

California Student Aid Commission
Student Impact, Outreach and Communications Committee

Item 5

(Information Item)

Update on Middle Class Scholarship Program

SUMMARY:

This item provides an update on the Middle Class Scholarship (MCS) program administered by the California Student Aid Commission (Commission) in partnership with the University of California and California State University. The 2021-22 state budget introduced significant changes to the MCS program starting with the 2022-23 academic year. This item includes an overview of the MCS program to date and updates on the upcoming changes.

RECOMMENDATION:

This is an information item; no action is required.

BACKGROUND:

Historically, the Middle Class Scholarship (MCS) Program provides eligible undergraduate students at the University of California (UC) or the California State University (CSU) with a scholarship amount that, combined with other publicly funded financial aid received by the student, is up to 40 percent of the institution's mandatory system-wide tuition and fees. To receive consideration for the MCS Program, students must complete a Free Application for Federal Student Aid (FAFSA) or a California Dream Act Application (CADAA) by March 2 and meet the following criteria:

- Be California residents
- Have household income and assets not greater than \$ 191,000 (adjusted annually per changes in cost of living)
- Be enrolled in an undergraduate program at a UC or CSU or in a program of professional teacher preparation at an institution approved by the Commission on Teacher Credentialing.

Potentially eligible students are reported to the Commission by a UC or CSU campus through an enrollment file process. Students must be on an enrollment file to be considered and determined to be eligible for an MCS award. UC and CSU campuses provide information about other financial aid, including the Pell Grant and institutional aid that applicants are receiving for that academic year.

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MCS program funds are set by statute, with the ability to be amended during the fiscal budget process. The initial roll out of the MCS program in the 2014-15 academic year was phased in as defined in California Education Code Section 70022 (a)(4), until fully phased in the 2017-18 award year.

Beginning with the 2016–17 academic year, the total number of years of eligibility for the MCS Program awards pursuant to CEC 70022.5 (a) is based on the student’s educational level (EL) as designated on the UC and CSU enrollment files. Based on the EL provided by the UC or CSU campus, the program years of eligibility are assigned as follows:

Table 1 – MCS Eligibility

Educational Level (EL)	MCS Eligibility
EL 0 or 1 (Freshman)	400% / 4 years
EL 2 (Sophomore)	300% / 3 years
EL 3 (Junior)	200% / 2 years
EL 4 (Senior)	100% / 1 year
EL 5 (Teacher Credential Program or Mandatory 5th Year Undergraduate Degree)	100% / 1 year of additional eligibility
EL 6 or 7	Ineligible since the student is considered a graduate

MCS Paid Rate

Table 2 – MCS Overall Paid Rate

Award Year	Authorized Statutory Allocation	MCS % for Tuition & Fees	UC Maximum Award ¹	CSU Maximum Award ²	Number of MCS Awardees	MCS Paid Rate
2019-20	\$117,000,000	40%	5,028	2,298	59,462	97.7%
2020-21	\$117,000,000	40%	5,028	2,298	56,261	98.5%
2021-22	\$117,000,000	35%	4,398	2,010	57,964	96.0%

¹ UC Mandatory System-wide tuition = \$12,570

² CSU Mandatory System-wide tuition = \$5,742

The MCS program continues to have a high paid rate, usually above 97 percent by the end of the academic year. The 2021-22 year is still open, and the paid rate is expected to increase slightly over the next couple of months as UC and CSU campuses complete their reconciliation for the year. The number of total MCS awardees normally increases slightly every year with the maximum income and asset level being adjusted annually in accordance with the percentage changes in the cost of living. The exception was the

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2020-21 year where the total number of MCS awardees decreased rather than increase and this is attributed to the Covid-19 pandemic.

Table 3 – UC Segment Paid Rate

Academic Year	Offered Awardees	Total Awards	Paid Recipients	Paid Amount	Paid Rate
2019-20	11,526	\$35,896,903	11,079	\$33,881,370	96.1%
2020-21	12,358	\$39,190,242	11,638	\$37,166,370	94.2%
2021-22	11,292	\$31,976,617	10,500	\$29,764,380	93.0%

Table 4 – CSU Segment Paid Rate

Academic Year	Offered Awardees	Total Awards	Paid Recipients	Paid Amount	Paid Rate
2019-20	47,936	\$83,772,863	47,032	\$82,669,812	98.1%
2020-21	43,903	\$77,134,541	43,771	\$76,986,062	99.7%
2021-22	46,672	\$71,444,649	45,119	\$69,479,210	96.7%

The paid rate per segment varies slightly between UC and CSU, with CSU having the highest paid rate in the last three years. Regarding the distribution of MCS awards, about 20 percent of total awards go to UC students and 80 percent to CSU students. However, the total dollar amount distribution changes to 30 percent to UC students and 70 percent to CSU students. This is because the systemwide mandatory tuition and fees are higher at UC campuses.

