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A Review of the California National Guard Education Assistance Award Program



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LAO 

AN LAO REPORT

EXECUTIVE SUMMARY

Background

State Created California National Guard Education Assistance Award Program in 2009.

Chapter 12 of 2009 (AB4X 12, Evans) created the program as part of the 2009-10 budget package. The program provides financial aid to members of the California National Guard and the State Military Reserve to pay for postsecondary education. It is jointly administered by the state Military Department and the California Student Aid Commission and has a budget of \$2.6 million. Chapter 12 sunsets the program July 1, 2019. The legislation requires our office to submit a report to the Legislature prior to the sunset that “may include recommendations for modifying or extending” the program. This report responds to this requirement.

State Law Cites Multiple Goals for Program. The main goal of the program cited in state law is to improve retention within the California National Guard and State Military Reserve. State law primarily refers to retention in general terms, implying overall retention, but also references retention of the “most competent and capable members.” Another program goal cited in state law is to enhance the skills, competencies, and abilities of California National Guard and State Military Reserve members.

State Law Specifies Eligibility Criteria, Selection Process, and Award Amounts. State law requires award recipients to meet certain minimum eligibility requirements, such as having at least two years of service in the California National Guard or State Military Reserve. Unlike most other state financial aid programs, state law does not require award recipients to have financial need. Among applicants meeting the program’s minimum eligibility criteria, state law requires the Military Department to prioritize based on the skills it most needs. It further requires the department to select applicants with “outstanding ability.” State law sets maximum award amounts similar to Cal Grant awards, with certain exceptions, and it allows recipients to use their awards to pay for any postsecondary education expense, including tuition and fees, books and supplies, and living expenses. Award recipients are required to enroll at a Cal Grant-eligible postsecondary institution for at least three units per term in pursuit of a certificate or degree that the recipient does not already hold.

Findings and Assessment

Very Few Members Apply to the Program, All Members Applying on Time Are Accepted.

Excluding its initial year, between 600 and 900 members have applied to the program each year. This is 3 percent to 4 percent of all California National Guard and State Military Reserve members. Every year since the program’s inception, the department has been able to fund all renewal applicants as well as all new applicants who apply by the department’s priority April 30 deadline. This means the only applicants not accepted into the program are new applicants who apply late. These applicants are accepted on a first-come, first-served basis until the department exhausts available funding. About 200 to 300 applications each year are not accepted during the first-come, first-served application period.

Program Likely Not Improving Retention. The best available data (for California Army National Guard members) suggests that retention rates for members participating in the program

are slightly lower than for members not participating in the program. Specifically, 59 percent of California Army National Guard members participating in the program at some point between July 2009 and June 2015 remained enlisted in the California Army National Guard as of June 2015. This rate is somewhat lower than the 62 percent average annual reenlistment for California Army National Guard members not participating in the program.

Program's Effect on Members' Skills and Education Unknown. The Military Department has not created a list of the skills it most needs, so evaluating whether program participants are acquiring skills critical to the department's operations is not possible. Additionally, the department does not collect data on program participants' postsecondary enrollment status prior to their acceptance into the program, so the state has no way of knowing whether the program is increasing the number of California National Guard and State Military Reserve members enrolled in postsecondary education or increasing the units they take. The department also does not track whether program participants complete a degree or certificate.

Recommendations

Recommend Allowing Program to Sunset. The available data does not show that the program is effective at retaining members or increasing their skills and education. Given the program is not meeting its objectives, we recommend allowing it to sunset.

Better Understanding of Problem, More Targeted Solution Needed. The program's ineffectiveness appears to stem in part from its lack of clear focus. The program appears primarily intended to address retention, but it is largely modeled after the Cal Grant program, which is intended to expand access to education. The program also has various other goals, such as increasing members' skills and abilities. The Legislature's next step, therefore, could be to develop a more thorough understanding of the Military Department's most pressing personnel problem and identify a solution tailored to that specific problem. For example, if the Military Department's greatest problem is overall retention and insufficient compensation is the root cause, then the Legislature could explore reenlistment bonuses as a policy solution. By comparison, if the department's greatest problem is that many of its members lack educational opportunities due to inadequate outreach and financial aid, then the Legislature could explore increasing awareness of and access to aid.

Modifications Warranted if Award Program Still Desired. Though the evidence does not support extension of the existing version of the program, the Legislature could consider modifying the program. Depending upon what the Legislature determines to be the key personnel issue facing the Military Department, it could clarify the program's policy objective and then consider modifications. For example, if retaining certain outstanding members is the key goal, then a new program could require the Military Department to grant all new awards on a competitive basis, eliminating any first-come, first-served element. By comparison, if expanding access to education is the key goal, a new program could require applicants to have financial need. Depending on which objective the Legislature seeks to achieve, it could make other modifications to the program's eligibility requirements, selection process, and award amounts.

INTRODUCTION

State Creates California National Guard Education Assistance Award Program in 2009.

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Chapter 12 cites improving retention as the main goal for the program.

LAO Review Required Prior to Sunset in 2019.

Chapter 12 sunsets the program July 1, 2019. The legislation requires our office to submit a report to the Legislature prior to the sunset that “may include recommendations for modifying or extending” the program. This report responds to this requirement.

It contains five main sections. First, we provide background on the California National Guard, the State Military Reserve, and financial aid programs. Second, we provide an overview of the award program, including information about its history, goals, eligibility requirements, award amounts, and funding. Third, we describe our findings on the program’s participants and outcomes. Fourth, we assess the program’s effectiveness. Lastly, we provide recommendations for the Legislature to consider on reauthorizing the program. (For ease of reference, we refer to the program as the “National Guard Award program” or “National Guard awards” throughout this report.)

BACKGROUND

In this section, we provide background on (1) the California National Guard, (2) the State Military Reserve, and (3) student financial aid programs.

California National Guard

Each State Has a National Guard. The National Guard for each state serves as a reserve force for the United States Army and the United States Air Force. During times of war or national emergency, the federal government can call up, or “activate,” a state National Guard for federal duty. When a state National Guard is not activated for federal duty, the state can activate it for its own purposes. For example, a state might activate its National Guard to respond to a state emergency such as a flood. California’s National Guard currently has 19,300 members in two separate branches: 14,800 members in the California Army National Guard and 4,500 members in the

California Air National Guard. The state Military Department oversees the budget and operations of the California National Guard.

