

COMPREHENSIVE RESTRUCTURING OF FINANCIAL AID PROGRAMS

DESCRIPTION

Currently, the state funds three statewide financial aid programs:

- The Cal Grant Entitlement program,
- The Cal Grant Competitive program, and
- The Cal Grant C program.

Additionally, the state funds the California Community College's (CCC) fee waiver program and Extended Opportunity Program and Services (EOP&S). The state also partly funds University of California (UC) and California State University's (CSU) institutional financial aid programs. (These programs are funded by a combination of state General Fund and student fee revenue.) The Legislature could undertake a general restructuring of these programs to achieve administrative savings, improve transparency of available aid, and clarify eligibility criteria for obtaining aid.

Through Supplemental Report Language to the 2003-04 State Budget, the Legislature has requested CPEC to "examine the interaction between undergraduate institutional financial aid and fee waiver programs and the new Cal Grant Entitlement and Cal Grant Competitive programs," no later than April 15, 2004, might be the first step in a comprehensive review and restructuring of financial aid programs.

POLICY PRIORITIES AND TRADE-OFFS

The Legislature would need to set its financial aid priorities before undertaking any comprehensive restructuring. Specifically, the Legislature would need to set priorities regarding the types of students that would receive aid as well as the type of aid they would receive.

Regarding beneficiaries, the Legislature would need to decide what kinds of benefits to provide to:

- Traditional-aged students versus nontraditional-aged students,
- Full-time students versus part-time students, and
- Students attending the different segments.

Regarding benefits, the Legislature would need to consider how much emphasis should be placed on:

- Needs-based eligibility criteria versus merit-based criteria,
- Grants versus work-study versus loans,
- Education fees versus total cost of attendance,
- Portability of aid across segments versus segment-specific aid programs, and
- Undergraduate aid versus graduate aid.

Having set its priorities, the Legislature then could examine feasible restructuring options. These might include:

- Consolidating all existing aid programs into one statewide program with one set of eligibility criteria that was administered by one state agency (the Student Aid Commission).
- Abolishing the Cal Grant program and establishing separate financial aid programs for UC, CSU, CCC, independent colleges, and private-career colleges. Each program could be administered at the campus level and have its own set of eligibility criteria and aid benefits.
- Making more modest changes, such as:
 - Eliminating all institutional aid programs but redirecting monies to statewide aid programs, such as the Cal Grant B program or the competitive Cal Grant program.
 - Redirecting monies only from smaller institutional aid programs (such as CSU's EOP program and CCC's EOP&S program) to statewide programs.
 - Consolidating the Cal Grant C program with the competitive Cal Grant program.

As part of the restructuring of financial aid programs, the Legislature would want to consider if corollary changes should be made to student fee policies.

GENERAL FUND IMPACT

The fiscal impact would depend on the specific nature of the restructuring. At the one extreme, the Legislature could score no General Fund savings. Rather it could simply use existing aid dollars in new ways to achieve programmatic benefits. At the other extreme, the Legislature could score hundreds of millions of dollars in General Fund savings if it were to scale back certain types of benefits to certain kinds of students.

TECHNICAL FEASIBILITY

Technically, restructuring is feasible. The Legislature could restructure any of the statewide programs and/or the CCC programs—as all are statutorily authorized. Although CSU's main

institutional financial aid program is not statutorily authorized, the Legislature has the general authority to modify or eliminate CSU's programs. Given the constitutional independence of the UC Board of Regents, the Legislature has slightly less discretion over UC policies. The Legislature, however, could reduce funding for UC programs, with the assumption that the Regents would enact certain programmatic changes. For example, the Legislature could budget assuming that UC's fee revenue would not support institutional aid programs.