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# 11.a

## Action/Information Item

### *California Student Aid Commission*

#### Update on State Issues and Legislation and Consideration of Positions on Bills Affecting the Commission

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Enclosed are: 1) an update on the state budget and 2) a summary of bills currently being tracked by Commission staff and considered during the first half of the 2007-08 state legislative session.

**Recommended Action:** Review information and adopt official positions on proposed legislation.

**Responsible Staff:** Steve Caldwell, Chief  
Governmental and Public Affairs  
Division

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**STATE ISSUES AND LEGISLATIVE UPDATE**

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**State Budget**

Currently, the Legislature and the Administration are working with the Governor's January 10<sup>th</sup> proposed budget. The Department of Finance is developing the May Revision of the Budget which will be released on or about May 15<sup>th</sup>. The May Revision will include updated estimates of state revenue based largely on personal and corporate income tax receipts after the April 15<sup>th</sup> tax deadline as well as adjustments to caseload and population for various agencies. While some preliminary hearings have taken place, the budget hearings will begin to move very quickly after this release. The Legislative Analyst's Office has indicated that given the January 10<sup>th</sup> budget proposal and estimated revenues, California has a \$1.1 billion budget deficit.

The Constitution requires the Legislature to present its budget, agreed upon by the Assembly and Senate, to the Governor by June 15<sup>th</sup>. However, this usually occurs after June 15<sup>th</sup>. Once the Governor receives the Legislature's budget, he has 15 days to take action including using his line-item veto power (to reduce expenditures) and to sign the budget into law.

**Legislation**

The California Legislature had until February 23rd to introduce all bill proposals and many bills have already been heard in their respective committees. To follow progress on state bills, log on to [www.leginfo.ca.gov](http://www.leginfo.ca.gov), click on the "Bill Information" link and enter the bill number in the search box.

There are several bills that would affect the Commission's programs, including bills that create different types of assumption program of loans for education. Staff has included a brief description of all bills and a suggested position on four bills. Staff has also included bills that do not currently impact the Commission and are under "Watch".

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***Staff Recommended Positions***

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AB 175

**AUTHOR:** Price (D)**TITLE:** Cal Grant B Awards: Access Costs**INTRODUCED:** 01/23/2007**LOCATION:** Assembly Appropriations Committee

**Summary:** This bill requires the maximum award for Cal Grant B access costs, beginning in the 2008-09 award year, to be in an annual amount that equals at least \$1,551.

Beginning with the 2009-10 award year, this bill would require the maximum award for access costs to be increased by not less than 5 percent and not more than 10 percent per year until

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that amount equals at least 20 percent of the access costs for the budget category of a student living off-campus, as determined by the triennial Student Expense and Resource Survey (SEARS), as adjusted between survey years for Consumer Price Index changes in a specified manner.

**Status:** 03/28/2007 In Assembly Committee on Appropriations – Suspense File.

**Commentary:** While the general cost of living and the cost of college textbooks and supplies have increased dramatically, the Cal Grant B Access Grant has not increased since 1999-00 when it was increased by 10 percent from \$1,410 to \$1,551. This bill would set the \$1,551 as the base amount for the access grant and codifies a formula to increase the access grant annually.

**Position:** Pending

**Staff Recommendation:** Support

This bill supports the Commission's legislative principle of:

- *Foster Educational Access and Affordability - Funding Objectives for the Cal Grant Program*
  - The Commission will advocate the expansion of the Cal Grant program and for increases in the value of all Cal Grant awards to help defray the cost of obtaining a postsecondary education.

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AB 302

**AUTHOR:** De La Torre (D)

**TITLE:** Cal Grant B Entitlement Awards

**INTRODUCED:** 02/09/2007

**LAST AMEND:** 03/15/2007

**COMMITTEE:** Assembly Appropriations Committee

**Summary:** This bill allows tuition and fees for a Cal Grant B award to be paid in the first year of enrollment at an eligible institution.

**Status:** 03/27/2007 From Assembly Committee on Higher Education – Pass to Assembly Committee on Appropriations.

**Commentary:** Cal Grant B students are the most financially needy Cal Grant students. The Commission has advocated for this in the past and it is consistent with the stated legislative principles as well as the Commission's mission to make education beyond high school financially accessible to all Californians. Providing the maximum Cal Grant assistance provides access and choice to students with maximum financial need during a period of potential continued double-digit increases in the cost of higher education.

**Position:** Pending

**Staff Recommendation:** Support

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This bill supports the Commission's legislative principle of:

- *Foster Educational Access and Affordability - Funding Objectives for the Cal Grant Program*
    - The Commission will advocate the expansion of the Cal Grant program and for increases in the value of all Cal Grant awards to help defray the cost of obtaining a postsecondary education.
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AB 1540

**AUTHOR:** Bass (D)

**TITLE:** Student Financial Aid: Cash for College Program

**INTRODUCED:** 02/23/2007

**LOCATION:** Assembly

**Summary:** This bill expresses the intent of the Legislature that state students with financial need be made aware of the opportunities afforded to them through the various state and federal financial aid programs. This bill establishes the Cash for College Program under the administration of the Student Aid Commission. This bill appropriates funds from the Student Loan Operating Fund to the Student Aid Commission for the purposes of the bill.

