 66021.2.

Display 1 below shows both the maximum Cal Grant award for students attending California independent colleges and universities since 1994-95 and the percentage of average tuition covered by the maximum award.

DISPLAY 1: Maximum Cal Grant Award and Weighted Average Tuition and Fees at California's Independent Colleges and Universities, 1994-95 through 2005-06

Academic Year	Maximum Cal Grant and Fee Award	Average Tuition and Fees¹	Percentage of Average Tuition Covered by the Maximum Award
1994-95	\$5,250	\$14,365	36.5%
1995-96	5,250	15,113	34.7
1996-97	7,164	15,879	45.1
1997-98	8,184	16,603	49.3
1998-99	9,036	17,336	52.1
1999-00	9,420	18,147	51.9
2000-01	9,708	19,197	50.6
2001-02	9,708	20,017	48.5
2002-03	9,708	21,465	45.2
2003-04	9,708	22,841	42.5
2004-05	8,322	24,276 ²	34.3 ²
2005-06 ³	7,449	N/A	

1. Weighted for enrollment.
2. Estimated.
3. Governor's proposal.

In his 2004-05 budget proposal, the Governor recommended that the maximum Cal Grant award for students attending nonpublic California colleges and universities be reduced by 44%. This recommendation was not adopted; instead, a reduction of \$1,386 or 14% was implemented for new recipients. These proposals to reduce the maximum Cal Grant award led many – including independent college representatives and the California Student Aid Commission – to conclude that students may be better served if state law stipulated the methodology for adjusting the maximum Cal Grant award amount.

For the 2005-06 fiscal year, the Governor has proposed that the maximum Cal Grant award for new recipients attending nonpublic colleges and universities be reduced by 10.5 percent, bringing the maximum Cal Grant award for new recipients down to \$7,449. If implemented, this change would affect approximately 12,100 new Cal Grant recipients attending nonpublic California colleges and universities. The reduction is anticipated to reduce the cost of the Cal Grant program by \$7.5 million for the 2005-06 fiscal year.

Legislative Analyst's Office Recommendation

In the Legislative Analyst's *Analysis of the Governor's 2004-05 Budget*, she recommended that the Legislature adopt a long-term Cal Grant policy that would link the maximum Cal Grant award for students attending nonpublic colleges and universities to the weighted average General Fund subsidy the state provides for financially needy students attending the University of California and the California State University. The Legislative Analyst estimated that using this formula would have resulted in a slight increase in the maximum Cal Grant award in 2004-05, raising it to \$9,906. Her rationale for this policy recommendation was that Cal Grant recipients attending a nonpublic California college or university should receive a state subsidy equivalent to that provided to needy students at the public universities. As such, she recommended:

. . . setting the private university grant at the weighted average of the General Fund subsidy provided for each additional UC and CSU student plus the weighted average of the public university Cal Grant. This formula is a simple means by which the state can ensure that it provides about the same amount of support for all financially needy students (taking into account actual costs students incur at the public universities).

The LAO noted that its recommendation: (1) is consistent with the state's historic private university Cal Grant policies, (2) treats financially needy students attending private and public universities equitably, and (3) preserves the value of the award over time.

California Student Aid Commission Recommendation

In November 2004, the California Student Aid Commission convened an *ad hoc* Committee on the Future of the Cal Grant to develop a recommended formula for future adjustments in the maximum Cal Grant award for students attending nonpublic California colleges and universities. After two meetings, the *ad hoc* Committee agreed with the recommendation of the LAO, and recommended to the Student Aid Commission that it adopt the recommendation and sponsor legislation to implement the policy. At its January 13, 2005, meeting, the Student Aid Commission adopted the Committee's recommendation. CSAC directed its staff to sponsor legislation to amend the state's Education Code to read:

69432(b): Maximum award amounts for students at independent institutions ~~and for Cal Grant C and T awards shall be identified in the annual Budget Act~~ *based on the estimated average General Fund costs of educating a student at the public four-year institutions. The estimated general fund cost is defined as the weighted average of the General Fund component of the marginal cost at the University of California and the California State University (as determined jointly by the Department of Finance, the Legislative Analyst Office, and the segments) plus the weighted average Cal Grant award at the University of California and California State University.* Maximum award amounts for Cal Grant A and B awards for students attending public institutions shall be referenced in the annual Budget Act. [Note: The italicized language above is new and is proposed to be added to the statute.]

If this policy recommendation were implemented in the 2005-06 budget year, the maximum Cal Grant award for students attending nonpublic California colleges and universities would increase to approximately \$10,600 – about \$2,300 higher than the current maximum award of \$8,322. If the maximum award were increased for only new recipients, this policy would require an additional \$27 million in Cal Grant funding over what is presently budgeted for the program in the 2005-05 fiscal year and about \$90 million in total additional resources when the policy is fully implemented.

CPEC Recommendations

The California Postsecondary Education Commission (CPEC) agrees with the need to enact a long-term statutory policy for adjusting the maximum Cal Grant award for students attending nonpublic California colleges and universities. Further, it supports the policy recommendations proposed by the Legislative Analyst's Office and the California Student Aid Commission for adjusting the maximum Cal Grant award. However, CPEC recommends two additional provisions to the proposed policy -- one provision related to the timeline for adjusting the maximum award such that it is consistent with the maximum award amount called for by the policy and, second, a provision related to data and accountability.

Recommendation 1:

Given the cost of implementing the proposed policy, CPEC recommends that the policy be fully implemented over a four- to five-year period. CPEC recommends that for the 2005-06 fiscal year, the maximum Cal Grant award for new Cal Grant recipients attending nonpublic colleges and universities be increased from the current maximum of \$8,322 to \$9,300 – an 11.8 percent increase. To fund this increased award amount, approximately \$16 million in additional resources would need to be added to the proposed 2005-06 Cal Grant appropriation. In subsequent fiscal years, CPEC recommends that the maximum award for new recipients continue to increase by \$1,000 per year until such time that the maximum award equals the amount called for by the policy.

Recommendation 2:

In exchange for these additional Cal Grant resources, the State should ensure that participating non-public colleges and universities are held accountable to the state and those students receiving Cal Grant support. CPEC recommends that nonpublic colleges and universities participating in the Cal Grant program be required to annually report data on the number of California Cal Grant and non-Cal Grant students enrolled along with the retention and graduation rates of their Cal Grant recipients versus non-Cal Grant recipients. These data from California's nonpublic colleges and universities coupled with similar data from the State's public higher education institutions will enable the State to determine its success in providing financially needy Californians with higher education access and choice.

Assembly Bill 358

On February 11, 2005, Assemblywoman Carol Liu introduced Assembly Bill 358. The bill would express legislative intent to adjust the maximum Cal Grant award for students attending nonpublic California colleges and universities to be consistent with the recommendations of the Legislative Analyst and the California Student Aid Commission. If CPEC adopts the staff recommendations as proposed above, CPEC staff will advocate that these additional provisions be amended into AB 358.