

Information/Action Item

California Student Aid Commission

Update on state and federal issues and legislation and consideration of positions on bills affecting Commission programs

This tab provides an update on recent federal budget proposals affecting Title IV financial aid programs and other federal and state financial aid bills introduced in the 2011-12 Legislative Session.

Recommended Action: Accept the recommendations of staff and adopt official positions on proposed legislation.

Responsible Person(s): Lori Nezhura, Legislative Liaison
Executive Office

FEDERAL LEGISLATIVE UPDATE

On February 14, President Obama released a budget that would make millions of dollars in cuts to student aid to maintain the maximum Pell grant award amount of \$5550. Among the cuts in the president's fiscal 2012 budget are the elimination the in-school interest subsidy on loans to graduate students and the elimination of the policy that allows students to receive two Pell Grants in a single year, known as the "year-round" Pell.

However, the president's budget would provide level support for most other student-aid programs, including Supplemental Educational Opportunity Grants and Federal Work-Study, while making deep cuts to career and technical education.

Just three days prior to the release of the president's budget, House Republicans released their version of the continuing resolution, or spending bill, for the remainder of the 2010-11 federal fiscal year. House Resolution 1 (HR 1) proposes reducing the maximum Pell award by \$845, or 15%, and abolishes 56 education programs, including Supplemental Educational Opportunity Grants and several programs benefiting minority-serving institutions.

At the time of this report, staff is still analyzing both the president's fiscal 2012 budget and HR 1 and will have further information and recommendations for the Commission at the meeting.

On January 5, 2011, President Obama signed SB 3447, the Post 9/11 Veterans Educational Assistance Improvements Act of 2010. This bill expands veteran's educational assistance program benefits (VEAP) to National Guard service members, changes the benefit amounts, and provides clarification on availability of benefits.

The bill changed maximum Post 9/11 benefits at public institutions to now equal the actual tuition and fees less any waivers, scholarships, or other assistance for which the participant may be eligible. That means that instead of being a *first-payer*, the Post 9/11 VEAP is now a *last-payer*. Therefore, any other tuition-specific assistance, like Cal Grant, must be applied first to a student's financial aid package, with Post 9/11 VEAP making up any difference in tuition costs remaining. Maximum benefits at the private institutions now equal \$17,500 or actual tuition costs, less any waiver or reduction in such fees, scholarships, or other assistance.

STATE LEGISLATIVE UPDATE

The 2011-12 Legislative Session began on January 3, 2011. Members have until Friday, February 18 to introduce bills, and all introduced bills must be passed from the house of origin by June 3, 2011. Bills that are passed (enrolled) by the Legislature in the current session need to be signed or vetoed by the governor within 30 days or they automatically become law on the following January 1st.

Bills will be assigned by the Rules Committees of each house to various policy committees, and, upon passage in the policy committees, need to be passed by fiscal committees before moving on to a floor vote by the entire house. As the following bills move through the legislative process, Commission staff will provide updates of amendments and the measures' progress.

AB 91

AUTHOR: Portantino (D)

TITLE: Community Colleges: Student Financial Aid

INTRODUCED: 1/10/2011

LOCATION: Assembly Higher Education Committee

Summary: Requires the Office of the Chancellor of the California Community Colleges to establish a voluntary pilot program to increase student participation in state and federal financial aid programs. Requires the Chancellor to provide specified information to the Legislative Analyst's Office (LAO). Requires the to report to the Legislature on the results of the program and make recommendations for statewide expansion of the pilot program.

Status: No hearing scheduled.

Staff Recommendation: Commission staff recommends a position of SUPPORT. It is important that all eligible applicants apply for and receive all forms of financial aid possible to minimize their postsecondary educational debt and maximize their opportunity for completing their programs or transfer in a timely manner. Certain community colleges have developed proven strategies for maximizing FAFSA completion and student financial aid attainment, and the entire system can benefit from widespread use of these practices. The alternative self-certification application process needs to be examined and revised to determine what student populations state funds need to be prioritized for given limited enrollment funding.

Commentary: The Commission took a position of SUPPORT on this bill in the 2010 Legislative Session (AB 1997). AB 1997 was passed by the Legislature but was vetoed by Governor Schwarzenegger. The veto message stated that there was nothing in current law to prevent the Chancellor from conducting a pilot program of this nature, so this law was unnecessary.

Guiding Principle(s): *Foster Educational Access and Affordability* by encouraging the expansion of financial aid to the growing number of California college students who

demonstrate financial need; *Ensure the Availability of Information on Educational Opportunities* by providing information and guidance to students and their families on alternative methods for financing a college education.

AB 130

AUTHOR: Cedillo (D)

TITLE: Student Financial Aid: Eligibility: Dream Act of 2011

INTRODUCED: 1/11/2011

LOCATION: Assembly Higher Education Committee

Summary: Enacts the California Dream Act of 2011. Allows a non-resident pursuant to AB 540 law (who has attended, for 3 or more years, and graduated from a secondary school) to apply for and participate in all institutional student aid programs administered by the UC, CSU, and, CCC, including the CCC Board of Governor's fee waiver. The number of aid awards to California residents may not be diminished as a result of this provision.

Status: No hearing scheduled.

Staff Recommendation: Commission staff recommends a position of SUPPORT. Staff supports this measure as it is consistent with the Commission's existing policy positions. AB 540 presently allows these students to enroll in California public institutions at resident fee levels. This measure would further allow these students to receive institutional aid and private scholarships administered through the institutions.

