Cal Grant Decentralization

L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented to:

Senate Education Committee

Hon. Gloria Romero, Chair

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Governor's Proposal

☑   Governor proposes to decentralize administration of Cal Grants.

☑   Public higher education segments, instead of California Student Aid Commission (CSAC), would administer entitlement program.

☑   The California Community College (CCC) Chancellor's Office would administer competitive program for all sectors, and entitlement for students at nonpublic institutions.

☑   Proposal would eliminate duplication in award process.

Main Steps in Cal Grant Delivery Process

California Student Aid Commission (CSAC) Award Process
- Student files Free Application for Federal Student Aid (FAFSA).
- High school or college submits grade point average (GPA) form.
- CSAC matches FAFSA and GPA, checks prior awards, determines eligibility.
- CSAC notifies student, and campus indicated on FAFSA of eligibility.

Campus Award Process (Concurrent)
- Campus receives FAFSA for students it has admitted.
- Campus builds financial aid package for student with federal grants, estimated or preliminary Cal Grant, other gift aid, institutional grants, student loans, and work-study awards.
- Student receives financial aid offer from campus.
- If Cal Grant award does not match CSAC notice, students, campus financial aid staff, and CSAC work to resolve discrepancies.
- Campus verifies eligibility for enrolled students.
- CSAC pays campus.
- Campus pays student's fees, and/or issues check for access award.

Audit and Reconciliation
- Student rosters used to communicate between CSAC and campus.
- Extensive financial reconciliation process for advances and subsequent payments.
- Audit of eligibility documentation and financial accounting.

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Policy Questions

☑ **Would Decentralization Improve Service to Students?**

- Campus would be one-stop shop for students.

- Would reduce duplicate and conflicting information to students.

- Financial aid offers from campuses would be more definitive, though still subject to verification of student information.

☑ **Would Decentralization Limit Choices for Students?**

- Cal Grants would remain fully portable.

- Students would receive offers from all institutions to which they were accepted.

- A student who did not apply or was not accepted at any institution would not receive an award offer.

☑ **Would Decentralization Improve Overall Efficiency of Grant Delivery?**

- Reducing duplication would improve the efficiency of the award process.

- Some steps in the delivery process are more efficiently performed centrally. These include tracking utilization and remaining eligibility, statewide reporting, and maintaining grade point average (GPA) data.

- Some functions, such as audit, must be performed centrally for accountability purposes.

Policy Questions   *(Continued)*

☑ **What Alternatives Should Be Considered?**

■ Change program requirements to improve efficiency of award process.

■ Decentralize some functions, maintain others at the state level.

☑ **Other Considerations**

■ Some of the roles proposed for the Chancellor's Office are outside the mission of the CCC.

■ Implementation would require lead time and campuses would incur costs but initial costs would be outweighed by long-term savings.

■ Decentralization discussion moot if Legislature approves May Revision proposals to phase out Cal Grants.

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LAO Recommendation

☑ Implement partial decentralization of Cal Grants permitting campus financial aid offices to approve entitlement awards for eligible students but maintaining several central functions at CSAC or its successor organization.

☑ Establish a just-in-time funding model for Cal Grants.

☑ Consider statutory changes in requirements for Cal Grants to streamline administration of awards while preserving the intent of the financial aid programs.