**Status:** 02/23/2007 Introduced.

**Position:** Pending

**Staff Recommendation:** Support

This bill supports the Commission's legislative principle of:

- *Ensure the Availability of Information on Educational Opportunities*
    - The Commission should work to expand and strengthen its early outreach efforts throughout the State.
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SB 160

**AUTHOR:** Cedillo (D)

**TITLE:** Student Financial Aid: California Dream Act

**INTRODUCED:** 01/30/2007

**LOCATION:** Senate Education Committee

**Summary:** This bill enacts the California Dream Act. This bill requires that a person (AB 540 student) who has attended and graduated from secondary school, rather than high school, in the state is exempt from paying nonresident tuition at the Community Colleges and the CSU. This bill allows persons attending and graduating from technical schools and adult schools to be included within the scope of this provision. This bill would also provide that persons meeting these requirements, or who meet equivalent requirements adopted by the Regents of the Universities of California, are eligible to apply for, and participate in, any student financial aid program administered by the State of California to the full extent permitted by federal law.

**Status:** 03/14/2007 In Senate Committee on Education: To Suspense File.

**Commentary:** Senator Cedillo also authored SB 160 in the 2005-06 session which also would have enacted the California Dream Act. The Governor vetoed SB 160. The veto message included the following statement: *"While I do not believe that undocumented children should be*

*penalized for the acts of their parents, this bill would penalize students here legally by reducing the financial aid they rely on to allow them to go to college and pursue their dreams.”*

**Position:** Pending

**Staff Recommendation:** Support

This bill supports the Commission’s legislative principles of:

- *Foster Educational Access and Affordability*
  - The Commission and the State should advocate for increased higher education opportunities for all California students
- *Preserve the Flow of Financial Aid*
  - The Commission should promote the uninterrupted flow of student financial aid to enable students to achieve their educational goals.

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**Bills That Impact CSAC – No Staff Recommendation**

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AB 1578

**AUTHOR:** Leno (D)

**TITLE:** Foster Youth Higher Education Preparation Act

**INTRODUCED:** 02/23/2007

**LOCATION:** Assembly Human Services Committee

**Summary:** This bill would establish the Competitive Grant Program for the purpose of providing comprehensive support on college and university campuses to students who are former foster youth. This program will be administered by the Superintendent of Public Instruction.

This bill also would allow new Cal Grant B recipients that are former foster youth to be awarded tuition and fees in their first year of attendance at a postsecondary institution.

**Status:** 03/22/2007 To Assembly Committees on Human Services and Higher Education.

**Position:** Pending

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SB 595

**AUTHOR:** Alquist (D)

**TITLE:** Student Financial Aid: Ortiz-Pacheco Cal Grant Program

**INTRODUCED:** 02/22/2007

**COMMITTEE:** Senate Education Committee

**Summary:** This bill would change the annual deadline to June 30 for submission of completed financial aid applications for various Cal Grant awards.

**Status:** 03/08/2007 To Senate Committee on Education.

**Position:** Pending

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SB 769

**AUTHOR:** Alquist (D)

**TITLE:** Student Financial Aid: Cal Grant Deadlines

**INTRODUCED:** 02/23/2007

**LOCATION:** Senate Education Committee

**Summary:** This bill requires the Student Aid Commission to select a working group to review the deadlines associated with the various awards under the Cal Grant Program. This bill also expresses the intent of the Legislature to improve access to higher education for low-income and underrepresented students through the provision of financial aid that is made more readily available to them, with reasonable deadlines and adequate information.

**Status:** 03/08/2007 To Senate Committee on Education.

**Commentary:** Report due to the Legislature by April 2008.

**Position:** Pending

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SB 823

**AUTHOR:** Perata (D)

**TITLE:** Private Postsecondary Education

**INTRODUCED:** 02/23/2007

**AMENDED:** 03/27/2007

**LOCATION:** Senate Education Committee

**Summary:** This bill would establish the Board for Private Postsecondary Education in the Department of Consumer Affairs. This bill would also continue the existence of the Private Postsecondary and Vocational Education Administration Fund and the continuously appropriated Student Tuition Recovery Fund.

**Status:** 03/27/2007 To Senate Committee on Education.

**Position:** Pending

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***Assumption Program of Loans for Education (APLE) Legislation***

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AB 111

**AUTHOR:** Blakeslee (R)

**TITLE:** National Guard Assumption Program For Education Loans

**INTRODUCED:** 01/08/2007

**AMENDED:** 03/26/2007

**LOCATION:** Assembly Appropriations Committee

**Summary:** This bill would change the sunset date for the National Guard Assumption Program of Loans for Education from July 1, 2007 to July 1, 2010 and would repeal the program on January 1, 2011. This bill has an urgency clause to make the provisions effective immediately upon enactment.

**Status:** 03/26/2007 To Assembly Committee on Appropriations.

**Position:** Pending

For the 2007-08 legislative session, the Legislature has introduced several APLE proposals. If the Commission is required to implement new APLE programs, additional personnel, system support, and resources would be required, therefore, an appropriation will be requested in support of those programs.