High school students derive their citizenship status from their parents as minors. Therefore, AB 540 students would start the naturalization process at virtually the same time they are seeking to enter college. The present average time to complete the naturalization process is 7 to 10 years. This measure would assist these students who are caught in the naturalization process and are not typically able to afford college without financial assistance.

Former administrative and fiscal arguments against this bill have been addressed in AB 130 with the provision that institutions may not reduce their financial aid awards to legal California residents.

Commentary: The Commission took a position of SUPPORT for this bill in 2007-08 (SB 1 and SB 160) and 2010 (SB 1460). The Legislature passed SB 1 and SB 1460, but Governor Schwarzenegger vetoed them stating, "given the precarious fiscal situation that the state faces, it would not be practical to adopt a new policy that could limit the financial aid available to students that are in California legally, in order to provide that benefit to those students who are not."

Guiding Principle: *Foster Educational Access and Affordability* by encouraging the expansion of financial aid to the growing number of California college students who demonstrate financial need.

AB 131

AUTHOR: Cedillo (D)

TITLE: Student Financial Aid

INTRODUCED: 1/11/2011

LOCATION: Assembly Higher Education Committee

Summary. Allows a non-resident pursuant to AB 540 law (who has attended, for 3 or more years, and graduated from a secondary school) to apply for and participate in any student financial aid program administered by the state to the full extent permitted by federal law. Requires the Student Aid Commission to establish procedures and forms that enable those persons who are exempt to apply for all financial aid programs.

Status: No hearing scheduled.

Recommendation: Commission staff recommends a position of SUPPORT. Staff supports this measure as it is consistent with the Commission's existing policy positions. AB 540 presently allows these students to enroll in California public institutions at resident fee levels. This measure would further allow these students to receive state financial aid administered through the Commission.

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Former administrative and fiscal arguments against this bill have been addressed in AB 131 with the provision that Competitive Cal Grants may only be offered if funds remain after all eligible legal California residents have been awarded.

Commentary: This is a companion bill to AB 130 (above). This bill will require the California Student Aid Commission to develop a new application process for this group of applicants which are unable to utilize the FAFSA. The out-year operative date of July 1, 2012 provides the Commission staff with enough lead time to develop new processes.

Guiding Principle: *Foster Educational Access and Affordability* by encouraging the expansion of financial aid to the growing number of California college students who demonstrate financial need.

SB 181

AUTHOR: Liu (D)

TITLE: Public Postsecondary Education: Student Fee Policy

INTRODUCED: 2/7/2011

LOCATION: Senate

Summary: Prohibits any increase in the mandatory systemwide fees charged to resident undergraduate students enrolled in the University of California or the California State University from being effective before three months have elapsed after the date on which the fee increase is adopted. Requires the UC Regents and the CSU Trustees to develop methodologies for the “gradual, moderate, and predictable” adjustment of fees in accordance with a prescribed procedure.

Status: No hearing scheduled.

Staff Recommendation: Commission staff recommends a position of SUPPORT. In recent years, budget pressures have resulted in the decrease of General Fund support for the public institutions. In order to mitigate the declining state support, students have become responsible for a greater share of their total cost of attendance through fees.

Until the mid-1990s, fees at the public postsecondary institutions were governed by the Maddy-Dills Act which limited increases to 10% a year and mandated a ten-month lead time prior to the fall term in which they were to become effective. In 1996, the Act was allowed to sunset. Even with this law in place, the Act was still set aside during severe state budget challenges to provide the institutions with flexibility in dealing with reductions in State general Fund support.

Fee increases for CSU and UC students have been sizeable and inconsistent over the last four years, making it extremely difficult for students and families to plan for a university education. Since 2007-08, fees at the UC have risen by 67.7% and the CSU have risen by 76.2%. In some academic years, the fee increases have exceeded 30%. In two instances, the universities enacted mid-year fee increases. In each of the increases, Cal Grant maximum award amounts have also increased (even mid-year) in order to fully cover UC and CSU systemwide-fee levels.

Staff supports reestablishment of state policies that would ensure predictable and moderate student increases. In order for students and their families to have a level of predictability to determine whether they can afford to attend an institution to completion of degree, staff believes that a policy framework should be put in place that provides that assurance.

Commentary: Senator Liu has introduced this bill several times (2009-10 SB 1199, SB 969; 2005-06 AB 1072; 2003-04 AB 2710). AB 2710 was passed by the Legislature, but vetoed by Governor Schwarzenegger, because it was inconsistent with the Compact into which the Governor had recently entered with the UC and CSU.

UNBACKED BILL

AUTHOR: TBA

TITLE: TBA

INTRODUCED: TBA

Summary: Allows the federally designated student loan guaranty agency for California to access Employment Development Department (EDD) information for purposes of (1) contacting delinquent borrowers to prevent default and (2) maximizing collections on defaulted student loans. The guaranty agency may only have access to EDD data as long as it has a valid operating agreement with the California Student Aid Commission.

Status: Staff is still pursuing an author for this bill.

Staff Recommendation: Staff recommends a position of CO-SPONSOR. This legislation would allow the new federal guaranty agency, ECMC, to access EDD records as long as an operating agreement exists with the California Student Aid Commission. ECMC has indicated that access to the EDD data will help them realize about \$1 million in additional collections monthly, to the benefit of the Student Loan Operating Fund.

Commentary: EdFund, as an auxiliary of the Student Aid Commission, utilized EDD information in a process known as “skip-tracing.” This bill would allow ECMC the same access.
