

## Information/Action Item

### *California Student Aid Commission*

#### Update on 2013 State Budget and state and federal legislation affecting Commission programs

##### 2013 State Budget Update

The Assembly and Senate Budget Subcommittees held their final meetings in May 2013 and both agreed on the technical caseload adjustments for the Cal Grant and loan assumption programs for the 2013-14 budget as noted below.

- The reductions in these programs, as indicated in the chart below, were made based on our projections, which took into account a reduction in the number of awards being paid in 2012-13.

	<b>2012-13</b>	<b>2013-14</b>
<b>Cal Grant</b>	-\$23,590,000	-\$42,018,000
<b>Loan Assumption</b>	-\$3,968,000	-\$3,310,000

- 2013-14 Cal Grant Program funding from the Student Loan Operating Fund (SLOF) increased by \$38,149,000 from \$60,000,000 to \$98,149,000, based on notification from ECMC of their continued funding for the Cal Grant Program. There is a corresponding decrease in General Funds.
- Both subcommittees agreed that the 2013-14 Cal Grant Program funding from Temporary Assistance for Needy Families (TANF) would be adjusted to conform to changes in funding for the CalWORKS program. The 2013-14 TANF amount for Cal Grants will be \$541,712,000.

The items not agreed upon were considered by the Joint Legislative Budget Conference Committee. Tab 6.a provides a summary of the final Committee actions regarding the Commission and its programs.

##### State and Federal Legislative Update

Tabs 6.b and 6.c provide an update on state bills affecting Commission programs.

Tab 6.d is a summary sheet for SB 524 (Lara), which would create a task force to develop a voluntary curriculum for K-12 students and their parents on postsecondary institutions, options, programs, and opportunities in California.

Tab 6.e is a bill analysis for SB 524. We recommend that the Commission take a "support" position on SB 524.

We will discuss any additional developments on legislation and present our analysis of SB 524 at the meeting.

**Responsible Person(s):** Janet McDuffie, Chief  
Administration and External Affairs Division

Ed Emerson, Chief,  
Federal Policy and Programs Division

Lori Nezhura, Legislative Director  
Executive Division

---

**Cal Grant Program Reforms**


---

**1. Restore the 2012-13 5 percent Veto to Cal Grants (# 6980-101-0001)**

The Assembly passed BBL that would undo the 5 percent veto to Cal Grant B and C awards in the 2012 Budget.

- Cal Grant B and C students are from the lowest income families; the average Cal Grant B family income is \$16,900 and the Cal Grant C average family income is \$18,800.
- This reduction impacted 180,000 needy students in every segment of higher education, but disproportionately affected California Community College students.
- The veto reduced the Cal Grant B access grant and Cal Grant C books and supplies stipend, both of which have fallen well behind the increases in cost of living and educational expenses.

**Commission request: Approve Assembly recommendation**

**Final Committee action: Rejected. Cal Grant B and C awards will remain at the 2012-13 (reduced) levels.**

**2. Repeal Cal Grant Maximum Award Reductions at Private Nonprofit and WASC-accredited For-Profit Institutions(CEC 69432(c))**

The Assembly would repeal the two percent cut in 2013-14 and the eleven percent cut in 2014-15 to Cal Grant awards for students choosing to attend eligible private postsecondary institutions.

- California relies on these quality private colleges and universities to help meet the State's higher education needs.
- The private Cal Grant award has suffered over the years whenever California has faced difficult budgets. These students deserve more support from the State considering they represent our future workforce, taxpayers, and citizenry.
- Note: This proposal does not make any adjustment to the upcoming reduction to the Cal Grant award for students choosing to attend non-WASC accredited for-profit institutions.

**Commission request: Approve Assembly recommendation**

**Final Committee action: Rejected. Private nonprofit and WASC-accredited for-profit tuition awards will be reduced, as scheduled, from \$9,223 to \$9,084 in 2013-14.**

**3. Repeal Renewal Eligibility Changes (CEC 69432.7(k))**

This BBL will eliminate the annual income/asset test for renewal Cal Grant recipients as codified under SB 70 (2011).

