

AGENDA

JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE

Meeting: 11:30 a.m., Tuesday, July 11, 2023
Glenn S. Dumke Auditorium

Committee on Educational Policy

Diego Arambula, Chair
Christopher Steinhauser, Vice Chair
Diana Aguilar-Cruz
Raji Kaur Brar
Jack B. Clarke, Jr.
Mark Ghilarducci
Leslie Gilbert-Lurie
~~Romey Sabalius~~
Jose Antonio Vargas

Committee on Finance

Julia I. Lopez, Chair
Jack McGrory, Vice Chair
Larry L. Adamson
Douglas Faigin
Mark Ghilarducci
Leslie Gilbert-Lurie
Anna Ortiz-Morfit
~~Romey Sabalius~~
Jose Antonio Vargas

- Consent** 1. Approval of Minutes of the Meeting of January 2, 2023, *Action*
Discussion 2. Chancellor's Strategic Workgroup on Financial Aid, *Information*

**MINUTES OF THE JOINT MEETING OF
THE COMMITTEE ON EDUCATIONAL POLICY AND FINANCE**

**Trustees of The California State University
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, California**

January 24, 2023

Members Present

Committee on Educational Policy

Romey Sabalius, Chair
Diego Arambula, Vice Chair
Douglas Faigin
Jean Picker Firstenberg
Leslie Gilbert-Lurie
Maria Linares
Julia I. Lopez
Yammilette Rodriguez
Christopher Steinhauser

Committee on Finance

Jack McGrory, Chair
Julia I. Lopez, Vice Chair
Larry L. Adamson
Diana Aguilar-Cruz
Leslie Gilbert-Lurie
Lillian Kimbell
Anna Ortiz-Morfit
Romey Sabalius
Christopher Steinhauser

Wenda Fong, Chair of the Board
Jolene Koester, Interim Chancellor

Trustee Sabalius called the meeting to order.

Public Comment

Public comment took place at the beginning of the meeting's opening session, prior to all committees. There were no comments addressed to the board regarding the Overview of CSU Enrollment and Resource Alignment.

Consent Agenda

Chair Sabalius removed the minutes from the consent agenda to propose an amendment to the list of members present for the Committee on Educational Policy. He noted Trustee Steven G. Stepanek's name should be removed from the list of members present and that his name should be added. The minutes from the meeting on September 17, 2019 were approved with a correction.

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The overview of CSU enrollment and resource alignment was then presented as an information item by Dr. Sylvia A. Alva, executive vice chancellor for Academic and Student Affairs, Dr. Nathan Evans, associate vice chancellor and chief of staff for Academic and Student Affairs and Mr. Steve Relyea, executive vice chancellor and chief financial officer for Business and Finance. The focus of the presentation was to provide an overview of the changes observed in national and CSU enrollment patterns, outline recommendations on how to navigate these changes and share how the CSU is strategically aligning resources to increase access to the system's 23 universities.

Trustees posed clarifying questions and shared their reflections on the information presented to the committees. Interim Chancellor Koester commented on the urgency and exigent nature of enrollment and its relationship to CSU resources during the Trustees open discussion.

Trustee Sabalius adjourned the meeting of the Joint Committees on Educational Policy and Finance.

JOINT COMMITTEE ON EDUCATIONAL POLICY AND FINANCE

Chancellor's Strategic Workgroup on Financial Aid

Presentation By

Sylvia A. Alva
Executive Vice Chancellor
Academic and Student Affairs

Nathan Evans
Deputy Vice Chancellor
Academic and Student Affairs

Julia Lopez
Trustee

Workgroup Charge

At the May 2023 Board of Trustees meeting, the Chancellor's Sustainable Financial Model Workgroup presented its recommendations for a multi-year strategy to achieve stable and predictable revenues to support the California State University (CSU) mission. In its report, the workgroup underscored the need for a shared sense of how the CSU can best provide an affordable, accessible and quality education for Californians while bringing revenues into alignment with the costs of this shared vision.