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AB 171

**AUTHOR:** Beall (D)

**TITLE:** Public Interest Attorney Loan Repayment Program

**INTRODUCED:** 01/23/2007

**AMENDED:** 03/22/2007

**LOCATION:** Assembly Higher Education Committee

**Summary:** This bill would include service in a county counsel's office as service that would qualify a participant for loan repayment under the Public Interest Attorney Loan Repayment Program.

**Status:** 03/27/2007 From Assembly Committee on Higher Education – Pass to Assembly Committee on Appropriations.

**Commentary:** While this program was signed into law in 2000, it has never been funded and no appropriation is included with this bill.

**Position:** Pending

For the 2007-08 legislative session, the Legislature has introduced several APLE proposals. If the Commission is required to implement new APLE programs, additional personnel, system

support, and resources would be required, therefore, an appropriation will be requested in support of those programs.

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AB 359

**AUTHOR:** Karnette (D)

**TITLE:** Student Financial Aid: Assumption Program

**INTRODUCED:** 02/14/2007

**COMMITTEE:** Assembly Higher Education Committee

**Summary:** This bill specifies that persons who are pursuing service credentials utilized in special education, or who participate in specialist trainee programs or become employed as specialists, are eligible to receive loan assumption benefits under the Assumption Program of Loans for Education.

**Status:** 03/27/2007 From Assembly Committee on Higher Education – Pass to Assembly Committee on Appropriations.

**Position:** Pending

For the 2007-08 legislative session, the Legislature has introduced several APLE proposals. If the Commission is required to implement new APLE programs, additional personnel, system support, and resources would be required, therefore, an appropriation will be requested in support of those programs.

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AB 883

**AUTHOR:** Dymally (D)

**TITLE:** Student Financial Aid: Assumption Program for Loans

**INTRODUCED:** 02/22/2007

**COMMITTEE:** Assembly Higher Education Committee

**HEARING:** 04/14/2007 1:30 pm

**Summary:** This bill establishes a pilot program for loan assumption for interns and teachers who are qualified for participation under Assumption Program of Loans for Education and who agree to teach full-time at public middle schools or public junior high schools in areas deemed by the Superintendent of Public Instruction to be high priority neighborhoods.

**Status:** 03/08/2007 To Assembly Committee on Higher Education.

**Position:** Pending

For the 2007-08 legislative session, the Legislature has introduced several APLE proposals. If the Commission is required to implement new APLE programs, additional personnel, system support, and resources would be required, therefore, an appropriation will be requested in support of those programs.

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AB 1059

**AUTHOR:** De Leon (D)

**TITLE:** Child Care Personnel

**INTRODUCED:** 02/23/2007

**COMMITTEE:** Assembly Higher Education Committee

**HEARING:** 04/14/2007 1:30 pm

**Summary:** This bill would establish the Pre-Kindergarten Assumption Program of Loans for Education. This bill would also allow persons working at a child care center that contracts with the State Department of Education to be eligible to receive grants under the Child Development Teacher and Supervisor Grant Program.

**Status:** 03/26/2007 To Assembly Committee on Higher Education.

**Position:** Pending

For the 2007-08 legislative session, the Legislature has introduced several APLE proposals. If the Commission is required to implement new APLE programs, additional personnel, system support, and resources would be required, therefore, an appropriation will be requested in support of those programs.

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SB 139

**AUTHOR:** Scott (D)

**TITLE:** Nursing Education

**INTRODUCED:** 01/25/2007

**LOCATION:** Senate Health Committee

**HEARING:** 04/18/2007 1:30 pm

**Summary:** This bill would make a person who is currently employed as a registered nurse in a state-operated 24-hour facility ineligible to enter into an agreement for the State Nursing Assumption Program of Loans for Education (SNAPLE).

**Status:** 03/20/2007 to Senate Committees on Education and Health.

**Commentary:** This is clean up language for SNAPLE. Commission staff is working with Senator Scott's staff to identify any areas related to the SNAPLE program that need to be addressed.

**Position:** Pending

For the 2007-08 legislative session, the Legislature has introduced several APLE proposals. If the Commission is required to implement new APLE programs, additional personnel, system support, and resources would be required, therefore, an appropriation will be requested in support of those programs.

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SB 481

**AUTHOR:** Runner (R)

**TITLE:** Student Loan Assistance

**INTRODUCED:** 02/22/2007

**LOCATION:** Senate Education Committee

**Summary:** This bill creates the Public Safety Incentive Program to assist licensed attorneys who practice or agree to practice law as a prosecutor or a public defender with loan assistance. This bill would also create the Public Safety Incentive Account within the State Treasurer's office for all program funds appropriated.

**Status:** 02/28/2007 To Senate Committee on Education.

**Commentary:** This bill would allow up to \$40,000 in a loan assumption program to be administered by the Commission. This program, although similar to the APLE, is a separate program that requires the applicant to pay back any benefits received should the applicant involuntarily separate before the five year period of service required.

**Position:** Pending

For the 2007-08 legislative session, the Legislature has introduced several APLE proposals. If the Commission is required to implement new APLE programs, additional personnel, system support, and resources would be required, therefore, an appropriation will be requested in support of those programs.

