

## Item 8

(Action Item)

### Consideration of institutional appeals for 2023-24 Cal Grant Participation

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#### SUMMARY:

This item considers two institutional appeals for Cal Grant Participation in the 2023-24 academic year (AY). The institutions present their appeals to the California Student Aid Commission (Commission) under California Education Code (CEC) Section 69432.7 which authorizes the Commission to grant an appeal for an academic year if it determines that the institution has a cohort size of 20 individuals or less and the cohort is not representative of the overall institutional performance. Additionally, a new amendment to CEC Section 69432.7 allows institutions to appeal for the 2023-24 academic year if the appealing institution became ineligible solely due to acquiring an out-of-state institution and the acquired institution has since closed at some time during the 2019-20 to 2022-23 academic year. Commission staff have determined that the following institutions meet the statutory requirements:

- Visible Music College
- Columbia College Hollywood

#### RECOMMENDATION:

Commission staff recommends the following for these 2023-24 Cal Grant Participation appeals:

- Approve Visible Music College's appeal pursuant to CEC Section 69432.7(l)(3)(l)(iv)(II) because the cohort is less than 20 students, and the graduation rate is not representative of the institution's overall graduation performance.
- Approve Columbia College Hollywood's appeal pursuant to CEC Section 69432.7(l)(3)(l)(iv)(III) because the institution failed to meet the three-year cohort default rate solely due to the acquisition of an out-of-state institution and that institution has since closed at some time during the 2019-20 to 2022-23 academic year; notwithstanding the requirement of having 20 students or less.

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## BACKGROUND:

CEC Section 69432.7(l)(3) provides in relevant part:

*(A) The commission shall certify by November 1 of each year the institution's latest official three-year cohort default rate and graduation rate as most recently reported by the United States Department of Education. For purposes of this section, the graduation rate is the percentage of full-time, first-time degree or certificate-seeking undergraduate students who graduate in 150 percent or less of the expected time to complete degree requirements as most recently reported publicly in any format, including preliminary data records, by the United States Department of Education.*

\* \* \*

*(C) For purposes of the 2012–13 academic year, and every academic year thereafter, an otherwise qualifying institution with a three-year cohort default rate that is equal to or greater than 15.5 percent, as certified by the commission on October 1, 2011, and every year thereafter, shall be ineligible for initial and renewal Cal Grant awards at the institution....*

*(F) For purposes of the 2012–13 academic year, and every academic year thereafter, an otherwise qualifying institution with a graduation rate of 30 percent or less as certified by the commission pursuant to subparagraph (A), shall be ineligible for initial and renewal Cal Grant awards at the institution, except as provided for in subparagraph (H).*

*(I) (iv) (III) Notwithstanding subclause (II), the commission may grant an appeal for the 2023–24 academic year if the institution failed to meet the three-year cohort default rate solely due to acquisition of an out-of-state institution that impacted its three-year cohort default rate, and the acquired out-of-state institution has since closed any time between the 2019–20 to 2022–23 academic years, inclusive. The institution's Cal Grant eligibility shall not be transferrable if the institution is bought or sold during the 2023–24 fiscal year. This authority shall be in effect for an appeal for the 2023–24 academic year only and shall sunset on July 1, 2023. The institution's Cal Grant eligibility shall not be transferrable to a new site acquired by the institution.*

Pursuant to Assembly Bill (AB) 183, the Commission was required to utilize the three-year cohort default rates certified in 2020, rather than new 2022 rates, to determine an institution's eligibility to participate in the Cal Grant program in the 2023-24 award year.

The United States Department of Education (USDE) receives data via the Integrated Postsecondary Education Data System from institutions and calculates graduation rates. The USDE then notifies each institution of its draft rates and provides an appeal period in which the institution may seek changes in the calculations based on corrected data. If it agrees with the institution, the USDE will recalculate the relevant rate and report the corrected rate. Cal Grant law mandates that if the USDE corrects an institution's graduation rate, and that correction brings that rate within the statutory Cal Grant standards, the institution immediately regains its eligibility to participate in the Cal Grant Program (see CEC Section 69432.7(l)(3)(D)).

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Graduation rate is defined as the percentage of full-time, first-time degree or certificate-seeking undergraduate students who graduate in 150 percent or less of the expected time to complete degree requirements. As described in the Integrated Postsecondary Education Data System – Graduation Rates attachment, graduation rates are published a couple of years after a cohort's 150 percent graduation rate is initially measured and submitted by the institution to the USDE via the Integrated Postsecondary Education Data System. To determine graduation rates for the 2023-24 academic year, the data focuses on students who began their studies in the fall of 2015 and graduated by 2021.

Section 69432.7(l)(3) of the California Education Code requires the Commission to certify graduation rates calculated and reported by the USDE and establishes that these rates must be applied to determine whether institutions satisfy statutory standards to participate in the Cal Grant Program. Section 69432.7(l)(3)(l)(iv)(II) of the California Education Code authorizes the Commission to grant an appeal for an academic year if the Commission determines that the institution has a cohort size of 20 individuals or less and the cohort is not representative of the overall institution performance. Notwithstanding subclause (II), subclause (III) states the commission may grant an appeal for the 2023–24 academic year if the institution failed to meet the three-year cohort default rate solely due to the acquisition of an out-of-state institution that impacted its three-year cohort default rate, and the acquired out-of-state institution has since closed any time between the 2019–20 to 2022–23 academic years, inclusive. The institution's Cal Grant eligibility shall not be transferrable if the institution is bought or sold during the 2023–24 fiscal year. This authority shall be in effect for an appeal for the 2023–24 academic year only and shall sunset on July 1, 2023. The institution's Cal Grant eligibility shall not be transferrable to a new site acquired by the institution.