As one of its priorities, the workgroup identified the need for a tuition policy that clearly states the CSU's commitment to affordability; ensures that tuition increases are modest, gradual and predictable; and stipulates that a portion of any increase should be dedicated to financial aid. The workgroup also strongly endorsed the need for a companion financial aid policy that maximizes and clearly communicates to families the availability of financial aid while minimizing the need for student loans.

As a direct result of the group's recommendations, in June 2023, the Interim Chancellor appointed a follow-up Chancellor's Strategic Workgroup on Financial Aid, charged with: (1) recommending a comprehensive financial aid strategy and policy for the CSU; (2) developing an implementation plan to ensure that universities are equipped with the procedural requirements, infrastructure and flexibility to make student-by-student adjustments (within a set of consistent parameters); and (3) linking the policy to a clear message to Californians about CSU affordability. In accomplishing these action items, the workgroup is to consider pending changes in both the Free Application for Federal Student Aid (FAFSA) and Cal Grant programs, recent changes to California's Middle

Class Scholarship Program and affordability challenges facing a large and growing share of the CSU's students.

Today's information item provides a preliminary update on the group's progress, including current context and considerations, as well as the values and principles the group has begun to outline to help frame a broader CSU financial aid policy.

Background

The CSU is committed to providing access and opportunity to California students, regardless of their financial circumstances. To that end, the CSU continues to offer one of the most affordable educations in the nation; 56% of CSU students who earn a bachelor's degree graduate with zero student loan debt. Of the students who graduated in 2021-22 with debt, the average loan debt of \$17,479 was well below the most recently available state average of \$21,125 (2019-2020).

As the cost of living, housing and inflation are of increasing concern to students and families, college affordability and financial aid are often the differentiator between students attending college or going straight into the workforce. Financial aid is a critical element that enables students to continue their education at the CSU and ultimately earn a college degree. The CSU disbursed over \$4.2 billion in financial aid funds during the 2020-21 academic year, the most recent financial aid period for which final federal data is available. As of that year, 81% of all CSU students received some form of financial aid. What's more, 60.5% of all undergraduates had the full cost of tuition covered by non-loan aid in the form of grants, scholarships or waivers.

As presented at the January 2023 Board of Trustees meeting, following is an overview of financial aid participation, the various forms of financial aid students receive at the CSU and how this aid is packaged to meet a student's individual need.

Cost of Attendance (Estimated Student Expenses)

The cost of attendance is an important component used to determine financial need. Recognition of student expenses is not limited to mandatory tuition and fees. Federal Title IV financial aid program regulations require institutions to develop cost of attendance allowances that include mandatory tuition and fees as well as allowances for books and supplies, food and housing, transportation and personal expenses.

Institutions develop these allowances, also referred to as standard student budgets, differentiating among students living at home with their parents, students living in campus residence facilities and students living off-campus, typically in a shared apartment. For context, in 2020-21, 45% of CSU students lived at home, 11% lived on campus and 44% lived off campus.

To determine the estimated cost of attendance, CSU campuses and most other California institutions utilize data from the Student Expenses and Resources Survey (SEARS) that is administered by the California Student Aid Commission. Each year, these figures are indexed for inflation.

For 2022-23, the CSU cost of attendance estimates are shown below. Importantly, these figures are systemwide averages and do not represent the amount paid by any one student. Cost of attendance varies among CSU campuses, primarily differentiated by campus-based fees and room and board expenses.