Most California National Guard Members Serve Part Time. In California, just over three-quarters of National Guard members serve part time. Depending on their prior military service, they enlist or reenlist for a period ranging from one to eight years. Part-time members attend regular trainings or perform other required activities one weekend per month and two weeks during summer, and new part-time members must complete an initial training program lasting from several weeks to months. Many part-time members also have jobs in the civilian sector. When activated for federal or state duty, part-time members typically convert to serve full time. If a part-time member is employed in the civilian sector upon activation, federal and state law generally require the employer to rehire the member upon return from active duty. Just

under one-quarter of California National Guard members serve full time. These members typically manage logistics and trainings.

Most National Guard Members Are Paid by the Federal Government. Over 97 percent of California's National Guard members receive their pay directly from the federal government. For this reason, funding for these members' pay does not appear in the state budget. About 2 percent of members receive their pay from both federal and state funds, with less than 1 percent receiving their pay solely from the state. Members paid by the federal government perform activities related to the federal role of the National Guard, while members paid by the state perform only state-related activities. Some members perform both types of activities and therefore are paid from both federal and state funds.

National Guard Pay Varies by Rank and Experience. In California, annual pay for part-time members participating in regular trainings ranges from \$2,800 for the lowest-ranked members with the least experience to \$23,500 for the highest-ranked members with the most experience. Certain part-time members also can qualify for enlistment and reenlistment bonuses. Part-time members activated to full-time status by the federal or state government receive additional pay comparable to an equivalently ranked member of the United States Army or United States Air Force. The pay for full-time California National Guard members ranges from \$40,000 to \$140,000 annually, depending on job classification and years of experience.

National Guard Benefits Vary by Employment Status and State. Part-time National Guard members can receive federally funded benefits, including health insurance, life insurance, and retirement benefits. Depending on their type and length of service, part-time members also can qualify to receive certain additional federal military and veterans benefits, such as education benefits.

In addition to federally funded benefits, part-time members can receive state-funded benefits. For instance, some states offer tax exemptions on members' pay or discounts on state hunting and fishing licenses. In addition to the state-funded education benefit discussed in this report, California also provides worker's compensation, a survivor death benefit (for when members die while on duty), and access to the state's retirement system (though members must pay both the employer and employee contributions). Part-time members called up for federal or state active duty can receive additional benefits, such as state-funded health benefits for those called to state active duty. Full-time members of the California National Guard who are paid by the federal government receive benefits comparable to federal military employees, whereas full-time members who are paid by the state receive benefits comparable to state employees.

Federal Government Authorizes Number of National Guard Positions for Each State. The federal National Guard Bureau determines how many authorized National Guard positions to allocate to each state. The bureau employs a formula that measures various aspects of a state National Guard's readiness, such as the percentage of a state's National Guard positions filled by a deployable or deployed soldier. The bureau then convenes a board consisting of state representatives to review the results of the formula and make recommendations for allocating new positions (or reducing existing positions) across the states. The federal government allows states to exceed their authorized positions by up to 10 percent and pays for these excess positions. In 2014-15, California exceeded its authorized allowance by 4 percent.

State Military Reserve

State Military Reserve Similar to the California National Guard but Under Exclusive

State Control. The State Military Reserve's primary mission is to support the California National Guard, including by responding to state emergencies when the California National Guard is under federal control or otherwise unavailable. Like the California National Guard, the State Military Reserve has both army and air force personnel, but, unlike the California National Guard, the State Military Reserve does not have separate corresponding branches. In total, it currently has about 1,400 members. As with the California National Guard, the state Military Department oversees the State Military Reserve's budget and operations.

State Military Reserve Members Normally Serve Part Time. While in reserve, members must attend one training session per month and complete 100 hours of service each year. When activated for duty, members can serve full time. Currently, 14 percent of State Military Reserve members are on active duty. Unlike National Guard members, State Military Reserve members do not enlist for a fixed number of years.

State Military Reserve Members Mostly Uncompensated. Members receive a \$125 travel and uniform allowance each year if they have at least one year of satisfactory service. They receive no other compensation unless activated for duty. Upon being activated for duty, they generally receive the same pay as similarly ranked members of the United States Army. The state funds State Military Reserve compensation costs from the General Fund.

Financial Aid Programs

Federal and State Governments Offer Financial Aid to Help Students Pay for College. Financial aid helps students pay for three types of college costs: tuition and fees, books and supplies, and certain living expenses (such as housing and food). The four main types of financial aid are (1) gift aid

(grants and scholarships), (2) student loans, (3) tax benefits (credits and deductions), and (4) subsidized work-study. The federal government offers all four types of aid through various programs. California's main state financial aid program—the Cal Grant program—and newest financial aid program—Middle Class Scholarships—both provide gift aid. These and several other state aid programs are administered by the California Student Aid Commission (CSAC). In addition to federally funded and state-funded aid, virtually all public and private colleges and universities provide institutionally funded aid to students.

Federal and State Governments Typically Award Aid Based on Need. The purpose of need-based financial aid is to help students who otherwise might be unable to afford college. The federal government defines need as the difference between the cost for a student to attend a particular institution and a family's available resources to pay these costs. The federal government calculates the amount a family is expected to contribute using a formula that takes into account various factors, including parental income and assets, number of children attending college, and student income. Most federal and California financial aid programs rely on this calculation of financial need (sometimes in conjunction with additional means tests). In contrast, a few California programs, such as the California Memorial Scholarship program, provide nonneed-based financial aid.

Many Existing Financial Aid Programs. Figure 1 (see next page) shows the main federal, state, and institutional aid programs available to California college students. The figure focuses on broad-based aid programs, excluding aid programs specifically for military members and veterans. California National Guard and State Military Reserve members have access to these broad-based aid programs if they meet the applicable eligibility criteria. Eligibility criteria typically include

financial need, but they also can include other factors, such as grade point average.