## Joint Legislative Budget Conference Committee Actions

- The current renewal financial eligibility restrictions eliminate the guarantee of a four-year grant and place a burden of uncertainty and confusion on students and their families.
- Prior to SB 70, renewing Cal Grant recipients had to have verified financial need to remain in the program. The current renewal eligibility is much more limited and prescriptive.
- The SB 70 (2011) renewal requirements were intended to create budgetary savings. They did so by \$12,120,000, but at great harm to over 20,000 postsecondary students.

**Commission request: Approve Assembly recommendation**

**Final Committee action: Rejected. Renewal Cal Grant recipients will still have to meet the income and asset tests.**

#### 4. Middle Class Scholarship (# 6980-101-0001) (# 6980-001-0001)

The Assembly recommended BBL and TBL creating the Middle Class Scholarship.

- The Middle Class Scholarship, which provides grants to families earning less than \$150,000 annually, will be funded by non-Proposition 98 funds from Proposition 39.
- It could allow more than 180,000 UC and CSU student annually to receive as much as 40 percent off of their tuition.
- The program addresses the major tuition increases during the past decade that have had the most impact on the middle class

**Commission request: Approve Assembly recommendation**

**Final Committee action: Approved compromise recommendation to establish the Middle Class Scholarship through a \$107 million General Fund appropriation beginning in 2014-15 with increases to \$152 million in 2015-16, \$228 million in 2016-17, and up to \$305 million (cap) annually thereafter. The cost estimates assume flat enrollment and no tuition increases at UC or CSU over the four-year implementation. TBL has not yet been provided. Per discussion with Legislative staff, it appears that \$750,000 in General Fund appropriations will be provided to the Commission in 2013-14 for implementation and outreach.**

### Operational and Technical Issues

#### 1. Reestablishing Support Services for CSAC (# 6980-001-0001)

The Commissions contract with the Educational Credit Management Corporation (ECMC) will end on June 30, 2013. ECMC provided, among other services, business support, outreach materials, and first-tier technological services. While portions of the costs being absorbed by the Commission were allocated through the Governor's proposed May Revise budget, those provisions miss several key components necessary to accomplish these

## Joint Legislative Budget Conference Committee Actions

formerly outsourced operations, such as a printing budget for the *Fund Your Future* and Dream Act publications.

The Governor's May Revision (MR) provides \$610,050 and 7 positions to reestablish business operations and technology services following termination of the contract with (ECMC). The Administration bases funding amounts on recent ECMC expenditures for these services. The Assembly approved the MR, while removing a stipulated 25 percent salary savings for position creation, advertisement, and hiring "ramp up"; adding \$360,000 for publication costs; and rejecting DoF required approval prior to expenditure. The Senate also approved the MR, while limiting the 25 percent salary savings to 5 percent and adding \$360,000 for publication costs.

- A ramp-up provision disregards current standards and Commission needs. This is not a new area of service to be explored, but rather a pressing requisite for ongoing operations the Commission is absorbing. The difference between the MR language and the Assembly language is \$130,000.
- Outreach materials, such as our *Fund Your Future* workbook and brochure, are a primary tool for reaching underserved students and educating them about their college opportunities. We distribute 1 million publications annually in eight languages.
- Previous Department of Finance oversight was requested when it was unclear if ECMC would remain a contractor for the Commission. However, as that relationship has ended, the Commission will be able to ensure their own budgetary oversight.

**Commission request: Approve Assembly recommendation**

**Final Committee action: Approved May Revise - 7 positions and \$610,000 (which includes a 25% salary savings).**

## 2. Call Center Support (# 6980-001-0001)

In a separate BCP, the Commission requested \$386,000 and seven positions in the student customer service call center. The Assembly approved seven 3-year, limited-term positions and \$386,000.

- Currently, more than half of all customer service calls are unable to connect with a Cal Grant representative during peak periods due to insufficient staffing, denying students and parents vital information needed to file financial aid forms and maintain their financial aid awards.
- This represents a significant increase over previous years.
- While the Commission has implemented various technological enhancements to provide information to students, there is an increase in call volume due to a greater Cal Grant caseload, the implementation of the Dream Act, and reduced services at institutional financial aid offices.