At its January 21, 2021, meeting, the Commission adopted regulations pursuant to Section 69432.7(l)(3)(l)(iv) of the California Education Code establishing the appeal process for an otherwise qualifying institution that fails to satisfy the three-year cohort default rate and graduation rate requirements specified in the Education Code. These regulations became effective on January 1, 2022, and delegate to staff the ministerial determination as to whether an institution has a cohort size of 20 individuals or less. Staff has determined that the two institutions appealing have a cohort size of 20 individuals or less or are eligible to appeal under section 69432.7(l)(3)(l)(iv)(III).

### Visible Music College Appeal Request

- 2023-24 Graduation Rate: 14 percent
- Graduation Rate Requirement for Cal Grant Participation: Above 30 percent
- Cohort size of Full-Time, First-Time Degree Seeking Students: 14 students
- 2022-23 Cal Grant awardees: 5 students

Visible Music College (VMC) filed an appeal on December 14, 2022, asking for reconsideration from the Commission to allow VMC's participation in the Cal Grant Program during the 2023-24 academic year, even though VMC does not comply with

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the statutory Cal Grant Institution eligibility standards for graduation rates for the cohort year certified. The USDE reported VMC's graduation rate at 14 percent, which fails to meet the Cal Grant requirement that graduation rates be higher than 30 percent. VMC seeks to appeal this decision based on its very small cohort size (14 students) as authorized under Section 69432.7 of the California Education Code.

### Staff Recommendation for Visible Music College Appeal

Based on the data reported through the Integrated Postsecondary Education Data System, VMC's cohort of full-time, first-time degree-seeking undergraduate students is under 20 (14 students). The cohort in question equals 39 percent of the institution's overall student population and only accounts for first-time, full-time students. In addition, the graduation rate for the overall student population at this institution (36 students) is 31 percent. Therefore, the graduation rate of 14 percent for first-time, full-time students does not represent the institution's overall graduation rate of 31 percent. Additionally, VMC explains they are a specialist college with many students transferring in after starting college elsewhere and therefore not considered in the full-time, first-time cohort of undergraduate students.

Pursuant to California Education Code Section 69432.7 (l)(3)(l)(iv)(II), Commission staff recommends approving Visible Music College's participation appeal because the small cohort is fewer than 20 students and the graduation rate is not representative of the institution's overall graduation performance.

### **Columbia College Hollywood Appeal Request**

- 2023-24 Cohort Default Rate: 15.9 percent
- Cohort Default Rate for Cal Grant Participation: Below 15.5 percent
- Cohort size of Defaulters: 46 students
- Total Number of Three-Year Cohort Borrowers: 289
- 2022-23 Cal Grant awardees: Not applicable as the institution was not eligible to participate in the Cal Grant program for the 2022-23 academic year

Columbia College Hollywood (CCH) filed an appeal on November 1, 2022, asking for reconsideration from the Commission to allow CCH's participation in the Cal Grant Program during the 2023-24 academic year. The USDE reported CCH's 2020 cohort default rate (CDR) at 15.9 percent, which fails to meet the Cal Grant requirement that CDRs be below 15.5 percent. Per the enactment of AB 183, the Commission is to certify schools using the three-year cohort default rates certified in 2020, rather than new 2022 rates due to the Covid-19 pandemic.

CCH acquired Tribeca Flashpoint College, an Illinois based institution, in 2018 which became known as Flashpoint Chicago A Campus of Columbia College Hollywood. CCH continued its participation in the Cal Grant program until the 2021-22 academic year when they failed to meet the CDR requirement. Their CDR rate, had they not acquired

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the out-of-state campus, would have been four percent. Flashpoint Chicago A Campus of Columbia College Hollywood ceased operations in 2022. CCH seeks to appeal their Cal Grant participation status based on the new provision under CEC Section 69432.7(l)(3)(I) (iv)(III) of the California Education Code. This new provision states that the Commission may grant an appeal for the 2023–24 academic year if the institution failed to meet the three-year cohort default rate solely due to the acquisition of an out-of-state institution that impacted its three-year cohort default rate, and the acquired out-of-state institution has since closed any time between the 2019–20 to 2022–23 academic years, regardless of the cohort size.

### Staff Recommendation for Columbia College Hollywood Appeal

Columbia College Hollywood complies with this new provision outlined in the CEC. They lost eligibility due to the cohort default rate solely because of the acquisition of an out-of-state location in 2018, which has since closed as of August 2022. As mentioned previously, their CDR, had they not acquired the out-of-state campus, would be four percent, well below the maximum of 15.5 percent.

Pursuant to California Education Code Section 69432.7 (l)(3)(I)(iv)(III), Commission staff recommends approving CCH's participation appeal.

### **RESPONSIBLE PERSON(S):**

Tae Kang, Deputy Director  
Program Administration and Services Division

Alessandra Morrison, Associate Deputy Director  
Program Administration and Services Division

Julia Blair, General Counsel  
Executive Office

### **ATTACHMENT(S):**

Appeal from Visible Music College  
Appeal from Columbia College Hollywood  
Integrated Postsecondary Education Data System – Graduation Rates