Some Federal Aid Programs Are Specifically for Members of the Military. In addition to the federal programs listed in Figure 1, the federal government runs several nonneed-based financial aid programs limited to members of the military and veterans. Members of the California National Guard are not automatically eligible for these programs based solely on their enlistment in the National Guard. They can be eligible, however, if they meet supplemental eligibility criteria. For example, California National Guard members

can qualify for the Montgomery G.I. Bill Selected Reserve program if they serve in the National Guard for at least six years. According to the Military Department, close to 1,000 California National Guard members currently receive benefits through this program. Figure 2 summarizes the eligibility requirements and financial aid benefits associated with four federal aid programs for which National Guard members potentially can qualify. Members of California’s State Military Reserve are not eligible for these programs unless they have other qualifying experience in the federal military.

Figure 1
Major Financial Aid Programs for California Students

2015-16

Program	Type	Source	Eligible College Costs	Maximum Annual Value	Main Eligibility Criteria
Pell Grants	Gift aid	Federal	Any	\$5,775	Financial need
SEOG	Gift aid	Federal	Any	\$4,000	Financial need
Cal Grants	Gift aid	State	Mainly tuition ^a	— ^a	Financial need, GPA
FTSSG	Gift aid	State	Books/living expenses	\$600	Financial need, GPA ^b
Middle Class Scholarships	Gift aid	State	Tuition	— ^c	Income and assets
Institutional aid	Gift aid	Colleges	Any	Cost of attendance	Financial need
Scholarships	Gift aid	Colleges	Any	Cost of attendance	Typically merit
Fee waivers	Gift aid	Colleges	Tuition	Tuition	Varies
Subsidized student loans	Loan	Federal	Any	\$5,500	Financial need
Unsubsidized student loans	Loan	Federal	Any	\$20,500	Units enrolled
Unsubsidized parent loans	Loan	Federal	Any	Cost of attendance	Credit history
Institutional loans	Loan	Colleges	Any	Cost of attendance	Financial need
Other loans	Loan	Private entities	Any	Cost of attendance	Varies
American opportunity credit	Tax benefit	Federal	Tuition/course materials	\$2,500	Income
Lifetime learning credit	Tax benefit	Federal	Tuition/course materials	\$2,000	Income
Tuition and fees deduction	Tax benefit	Federal	Tuition	\$4,000	Income
Coverdell ESA	Tax benefit	Federal/state	Any	— ^d	Income
Scholarshare savings plan	Tax benefit	Federal/state	Any	— ^d	None
Work study	Work study	Federal	Any	Varies ^e	Financial need

^a Cal Grants generally provide full tuition coverage at public institutions; \$9,084 at private, nonprofit institutions; and \$4,000 at private, for-profit institutions. In some cases, they also include a stipend of \$1,656 for books and supplies and living expenses.

^b For full-time California Community College students only.

^c Provides up to 20 percent of tuition costs at UC and CSU. Awards scheduled to increase to up to 40 percent in 2017-18.

^d Contribution limit per student is \$2,000 per year for Coverdell accounts and \$475,000 in total for Scholarshare plans. Contributions are not tax deductible but earnings on contributions are exempt from taxes.

^e Student earns at least the federal minimum wage (\$7.25 per hour). Students typically are assigned less than 20 hours per week.

SEOG = Supplemental Education Opportunity Grant; GPA = grade point average; FTSSG = Full-Time Student Success Grants; and ESA = Education Savings Account.

Figure 2

Major Federal Educational Assistance Programs for Military Members and Veterans^a

2015-16

Program	Eligibility ^b	Benefit ^c	Duration ^d
Post-9/11 G.I. Bill	Military members and veterans, including National Guard members, who served on active duty for at least 90 days anytime after September 10, 2001.	Covers full tuition and fees at public schools. Provides \$21,971 toward tuition and fees at private schools. Also includes a monthly housing allowance that varies based on location and a \$1,000 stipend for books and supplies.	Up to 36 months ^e
Montgomery G.I. Bill (Active Duty)	Military members and veterans, including National Guard members, who served on active duty for at least two years after June 30, 1985.	Provides up to \$21,468 per year for tuition and fees.	Up to 36 months ^e
Montgomery G.I. Bill (Selected Reserve)	Military members who serve in reserve, including National Guard members who have a six-year enlistment. In some cases, member must commit to reenlist.	Provides up to \$4,416 per year for tuition and fees.	Up to 36 months ^e
Military Tuition Assistance Program	Varies by military branch. Some branches include reserve members, including National Guard members. In some cases, member must fulfill a service obligation after course completion.	Varies by military branch but generally provides up to \$4,500 per year for tuition and fees.	Lifetime limit of 130 units of undergraduate credit and 39 units of graduate credit. Must remain in service during coursework.

^a Excludes the federal Reserve Educational Assistance Program, which the federal government closed to new applicants effective November 2015. Also excludes educational assistance programs for family members of military members and veterans.

^b Reflects main eligibility criteria, though some programs have additional criteria. Some military members and veterans may qualify for more than one program, but only some programs can be combined or used sequentially.

^c Reflects benefits for full-time students. Benefits can be reduced for students taking less than a full course load.

^d Programs allowing a fixed number of months of study typically are prorated based on attendance status. For example, a student attending half time could receive 72 months of eligibility. Additionally, these programs do not require continuous enrollment but typically limit the overall time during which benefits can be accessed (for example, 15 years).

^e Equivalent to four nine-month academic years.

OVERVIEW OF NATIONAL GUARD AWARD PROGRAM

In this section, we provide information on the National Guard Award program’s (1) history, (2) goals, (3) eligibility requirements and selection process, (4) award amounts, and (5) funding.

Historical Context

Predecessor Loan Assumption Pilot Program Existed for Three Years During the Mid-2000s.