2022-2023 Estimated Average Cost of Attendance Undergraduate Academic Year Costs (9 months)

	At Home 44%	On Campus 11%	Off Campus 45%
Tuition	\$5,742	\$5,742	\$5,742
Campus-based Fees	\$1,810	\$1,810	\$1,810
Books and Supplies	\$1,156	\$1,156	\$1,156
Room and Board	\$8,522	\$15,210	\$17,297
Transportation	\$1,504	\$1,059	\$1,451
Personal	\$2,399	\$2,198	\$2,735
TOTAL	\$21,133	\$27,175	\$30,191

* Systemwide averages, actual amounts vary by CSU campus

Determination of Financial Need

To develop a financial aid package for a CSU student, the university first determines that student's financial need – the difference between the Cost of Attendance (COA) at a CSU campus and the amount of a student's Expected Family Contribution (EFC). The process of determining the extent to which a student and his or her family can contribute toward postsecondary educational expenses is referred to as need analysis. The parameters and formulas in the need analysis for all federal student aid funding are approved by the U.S. Congress as federal methodology.

$$\text{Cost of Attendance (COA)} - \text{Expected Family Contribution (EFC)} = \text{Financial Need}$$

Applicants for federal student aid must annually complete the FAFSA. The State of California utilizes the FAFSA to determine eligibility for Cal Grants, and the CSU uses the FAFSA to determine eligibility for State University Grants and other need-based aid programs administered at the university level. As described later, significant changes to the FAFSA will be implemented for the 2024-25 financial aid year.

The California Dream Act Application (CADAA) is used by students who qualify for an AB 540 Non-Resident Tuition Waiver to apply for state and institutionally funded financial aid. The California Dream Act application is provided by the California Student Aid Commission and uses the same need analysis formula as the FAFSA.

Overview of Student Financial Aid Programs

There are four types of financial aid programs: grants (including federal, state and institutional grants), scholarships, loans and work-study. At the CSU, student financial aid programs are authorized and funded by the U.S. Congress, the California State Legislature and governor, the individual university, and various private entities such as philanthropic organizations, foundations, civic clubs and community groups.

Grants and scholarships do not have to be repaid and are also referred to as “gift aid.” Loans and work-study are often referred to as “self-help aid,” as they require that a student repay the amount from future earnings (for loans) or earn the funding through a subsidized employment program while pursuing an education (for work-study). While the University of California and many other institutions include self-help aid when determining a student’s total financial aid package, the CSU does not.

Once a student has applied for financial aid, the campus must confirm that certain general eligibility requirements are met. To be eligible for financial aid a student must:

- Be a U.S. citizen or a permanent resident of the U.S. with a valid Social Security number.
 - Alternately, the California Dream Act makes state and institutional funding available to students who qualify for an AB 540 Non-Resident Tuition Waiver.
- Have a high school diploma or recognized equivalent.
- Be enrolled, or accepted for enrollment, as a regular student who will be working toward a degree or certificate in an eligible program.
- Maintain satisfactory academic progress for financial aid.
- Not owe a repayment on a federal grant or be in default on a federal educational loan.
- Demonstrate financial need, except some federal loans.
- Reapply for aid each year.

Individual award programs may have their own specific eligibility requirements. Those are covered in the following descriptions.

Federal Grants

Pell Grant

In 2020-21, 52% of CSU undergraduate students received a federal Pell Grant. Pell Grants provide a foundation of financial aid to which other aid may be added. They are typically awarded only to undergraduate students who have not earned a bachelor's degree. Under certain conditions, however, students enrolled in a postbaccalaureate teacher credential program may be eligible to receive federal Pell Grants.

For the 2020-21 award year, the maximum award a student can receive is \$6,345. The Pell Grant has a lifetime limit of the equivalent of six years (12 semesters) of full-time enrollment, which allows for part-time enrollment.

Federal Supplemental Educational Opportunity Grant (FSEOG)

The Federal Supplemental Educational Opportunity Grant (FSEOG) is restricted to undergraduate students with the greatest financial need. Eligible students must be a federal Pell Grant recipient. These funds are allocated to institutions, including the CSU, and are awarded by the school to eligible students in accordance with federal regulations.