**Commission request: Approve Assembly recommendation**

**Final Committee action: Rejected. No new positions were approved for the call center.**

### **3. Creation of the Student Aid Commission Financial Processor Fund (TBL to amend C.E.C. Section 69433)**

The successful implementation of California's Dream Act has prompted other states to turn to the Commission for modeling, resources, and expertise. The Assembly created a fund to accept payment or reimbursement from these public agencies or private entities. The fund would be limited in creation to just said resources and will be credited with any investment income.

- The Dream Act was created to emphasize the need for higher education for all students. By sharing our success with other states, we make an even greater impact through our knowledge and expertise.
- As other agencies utilize our expertise and resources, we must have a way to be reimbursed costs incurred.
- The funds in the accounts will be used to improve the flow and processing of the Dream Act Application which will, in turn, benefit California Dream Act students.

**Commission request: Approve Assembly recommendation**

**Final Committee action: Approved amended LAO compromise – modified the Assembly TBL to (1) require that all costs for providing Dream Act technical assistance to other states must be paid from the fees collected for that purpose; (2) provide a mechanism for the Commission to use residual funds from the account to improve services for California financial aid services; and (3) require the Commission to receive approval from Department of Finance before expending funds from the account. Commission must report back to Finance by October 1, 2014 on how funds were collected and expended. Amended to remove the Commission's continuous appropriation and, instead, makes it a Budget Act appropriation.**

## Federal Funding

### **4. Federal Sequester Implementation - College Access Challenge Grant (# 6980-101-0890)**

The Sequester will have an impact on three programs receiving funds from the federal College Access Challenge Grant: Cash for College, Cal-SOAP regional consortia, and the Assumption Program of Loans for Education (APLE). The MR protects APLE funding from the CACG reduction and makes the two outreach programs bear the entire impact of the Sequester.

The Assembly rejected the MR language in favor of alternate BBL that would allow the Commission more flexibility to allocate the Sequester reduction. Please see the attached Assembly language for approval.

- \$7,227,000 will be available to offset GF costs of financial aid programs

## Joint Legislative Budget Conference Committee Actions

- By dictating that the two valuable programs directly bear the brunt of the Sequester losses, the Legislature removes the Commission's ability to best allocate funds to improve California's students access and success in higher education.
- The Assembly recommendation allows for savings in the APLE program to be used to offset the sequester reductions.

**Commission request: Approve Assembly recommendation**

**Final Committee action: Approved Senate recommendation to accept the May Revise proposal.**

**5. College Access Challenge Grant Waiver Contingency Language (# 6980-001-0001) (# 6980-101-0001)**

The Commission is at risk of losing all federal College Access Challenge Grant (Challenge Grant) funds due to funding reductions to higher education in recent budget years. The Challenge Grant contains a maintenance of effort requirement that states must provide financial support for public institutions of higher education at least at a level equal to the average amount provided over the preceding five state fiscal years, but California's numbers for 2012 fell short of that requirement.

The Assembly proposes a General Fund backfill under the Special Funds for Economic Uncertainties.

- Without the Waiver, the Commission may lose over \$7.5 million in federal funds for Cash for College and California Student Opportunity and Access Program (Cal-SOAP).
- This year, the Commission's Cash for College program helped 35,500 students complete financial aid applications at 712 workshops conducted with the aid of 1,000 high school, postsecondary and community organizers and 1,000+ volunteers.
- Cal-SOAP works in over 300 low-income elementary, middle and high schools across the state; over 88 percent of the students Cal-SOAP engages enroll in college – more than double the 41 percent state average.