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SB 673

**AUTHOR:** Scott (D)

**TITLE:** Assumption Program of Loans for Education

**INTRODUCED:** 02/23/2007

**LOCATION:** Senate Rules Committee

**Summary:** This bill states the intent of the Legislature to enact legislation to make teachers who are currently teaching in the public schools and have not otherwise participated in the loan assumption program eligible to receive a warrant for loan assumption under this program.

**Status:** 03/08/2007 To Senate Committee on Rules.

**Position:** Pending

For the 2007-08 legislative session, the Legislature has introduced several APLE proposals. If the Commission is required to implement new APLE programs, additional personnel, system support, and resources would be required, therefore, an appropriation will be requested in support of those programs.

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***Bills to Watch***

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AB 14

**AUTHOR:** Laird (D)

**TITLE:** Discrimination: Civil Rights Act of 2007

**INTRODUCED:** 12/04/2006

**LOCATION:** Assembly Second Reading File

**Summary:** This bill enacts the Civil Rights Act of 2007. Among other provisions, this bill would require the Commission to award a Cal Grant without regard to age, sex, race, color, religion, ancestry, national origin, disability, medical condition, martial status, or sexual orientation.

**Status:** 03/27/2007 From Assembly Committee on Judiciary – Pass to Assembly Committee on Appropriations.

**Commentary:** Although the FAFSA requires a student's or parent's martial status information, the Commission does not use it to determine eligibility for the Cal Grant program.

Because this bill does not directly impact the Commission's programs and operations, Commission staff is watching this bill as it moves through the Legislature.

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AB 1329

**AUTHOR:** Houston (R)

**TITLE:** Student Financial Aid

**INTRODUCED:** 02/23/2007

**LOCATION:** Assembly

**Summary:** This bill makes technical, non-substantive changes as it relates to the membership of the Student Aid Commission.

**Status:** 02/23/2007 Introduced.

**Commentary:** This is a spot bill.

Because this bill does not directly impact the Commission's programs and operations, Commission staff is watching this bill as it moves through the Legislature.

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SB 337

**AUTHOR:** Ackerman (R)

**TITLE:** Student Aid

**INTRODUCED:** 02/20/2007

**LOCATION:** Senate Rules Committee

**Summary:** This bill makes technical, non-substantive changes to existing law that authorizes the Commission to establish an auxiliary organization, governed by a board of directors, for the purpose of providing operational and administrative services.

**Status:** 02/28/2007 To Senate Committee on Rules.

**Commentary:** This is a spot bill.

Because this bill does not directly impact the Commission's programs and operations, Commission staff is watching this bill as it moves through the Legislature.

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SB 890

**AUTHOR:** Scott (D)

**TITLE:** Pupils: Early College Commitment Program

**INTRODUCED:** 02/23/2007

**LOCATION:** Senate Education Committee

**Summary:** This bill establishes the Early College Commitment Program. This bill relates to pupils who are eligible for free and reduced price meals. This bill requires participating school districts to provide college information and college preparation events targeted towards pupils who sign pledge cards.

**Status:** 03/15/2007 To Senate Committee on Education.

**Commentary:** This bill would require the Commission to provide support services as needed in coordination with local school districts and work in consultation with the Superintendent of Public Instruction to develop materials for the program.

Because this bill does not directly impact the Commission's programs and operations, Commission staff is watching this bill as it moves through the Legislature.

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# 11.b

## Action/Information Item

### *Governmental Relations Committee*

#### Update on Federal Issues and Legislation and Consideration of Positions on Bills Affecting the Commission

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This agenda item will provide an update on federal activity and information on the 110<sup>th</sup> Congress.

Enclosed is the federal issue update.

***Recommended Action:*** No action is required; however, Commissioners are encouraged to ask for additional information on items that are of interest.

***Responsible Staff:*** Steve Caldwell, Chief  
Governmental and Public Affairs  
Division.

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## FEDERAL ISSUES UPDATE

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### New Federal Bills

The house of Congress has convened 49 legislative and calendar days for the current 110th session. The following are brief summaries of legislation that affect financial aid programs. Many bills are in the first step in the legislative process and have been assigned to committees. Introduced bills go first to committees that deliberate, investigate, and revise bills before they go to general debate. The majority of bills never make it out of committee.

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HR 5

**SPONSOR:** Miller, Ge (D)

**TITLE:** College Student Relief Act

**INTRODUCED:** 01/04/2007

**LOCATION:** Senate Health, Education, Labor and Pensions Committee

**SUMMARY:** Creates the College Student Relief Act of 2007. This bill amends the Higher Education Act of 1965 to phase-in cuts in the interest rate for student borrowers under the Federal Family Education Loan (FFEL) and Direct Loan (DL) programs, thereby reducing such rate from 6.8% in July 2006 to 3.4% in July 2011.

**STATUS:** 01/17/2007 To Senate Committee on Health, Education, Labor and Pensions

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HR 54

**SPONSOR:** Christensen (D)

**TITLE:** Loan Forgiveness for Teachers

**INTRODUCED:** 01/04/2007

**LOCATION:** House Education and Labor Committee

**SUMMARY:** Amends the Higher Education Act of 1965 (HEA) to establish new programs for teacher student loan forgiveness under the guaranteed loan program and the direct loan program. Expands the eligibility of individuals to qualify for loan forgiveness for teachers in order to provide additional incentives for teachers currently employed or seeking employment in economically depressed rural areas, territories, and Indian reservations.