The availability of FSEOG funds varies among universities. As such, there is no guarantee that every eligible student will be able to receive an FSEOG. The federal grants range from \$100 to \$4,000 per award year; however, as funds are limited, most eligible CSU students do not receive the maximum award.

Teacher Education Assistance for College and Higher Education Grant

In 2020-21, the CSU awarded nearly 840 Teacher Education Assistance for College and Higher Education (TEACH) Grants to students. The TEACH Grant program is a federal financial aid program available to students enrolled in eligible programs.

Students who receive a TEACH Grant must agree to teach in a high-need field, at a low-income elementary or secondary school as a highly qualified, full-time teacher for at least four years. For the purpose of the TEACH Grant, a high-need field is defined as mathematics, science, foreign language, bilingual education, English language acquisition, special education, reading specialist or any other field that has been identified as high-need by the federal or state government or a local

educational agency. In California, these additional fields include English/drama/humanities, computer science and self-contained class (i.e. elementary classrooms). The maximum annual amount a student can receive through the TEACH Grant program is \$4,000.

California State Grants

Cal Grant

Cal Grants are awarded to eligible California students by the California Student Aid Commission. Selection is based on financial need, academic performance and other factors. Eligible students may receive up to a maximum of four years of full-time grant payments.

There are currently multiple types of Cal Grants, including:

- **Cal Grant A Entitlement Award** – Cal Grant A Entitlement Awards are for a maximum of the mandatory systemwide fees at the CSU, which is currently \$5,742. These awards are available to students who graduate from high school and achieve a minimum high school grade point average of at least 3.0 on a 4.0 scale. Eligible students must have financial need at least equal to the amount of the award plus \$1,500, and have family income and assets below the established ceilings.
- **Cal Grant B Entitlement Award** – Cal Grant B Entitlement Awards provide grant funds to low-income students for a living allowance of \$1,648 for an academic year. For a student's first year, these funds can be used for books and supplies, transportation expenses and living expenses. With the second and subsequent years of Cal Grant B benefits, students are also eligible to receive an additional amount for tuition and mandatory systemwide fees. At the CSU, the tuition and fee award is currently \$5,742. These awards are available to students who graduate from high school with a minimum grade point average of at least 2.0 on a 4.0 scale. Eligible students must have a minimum financial need of \$700 and have family income and assets below the established ceilings.
- **Cal Grant California Community College Transfer Entitlement Award** – Transfer Entitlement Awards provide grant funds to transfer students. These awards will be either A or B depending on which income and asset ceilings the student falls under. Award levels will be the same as those for the A and B entitlement programs. These awards are for students who graduated from a California high school, did not receive a Cal Grant Entitlement Award upon high school graduation and are transferring from a California Community College to an eligible four-year institution in California. Students must have a minimum grade point average of 2.4 on all transferrable community college coursework. Eligible students must be under the age of 28 and pursuing a bachelor's degree in order to be eligible for an award.

- **Cal Grant A and B Competitive Award** – A limited number of Cal Grant awards are available for students who are not eligible to be considered for entitlement awards. These awards are for students who are not graduating high school seniors or recent graduates; eligibility for these awards prioritizes nontraditional students. Students will receive either A or B awards at grant levels referenced above for the entitlement programs. Eligible students must meet all basic eligibility requirements, have financial need and be under the income and asset ceilings.

Scholarships

The CSU offers a wide variety of scholarships offered by generous donors to enrolled CSU students. These scholarships help students cover the costs of their education and come from a variety of sources. They help enhance the educational excellence of the CSU and strengthens the value of a CSU education. These scholarships help students pursue their goals. Scholarships are available every academic year to new and continuing students in every discipline of study. There are two types of scholarships, CSU and Private/Off-campus. The CSU scholarships are funded by donors to the CSU and administered by our campuses. There was a total of \$95 million in CSU scholarships disbursed to students in CSU Scholarships during the 2020-21 academic year. Private/Off-Campus scholarships are scholarships that a student applies to on their own and a check is issued to the campus from the organization on behalf of the student. The CSU disbursed \$60 million from private scholarships in 2020-21.

