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Action/Information Item

California Student Aid Commission

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

Enclosed are an update on the state budget and a summary of bills currently being tracked by Commission staff and considered during the first half of the 2007-08 state legislative session. Staff will provide a brief oral update of any changes that occur prior to the Commission meeting.

Recommended Action: No action required.

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

STATE ISSUES AND LEGISLATIVE UPDATE

State Budget

The Assembly adjourned for their summer recess on July 20, 2007 after passing the 2007-08 budget bill to the Senate. On August 21, 2007 the Senate approved and the Assembly concurred in the Senate amendments to the budget bill and to the budget trailer bills (including SB 89 which addresses the sale of EDFUND). On August 22, 2007 when the Legislature finished its work on the budget bills, the budget was passed on to the Governor for his signature and line item veto.

The Governor signed the budget bills and trailer bills on Friday, August 24, 2007 and followed through on his earlier promise to veto \$700 million from the budget in order to help satisfy the Republican Senators' call for a balanced budget. The veto messages and the budget discussions in the Legislature make it clear that the current and near future fiscal environment will continue to present on-going challenges for us all.

The 2007-08 Budget Act includes the following reductions to the Commission's programs:

- \$2.2 million from the California Student Access and Opportunity Program (Cal-SOAP) with the following veto message; "With this reduction, \$6,367,000 still remains for Cal-SOAP to support financial aid awareness activities. Further, it is my understanding that the California Student Aid Commission recently approved \$2,200,000 from the Student Loan Operating Fund for similar financial aid outreach purposes. Therefore, this augmentation is largely redundant with planned expenditures."
- \$100,000 from the Public Interest Attorney Loan Repayment Program with the following veto message; "The authorization of 100 loan assumption warrants would commit the state to out-year costs in excess of \$1,000,000. Furthermore, this program authorizes warrants for attorneys employed by local government. Thus, in effect, this augmentation would serve to subsidize local government employee recruitment and retention with state funds. Therefore, this action is necessary to limit program expansions."

The Budget package also includes two trailer bills: SB 89 and SB 91 that address the Governor's proposal to sell EDFUND. The May Revision assumes a \$980 million increase in 2007-08 revenues from the proceeds of the sale of EDFUND. The proceeds would be used to support general state operations.

Legislation

The Legislature has until September 14th to pass bills to the Governor and will adjourn for the remainder of the year. The Governor has until October 14th to sign or veto bills that are passed by September 14th and that he receives after September 14th or they become law without his signature. The Legislature will reconvene on January 7, 2008 for the second half of the 2007-08 legislative session. To follow progress on state bills, log on to www.leginfo.ca.gov, click on the "Bill Information" link and enter the bill number in the search box.

At the April 19th Commission meeting, the Commission took positions on five bills: SB 160, AB 175, AB 302, AB 1540, and AB 1578. The only bills that moved on to the second house were AB 1540 and AB 1578, which are listed below. Although SB 160, AB 175, and AB 302 did

not pass out of the house of origin by June 8th as required, the subject matter contained in these bills will most likely be seen in another bill during the second half of the session.

Staff has also included a brief description of SB 89 and SB 91 and all other bills that were introduced during the first half of the session.

Commission Positions Approved on April 19, 2007

AB 1540

AUTHOR: Bass (D)

TITLE: Student Financial Aid: Cash for College Program

INTRODUCED: 02/23/2007

LAST AMEND: 07/05/2007

LOCATION: Senate Appropriations Committee

Summary: This bill expresses the intent of the Legislature that California 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.

Status: 07/12/2007 In Senate Appropriations.

Commentary: 06/01/2007 amendment removed the appropriation language.

Commission Position: SUPPORT IF AMENDED to move funding from the Student Loan Operating Fund to the General Fund (based on the March 23rd version).

AB 1578

AUTHOR: Leno (D)

TITLE: Foster Youth Higher Education Preparation Act

INTRODUCED: 02/23/2007

LAST AMEND: 04/26/2007

LOCATION: Senate Appropriations 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: 07/12/2007 In Senate Appropriations.

Commission Position: Support

BUDGET TRAILER BILLS

SB 89

AUTHOR: Senate Budget & Fiscal Review Committee

TITLE: Student Aid and Loan Guarantee Program

INTRODUCED: 01/17/2007

LAST AMEND: 07/20/2007

LOCATION: Approved by the Governor 8/24/07

Summary: This bill authorizes the Director of Finance to act as the state's agent in the sale of the student loan guarantee portfolio and certain related assets and liabilities of the program not retained by the Student Aid Commission. This bill authorizes the director to consummate other transactions to maximize the value of the program to the state. This bill requires sale funds to be deposited into the General Fund. This bill appropriates funds to the director for obtaining professional advice and counsel related to the sale.