**STATUS:** 01/04/2007 To House Committee on Education and labor

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HR 472

**SPONSOR:** McKeon (R)

**TITLE:** Higher Education Act

**INTRODUCED:** 01/16/2007

**LOCATION:** House Education and Labor Committee

**SUMMARY:** Amends the Higher Education Act of 1965 to address the issues of college affordability and transparency. This bill is intended to assist families and students with easy to use web tools to search and compare colleges, make college costs and financial aid transparent, and raise awareness about college opportunities especially for low income families, non-traditional students, and first in the family to attend college.

**STATUS:** 01/16/2007 To House Committee on Education and Labor

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HR 601

**SPONSOR:** Biggert (R)

**TITLE:** FAFSA Fix for Homeless Kids Act

**INTRODUCED:** 01/22/2007

**LOCATION:** House Education and Labor Committee

**SUMMARY:** Expands the definition of independent student in the Higher Education Act of 1965 to include homeless youth. Amends the Higher Education Act of 1965 to deem a student independent for financial aid purposes if such student has been verified as both a homeless child or youth and an unaccompanied youth by: (1) a local educational agency liaison for homeless children and youth; (2) a director of a homeless shelter, transitional shelter, or independent living program; or (3) a financial aid administrator. Requires such a verification to take place during the school year in which the application for such aid is submitted.

**STATUS:** 01/22/2007 To House Committee on Education and Labor

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HR 722

**SPONSOR:** Bilirakis (R)

**TITLE:** Increasing Access to Higher Education Act

**INTRODUCED:** 01/30/2007

**LOCATION:** House Education and Labor Committee

**SUMMARY:** Amends the Higher Education Act of 1965 to increase the maximum Pell Grant award to \$4,810 for each of the academic years 2007-2008 through 2013-2014.

**STATUS:** 01/30/2007 To House Committee on Education and Labor

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HR 890

**SPONSOR:** Miller, Ge (D)

**TITLE:** Student Loan Sunshine Act

**INTRODUCED:** 02/07/2007

**LOCATION:** Multiple Committees

**SUMMARY:** Establishes requirements for lenders and institutions of higher education in order to protect students and other borrowers receiving educational loans. Among other provisions, this bill amends the Higher Education Act of 1965 to require each lender entering into an educational loan arrangement with a postsecondary school to: (1) report annually to the Secretary of Education specified information concerning such arrangement; (2) inform borrowers of their loan options under Title IV (Student Assistance) before extending private educational loans for attendance at such school; and (3) be barred by such school from marketing such loans in a manner implying the school's endorsement.

**STATUS:** 02/07/2007 To House Committee on Education and Labor; additionally referred to House Committee on Financial Services.

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HR 1608

**SPONSOR:** Miller Ge (D)

**TITLE:** Federal Student Aid Application Process Simplification

**INTRODUCED:** 03/20/2007

**LOCATION:** House Education and Labor Committee

**SUMMARY:** Expands college opportunities by significantly simplifying the Federal student aid application process.

**STATUS:** 03/20/2007 To House Committee on Education and Labor

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HRES 65

**SPONSOR:** Matsui (D)

**TITLE:** Higher Education Act

**INTRODUCED:** 01/16/2007

**LOCATION:** Adopted

**SUMMARY:** Provides consideration of the bill (H.R. 5) to amend the Higher Education Act of 1965; provides to reduce interest rates for student borrowers.

**STATUS:** 01/17/2007 Passed House

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HRES 81

**SPONSOR:** Wu (D)

**TITLE:** Pell Grant Increase

**INTRODUCED:** 01/19/2007

**LOCATION:** House Education and Labor Committee

**SUMMARY:** To express the sense of the House of Representatives that the maximum Pell Grant should be increased to \$5,800.

**STATUS:** 01/19/2007 To House Committee on Education and Labor

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S 7

**SPONSOR:** Reid (D)

**TITLE:** College Opportunity Act of 2007

**INTRODUCED:** 01/04/2007

**LOCATION:** Senate Health, Education, Labor and Pensions Committee

**SUMMARY:** A bill to amend Title IV of the Higher Education Act of 1965 and other laws and provisions and urge Congress to make college more affordable through increased Federal Pell Grants and providing more favorable student loans and other benefits, and for other purposes.

**STATUS:** 01/04/2007 To Senate Committee on Health, Education, Labor and Pensions

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S 282

**SPONSOR:** Durbin (D)

**TITLE:** Undergraduate Student Loans

**INTRODUCED:** 01/12/2007

**LOCATION:** Senate Health, Education, Labor and Pensions Committee

**SUMMARY:** A bill to amend the Higher Education Act of 1965 to reduce over a 5-year period the interest rate on certain undergraduate student loans. This bill proposes to phase-in cuts in the interest rate charged undergraduate student borrowers of subsidized loans under the Federal Family Education Loan (FFEL) program, thereby reducing such rate from 6.8 percent in July 2006 to 3.4 percent in July 2011.

