

# Item 14

## (Action Item)

### Consideration of institution appeals for 2020-21 Cal Grant Participation

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#### **SUMMARY:**

This item considers four institutional appeals for Cal Grant participation in the 2020-21 academic year (AY). The following institutions are presenting their appeals to the California Student Aid Commission (Commission) under California Education Code Section 69432.7 of the California Education Code. This code section 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 institution performance:

- West Coast University
- Design Institute of San Diego
- Los Angeles Pacific University
- Providence Christian College

An analysis is provided for each of the institutional appeals, along with attachments containing additional details related to each request.

#### **RECOMMENDATION:**

Commission staff recommends the following for the 2020-21 Cal Grant Participation appeals:

- Approve West Coast University's appeal pursuant to Section 69432.7(l)(3)(l)(iv)(II) of the California Education Code because the cohort is less than 20 students and the graduation rate is not representative of the institution's overall graduation performance.
- Approve Design Institute of San Diego's appeal pursuant to Section 69432.7(l)(3)(l)(iv)(II) of the California Education Code because the small cohort is less than 20 students and the graduation rate is not representative of the institution's overall graduation performance.
- Deny Los Angeles Pacific University's appeal pursuant to Section 69432.7(l)(3)(l)(iv)(II) of the California Education Code because although the institution has a small cohort of less than 20 students, the institution's overall graduation rate (full cohort) does not meet the over 30 percent graduation rate requirement for Cal Grant participation and therefore the institution does not meet the statutory grounds for approving an appeal.
- Deny Providence Christian College's appeal pursuant to Section 69432.7(l)(3)(l)(iv)(II) of the California Education Code because the cohort size exceeds 20 students, the statutory grounds for approving an appeal.

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## APPEALS BASED ON GRADUATION RATE:

West Coast University

Design Institute of San Diego

Los Angeles Pacific University

## BACKGROUND:

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

*(3) (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.*

\* \* \*

*(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). [Emphasis added].*

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 section 69432.7(l)(3)(C) of the California Education Code).

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 2020-21 academic year, the data focuses on students who began their studies in the fall of 2012.

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

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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.

### West Coast University Appeal Request

- 2020-21 Graduation Rate: 17 percent
- Graduation Rate Requirement for Cal Grant Participation: Above 30 percent
- Cohort size of Full-Time, First-Time Degree Seeking Students: 12 students
- 2019-20 Cal Grant awardees: 1,075 students

West Coast University (WCU) filed an appeal on January 31, 2020, asking for reconsideration from the Commission to allow WCU's participation in the Cal Grant Program during the 2020-21 academic year, even though WCU does not comply with the statutory Cal Grant Institution eligibility standards for graduation rates for the cohort year certified. The USDE reported WCU 's graduation rate at 17 percent, which fails to meet the Cal Grant requirement that graduation rates be higher than 30 percent. WCU is seeking to appeal this decision based on their very small cohort size (12 students) as authorized under section 69432.7 of the California Education Code.

### Staff Recommendation for WCU Appeal

Based on the data reported through the Integrated Postsecondary Education Data System, WCU's cohort of full-time, first-time degree-seeking undergraduate students is under 20 (12 students) which is less than one percent of the institution's overall student population and only accounts for first-time, full-time students at the Los Angeles campus. The combined first-time, full-time graduation rate for all three campuses is 39 percent and the graduation rate for the overall student population at this institution is 78 percent. Therefore, the graduation rate of 17 percent for first time, full time students is not representative of the institution's overall graduation rate of 78 percent.

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

### Design Institute of San Diego Appeal Request

- 2020-21 Graduation Rate: 25 percent
- Graduation Rate Requirement for Cal Grant Participation: Above 30 percent
- Cohort size of Full-Time, First-Time Degree Seeking Students: 8 students
- 2019-20 Cal Grant awardees: 10 students

Design Institute of San Diego (DISD) filed an appeal on January 27, 2020, asking for reconsideration from the Commission to allow DISD's participation in the Cal Grant Program during the 2020-21 academic year, even though DISD does not comply with the statutory Cal Grant eligibility standards for graduation rates for the cohort year certified. The USDE reported DISD's graduation rate at 25 percent, which fails to meet the Cal Grant requirement that graduation rates

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be higher than 30 percent. DISD seeks to appeal this decision based on their very small cohort size (8 students) as authorized under section 69432.7 of the California Education Code.

### Staff Recommendation for DISD Appeal

Based on the data reported through the Integrated Postsecondary Education Data System, DISD's cohort of full-time, first-time degree-seeking undergraduate students is under 20 (8 students) which is less than 14 percent of the institution's overall student population. When graduation rates are considered for the full undergraduate population for the 2012 cohort (58 students), the graduation rate is above the standard at 47 percent. Therefore, the graduation rate of 25 percent for first-time full-time students is not representative of the institution's overall graduation rate of 47 percent.

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

### Los Angeles Pacific University

- 2020-21 Graduation Rate: 17 percent
- Graduation Rate Requirement for Cal Grant Participation: Above 30 percent
- Cohort size of Full-Time, First-Time Degree Seeking Students: 18 students
- 2019-20 Cal Grant awardees: 222 students

Los Angeles Pacific University (LAPU) filed an appeal on June 1, 2020, asking for reconsideration from the Commission to allow LAPU's participation in the Cal Grant Program during the 2020-21 academic year, even though LAPU does not comply with the statutory Cal Grant eligibility standards for graduation rates for the cohort year certified. The USDE originally reported LAPU's graduation rate at 25 percent. However, upon further communication with the USDE, the graduation rate has been revised to 17 percent. Both rates fail to meet the Cal Grant requirement that graduation rates be higher than 30 percent. LAPU is seeking to appeal this decision based on their very small cohort size (18 students) as authorized under section 69432.7 of the California Education Code.

