

Item 6

(Information Item)

Discussion on private non-profit institutions and financial aid

SUMMARY:

This item features a panel discussion on the role of state financial aid relative to private, nonprofit institutions.

RECOMMENDATION:

This is an information item; no action is required.

BACKGROUND:

California is home to 182 private nonprofit colleges and universities, which are also referred to as independent colleges and universities (ICU). In California, private colleges and universities are categorized as either a nonprofit or for-profit institution, which impacts the type of state financial aid their students can access. Private nonprofit campuses provide expanded opportunities to access higher education, offering access to credentials ranging from vocational education certificates to undergraduate and graduate degrees. The ICU segment contributes to the rich pipeline of colleges and universities Californians can choose from in their pursuit of a college degree or training opportunities and provides overflow capacity during times of full enrollment at public institutions.

The Association of Independent California Colleges and Universities (AICCU), comprised of 86 private nonprofit institutions, works on behalf of its members by providing a visible presence and advocacy at the state and federal levels. Except for the Cal Grant Program and laws governing the definition of a private non-profit institution, the state has no role in directly regulating ICU campus operations. While private nonprofit tuition and fees are significantly higher than those charged at public institutions, in some cases nonprofits may be more affordable because of financial aid packaging policies and considerable endowment and fundraising resources.

The ICU segment includes a range of large research institutions to small colleges. California's largest private non-profit, the University of Southern California, enrolls about 49,500 students, and there are dozens of ICU campuses with fewer than 500 students. Currently ICU statewide enrollment is approximately 379,000 students, including 184,468 undergraduates. The most recent student financial aid participation counts included in the May Revision to the 2022-23 State Budget indicated that 27,424 students at ICU institutions would receive a Cal Grant in the 2021-22 academic year,

California Student Aid Commission Legislative, Audit and Budget Committee

receiving a total of approximately \$241 million in funding through the Cal Grant program. ICU students are eligible for the Cal Grant A award, which provides \$9,220 for tuition and fees, or a Cal Grant B (freshman year), which provides up to \$1,648 for an access award that helps pay for books and other college costs, and in the second year, provides the access award and the full \$9,220 for tuition and fees. Like the Students with Dependent Children enhanced Cal Grant access awards established in 2019, the enhanced Cal Grant access awards for current and former foster youth may only be utilized at public institutions. As shown in Table 1, students at ICU institutions received the second highest per average student award, receiving more Cal Grant support on average than students at the California State University (CSU) or California Community Colleges (CCC).

Table 1: Total Recipients, Total Cal Grant Funds and Average Per Student Award Amount By Segment, 2021-22

Segment	Total Recipients	Cal Grant Funds (in millions)	Average Per Student Award
CCC	148,070	\$300	\$2,026
CSU	140,493	\$847	\$6,028
UC	78,997	\$977	\$12,370
Private nonprofit	27,424	\$241	\$8,779
Private for-profit	6,017	\$30	\$4,980
Totals	401,056	\$2,395	\$5,972

The California Student Aid Commission (Commission) analysis of the demographics of Cal Grant recipients at the various segments of higher education indicates that ICU institutions in California serve a diverse population of students: a majority of Cal Grant recipients at ICU institutions are Latino (52.1%) and the segment also has the highest percentage of African-American recipients (7.5%) of any segment. Further race/ethnicity data is provided in Table 2.

Table 2: Race & Ethnicity of Cal Grant Recipients By Segment, 2021-22

Segment	African-American	American Indian	Asian	Filipino	Latino	Pacific Islander	Two or More Races	White
CCC	6.3%	0.4%	8.4%	3.1%	63.2%	0.5%	2.0%	15.5%
UC	3.4%	0.3%	25.8%	3.6%	41.4%	0.5%	2.5%	21.8%
CSU	4.4%	0.4%	11.2%	4.1%	60.7%	0.5%	1.9%	16.3%
Private nonprofit	7.5%	0.4%	9.9%	4.9%	52.1%	0.5%	2.3%	22.0%
Private for-profit	6.7%	0.1%	8.5%	8.6%	56.3%	0.6%	1.7%	17.3%

California Student Aid Commission Legislative, Audit and Budget Committee

In the same analysis, Commission staff assessed the demographic composition of Cal Grant recipients across the various segments. Cal Grant recipients at the ICU institutions have the highest average income (\$42,274) and were the most likely to have a family member that had previously attended college. ICU institutions enrolled a higher percentage of Cal Grant recipients that are female students (65.1%) than the public segments and a greater share of student-parents (6.8%) receiving Cal Grants than the UC or CSU. Cal Grant recipients in the ICU sector were slightly more likely to still be a dependent (81.4%) than those at CSU with a slightly lower average age (20.5). See Table 3 below for the complete analysis on the demographics of Cal Grant recipients by segment.