**STATUS:** 01/12/2007 To Senate Committee on Health, Education, Labor and Pensions

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S 301

**SPONSOR:** Clinton (D)

**TITLE:** Nontraditional Student Success Act

**INTRODUCED:** 01/16/2007

**LOCATION:** Senate Finance Committee

**SUMMARY:** Provides higher education assistance for nontraditional students, and for other purposes. Authorizes and appropriates specified funds for Federal Pell Grants under the Higher Education Act of 1965 (HEA). Increases yearly maximum grant amounts and revises requirements for the allowance of two Pell grants during a single award year.

**STATUS:** 01/16/2007 To Senate Committee on Finance

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S 359

**SPONSOR:** Kennedy (D)

**TITLE:** Student Debt Relief Act of 2007

**INTRODUCED:** 01/22/2007

**LOCATION:** Senate Finance Committee

**SUMMARY:** Amends the Higher Education Act of 1965 to provide additional support to students. This bill proposes to extend the Pell Grant program through FY2012 and increase yearly maximum Pell Grant amounts. Authorizes and appropriates specified additional annual funding for such grants.

**STATUS:** 01/22/2007 To Senate Committee on Finance

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S 454

**SPONSOR:** Collins (R)

**TITLE:** Improving Access to Higher Education Act of 2007

**INTRODUCED:** 01/31/2007

**LOCATION:** Senate Finance Committee

**SUMMARY:** Amends the Higher Education Act of 1965 to increase the maximum Pell Grant award to \$5,100 for the 2007-2008 academic year. Raises the minimum Pell Grant award from \$400 to \$500.

Amends the Internal Revenue Code to raise: (1) the maximum student loan interest deduction to \$3,750; and (2) the modified adjusted gross income level where such deduction begins to be phased-out.

Exempts from the sunset provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA): (1) the elimination of the 60-month limit on the period of such deduction; and (2) the increase in the income limitation on such deduction.

Increases the maximum annual contribution limit for Coverdell education savings accounts from \$2,000 to \$3,000, and makes such increase permanent.

Repeals the EGTRRA sunset on the tax exclusion of employer-provided educational assistance.

**STATUS:** 01/31/2007 To Senate Committee on Finance

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S 486

**SPONSOR:** Kennedy (D)

**TITLE:** Student Loan Sunshine Act

**INTRODUCED:** 02/01/2007

**LOCATION:** Senate Health, Education, Labor and Pensions Committee

**SUMMARY:** A bill to establish requirements for lenders and institutions of higher education in order to protect students and other borrowers receiving educational loans. Among other provisions, this bill amends the Higher Education Act of 1965 to require each lender entering into an educational loan arrangement with a postsecondary school to: (1) report annually to the Secretary of Education specified information concerning such arrangement; (2) inform borrowers of their loan options under Title IV (Student Assistance) before extending private educational loans for attendance at such school; and (3) be barred by such school from marketing such loans in a manner implying the school's endorsement.

**STATUS:** 02/01/2007 To Senate Committee on Health, Education, Labor and Pensions

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S 511

**SPONSOR:** Clinton (D)

**TITLE:** Student Borrowers

**INTRODUCED:** 02/07/2007

**LOCATION:** Senate Health, Education, Labor and Pensions Committee

**SUMMARY:** Provides student borrowers with basic rights, including the right to timely information about their loans and the right to make fair and reasonable loan payments. Urges the Department of Education to enforce vigorously rules requiring lenders to complete lender verification certificates in a timely manner for borrowers seeking to consolidate loans. This bill amends the Higher Education Act of 1965 to require specified loan participants under the Federal Family Education Loan (FFEL) and Federal Perkins Loan programs to disclose to each national credit bureau organization any on-time payments made for such loans and their status as student loans.

**STATUS:** 02/07/2007 To Senate Committee on Health, Education, Labor and Pensions

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S 765

**SPONSOR:** Burr (R)

**TITLE:** High School Graduation Rates Grant Program

**INTRODUCED:** 03/06/2007

**LOCATION:** Senate Health, Education, Labor and Pensions Committee

**SUMMARY:** This bill would establish the Graduate for a Better Future Act, a grant program to improve high school graduation rates and prepare students for college and work. Authorizes the Secretary of Education to award competitive grants to states, educational nonprofit organizations, or partnerships of such entities for their use in providing competitive subgrants to local educational agencies (LEAS) that have a high school graduation rate of no more than 60 percent in the aggregate or among at least two subgroups consisting of the poor or major racial or ethnic groups.

**STATUS:** 03/06/2007 To Senate Committee on Health, Education, Labor and Pensions

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S 899

**SPONSOR:** Dodd (D)

**TITLE:** Federal Pell Grant Maximum Amount

**INTRODUCED:** 03/15/2007

**LOCATION:** Senate Health, Education, Labor and Pensions Committee

**SUMMARY:** A bill to amend section 401(b)(2) of the Higher Education Act of 1965 regarding the Federal Pell Grant maximum amount.

**STATUS:** 03/15/2007 To Senate Committee on Health, Education, Labor and Pensions

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S 939

**SPONSOR:** Reed (D)

**TITLE:** Applying for Student Assistance Process Improvement

**INTRODUCED:** 03/20/2007

**LOCATION:** Senate Health, Education, Labor and Pensions Committee

**SUMMARY:** Amends the Higher Education Act of 1965 to simplify and improve the process of applying for student assistance, and for other purposes.