**Commission request: Approve Assembly recommendation**

**Final Committee action: Approved LAO compromise – one-time backfill, not to exceed \$5.5 million, for both outreach programs if the State loses CACG funding. The Commission is to report data on effectiveness of the programs by March 1, 2014. (Legislature to determine future funding based on proven effectiveness.) Commission may expend no more for each program in 2013-14 than it did in 2012-13.**

Commission Master List of Bills

Tab 6.b

Bill #	Bill Summary	Location	Last Action	Notes	Commission Position
SB 141 (Correa)	Exempts U.S. citizen children of deported parents from being charged nonresident tuition rates at California public colleges and universities.	Assembly	Amended on 5/8/13 to be 1-year fix for residency; eliminates eligibility for state aid in 1st year	No longer affects Cal Grant	Support
SB 150 (Lara)	Exempt a secondary pupil, defined as 7-12th grade, attending a community college as a special part-time student from paying nonresident tuition if certain conditions are satisfied.	Assembly Higher Education Committee	Heard on 6/11/13		Support
SB 212 (Pavley)	Provides for 7,200 new APLE warrants for 2013-14 and appropriates \$5 million for those warrants.	Senate Approps	Sent to Suspense File		
SB 285 (De León)	Seeks to supplement the Cal Grant B Access award amount with funds appropriated from the College Access Tax Credit Fund (Fund) to be created through SB 284 (De León, 2013).	Assembly	Awaiting Rules assignment	Amended on 4/24 to specify that the Treasurer certifies the Fund, CSAC determines the award supplement and submits BCPs.	Support

**Commission Master List of Bills**

Bill #	Bill Summary	Location	Last Action	Notes	Commission Position
SB 520 (Steinberg)	Creates the California Online Student Incentive Grant Programs, for the UC, CSU and CCC to provide up to 15 grants per segment to facilitate inter- and intrasegmental partnerships and partnerships with online course technology providers to increase online options for students and high school pupils beginning fall term 2014-15.	Assembly	Awaiting Rules assignment	May 28 amends change bill from online platform of the 50 most needed undergraduate online courses to an incentive grant program.	
SB 524 (Lara & Steinberg)	Establishes the Pathways Curriculum Task Force to create a voluntary K-12 curriculum to educate pupils about their options for postsecondary education and financing. Includes input from CSAC in development and review of the proposed curriculum.	Assembly	Awaiting Rules assignment	Amended May 28 to eliminate integration; instead this curriculum is stand alone.	TBD
SB 595 (R. Calderon)	Prohibits IHEs to contract with a financial aid disbursement entity that requires students to open an account with the contractor in order to receive his/her financial aid funds. Requires EFT option into account of student's choosing within one day of release of funds.	Assembly	Awaiting Rules assignment		Support
AB 303 (I. Calderon)	Allows CA resident members of the U.S. Armed Forces who enlisted in the military during the one year Cal Grant High School Entitlement "window" to keep their Entitlement eligibility if they begin their college education within one year of their honorable discharge.	Assembly Higher Education Committee - No hearing	4/9/13 Hearing cancelled	Made a two-year bill	Support

**Commission Master List of Bills**

Bill #	Bill Summary	Location	Last Action	Notes	Commission Position
AB 330 (Chau)	Provides that Cal Grant institutions are to report and CSAC is required to display in a searchable database on their Internet Web site (the link to) the institution's Net Price Calculator and average student debt of its graduates.	Assembly Higher Education Committee - No hearing	4/23/13 Hearing cancelled	Made a two-year bill	Watch
AB 391 (Wieckowski)	Enacts the Common Cents Curriculum Act of 2013 to include budgeting, savings, credit and loans, identity theft, and paying for postsecondary education and requires for high school graduation.	Assembly Approps	Held in Suspense	\$300,000 to CDE to develop curriculum	
AB 606 (Williams)	Requires the California Community College Chancellor's Office to develop a voluntary pilot program to increase student participation in state and federal financial aid programs.	Senate	Sent to Rules for Assignment to Policy Committee	\$75,000 to CCCCO; \$200K in additional Cal Grant costs in implementation year+1	
AB 1085 (Gaines)	This bill seeks to restore the Cal Grant A and B maximum award amount for the private nonprofit and for-profit postsecondary educational institutions to \$9,708.	Assembly Approps	Held in Suspense	\$27M in additional Cal Grant costs in BY	