Table 3: Demographics of Cal Grant Recipients By Segment, 2021-22

Segment	Average Income	Average Expected Family Contribution	Average Age	Female Recipients	First Generation Students	Dependents	Student-parents
CCC	\$28,969	\$1,758	25.3	61.4%	64.1%	49.8%	18.5%
UC	\$42,181	\$2,804	19.3	60.4%	57.1%	89.6%	1.0%
CSU	\$35,779	\$2,160	20.8	60.0%	66.5%	76.7%	5.0%
Private nonprofit	\$42,274	\$3,208	20.5	65.1%	52.1%	81.4%	6.8%
Private for-profit	\$40,126	\$6,084	27.1	68.8%	65.3%	34.0%	31.0%

The Commission administers several state grants, but some of these programs are only available to students attending public institutions. AICCU advocates contend that each segment of higher education should have equal access to all Cal Grant programs to ensure that state financial aid supports low-income students regardless of where they are enrolled. The 2021-22 final budget and this year's proposed budget include new and expanded programs that provide Cal Grant funds to students enrolled only at public institutions.

The Golden State Teacher Grant program does include ICU institutions, while the Learning-Aligned Employment Program funds may only go toward serving students at public institutions and the Golden State Education and Training Grant Program awards may be used toward public institutions and qualifying programs from the Eligible Training Providers List (which does include private institutions). Over the first year of implementation of the expand Golden State Teacher Grant program, the largest number of applications received by segment were from students enrolled in teacher preparation programs offered by private institutions, representing 1,912 of the total 3,944 applications received, nearly half (48.5%) of all applications received.

AICCU is sponsoring Senate Bill 851 by Senator Portantino, which modifies the formula for the Cal Grant award amount at private non-profit institutions and expands eligibility

California Student Aid Commission Legislative, Audit and Budget Committee

to supplemental Cal Grant programs and the Community College Entitlement award to ICCU students. The AICCU request for equal access to Cal Grant programs for ICCU students represents a substantial increase of state grant funds for this segment.

An important consideration that arises when policymakers weigh investments of state dollars toward ICU institutions specifically is that the state does not have the same legal or fiscal oversight mechanisms for these institutions that it does for the public segments. For instance, the governor and legislature have no oversight of how ICU campuses set fee increases like they have over the public institutions. The CSU and CCC can only implement fee increase through state statute. Although the UC has constitutional autonomy, the Governor and Legislature still can exert influence on systemwide decisions to increase student fees or tuition through actions in the state budget. No such accountability exists for private institutions.

A relatively new development in higher education has increased attention and policy discussions regarding the ICU segment because of a growing number of for-profit schools that use legal means to convert to a “nonprofit” status. The problem with this trend is that many of the new nonprofit colleges continue to operate under a for-profit model. Traditionally, nonprofit and public institutions devote revenues exclusively to their educational purpose and are prohibited from engaging in any form of profit-taking. In contrast, for-profits convert to nonprofit status for purposes of significantly increasing their revenue/profits derived from federal and state grant programs while operating under much less scrutiny from regulators. Considering the multiple scandals in the past and ongoing problems students encounter at private for-profit schools, this trend raises further questions about transparency and oversight into institutional finances. State legislation (AB 70, 2020) has already been enacted to create additional verification procedures with the Attorney General's Office for exempting newly converted non-profit institutions from Bureau for Private Postsecondary Education oversight.

RESPONSIBLE PERSON(S):

Jake Brymner, Deputy Director
Policy and Public Affairs Division

Alex Graves, Vice President for Policy
Association of Independent California Colleges and Universities

Manny Rodriguez, Director of California College Affordability
The Institute for College Access and Success