Chapter 345 of 2003 (AB 547, Liu) created a student

loan assumption pilot program for California National Guard and State Military Reserve members from 2004-05 through 2006-07. The intent of the program was to improve recruitment and retention by providing up to \$11,000 in student loan repayments (over four years) for participating members. CSAC was responsible for selecting applicants and making payments, while the Military Department certified the applicant

was a member of the California National Guard or State Military Reserve. The state did not authorize any loan repayment agreements in the 2004-05 or 2005-06 state budgets. (The state was facing a fiscal shortfall in each of those years.) The state authorized 100 agreements in the 2006-07 budget, for which CSAC received 132 applications. CSAC prioritized applications using a ranking system that took into account an applicant's financial need and whether the applicant had performed full-time active military duty. CSAC paid out a total of \$669,000 to support the 100 agreements from 2007-08 through 2010-11. The program sunset on July 1, 2007, with the state issuing no new agreements after that date.

Governor Proposed a New Education Benefit Program After Earlier Program Sunset. In its

2007-08 and 2008-09 budget requests to the Legislature, the Schwarzenegger administration proposed creating a program that would provide financial aid for members of the California National Guard while they were enrolled in college. The stated purpose of the new program was slightly different from the predecessor program in that it focused primarily on improving recruitment. To justify the program, the administration pointed to two surveys of California National Guard members' preferences for state benefits. (The nearby box contains additional information on the two surveys.) The Legislature rejected the Governor's proposal in both 2007-08 and 2008-09. Legislative budget subcommittee analyses cited several reasons to reject the proposals, including concerns that the program would award financial aid regardless of need.

National Guard Recruitment and Retention Surveys

Military Department Conducted Recruitment and Retention Surveys in 2006 and 2007.

The purpose of the two surveys was to collect information on what benefits would most likely help the department recruit and retain California National Guard members. The surveys had different questions, but together they gathered information on members' attitudes toward the following benefits: (1) health insurance, (2) enlistment and reenlistment bonuses, (3) college tuition assistance, (4) hunting or fishing licenses, (5) state parks passes, (6) a vehicle license fee exemption, and (7) a state tax credit. The surveys also collected information on what benefits members currently receive through civilian jobs or other sources, such as federal education benefits. The department distributed the surveys to California National Guard members but not members of the State Military Reserve.

Surveys Included Extensive List of Questions but Had Relatively Low Response Rates. The 2006 survey contained 36 questions while the 2007 survey contained 43 questions. Aside from a handful of background questions on the respondents' demographic characteristics, the questions focused entirely on benefits and their effect on recruitment and retention. The department received responses from only 10 percent of California National Guard members in 2006 and 13 percent in 2007. As a result, the responses likely are not representative of all California National Guard members. Nonetheless, the survey data is the only readily available data on (1) members' preferences for state-funded benefits for serving in the California National Guard, and (2) what benefits members currently receive from employment in the civilian sector.

Respondents Reported Certain Benefits More Likely to Boost Recruitment and Retention.

The 2006 survey asked members to choose the one benefit most likely to improve recruitment and

Legislature Adopts Governor’s Proposal for New Education Benefit Program in 2009-10. In its 2009-10 budget request, the Schwarzenegger administration proposed an education benefit program somewhat similar to its earlier proposals. This time, the Legislature approved the request as part of the 2009-10 budget package, authorizing the California National Guard Education Assistance Award Program. The program is administered jointly by the Military Department and CSAC, with the Military Department responsible for selecting award recipients from among eligible applicants and CSAC responsible for making award payments. We describe the main features of the program below.

Program Goals

Primary Goal of Program Is to Improve Retention. The main goal of the National Guard Award program cited in state law is to improve retention within the California National Guard and State Military Reserve. State law primarily refers to retention in general terms, implying overall retention, but also references retention of the “most competent and capable members.” State law does not reference improving recruitment even though the justification for the budget proposals leading up to the program’s creation focused on this area.

Other Expressed Program Goals. Another program goal cited in state law is to enhance the skills, competencies, and abilities of California National Guard and State Military Reserve members. Better skills were envisioned to benefit

retention. For recruitment, the highest share of respondents chose tuition assistance (32 percent), followed closely by enlistment bonuses (28 percent) and health insurance (24 percent). For retention, the highest share of respondents chose reenlistment bonuses (27 percent), followed closely by health insurance (24 percent), a state tax credit (19 percent), and tuition assistance (17 percent). By contrast, only a small share of respondents selected hunting or fishing licenses, state parks passes, or vehicle license fee exemptions as the benefit most likely to improve either recruitment or retention. The 2007 survey only asked whether one particular benefit—health insurance—would improve retention. About 82 percent of respondents replied that they believed it would.

Respondents Reported Widespread Interest in Attending College. The 2006 survey found that a majority of respondents either wanted to enroll in postsecondary education (58 percent) or were already enrolled (20 percent). Most respondents who expressed an interest in a state tuition assistance benefit said they would use it either to pursue a bachelor’s degree (43 percent) or a master’s degree (33 percent). The 2007 survey had similar findings. In addition, both surveys asked whether members would remain in the California National Guard if they were required to reenlist in order to access an education benefit. Nearly three-quarters of respondents replied yes in both surveys.

Many Respondents Reported Already Receiving Federal Education Benefits and Employer Health Benefits. Among respondents who were enrolled in college, the 2007 survey found widespread use of federal G.I. Bill benefits (49 percent) and the federal Military Tuition Assistance Program (40 percent). The survey did not identify the share receiving benefits from both aid programs. The 2007 survey also found that more than half (54 percent) of respondents received health insurance from their civilian employers.

both the military and the state's civilian workforce and overall economy (given so many California National Guard and State Military Reserve members serve part time while employed in civilian jobs). State law also suggests the program could augment federal revenue coming into California. That is, if the program improved retention, then California might improve on the measurements of strength readiness used by the National Guard Bureau and receive additional National Guard positions in the future. Moreover, the salaries associated with any increase in federally funded positions would be subject to state income tax, thereby increasing state General Fund revenue too.

Eligibility Requirements and Selection Process

State Law Requires Applicants to Meet Four Minimum Eligibility Criteria. Specifically, state law requires each award recipient to (1) have California residency for at least one year, (2) have at least two years of service in the California National Guard or State Military Reserve, (3) submit a Free Application for Federal Student Aid, and (4) enroll at a Cal Grant-eligible postsecondary institution for at least three units per term in pursuit of a certificate or degree that the recipient does not already hold. The Military Department also requires applicants to be in active status with “good standing”—meaning they are not facing disciplinary action.