**STATUS:** 03/20/2007 To Senate Committee on Health, Education, Labor and Pensions

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### **House Passes Pell Grant Equity Act**

On March 2<sup>nd</sup>, the House passed H.R. 990, The Pell Grant Equity Act, in yet another attempt to make college more affordable for middle and lower income families. The bill, sponsored by House Education and Labor Chairman George Miller (D-CA), passed by voice vote with almost no opposition. H.R. 990 repeals a provision in the Higher Education Act (HEA) known as "tuition sensitivity."

The tuition sensitivity provision, added to the HEA in the 1992 reauthorization (PL 105-244), lowers the maximum Pell Grant award available to students at schools where tuition and fees are less than \$675 per year. Under this system, the government calculates the amount of Pell Grant funds that students at the lower-cost schools can receive using a different formula than for students at more expensive schools. Reps. Miller and Howard "Buck" McKeon (R-CA), the ranking Republican on the House Education and Labor Committee, claimed that the legislation would correct an inequality and have an immediate impact by allowing roughly 96,000 students to receive, on average, an additional \$108 per year.

The bill would be in effect for one year, allowing lawmakers time to include a permanent change in a reauthorization of the HEA this year. Both chambers of Congress passed an HEA reauthorization that included this repeal in the last Congress, but neither bill made it through conference. Sen. Barbara Boxer (D-CA) introduced S. 707, a companion to H.R. 990, though no timetable has been set for the Senate Committee on Health Education Labor and Pensions (HELP) Committee to hold a mark up on the bill.

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### **Student Financial Aid Relief**

Since 1993, the number of students with more than \$40,000 in debt has increased tenfold. In 2006, the total stood at nearly 80,000 graduates as compared to the less than 7,400 graduates documented in 1993, according to the Project on Student Debt.

HR 5, a bill authored by Congressman George Miller, passed the House of Representatives. HR 5 proposes a fairly simple solution --interest rates on new loans would be gradually stepped down to 6.12% in 2007; 5.44% in 2008; 4.76% in 2009; 4.08% in 2010; and 3.4% in 2011. This gradual cut would apply to all new borrowers who had federally subsidized Stafford loans -- the most common type of student loan,

which come in two varieties — subsidized and unsubsidized. Under subsidized loans, the federal government pays the interest while the student is in school and in periods of deferment. Subsidized loans are generally provided to lower- and middle-income students — those whose families earn less than \$80,000 a year. With unsubsidized loans, the interest is added to the loan balance for the student to eventually repay.

HR 5 would save about \$4,000 for a student with \$20,000 in debt, according to the director of the Project. However, it does not differentiate between graduates who have the ability to repay their loans and those who don't and would do nothing for former students.

The Senate Education Committee has proposed another approach, which would create a Fair Payment Assurance program that would apply to both new and existing student debt. Under this program, borrowers earning less than 150% of the federal poverty level would have their loan payments deferred or reduced so that they would never exceed 10% of their total income. After 25 years of repayment, any remaining debt would be canceled.

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### **The FAFSA Act**

The primary purpose of the FAFSA Act is to address the complexity of the financial aid process and application. HR 1608, authored by Congressman George Miller proposed, among other things, a FAFSA EZ form which allows many applicants to skip through many questions; it preserves the states' questions; it attempts to get PIN's more quickly; and, it phases out the paper FAFSA with the savings used to help eliminate the digital divide.

The FAFSA Act would simplify the federal college aid application process by:

- Establishing a FAFSA-EZ form that would cut the FAFSA from its current length of five pages to just two, significantly reducing the number of questions that students and families must answer to qualify for college aid;
- Creating a pre-FAFSA to allow students and parents to apply for financial aid while students are juniors in high school, providing families one extra year to plan for how to cover college costs;
- Encouraging coordination with the Internal Revenue Service to use information the government already has, eliminating the need for applicants to re-submit income and asset information they have already provided on their tax forms; and
- Improving online access to the FAFSA, speeding up the application process and allowing more students to apply for aid via the internet.

The bill also establishes a demonstration pilot project, in which states and institutions can voluntarily participate, that would give students early financial aid awards so they can make college admission decisions. Under the terms of this pilot project, high school juniors would be able to apply for financial aid and get an actual EFC based on the previous year's income data. The difference for the juniors, of course, is that it would be a year and a half prior to their college enrollment (so essentially the EFC would be

based on prior/prior year income). Students would be able to update their financial information later on using a simplified reapplication process, but the benefit is these students would know even before they apply for admission just what their financial aid awards would likely be. Presumably, they would then be able to make informed decisions about their ability to afford college.

There are still unanswered questions about how the pilot project would work. Those would likely be addressed when the United States Department of Education's Federal Student Aid staff begins administering the project after the bill is passed. After a couple of years, the Advisory Committee for Student Financial Assistance would evaluate the pilot project to see whether it made any difference in enabling more low income students to attend college and if so, at what cost. There is significant support in Washington, DC to require this early awarding by all states and institutions, so easing in with a pilot project that gets evaluated seems to be an appropriate way to determine what problems would result and whether the early application process would have any significant benefits.