Additional State Programs

The state has introduced a number of new programs and redesigned an existing program to best serve California's students. It is important to note that new aid programs and significant changes to programs increase the need for improved financial aid technology and additional staffing in financial aid offices.

Middle-Class Scholarship (MCS)

The Middle-Class Scholarship (MCS) is a California program that provides a scholarship to undergraduate students with a maximum annual family income and household asset ceiling of \$201,000 (for 2022-23 awards). To qualify, a student must be enrolled at a CSU or University of California campus, be a California resident or an eligible AB 540 student and have filed for financial aid.

Prior to 2022-23, students who qualified for a Middle-Class Scholarship were eligible for a scholarship of no less than 10%, and no more than 40%, of the mandatory systemwide tuition and fees. Recent legislative changes modified the program. Award amounts are now based on the

cost of attendance for the school of the student's choice and the following program requirements:

- Available gift aid that the student is eligible for (i.e. federal, state, institutional or scholarship aid);
- A self-help student contribution of \$7,898 (applied to all students); and
- A parent contribution for dependent students with a household income of over \$100,000.

These three factors, collectively, are referred to as a student's "available resources". These amounts are deducted from the student's total cost of attendance to determine the MCS award. Under this formula, award amounts will vary widely among students, with each student's award reflecting their costs and available resources. Preliminary data shows that CSU students will be receiving over \$400 million in MCS funding during the 2022-23 academic year.

Golden State Teacher Grant

The Golden State Teacher Grant (GSTG) is awarded to students currently enrolled in professional preparation programs approved by the Commission on Teacher Credentialing (CTC). Students must be pursuing their preliminary teacher credential or pupil personnel services credential. Students are eligible for up to \$20,000.

Students must:

1. Complete their program and obtain their credential within three years from the first disbursement of their GSTG funds.
2. Commit to work at a priority school in California for four years within eight years of completing their credential program.

Golden State Education and Training Grant

The Golden State Education and Training Grant (GSETG) targets awards to students who lost their jobs due to the COVID-19 pandemic with a one-time grant of \$2,500. Student eligibility requirements include:

1. Student is displaced from employment due to the COVID-19 pandemic.
2. Student is not enrolled in a training program or institution of higher education at the time they were displaced from employment.
3. Student has been unable to obtain employment that provides an average monthly wage that is equal to or greater than the average monthly wage received from their employment prior to the COVID-19 pandemic.

4. Student meets the income and asset criteria to be eligible for a Cal Grant A award (pursuant to subdivision (k) of California Education Code Section 69432.7).
5. Student is enrolled in a qualified education or training program, including at any California Community College, CSU or University of California.

Learning-Aligned Employment Program

The Learning-Aligned Employment Program (LAEP) is designed to provide students an opportunity to earn money to help defray education costs while gaining education-aligned, career-related employment. Students prioritized for the LAEP come from an underrepresented background, defined as first-generation or current or former foster youth, or homeless/at-risk for homelessness. Institutions will further prioritize eligible students who meet the aforementioned criteria and who are majoring in science, technology, engineering or math (STEM) disciplines. Employers must sign an employer agreement with the institution to participate. A student must only be placed in an educationally beneficial position that relates to the student's area of study, career objective or the exploration of career objectives. LAEP funds may provide up to 90% of a student's compensation for positions at public educational institutions or nonprofit corporations. This includes up to 100% of compensation for positions at the UC, CSU or California Community Colleges, and up to 50% of compensation for positions at for-profit employers.