State Law Requires Military Department to Prioritize Applicants Based on Skills and Ability. State law requires the department to prioritize among eligible applicants based on the skills it most needs. It further requires the department to select applicants with “outstanding ability.” State law suggests, but does not require, the department use five considerations when judging an applicant's ability. Four relate to an applicant's California National Guard or State Military Reserve service.

They are (1) the applicant's occupational specialty, (2) the applicant's recent performance evaluation, (3) a letter of recommendation for the program from the applicant's commander, and (4) any commendations received by the applicant. The fifth suggested consideration is an essay from the applicant explaining why education is important to him or her.

Military Department Gives Highest Priority to Renewal Awards. The Military Department gives highest priority to current recipients who apply for a renewal award. Within this group, the department prioritizes applicants based on length of time in the program, with the greatest priority going to applicants in the program the longest.

Military Department Next Prioritizes New Applicants Applying Early, Uses Ranking System. The department then prioritizes awards for new applicants (or renewal applicants who have had a break in program participation) who apply by April 30. The department delegates award selection for these new applicants to the three branches, which, in turn, use ranking systems that they update each year. Figure 3 displays a recent version of these ranking systems. All three branches use a 30-point system, as new applicants compete across the branches. Each branch, however, selects which factors and preferences to include in its point system. For example, the California Army National Guard prioritizes new applicants with more educational experience whereas the State Military Reserve prioritizes new applicants with less educational experience.

Military Department Awards Any Remaining Funding on a First-Come, First-Served Basis. After making renewal awards and new awards for applicants applying prior to April 30, the department accepts applications on a first-come, first-served basis, subject to the availability of funding.

Award Amounts

Maximum Award Amount Depends on Institution and Grade Level.

The maximum award amounts for National Guard awards are modeled after the maximum award amounts for Cal Grants. As with maximum awards under the Cal Grant program, National Guard maximum awards vary by institution.

For example, the maximum National Guard award is higher for University of California (UC) students than California State University (CSU) students. As shown in Figure 4, some differences, however, exist between maximum National Guard awards and maximum Cal Grant awards. Most notably, the National Guard Award program offers substantially higher awards for students attending private colleges and universities than the Cal Grant program. Unlike the Cal Grant program, the National Guard Award program also offers awards to graduate students. National Guard awards for graduate students also vary by institution. At all types of institutions, the maximum graduate award

is \$500 higher than the maximum undergraduate award. The \$500 supplement is designed to help cover the cost of books and supplies. For both undergraduate and graduate students, another notable distinction between the two aid programs is that National Guard awards can pay for tuition and fees, books and supplies, or living expenses, whereas most types of Cal Grant awards only pay for tuition.

Actual Award Amount Depends on Two Factors. Actual National Guard awards cannot exceed the difference between (1) the student’s cost of attendance (tuition and fees, books and supplies, and living expenses) and (2) the amount of financial aid the student receives through the

Figure 3
National Guard Award Applicant Ranking System Varies by Branch^a

	Army National Guard	Air National Guard	State Military Reserve ^b
Years of service	Fewer years	Fewer years	Fewer years
Hours of service per year	—	—	More hours
Grade ^c	Varies	Lower grade	Lower grade
Educational experience	More education	—	Less education
Military specialty skill level	—	More skilled/critical skill areas	—

^a Each branch uses a point system to rank applicants, with a maximum of 30 points possible. Figure shows the general method each branch uses to assign more points within each category.
^b Unlike the California National Guard, the State Military Reserve does not have separate branches for army and air personnel.
^c A member’s grade is his or her position within a hierarchical job classification system used by the military. The Army National Guard first prioritizes officers (managers) without college degrees, followed by enlisted members (nonmanagers), followed by officers with college degrees.

Figure 4

Comparison of Maximum Cal Grant and National Guard Awards^a

2015-16

	Undergraduate Students		Graduate Students	
	Cal Grant	National Guard	Cal Grant	National Guard
University of California	\$12,240	\$12,240	—	\$12,740
Private, nonprofit institutions	9,084	12,240	—	12,740
California State University	5,472	5,472	—	5,972
Private, for-profit institutions ^b	4,000	12,240	—	12,740
California Community Colleges	1,656	1,656	—	—

^a For full-time students.

^b Except for-profit institutions accredited by the Western Association of Schools and Colleges. Award amounts for these institutions are the same as those listed for private, nonprofit institutions.

federal G.I. Bill or other federal veterans education benefits. Additionally, state law prohibits students from receiving both a National Guard award and a Cal Grant. Students eligible for both awards must choose one.

Awards Generally Renewable for Up to Four Years of Study. This limit is modeled closely after the limit for Cal Grant awards. Recipients can renew their National Guard awards for up to four (or, in certain cases, five) years of full-time equivalent study if they maintain a 2.0 grade point average and continue to meet the program's minimum eligibility requirements. Full-time study is defined as 12 or more units per semester. Students who enroll full time during the regular academic year and also enroll in summer term use up their eligibility in less than four years. Conversely, part-time students have their eligibility extended over more than four academic years. For instance, a student taking six units each semester could use their award over eight academic years.

Funding

State Budget Historically Has Provided a Few Million Dollars Annually for National Guard Awards. In the initial year of the program (2009-10), the state provided \$1.7 million for

awards (equating to about a half year of funding). Over the next few years, the state provided between \$2.3 million and \$3.3 million annually. Since 2013-14, state funding has remained level at \$2.6 million. In recent years, the Military Department has spent 92 percent or more of the budgeted appropriation for the program. A small amount goes unspent because some awards do not get paid in certain circumstances, such as when a student drops out of school prior to the end of the "add/drop" period for courses at that school.

Program Costs About \$300,000 to Administer. Though the annual budget act does not earmark a specified amount for National Guard Award program administration, the Military Department currently designates two administrative positions and an associated \$192,000 for the program. The Military Department also passes through \$115,000 to CSAC to reimburse that agency for its program administration costs. This funding supports staffing and information technology costs for CSAC to administer the program. CSAC does not dedicate any positions wholly to the National Guard Award program but keeps track of time spent on the program by CSAC staff who also work on other financial aid programs. This staff time equates to half a position.

