

Item 6

(Information Item)

Update on Middle Class Scholarship Program implementation

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 (UC), California State University (CSU), and California Community Colleges (CCC) with bachelor's degree programs. The 2021-22 state budget introduced significant changes to the MCS program starting with the 2022-23 academic year and continuing in 2023-24. 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:

Middle Class Scholarship Program 2.0

2022-2023 Academic Year Review

At the conclusion of the academic year for the MCS Program on November 3, 2023, there was a total of 294,129 students awarded. In addition to the UC and CSU campuses, starting in 2022-23 and moving forward, CCCs with bachelor's degree programs can award MCS to their eligible students in the WebGrants system.

Starting in 2023, the Commission went from processing payments and corrections twice a week to three times a week. This modification permits schools to report changes and payments more often, allowing students to receive payments timelier.

2023-2024 Academic Year

The 2023-24 State Budget provided a \$227 million one-time funding increase for MCS awards, bringing the annual total to \$864.2 million. With an increase in the 2023-24 appropriation, the phase-in factor or proration was set at 36 percent, an increase from the 2022-23 phase-in factor of 26 percent. The phase in factor is the proportionate reduction that occurs to MCS 2.0 awards based on the annual budget allocation. The increase in the phase-in factor allocates more funds to individual student awards.

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The 2023-24 MCS Enrollment File Layout was released to campuses in April 2023, and the Payment Roster Layout in June 2023. Initial awards were processed on August 25, 2023, with 227,408 students awarded. Commission staff released additional policies and guidelines in July 2023, and the 2023-24 MCS 2.0 Handbook in December 2023 to further support UC, CSU, and CCC BA campuses in program administration.

The following table provides data as of the end of January for each academic year. A total of 281,456 students have been offered a 2023-24 MCS award compared to 300,328 awarded students in 2022-23:

MCS 2.0 Year over Year as of January of the Academic Year					
	UC	CSU	CCC BA	Total Awards	\$ Awarded
2022-23 Awards*	93,295	207,033	0	300,328	\$645,985,363.00
2023-24 Awards**	85,186	196,222	48	281,456	\$905,657,469.00
Change	-8,109	-10,811	48	-18,872	\$259,672,106.00

*Data for 2022-23 Awards are as of 1/30/2023

**Data for 2023-24 are as of 1/29/2024

Below is the distribution of 2023-24 MCS 2.0 awards and paid rate per segment:

2023-24 MCS 2.0 Awards				
	UC	CSU	CCC BA	Totals
Awarded Applicants	85,186	196,222	48	281,456
Paid Recipients	48,223	180,645	36	228,904
Paid Rate	57%	92%	75%	81%
Average Paid Award*	\$1,406	\$1,844	\$1,730	\$1,752

*Full year payments have not been disbursed as the academic year is still underway.

Significant changes to 2023-24 MCS award processing came from Senate Bill 142, which will now allow the exclusion of the following types of aid from the award determination that is in excess of the student's self-help and parent contribution (if applicable):

- Emergency aid funding (beginning in 2023-24)
- Institutionally administered non-need-based scholarships (starting in 2024-25)

Starting with the 2023-24 award year, the MCS program covers the total cost of attendance for current or former foster youth students. Foster youth students will still be subject to the same award-amount calculations (including consideration of self-help and

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other awards) but will not be subject to the proportionate reduction that occurs to MCS awards based on the annual budget allocation.

Other significant changes to 2023-24 MCS award processing include:

- Automation of calculation to determine the excess portion from private scholarships to be used in the MCS award determination.
- Prorated MCS awards for students attending less than a full academic year.
- The ability for campuses to adjust Cal Grant awards to expedite corrections to MCS awards per these Cal Grant adjustments.
- The ability for campuses to adjust the student's enrollment status to expedite corrections to MCS awards.

The following remained consistent for MCS 2.0 awards:

- 53% of the MCS offered awardees are also Cal Grant recipients.
- Majority of MCS awardees are students with incomes less than \$100,000 as shown in the chart below:

2023-24 MCS 2.0 Awards per Income Bracket		
Income Bracket	Count	Percentage
Income < \$100K	222,671	79%
Income between \$100K - \$217K	58,785	21%
Total	281,456	100%

2024-2025 Academic Year

Commission staff continue to work in partnership with UC, CSU, and CCC segment representatives to define operational changes and timelines for the 2024-2025 MCS awards. Possible upcoming changes to MCS award processing include:

- Institutionally administered non-need-based scholarships could be included with reported private scholarships and emergency aid.
- The ability for campuses to individually report Cal Grant award amounts on MCS enrollment records in addition to adjusting Cal Grant awards to expedite corrections to MCS awards.

The Commission is pursuing regulations to establish the MCS Program and incorporate and implement the statutory amendments prescribed by SB 117. The MCS emergency regulations will be presented at the March Commission meeting for Commission approval. Additional information regarding the MCS regulations can be found on the MCS regulations agenda item.

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RESPONSIBLE PERSON(S):

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