### Staff Recommendation for LAPU Appeal

Based on the data reported through the Integrated Postsecondary Education Data System, DISD's cohort of full-time, first-time degree-seeking undergraduate students is under 20 (18 students) which is less than two percent of the institution's overall student population. However, when graduation rates are considered for the full undergraduate population for the 2012 cohort (776 students), the graduation rate still fails to meet the statutory Cal Grant requirement at 29.4 percent.

LAPU's anticipated graduation rate data shows an increase over the next couple of years to 22 percent for the 2013-14 year (cohort of 9 students) and 25 percent for the 2014-15 year (cohort of 16 students). Unfortunately, these small cohort sizes which represent only two and one percent of the overall cohort will still fail to meet the more than 30 percent graduation rate requirement for Cal Grant participation.

Pursuant to California Education Code Section 69432.7 (l)(3)(l)(iv)(II), **Commission staff recommends denying LAPU's participation appeal based on the institution's overall**

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graduation rate (full cohort) failing to meet the over 30 percent graduation rate requirement for Cal Grant participation, even though the institution has a small cohort of less than 20 students. The graduation rate of 29.4 percent for the full undergraduate population for the 2012 cohort fails to meet the provision in the law that the cohort is not representative of the overall institution's graduation performance because the overall institution performance does not meet the statutory graduation rate requirement.

### APPEAL BASED ON COHORT DEFAULT RATE:

Providence Christian College

### BACKGROUND:

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

*(3) (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.*

The United States Department of Education (USDE) receives data from institutions and calculates draft cohort default 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 three-year cohort default 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 section 69432.7(l)(3)(C) of the California Education Code).

For institutions that have 30 or more borrowers entering repayment in a fiscal year, the school's cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loans (FFELs) and/or William D. Ford Federal Direct Loans (Direct Loans) during that fiscal year and default (or meet the other specified condition) within the cohort default period. For schools with 29 or fewer borrowers entering repayment during a fiscal year, the cohort default rate is an "average rate" based on borrowers entering repayment over a three-year period.

Section 69432.7(l)(3) of the California Education Code requires the Commission to certify cohort default 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.

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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 it is determined that the institution has a cohort size of 20 individuals or less and the cohort is not representative of the overall institution performance.

### Providence Christian College Appeal Request

- 2020-21 Cohort Default Rate: 25 percent
- Cohort Default Rate Requirement for Cal Grant Participation: Below 15.5 percent
- Cohort size of Students who Entered Repayment: 32 students
- 2019-20 Cal Grant awardees: 42 students

Providence Christian College filed an appeal on January 22, 2020, requesting reconsideration from the Commission to allow PCC's participation in the Cal Grant Program during the 2020-21 academic year, even though PCC does not comply with the statutory Cal Grant eligibility standards for Cohort Default Rate (CDR) for the cohort year certified. The USDE reported PCC's CDR at 25 percent, which does not meet the Cal Grant requirement that CDR be lower than 15.5 percent.

PCC seeks to appeal this decision based on a change in the way their rates are calculated and because the rate is based on a small cohort of 32 students. Additionally, PCC asserts that 3 of the 8 delinquent borrowers have since brought their accounts to current, which they state would give the institution an updated rate of 15 percent.

### Staff Recommendation for PCC Appeal

Education Code Section 69432.7 requires the Commission to certify each year an institution's latest official three-year cohort default rate as most recently reported by the USDE to determine eligibility for participation in the Cal Grant program. The law does not provide exceptions for a cohort default rate to be calculated outside of the parameters determined by the USDE, including the criteria for the non-average rate formula, which is the most common calculation and used for schools with 30 or more borrowers entering repayment for a fiscal year.

PCC notes that 3 of the 8 students are no longer in default. However, these updates occurred after the USDE deadline to change the official rates. The law does not provide exceptions for a cohort default rate to be recalculated outside of the timelines determined by the USDE and does not provide a mechanism for the Commission to correct or revise an institution's CDR unless USDE makes the correction. Furthermore, even if the number of borrowers who defaulted in fiscal year 2016 were reduced from 8 to 5 per PCC's appeal argument, PCC's CDR would result in 15.6 percent (5 out of 32 students) which does not fall below the required CDR of 15.5 percent.

California Education Code Section 69432.7 authorizes the Commission to grant an appeal for an academic year only if the Commission has determined that the institution has a cohort size of 20 individuals or less and the cohort is not representative of the overall institutional performance. PCC's cohort size is 32, which is above the provision in the law to grant an exception. In addition, the cohort size fails to meet the USDE's standards for the average rate formula that is used for schools with 29 or fewer borrowers entering repayment.

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Pursuant to Section 69432.7(l)(3)(l)(iv)(II) of the California Education Code, **Commission staff recommends denying Providence Christian College's appeal based on their cohort size of 32 students which exceeds the small cohort size of 20 students specified in law and therefore the Commission does not have statutory authority to grant the appeal.**

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

Steve Caldwell, Interim Deputy Director  
Program Administration and Services Division

Alessandra Morrison, Assistant Deputy Director  
Program Support Services Branch

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

Appeal from West Coast University (WCU)

Appeal from Design Institute of San Diego (DISD)

Appeal from Los Angeles Pacific University (LAPU)

Appeal from Providence Christian College (PCC)

Integrated Postsecondary Education Data System – Graduation Rates

Official Cohort Default Rates for Schools