FINDINGS

In this section, we review available data on the National Guard Award program's applications, acceptances, payments, enrollment, and retention. The data we review generally covers the period from 2009-10 through 2014-15, which was the last complete year of data available at the time this report was prepared.

Very Few Members Apply to the Program Each Year. Excluding its initial year, between 600 and 900 members have applied to the program each

year. This is 3 percent to 4 percent of all California National Guard and State Military Reserve members. The department was unable to explain the reason for the low application rate, though it noted that it has not heavily publicized the program in the past because it is not able to fund all applicants within its budget. Chapter 254 of 2015 (AB 1401, Baker), however, now requests the department to annually provide each member who does not have a baccalaureate degree with a brochure describing the

National Guard Award program as well as certain other financial aid programs.

All Renewal Applications and All New Applications Submitted by Priority Deadline Are Accepted. Every year since the program's inception, the department has been able to accept all renewal applicants and all new applicants who apply by the priority April 30 deadline. This means the only applicants not accepted into the program are new applicants who apply after April 30. These late applicants are accepted on a first-come, first-served basis. Generally, about 200 to 300 applications are not accepted during the first-come, first-served application period, which equates to about one-third to one-half of all applicants. In 2014-15, about three-quarters of all the applicants accepted into the program actually ended up getting paid, while about 12 percent withdrew from the program prior to receiving payment and another 12 percent took a leave of absence. (For the remainder of this report, we refer to applicants who were accepted into the program and received a payment as participants in the program.)

Participants Split Almost Evenly Between California Army and Air National Guard Members. Since the program's inception, 51 percent of participants have served in the California Army National Guard, 45 percent in the California Air National Guard, and 4 percent in the State Military Reserve. California Air National Guard members are overrepresented in the program, as they make up only about one-quarter of all California National Guard members. Participation from the State Military Reserve is somewhat underrepresented, as State Military Reserve members constitute 7 percent of the combined total of all members. The department does not track whether participants serve part time or full time.

Average Award Totals \$7,200. This is the average award across all institution types and student grade levels, but the average award

varies by these categories. For undergraduates, awards averaged \$10,100 at private, nonprofit institutions; \$10,000 at UC; \$7,600 at private, for-profit institutions; \$4,200 at CSU; and \$1,300 at California Community Colleges (CCC). For graduate students, awards averaged \$12,700 at private, for-profit institutions; \$12,100 at UC; \$11,100 at private, nonprofit institutions; and \$5,000 at CSU.

Most Participants Receive Maximum Award. Among all participants, about three-fourths receive the maximum award for each of the terms they enroll. Among the remaining one-quarter of participants, some receive less than the maximum award because they are taking only a few units and their colleges' associated cost of attendance is relatively low. Other participants receive less than the maximum National Guard award because they also are receiving federal veterans educational benefits and combined the two benefits would exceed the cost of attendance. In these latter cases, the National Guard award is capped so participants' combined benefits do not exceed the cost of attendance.

Notable Variation in Number of Units Taken. In 2014-15, 40 percent of award payments were made for terms in which participants enrolled in 12 or more units, 38 percent for participants enrolled between 6 and 12 units, and 22 percent for participants enrolled between three and six units. Just over half of participants enrolled for a full academic year—meaning, for example, two semesters at an institution on a semester schedule. A little over one-third enrolled for less than a full academic year, while 10 percent enrolled for a full academic year plus a summer term.

Nearly Half of Participants Attend Private, Nonprofit Institutions. In 2014-15, 48 percent of participants attended a private, nonprofit institution; 26 percent attended CSU; and 22 percent attended CCC. By contrast, less than 5 percent of participants attended either UC or a private, for-profit institution.

Majority of Participants Enroll as Undergraduates, Virtually All Seek Degrees.

For 2014-15, nearly two-thirds of participants enrolled as undergraduates while just over one-third enrolled as graduate students. Virtually all participants report pursuing an associate's or higher-level degree. Only 4 percent of participants indicate they are pursuing a certificate.

Participants Enroll in a Wide Variety of Programs. In 2014-15, undergraduate participants enrolled in programs in fields spanning the humanities (such as English), the social sciences (such as psychology and sociology), the natural sciences (such as biology), the applied sciences (such as computer science), the health sciences (such as nursing), and professional programs (such as real estate). The most common types of programs undergraduate participants attended were (1) business, leadership, and management (28 percent); (2) engineering and computer science (13 percent); and (3) nursing and other health sciences (13 percent). Similar to their undergraduate counterparts, graduate participants attended programs in a diverse array of fields. The most common types of programs they attended were (1) business, leadership, and management (30 percent); (2) nursing and other health sciences (9 percent); and (3) education or teaching (8 percent).

Majority of Participants Remain Enlisted. Specifically, the department reports that 59 percent of California Army National Guard participants, 70 percent of California Air National Guard participants, and 95 percent of State Military Reserve participants who benefitted from the program at some point between July 2009 and June 2015 remained enlisted in the California National Guard as of June 2015. This almost certainly overstates retention because the Military Department only tracks data on the number of program participants remaining enlisted regardless of whether they ever were up for reenlistment. For

example, a member might have participated in the program from 2010 through 2014 but remains in the National Guard in 2015 simply because his or her enlistment has not yet ended.

Retention Rates for Army Members Not Participating in Award Program Slightly Higher Than for Army Award Recipients. According to the Military Department, between 2009-10 and 2014-15, the average annual reenlistment rate for Army members not participating in the program who were up for reenlistment was 62 percent. This rate is somewhat higher than the reported retention rate of 59 percent for Army members participating in the National Guard Award program. Given the department's methodology very likely overstates retention for program participants, the actual difference is likely greater than cited here. Various differences might exist, however, between participants and nonparticipants that also affect their likelihood of staying in the California National Guard.