CSU Grants

State University Grant

The State University Grant (SUG) program is funded by a portion of the tuition paid by CSU students. Currently, an amount equivalent to a third of any new tuition revenue is transferred to campuses as operating funds specifically for SUG grants. The CSU Board of Trustees retains the authority to approve policy governing its use and to regularly review the amount and impact of the CSU's SUG investment. The effective distribution of SUG funds is a primary focus of the Chancellor's Strategic Workgroup for Financial Aid. The program provides need-based awards to eligible undergraduate and graduate/postbaccalaureate students who are California residents or are otherwise determined as eligible (e.g. AB 540-eligible students). Based on preliminary data, more than 140,000 CSU students received SUG awards in 2020-21.

For the 2020-21 academic year, more than \$658 million in SUG funding was paid to students. Systemwide, the institutional aid priority is to award a SUG equal to the amount of resident tuition (\$5,742 for undergraduates; \$6,660 for students in teaching credential programs; and \$7,176 for graduate and postbaccalaureate students) to eligible students who apply for financial aid by March 2; who have an EFC of \$4,000 or less; and who are not receiving a Cal Grant or other award designated to cover tuition.

The number of units a student has earned also affects SUG eligibility. Undergraduates in most programs may receive SUG for up to 150 completed units. Transfer students are reviewed for eligibility based on the number of units transferred. Graduate and credential students are also limited based on their program length.

In considering the CSU Tuition Policy and Proposal also on today's agenda, the board will review the amount of ongoing tuition revenue to be designated for SUG aid beginning in 2024-25.

Educational Opportunity Program Grant

The Educational Opportunity Program (EOP) Grant provides need-based awards to eligible undergraduate students who are California residents or otherwise determined as eligible (e.g. AB 540-eligible students). Based on preliminary data, approximately 21,450 CSU students received an EOP award in 2020-21.

The program is designed for students from economically disadvantaged backgrounds who are admitted to the CSU via the EOP program. Each campus receives a fixed allocation, which is awarded to students with the highest financial need (as demonstrated by a low EFC). The determination of "highest financial need" varies by campus, depending on its student profile.

Doctoral Grants

The CSU currently offers doctoral programs in education, nursing, physical therapy, occupational therapy and audiology. Students who apply for financial aid through the FAFSA or Dream Act application – and who are enrolled in a doctoral program at a CSU campus – will be automatically considered for a grant in that program. Should a student qualify, they will be notified by their campus.

Work-Study

The federal Work-Study Program provides jobs for undergraduate and graduate students with financial need, allowing them to earn money to help pay for expenses related to their education. The program encourages community service work and work related to a student's course of study.

Federal Work-Study earnings are equal to, or greater than, federal minimum wage, depending on the type of work a student is doing and the skills required. A federal Work-Study award depends on the availability of funding at the institution, the institution's awarding policies for federal Work-Study, the student's financial need and their commitment to obtaining a qualified federal Work-Study position and performing the work required.

Federal Work-Study Program employment may be on-campus or off campus. Off-campus opportunities are typically with private, nonprofit organizations or public agencies, with the work

performed advancing the public interest. CSU campuses typically limit a student's work hours to a maximum of 20 hours per week when classes are in session.

Loans

At the CSU, financial aid is packaged to prioritize grants, scholarships, work-study and only then – as needed – loans. Reviewing national data from 2019-20, it is clear that CSU students who do apply for a loan graduate with lower loan debt than their peers at other institutions. As previously noted, for 2019-20, the CSU average loan debt was \$17,966. This amount was significantly lower than the average for other state four-year institutions (\$21,125).

Packaging of Financial Aid Awards

Once a student's financial need is determined, the campus works to provide a package of financial aid to meet that need. This package takes into consideration a student's eligibility for a federal Pell Grant and a state Cal Grant before the institution adds additional grants, work-study employment and – if needed – student loans. As noted earlier, the University of California and many other institutions include self-help aid when determining a student's total financial aid package, but the CSU does not.