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### **US Department of Education (ED)**

On March 22, U.S. Secretary of Education Margaret Spellings continued the national dialogue on higher education by convening some 300 leaders and stakeholders from across the U.S. for a summit in Washington, D.C. on "A Test of Leadership: Committing to Advance Postsecondary Education for all Americans."

The summit focused on action items around five key recommendations by the Secretary's Commission on the Future of Higher Education to improve college access, affordability and accountability. These action items include

- Aligning K-12 and higher education expectations;
- Increasing need-based aid for access and success;
- Using accreditation to support and emphasize student learning outcomes;
- Serving adults and other non-traditional students; and
- Enhancing affordability, decreasing costs, and promoting productivity.

The Commission's findings were the basis for the Secretary's action plan to improve America's higher education system and provide students and families with more information and more affordable access to higher education. The Secretary announced her action plan in a speech to the National Press Club in September, 2006. A key component of that plan was to convene a summit to bring stakeholders and policy makers together to discuss the Commission's recommendations, progress and specific responsibilities and actions for the future. Another priority was streamlining the process by which students apply for federal student aid using the Free Application for Federal Student Aid (FAFSA).

Recently, the Secretary announced the creation of the FAFSA4caster, an online tool that

- Instantly calculates a student's eligibility for federal student aid, including grants;
- Reduces the time it will take to complete the Free Application for Federal Student Aid (FAFSA); and
- Simplifies the financial aid process for students and families.

Secretary Spellings also announced the selection of three volunteer states—Kentucky, Florida and Minnesota—to participate in a consumer information pilot study to provide better and more easily accessible information about higher education for students and families, particularly for adults returning to school and other underserved populations. The primary outcome of the pilot study will be three new or upgraded state consumer websites. The websites will enable students to compare institutions in the state and allow them to select criteria that are most important to him or her.

In the Secretary's prepared remarks at the summit, she stated that the Department of Education will continue to work with Congress to address the Department's top priorities including:

- Aligning high school curriculum with college and workforce needs and requiring a more accurate accounting of high school graduation rates as part of the No Child Left Behind reauthorization proposals;
- Enacting the President's Pell and AC grant increases;
- Further simplifying the financial aid process; and
- Increasing transparency by passing the President's \$25 million pilot program to help states collect and analyze college student data and measure results.

For more information on the Secretary's Commission on the Future of Higher Education, please visit <http://www.ed.gov/about/bdscomm/list/hiedfuture/plan/index.html>.

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# 11.c

## Action/Information Item

### *California Student Aid Commission*

Consideration of Recommendation from the Loan Advisory Council  
on Guiding Principles for Federal Legislation and Reauthorization of the  
Higher Education Act

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The Commission is asked to review the Guiding Principles for Federal legislation and the Reauthorization of the Higher Education Act as recommended by the Loan Advisory Council.

**Recommended Action:** Approve the Federal Legislative Principles as discussed by the Loan Advisory Council.

**Responsible Staff:** Steve Caldwell, Chief  
Governmental and Public Affairs  
Division.

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## GUIDING PRINCIPLES FOR FEDERAL LEGISLATION AND THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT

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As the principal California agency responsible for administering state financial aid programs for students attending public and private universities, colleges, and vocational schools in California, the Student Aid Commission and its auxiliary EDFUND, which provides guarantee services throughout the country, have developed the following guiding principles for evaluating policies, programs, and proposals for the Reauthorization of the Higher Education Act.

The Commission and EDFUND have never wavered from their central mission – making education beyond high school financially accessible. Toward that end, the Commission and EDFUND believe that:

- *Federal student financial aid programs should expand college opportunity with added focus on promoting access, choice, and program completion.*
- *Federal and state policies and programs should provide early information and services to young people and families as a cornerstone of family college-planning efforts.*
- *Federal financial aid funding should focus on providing greater balance between reliance on different forms of aid such as grants and loans to help meet the increased costs of higher education.*
- *The Pell Grant program should be funded at its authorized level to ensure that financially needy students have the critical grant resources needed to enroll.*
- *Federal grant programs should focus their resources on students with demonstrated financial need.*
- *Federal financial aid policies should support federal-state partnerships for leveraging greater grant funding while continuing to encourage innovation in state-private sector alliances.*
- *Federal policy should encourage improvement of service delivery and quality, providing to eligible students the maximum benefit with the simplest delivery system at the lowest cost to the students and taxpayers.*
- *Federal financial aid programs should rely less on prescriptive regulations and more on incentives to ensure proper behavior by all parties in the financial aid process – students, institutions, state and federal government, and lenders.*
- *Federal policy should encourage continued improvement in the speed, convenience, cost, and quality of the financial aid delivery system through the use of promising new technologies.*
- *Federal financial aid policies should promote choice and competition between the Federal Family Education Loan (FFEL) Program and Direct Lending and among the different providers of FFEL Program student loans in order to ensure that students and schools receive the best possible customer service.*
- *Federal policy should focus on establishing strong program gate keeping and audit functions to screen out high-risk institutions and promote self-regulation by all participants in the financial aid community.*