Retention Data for Air Members Not Participating in Award Program Had to Be Extrapolated. Unlike for Army members, the department does not track the number of Air members up for reenlistment each year. The department therefore had to extrapolate retention rates for these nonparticipants. Its retention estimate assumes an even number of Air members come up for reenlistment each year. This assumption, however, does not match the patterns of Army members eligible for reenlistment, which tend to fluctuate, with year-to-year changes as great as 20 percent. Based on the department's assumption, the department found that the retention rate for Air nonparticipants (51 percent) was lower than for Air participants (70 percent). Because the department had to estimate the rate for nonparticipants, however, the comparison for Air participants and nonparticipants is not as reliable as the one for Army members.

Retention Rate Not Available for State Military Reserve Members Not Participating in Award Program. The department indicated to us it was unable to calculate a retention rate for these members. Therefore, no data is available to compare to the retention rate for State Military Reserve program participants.

Some Key Data on Participants' Education and Skills Not Available. The department does not track participants' prior level of postsecondary education or whether participants complete a degree or credential through the program. Data also is not available to determine whether

participants are enrolling in programs that would provide them with the skills most needed by the department.

Recruitment Data Also Not Available. Though recruitment is not one of the goals of the program listed in statute, the program could be beneficial for attracting members to join. The department indicates, however, that it does not have any data available to suggest whether the program is having an effect on recruitment. The department indicates that in the future it might survey new members to see if the program was a factor in their decision to enlist.

ASSESSMENT

In this section, we first evaluate the program's goals and the program's effectiveness at meeting its goals. Next, we discuss specific features of the program that could be improved to help the program better meet its objectives. Lastly, we assess whether differences in participants' award amounts are serving a compelling purpose.

Too Many Program Goals, Too Little Evidence of Effectiveness

Too Many Goals. The program's goals run the gamut from increasing overall retention of California National Guard members to increasing the retention of outstanding members to increasing members' skills. Because the program's design is modeled closely after the Cal Grant program, it also appears designed to meet secondary goals, such as improving access to college and degree completion. Given the plethora of program goals, some seem to work at cross-purposes with others. For example, increasing access to education and encouraging degree completion might reduce retention by giving members greater civilian job opportunities. Narrowing down the policy objectives to one or

two compatible, measurable goals would bring needed focus to the program.

Program Likely Not Improving Retention. Though Military Department officials indicate they believe the program is an important tool for retention, the best available data (for Army members) suggests that retention rates for program participants are slightly lower than for nonparticipants. Moreover, the relatively small share of members applying to the program each year suggests the program might not be particularly valuable to most members.

Program's Effect on Members' Skills and Education Unknown. Because the department has not created a list of the skills it most needs, evaluating whether program participants are acquiring critical skills is not possible. Additionally, without data on program participants' postsecondary enrollment status prior to their acceptance into the program, the state has no way of knowing whether the program is increasing the number of California National Guard and State Military Reserve members enrolled in postsecondary education or increasing the units

they take. The state also lacks data to know whether the program is increasing the number of degrees and credentials held by members.

Program’s Effect on Recruitment Unknown.

Although not an explicit statutory goal, previous versions of the National Guard award program intended to help with recruitment. Data, however, is not available to determine if recruitment has improved as a result of the current version of the program.

Some Features of Program Not Optimal for Fulfilling Goals

Too Many Goals Makes Assessment of Program Features Difficult. Below, we identify various program improvements that could be made to fulfill certain goals better. Without narrowing the program’s objectives, even some of these improvements, however, could work at cross-purposes.

Existing Service Requirement Does Little to Promote Retention. If overall retention is intended to be the primary goal of the National Guard Award program, then its service requirement could be strengthened. The National Guard Award program only requires that participants remain in service while they receive an award. By contrast, some federal military education benefit programs provide a stronger retention incentive by requiring participants to commit to additional service. For instance, the Montgomery G.I. Bill Selected Reserve program requires officers (who are akin to senior managers in the civilian sector) to serve six years in addition to their current obligation. According to the Military Department, federally run education benefit programs can require reenlistment because the federal government sets National Guard enlistment periods. The department believes that a state would need to receive permission from the federal government for a state education benefit program to have such a requirement.

Selection Process Does Little to Retain Key Members. If one of the goals of the program is to retain outstanding members, then its basic selection process is flawed. For new applicants, the department only uses a competitive-based ranking system for those applicants applying prior to April 30. As sufficient funding always has been available to award *every* applicant applying prior to April 30, this ranking system adds administrative burden without effectively prioritizing the most worthy applicants. Moreover, applicants applying after April 30 also are not selected using a competitive process, as the department makes these awards on a first-come, first-served basis. Though the competitive-based ranking system to date has not actually prioritized among applicants, two of its other shortcomings also are worth noting: (1) it does not use merit-based application materials to rank applicants, and (2) it does not prioritize applicants enrolling in education programs most likely to improve the performance of the California National Guard or State Military Reserve.

Eligibility Criteria Might Promote Retention but Do Not Maximize Access to Education. Under existing eligibility criteria, the program has no financial need requirement, which might help promote retention but does not help promote access to education. That is, a financial need requirement could exclude some members from the program whom the department wants to retain. For the National Guard Awards program to improve members’ access to education, however, a financial need requirement is important. Otherwise, the program likely is providing aid to some participants who would have attended college even without the program.

Low Minimum-Unit Requirement Could Result in Lengthy Time to Degree. If one of the goals of the National Guard Award program is timely degree completion, then its three-unit minimum enrollment requirement is too low.

Using this standard, a participant could take as long as 20 years to complete a bachelor’s degree. Virtually all of the state’s other financial aid programs have higher unit standards. California, for example, recently created a Full-Time Student Success Grant for CCC students that requires enrollment in at least 12 units as an incentive for students to complete more quickly. The state also recently tasked CSU with creating a plan to increase its four-year graduation rates. Additionally, California’s Cal Grant program and most UC and CSU institutional aid programs have had longstanding requirements for students to take a minimum of six units.

Four-Year Limit Inconsistent With Lengths of Educational Programs. If the program’s primary goal is educational attainment, a four-year limit for every participant likely is inappropriate, as some members may seek two-year master’s degrees

whereas others may seek five- or six-year doctoral degrees. Further, some members may seek a four-year bachelor’s degree, followed by a two-year master’s degree.