Financial aid offices attempt to use all available financial aid program funding in an effort to meet as much of a student's financial need as possible and to minimize student loan debt to the extent possible. Each university establishes its own packaging approach within the constraints of award limits that apply to individual aid programs, the funding priorities for the various aid programs, and, where applicable, the allocation of funds available for the program. One of the overriding considerations in the packaging process is to ensure that it provides for the fair and equitable treatment of all potentially eligible aid applicants and ensures that students in like circumstances are awarded in essentially the same manner.

Forthcoming Changes to Federal and State Financial Aid Programs

FAFSA Simplification Act

The FAFSA Simplification Act and the follow-up legislation, the FAFSA Simplification Act Technical Corrections Act, were passed in 2021 and 2022 respectively. Both bills were part of the Consolidated Appropriations Acts. These acts make important amendment to the Higher Education Act of 1965. The majority of changes will go into effect for the 2024-25 financial aid award year. Changes were originally enacted with a general effective date of July 1, 2023. In 2022, the FAFSA Simplification Act Technical Corrections Act pushed the general effective date back one year to July 1, 2024. Although the effective date was pushed back, some changes will go into effect for the 2023-24 financial aid award year.

This overhaul updates the Free Application for Federal Student Aid (FAFSA) Form, need analysis and many policies and procedures for schools to participate in the federal student aid programs.

Major highlights of the legislation include:

- 2023-24 Award Year Changes
 - Reinstates Pell Grant eligibility for students in federal and state penal facilities starting in the 2023-24 award year.
 - Restores Lifetime Eligibility Used (LEU) regarding loan discharges associated with closed schools, false certifications, identity theft and successful borrower defense claims.
 - Changes some components of cost of attendance (COA).
 - Updates determination process for unaccompanied homeless youth.
 - Implements additional flexibilities for assisting students with unusual circumstances and who cannot provide parental information.
 - Updates professional judgement provisions.
- 2024-25 Award Year Changes
 - Replacing the Expected Family Contribution (EFC) with the Student Aid Index (SAI).
 - Decreases the number of questions on the FAFSA and allows for a higher number of fields to be imported from a federal income tax form.
 - Ties federal Pell Grant eligibility to federal poverty guidelines based on adjusted gross income (AGI). The AGI threshold is either 175% or 225% depending on student's dependency status and marital status.
 - Provides Education Department authority to regulate all COA components except tuition and fees.

The FAFSA Simplification Act requires changes to most aspects of the policies, procedures, processes and systems used to award federal student aid.

AB 288 – Scholarship Displacement Bill

California Assembly Bill 288 was passed in 2021 and will take effect for the 2023-24 academic year. This bill would prohibit each public and private institution of higher education in the state that receives, or benefits from, state-funded financial assistance, or that enrolls students who receive state-funded student financial assistance, from reducing certain students' institution-based

gift aid offer below their financial need, except as specified. Commencing with the 2023–24 academic year, an institution of higher education shall not reduce the institutional gift aid offer of a student who is eligible to receive a federal Pell Grant award or financial assistance under the California Dream Act for an academic year as a result of private scholarship awards designated for the student unless the student’s gift aid exceeds the student’s annual cost of attendance.

Institutional gift aid means gift aid that is paid for by the institution of higher education from its funds and the recipient of the aid is selected by the institution. This would include university or systemwide scholarships, fee waivers, State University Grant and any graduate fellowships from the university. These are funds from the CSU or administered by the CSU.

Private scholarship means financial assistance awarded to students based on one or more factors, including, but not limited to: academic merit; talent or a particular area of study; by a private company, foundation or nonprofit organization; or a public charity or service group. Private scholarships are not funded by the CSU and the CSU is not involved in the administration of these funds.