Up through the 2021-22 academic year, the MCS program was tuition and fees specific and as a last financial aid award program, other financial aid programs/awards count against it which made it very difficult to administer. MCS awards are adjusted multiple times throughout the year and the award amount can vary significantly from student to student, even within the same income bracket level and same school of attendance. Because the program has a fixed allocation for each fiscal year and the variability of each award, it has been very difficult to project if the total MCS paid amount for the year will stay within the maximum budget allocation.

For the 2021-22 academic year, awards were made at the 35 percent instead of the maximum 40 percent to ensure awards were not going to surpass the allocation for the year. Awards were later adjusted for the spring term to maximize the utilization of available funding but required additional workload from Commission staff and UC and CSU financial aid staff.

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Table 5 – MCS Median Awards

Award Year	Income & Asset Ceiling	UC Maximum Award	UC Median Award	CSU Maximum Award	CSU Median Award
2019-20	\$177,000	\$5,028	\$3,180	\$2,298	\$2,034
2020-21	\$184,000	\$5,028	\$3,228	\$2,298	\$2,046
2021-22	\$191,000	\$4,398	\$2,932	\$2,010	\$1,764

MCS median awards are about 65 percent of the maximum MCS award at the UC segment and about 89 percent at the CSU segment.

Table 6 – MCS Paid Recipients by Income Brackets

Household Income	2019-20			2020-21			2021-22		
	Total %	UC%	CSU%	Total%	UC%	CSU%	Total%	UC%	CSU%
\$100,000 or Less	39.3%	11.7%	45.8%	35.4%	9.7%	42.2%	36.2%	6.9%	43.0%
\$100,001 - \$150,000	45.2%	61.4%	41.4%	44.7%	57.3%	41.4%	41.6%	54.8%	38.6%
\$150,000 or More	15.5%	26.9%	12.8%	19.8%	33.0%	16.4%	22.2%	38.3%	18.5%

MCS awards per income bracket vary significantly within the two public segments, with a much higher proportion of low-income students receiving MCS awards at CSU campuses. More than 80 percent of MCS awards at CSU are paid to students with incomes of less than \$150,000, and almost 90 percent of awards at UC are paid to students with incomes above 100,000.

2022-23 MCS Awards

The 2021-22 state budget introduced significant changes to the MCS program starting with the 2022-23 academic year. The Governor's 2022-23 State Budget proposal introduced on January 10, 2022, included an ongoing \$515 million appropriation in the General Fund to support the new MCS program. The final MCS funding amount will be determined when the 2022-23 State Budget is finalized.

Under the new MCS program model, awards will be determined based on the difference between the student's cost of attendance and the sum of the following amounts:

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- Other federal, state, institutional scholarships, grants, fee waivers, and private scholarships awarded to the student.
- Seven thousand eight hundred ninety-eight dollars (\$7,898), reflecting an expected student contribution toward cost of attendance from work earnings or other resources. This is a standard amount applied to all students and reflected in the new MCS award calculation.
- Dependent students with an annual household income exceeding one hundred thousand dollars (\$100,000), 33 percent of the parents' contribution from adjusted available income (abbreviated as AAI on federal/Cal ISIR file), as determined using the federal Title IV methodology.

Commission staff continue to work in partnership with UC and CSU segment representatives to define operational changes and timeline for the implementation of new MCS program model. Phase I included updates to the MCS enrollment file layout and Phase II will include changes to the awarding formula and the payment/correction file layout. Commission staff anticipate that there will not be any delays to the annual MCS timeline and awards will be available during the fall term.

RESPONSIBLE PERSON(S):

Tae Kang, Deputy Director
Program Administration and Services Division

ATTACHMENT(S):

MCS Program Presentation