Commission Master List of Bills

Bill #	Bill Summary	Location	Last Action	Notes	Commission Position
AB 1162 (Frazier)	Encourages universities and colleges to adhere to best practices when entering into a contract for financial aid debit card services	Senate	Senate Education hearing set for 6/12/13	Dual referred to Senate Education Committee and Banking & Finance	Support, if Amended
AB 1241 (Weber)	Seeks to extend the period of Cal Grant A and B High School Entitlement eligibility from one year beyond high school graduation (or the equivalent) to four years.	Senate	Sent to Rules for Assignment to Policy Committee	May 24 amends reduce H.S. Entitlement application window from 4 years to 3 and delays implementation one year	Support, if Amended Support
AB 1285 (Fong)	Seeks to provide new Cal Grant B recipients tuition and fees as well as Access in all four years of eligibility.	Senate	Sent to Rules for Assignment to Policy Committee	May 24 amends phase in first year benefit over 4 years	Support, if Amended Support
AB 1287 (Quirk-Silva)	Allow renewal Cal Grant recipients who lose their Cal Grants due to not meeting income/asset ceilings to be reinstated in certain situations.	Senate	Sent to Rules for Assignment to Policy Committee	Assembly Budget proposal also seeking this action.	Support, if Amended

Commission Master List of Bills

Tab 6.b

Bill #	Bill Summary	Location	Last Action	Notes	Commission Position
AB 1318 (Bonilla)	Statutory formula for maximum Cal Grant for awards to private WASC accredited institutions	Senate	Sent to Rules for Assignment to Policy Committee	May 24 amends fine-tune formula language and reduce max award to 75% of public subsidy for Cal Grant recipients. Still no delay of implementation.	Support, if Amended
AB 1364 (Ting)	Seeks to tie the authorized Cal Grant B Access maximum award amount to increases in the California per capita personal income (PCPI) and set minimum floor at \$1,710.	Senate	Sent to Rules for Assignment to Policy Committee	May 24 amends reduce Access minimum from \$5,900 to \$1,710 and ties to CPI.	Support, if Amended <i>Update?</i>

Status of Bills on Commission Master List

Bill # & Author	First House			Second House			First House for Concurrence	Governor	Chaptered
	Policy Cmte	Fiscal Cmte	Floor	Policy Cmte	Fiscal Cmte	Floor			
SB 141 (Correa)									
SB 150 (Lara)									
SB 212 (Pavley)									
SB 285 (De León)									
SB 520 (Steinberg)									
SB 524 (Lara)									
SB 595 (R. Calderon)									
AB 303 (I. Calderon)									
AB 330 (Chau)									
AB 391 (Wieckowski)									
AB 606 (Williams)									
AB 1085 (Gaines)									
AB 1162 (Frazier)									
AB 1241 (Weber)									
AB 1285 (Fong)									
AB 1287 (Quirk-Silva)									
AB 1318 (Bonilla)									
AB 1364 (Ting)									

**Summary Sheet for SB 524**

*Staff Recommended Position: Support*

Bill # & Author	Summary	# of Students Affected	Segment(s) at which Impacted Students Are Enrolled	Fiscal Impact	Staff Recommendation
SB 524 (Lara & Steinberg)	Establishes a task force charged with developing a voluntary curriculum for K-12 students that will educate students and their parents on postsecondary institutions, options, programs, and opportunities in California.	Unknown, potentially tens of thousands. (This is a voluntary curriculum, so there is no way of know how many classrooms in how many districts will utilize.)	Potentially UC, CSU, CCC, private nonprofit, for-profit, out-of-state.	The California Department of Education estimates \$300,000 to implement the task force. Minimal, absorbable workload to the Commission.	Support

	<b>Bill Number: SB 524</b>	<b>Introduced: February 21, 2013</b>
	<b>Author: Lara</b>	<b>Last Amended: May 24, 2013</b>
	<b>Legislative Contact:</b>	<b>CSAC Position:</b> <i>Staff Recommendation: Support</i>

**I. Bill Summary**

This bill establishes a task force charged with developing a voluntary curriculum for K-12 students that will educate students and their parents on postsecondary institutions, options, programs, and opportunities in California.