Cal Grant Reform

The 2022 state budget committed to prioritize the Cal Grant Reform Act that makes major changes to the state’s largest financial aid program. The current Cal Grant program will be replaced with a new version that provides a Cal Grant 2 for California Community College students and a Cal Grant 4 for students attending eligible four-year public or private universities. *The program will begin in 2024-25 if a determination is made in the spring of 2024 that California General Funds are available to support the program over a multi-year forecast.* Highlights of the changes include:

- Collapsing the current eight types of Cal Grants to Cal Grant 2 and Cal Grant 4.
- Aligning eligibility for Cal Grant with the new federal Student Aid Index (SAI).
- Removing age limitations, time since graduation and Grade Point Average requirements.
- Eliminating Cal Grant B access awards that CSU students currently receive as a living allowance.

The changes to the Cal Grant program could significantly impact the awards provided to CSU students. The Chancellor’s Office and the California Student Aid Commission are currently undertaking data analysis and modeling to better understand the impact to students. If the decision is not made until the spring of 2024 to enact this reform, for the 2024-25 aid year, significant delays in awarding and packaging state aid will most likely occur. In addition, the changes to the Cal Grant program may necessitate State University Grant (SUG) policy and awarding changes, so these awards could also be delayed. The CSU aims to award newly admitted students in the

February/March time frame so students and families can make informed decisions regarding enrolling and paying for college. The timing of these changes could negatively impact students starting college in 2024-25. Continuing students, receiving Cal Grant, will continue to be funded under the current program.

Opportunities for More Impactful Financial Aid

Against this complex landscape, the Chancellor's Strategic Workgroup on Financial Aid has begun its work to develop a comprehensive, data-informed financial aid strategy and policy with the ultimate goal of expanding access, minimizing student debt and ensuring that a high-quality CSU degree is within the financial reach of all California students. The proposed policy will aim to maximize student eligibility for federal and state grant aid, assure that the net cost of attendance is lowest for those with the least ability to pay, ensure timely and consistent financial aid messaging for students and their families, and complement the CSU's other policy priorities, including student success and equity, strategic enrollment management and fiscal sustainability. As stated earlier, a primary focus is the effective use of SUG funds to elicit the greatest impact in advancing the CSU mission.

The workgroup has thus far analyzed available data to review current practices, coverage and potential gaps in awarding financial aid across the CSU's 23 universities, with a close eye on student demographics. The group has also scrutinized differences in net cost of attendance across the system along with possible effects on enrollment, retention and achievement across various student groups.

Through preliminary conversations, and reviewing available data, the group has weighed the pros and cons of applying SUG toward such options as 1) reducing the total cost of attendance for the lowest income students, 2) reducing the cost of tuition and fees for a broader range of low- and moderately low-income students, 3) mitigating campus-based student fees for all students with incomes below predetermined levels, and 4) utilizing consistent cost of attendance calculations to better align universities in the same geographic regions.

In future data-informed discussions, the group will review additional considerations, including, but not limited to:

- Enrollment patterns and financial need of traditional and post-traditional students.
- The role and equity implications of relying on student loans and/or student earnings to cover total cost of attendance, and whether this "self-help" aid should be considered as part of the CSU's financial aid packages.
- The system's return-to-aid policy in the context of enrollment trends and rising costs of attendance.
- The separation or co-mingling of undergraduate, graduate and post-graduate return-to-aid dollars.

- A potential unit cap of “lifetime” eligibility for SUG.
- The current and potential role of new or amended campus-based fees including a return-to-aid requirement.
- Expectations for campus advancement/development activities designated for student scholarships.

Next Steps

Once a policy framework is finalized, the workgroup’s next focus will be to develop an implementation plan that provides for the flexibility, tools, resources, administrative capacity and infrastructure required by our campuses to meet the unique financial needs of their students. The workgroup will also delineate a communication strategy to highlight to potential students and their families the affordability and value of a CSU education, as well as clear, timely and easy-to-understand information on available financial support.

The workgroup will report once again to the Board of Trustees in September. It is the hope of the workgroup that the final report and recommendations will provide an effective framework and actionable steps to optimize and expand the CSU’s financial aid programs, for the greatest benefit to our students and our state.