Status: 8/22/07 Approved by the Senate and Assembly – signed into law by the Governor on August 24th.

Position: None

SB 91

AUTHOR: Senate Budget & Fiscal Review Committee

TITLE: Student Financial Aid

INTRODUCED: 01/17/2007

LAST AMEND: 07/20/2007

LOCATION: Enrolled to the Governor

Summary: This bill repeals provisions of existing law relating to the establishment and operation of the auxiliary organization and the state's participation in the federal Family Education Loan Program. The provisions of this bill would only be effective if the Director of Finance makes a notification that specified occurrences, related to either the sale of the state Student Loan Guarantee Program assets or a transaction with a transferee guarantee program operator have been consummated and 30 days lapse after the receipt of the notice.

Status: 07/21/2007 Enrolled to the Governor.

Position: None

Assumption Program of Loans for Education (APLE) Legislation

AB 111

AUTHOR: Blakeslee (R)

TITLE: National Guard Assumption Program of Loans for Education

INTRODUCED: 01/08/2007

LAST AMEND: 06/20/2007

LOCATION: Senate 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 deletes a condition for eligibility for loan assumption that the applicant be enrolled in an institution of higher education or a vocational diploma program that participates in the program. This bill provides financially needy are not given priority when funding is insufficient. This bill has an urgency clause to make the provisions effective immediately upon enactment.

Status: 07/02/2007 In Senate Appropriations – Suspense File.

Position: None

AB 171

AUTHOR: Beall (D)

TITLE: Assumption Program of Loans for Education for Public Interest Law

INTRODUCED: 01/23/2007

LAST AMEND: 07/03/2007

LOCATION: Senate Appropriations Committee

Summary: This bill would establish the Assumption Program for Loans for Law in the Public Interest as a loan assumption program for licensed attorneys who meet certain eligibility criteria. This bill would create a program account in the state Treasury that would consist of funds appropriated by the Legislature and private contributions to the program. This bill would require an annual report on the program.

Status: 07/03/2007 In Senate Appropriations.

Commentary: The 2007-08 Budget Bill contains an appropriation for \$100,000 and one position for the Commission to implement the program.

Position: None

SB 139

AUTHOR: Scott (D)

TITLE: Nursing Education

INTRODUCED: 01/25/2007

LAST AMEND: 07/17/2007

LOCATION: Assembly Appropriations Committee

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). This bill would also establish additional criteria for nurses under SNAPLE and State Nursing Facilities APLE.

Status: 07/17/2007 In Assembly Appropriations.

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: None

SB 673

AUTHOR: Scott (D)

TITLE: Assumption Program of Loans for Education

INTRODUCED: 02/23/2007

LAST AMEND: 07/11/2007

LOCATION: Assembly Appropriations Committee

Summary: This bill provides that a credentialed teacher teaching in a public school that has been ranked in decile 1 or 2, as measured by the Academic Performance Index, and who has not otherwise participated in the Loan Assumption Program, is eligible to enter into an agreement for loan assumption. This bill requires the Commission to develop and adopt regulations for the implementation of this provision.

Status: 07/11/2007 In Assembly Appropriations.

Position: None

Bills to Watch

AB 14

AUTHOR: Laird (D)

TITLE: Discrimination: Civil Rights Act of 2007

INTRODUCED: 12/04/2006

LAST AMEND: 07/03/2007

LOCATION: Senate Third Reading

Summary: This bill enacts the Civil Rights Act of 2007. This bill subjects licensees under this Business and Professions Code to disciplinary action if the discrimination is based upon the prospective recipient's sex, race, color, religion, age, national origin, disability, ethnic group identification, or sexual orientation. This bill prohibits the discrimination in contracts, credit applications, social clubs, higher education, local appointed officials, emergency medical services and care, welfare and food stamp eligibility.

Status: 07/11/2007 In Senate Third Reading.

Commentary: 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. 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.

SB 823

AUTHOR: Perata (D)

TITLE: Private Postsecondary Education

INTRODUCED: 02/23/2007

LAST AMEND: 07/17/2007

LOCATION: Assembly Appropriations Committee

Summary: This bill would recast, revise, and reenact the provisions of the Private Postsecondary and Vocation Education Reform Act of 1989 as the Private Postsecondary Education Act of 2007. 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: 07/17/2007 In Assembly Appropriations.

Commentary: This bill does not contain provisions that require financial aid directors or officers to possess a certification of completion of financial aid training certified by the Commission. The

Commission training ensures that the disbursement of federal and state student financial aid is carried out appropriately.

Position: None

SB 890

AUTHOR: Scott (D)

TITLE: Pupils: Early College Commitment Program

INTRODUCED: 02/23/2007

LAST AMEND: 07/17/2007

LOCATION: Assembly Appropriations 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: 07/17/2007 In Assembly Appropriations.