**II. Current Law/Proposed Law**

Current Law:

Under California Education Code (CEC) Section 51282, the Superintendent of Public Instruction is to make available, free of charge, material for financial preparedness. Under CEC §51284, the revision of textbooks shall incorporate curriculum frameworks in the social sciences, health, and mathematics curricula, and integrate components of human growth, human development, and human contribution to society, across the life course, and also financial preparedness.

As introduced on February 21, 2013:

- Adds findings and declarations regarding the quality and rising cost of higher education in California.
- Creates Chapter 16.5 (commencing with §11550) establishing the Pathways Curriculum Task Force (Task Force)
- Requires the Superintendent to appoint and staff the Task Force made up of persons representing postsecondary education, elementary and secondary education, the public, and career technical education.
- Encouraging the Superintendent to include persons with expertise in college admission, financial aid, postsecondary opportunities, and curriculum development.
- States that the task force shall establish learning goals for pupils at all levels of mandatory education that address, but are not limited to, varieties of postsecondary education and career training and ways to finance postsecondary education and career training, with a focus on cost-benefit analysis.
- Requires the Task Force to solicit input from a broad range of persons and entities, including the Bureau of Private Postsecondary Education, the California Student Aid Commission, and other experts in the financial aid field.
- Once the curriculum is developed, it must be transmitted to the Legislature, the state board, the UC Regent, the CSU Trustees, the Board of Governors of the CCC, the Student Aid Commission, and the Instructional Quality Commission for a three-month review and comment period.
- The reviewed curriculum will then be transmitted to the state Department of Education where it shall be maintained and made available for school use.
- The Department shall work with the Instructional Quality Commission and others to integrate the curriculum into each subject matter.

<b>Analyst/Principal</b>	<b>Date</b>	<b>Reviewed by</b>	<b>Date</b>
JU	4/10/13	GF	4/10/13
<b>Legislative Director</b>	<b>Date</b>	<b>Executive Director</b>	<b>Date</b>
LN	4/24/13		
<b>Commission</b>	<b>Date</b>	<b>Position Taken</b>	

- The adoption of the curriculum by local educational agencies is encouraged, but not required.

This bill, as amended on May 24, 2013:

- Removes requirement to work with the Instructional Quality Commission to integrate the curriculum into each subject matter.

Reporting Requirements on CSAC, Participating Institutions:

None.

### III. Analysis

Purpose of the Bill:

The intent of the bill is to develop a K-12 curriculum to educate pupils and their families about college and career opportunities, how to pay for them, and how academic proficiency and course taking can ensure that students meet their educational and career goals.

Policy Summary:

- California is only one of four states in the nation which does not require the teaching of financial literacy in its K-12 curriculum.
- SB 524 is focused on, but not limited to, instructing students in the ways of financing a college education, financial aid options, and the variety of loan products and terms.
- Students who are fully educated about the options after high school will be better equipped to make good choices about their future and assist them in determining if they will be attending college, where they will attend, what they will study, how long it will take, and how they will pay for it.
- Efforts already being undertaken by the Commission's Cal-SOAP projects and other partner organizations to educate middle and high school students of postsecondary opportunities and financing will be greatly aided by a comprehensive K-12 curriculum.
- The creation of a Task Force which is required to work with the Student Aid Commission and other experts in higher education and financial aid will ensure that the curriculum will be relevant and current.

Policy Recommendations:

Staff recommends a position of Support.

Rationale:

This bill aligns with the goals of the Commission, and will assist our own efforts to educate students and parents on options after high school.

### IV. Fiscal Summary

Commission Operations Impact:

- This bill would require the Commission to work with the task force as well as other interested parties to aid in the development of a curriculum that will educate students on their options after high school.
- The Commission will have three months to review the curriculum once it is created.
- The Commission may want to update training and outreach materials to be consistent with the new curriculum.

General Fund, Local Assistance Impact:  
Unknown, but likely minor and absorbable.

V. **Organizations in Support**

California State PTA  
Campaign for College Opportunity  
Californians for Shared Prosperity  
California Association of School Counselors  
Families In Schools

**Opposition**