Award Structure Raises Questions

Award Structure at Public Segments Creates Disparities. Figure 5 shows the out-of-pocket costs of a National Guard award recipient under different situations. The first example in the figure shows National Guard award coverage for students attending one of the public segments who receive no other financial aid. For these students, National Guard awards approximate tuition at each of the segments, leaving students with a similar out-of-pocket cost for living expenses (about \$17,000 to \$18,000). As shown in the second example, disparities emerge if students receive financial aid for tuition coverage from another program,

Figure 5

National Guard Awards Can Make UC Less Costly to Attend Than CSU or CCC^a

2014-15

	UC	CSU	CCC
Cost of Attendance			
Tuition and systemwide fees	\$12,192	\$5,472	\$1,380
Living and other expenses	17,100	18,555	17,228
Totals	\$29,292	\$24,027	\$18,608
Example 1: Student Receives No Federal Military Education Benefits			
Federal military education benefit award	—	—	—
National Guard award	\$12,192	\$5,472	\$1,648
Total Awards	\$12,192	\$5,472	\$1,648
Student’s Out-of-Pocket Expenses	\$17,100	\$18,555	\$16,460
Example 2: Student Receives a Federal Military Education Benefit			
Federal military education benefit award ^b	\$15,641	\$8,921	\$4,829
National Guard award	12,192	5,472	1,648
Total Awards	\$27,833	\$14,393	\$6,477
Student’s Out-of-Pocket Expenses	\$1,459	\$9,634	\$12,131

^a Cost of attendance varies across campuses and by a student’s living arrangement. Cost of attendance figures shown are for a full-time undergraduate student living off campus not with family attending the Los Angeles campus of each system. Living and other expenses vary across the three campuses shown because (1) they use different survey data to estimate these costs, and (2) they charge different campus-based fees.

^b Assumes student receives a Post-9/11 G.I. Bill award that provides full tuition coverage at each segment, plus \$3,449 for living expenses.

such as the Post-9/11 G.I. Bill. For these students, the National Guard award provides much greater assistance if the student attends UC versus CSU or CCC. This is because the National Guard award amount generally is linked to tuition, yet, in this case, is being used to pay for living expenses (because the Post-9/11 G.I. Bill already has paid for tuition). As a result, a student attending UC would incur about \$1,500 in out-of-pocket costs for living expenses, while the CSU student would incur \$9,600 and the CCC student \$12,100 in out-of-pocket costs. State law, however, does not provide any explanation as to why the National Guard

Award program should more heavily subsidize students at certain public segments.

Books and Supplies Supplement for Graduate Studies Serves No Apparent Purpose. The \$500 supplement for books and supplies for participants enrolled in graduate programs serves no apparent purpose because the entire base award for graduate studies can be used to pay for any cost of attendance, including books and supplies. Moreover, no apparent justification exists for providing a supplement for these costs for graduate students but not undergraduate students.

RECOMMENDATIONS

Based on our findings and assessment, we make one recommendation and offer several considerations for the Legislature regarding the potential reauthorization of the National Guard Award program.

Recommend Allowing Program to Sunset.

The available data does not show that the program is effective at retaining members, increasing their skills, or expanding their access to education. Given the program is not meeting its core objectives, we recommend allowing it to sunset.

Better Understanding of Problem, More Targeted Solution Needed. The program's ineffectiveness stems in part from its lack of clear focus. The program appears primarily intended to address retention, but it is modeled after a program intended to expand access to education. The program also has various other goals, such as increasing members' skills and abilities. Though all seemingly laudable policy objectives, they are not necessarily compatible, nor are they all necessarily problems facing the Military Department. The program's ineffectiveness also stems in part from a poor linkage between policy objectives and

solutions. Ideally, a policy solution is tailored to overcoming a clearly documented problem with a clearly identified root cause. The Legislature's next step, therefore, could be to develop a more thorough understanding of the root causes of the Military Department's most pressing personnel problem and identify a solution to address that specific problem. For example, if the Military Department's greatest problem is overall retention and insufficient compensation is the root cause, then the Legislature could explore reenlistment bonuses as a policy solution. If instead the department's greatest problem is that many of its members lack educational opportunities due to inadequate outreach and financial aid, then the Legislature could explore increasing awareness of and access to aid. If, however, the department's greatest problem is a shortage of specialty skills and the cost of training is the barrier, then the Legislature could explore targeted scholarships with extended service requirements.

Modifications Warranted if Award Program Still Desired. Though in our view the evidence does not support extension of the existing version of the

program, the Legislature could consider modifying the program. Depending upon what the Legislature determines to be the key personnel issue facing the Military Department, the Legislature could clarify the program's policy objective and then consider any of the following modifications, as applicable:

- **Add Reenlistment Requirement.** If overall retention is a problem, the Legislature could direct the Military Department to ask the federal government for permission to require members participating in the program to reenlist after the expiration of their current enlistment.
- **Make Selection Process Competitive.** If retaining certain outstanding members is a key goal, then a new program could require the Military Department to grant all new awards on a competitive basis, eliminating any first-come, first-served element. Additionally, it could require the department to use merit-based application materials (such as performance evaluations or letters of recommendation).
- **Factor in Relevance of Training.** If specific skill attainment is desired, a new program could require the applicant scoring system to consider the relevance of the applicant's educational program to the department's operations.
- **Revise Eligibility Requirements.** If access to education and timely degree completion are problems, a new program could require applicants to have financial need and increase the minimum-unit requirement.
- **Change Four-Year Study Limit.** If the primary goal of the program is to encourage degree completion within normal unit loads, the Legislature could establish different study limits that match degree objectives (for example, a four-year limit for students seeking bachelor's degrees and a two-year limit for students seeking master's degrees).
- **Change Maximum Award Amounts.** The Legislature could design an award structure that promotes program objectives. For example, if the Legislature wanted an award to cover tuition, it could have the award make up the difference between an institution's tuition level and all other tuition aid provided to the student. If it also wanted to cover all or a portion of book and supply costs, it could set a separate award for these costs and provide the award for students receiving a tuition award, regardless of education level.

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This report was prepared by Paul Golaszewski, with assistance from Helen Kerstein, and reviewed by Jennifer Kuhn. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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