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.

**Bills Held In Committee
Including Bills with Commission Support Positions**

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 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: 05/31/2007 Held in Assembly Appropriations.

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 2000-01 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.

Commission Position: Support

AB 302

AUTHOR: De La Torre (D)

TITLE: Cal Grant B Entitlement Awards

INTRODUCED: 02/09/2007

LAST AMEND: 03/15/2007

LOCATION: 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: 05/31/2007 Held in Assembly 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.

Commission Position: Support

AB 359

AUTHOR: Karnette (D)

TITLE: Student Financial Aid: Assumption Program

INTRODUCED: 02/14/2007

LAST AMEND: 06/01/07

LOCATION: Senate Education Committee

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

Status: 07/11/2007 Held in Senate Education.

Position: None

AB 883

AUTHOR: Dymally (D)

TITLE: Student Financial Aid: Assumption Program for Loans

INTRODUCED: 02/22/2007

LAST AMEND: 04/25/07

LOCATION: Assembly Appropriations Committee

Summary: 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 in the Compton Unified School District. This bill requires the granting of priority to applicants who are concentrating in mathematics, science, or special education or who agree to teach full time in a school ranked in decile 1, 2, 3, or 4 on the Academic Performance Index.

Status: 05/31/2007 Held in Assembly Appropriations.

Position: None

AB 1059

AUTHOR: De Leon (D)

TITLE: Child Care Personnel

INTRODUCED: 02/23/2007

LAST AMEND: 06/01/2007

LOCATION: Senate Education Committee

Summary: This bill expresses the intent of the Legislature that up to 400 new grants are awarded under the Child Development Teacher and Supervisor Grant Program each year. It would raise the maximum level of the grants for each academic year if the participant is enrolled in a 4-year institution and a specified amount for each academic year if the participant is enrolled in a community college.

Status: 06/14/2007 Held in Senate Education.

Commentary: 06/01/07 amendments removed the Pre-Kindergarten Assumption Program of Loans for Education language and eligibility of persons working at a child care center that contracts with the State Department of Education to receive grants under the Child Development Teacher and Supervisor Grant Program. This bill is a two-year bill.

Position: None

AB 1267

AUTHOR: Feuer (D)

TITLE: Civic Service: Loan Assumption Program

INTRODUCED: 02/23/2007

LAST AMEND: 04/10/2007

LOCATION: Assembly Appropriations Committee

Summary: This bill establishes the Civic Services Loan Assumption Program and under the administration of the Student Aid Commission that provides state residents enrolled at a campus of the University of California or the California State University would be eligible to enter into an agreement for student loan assumption to be redeemed after a qualifying period of civic service, or services as a volunteer.

Status: 05/31/2007 Held in Assembly Appropriations.

Position: None

AB 1522

AUTHOR: Brownley (D)

TITLE: Student Financial Aid

INTRODUCED: 02/23/2007

LAST AMEND: 04/10/2007

LOCATION: Assembly Higher Education Committee

Summary: This bill requires the Student Aid Commission to develop and make available a software program, for use by potential applicants, to facilitate identifying and applying for institutional, state, and federal student aid programs for postsecondary education.

Status: 04/10/2007 Held in Assembly Higher Education.

Position: None

AB 1652

AUTHOR: Lieber (D)

TITLE: Student Financial Aid

INTRODUCED: 02/23/2007

LAST AMEND: 04/24/2007

LOCATION: Assembly Appropriations Committee

Summary: This bill requires professional associations representing of the state student financial aid and lending communities to report to the Assembly Committee on Higher Education and Senate Committee on Education on the ethical standards that are currently in place, additional standards that should be instituted, including any recommendations for disclosure requirements and enforcement mechanisms.

Status: 05/31/2007 Held in Assembly Appropriations.

Position: None

SB 160

AUTHOR: Cedillo (D)

TITLE: Student Financial Aid: California Dream Act

INTRODUCED: 01/30/2007

LAST AMEND: 05/24/2007

LOCATION: Senate Appropriations 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: 05/31/2007 Held in Senate Appropriations.

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."*

Commission Position: Support

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 Held in Senate 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: None

SB 595

AUTHOR: Alquist (D)

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

INTRODUCED: 02/22/2007

LOCATION: 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: 04/26/2007 Held in Senate Education.

Position: None

SB 769

AUTHOR: Alquist (D)

TITLE: Student Financial Aid: Cal Grant Deadlines

INTRODUCED: 02/23/2007

LAST AMEND: 04/26/2007

LOCATION: Senate Appropriations 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: 05/31/2007 Held in Senate Appropriations.

Commentary: Report due to the Legislature by April 2008.

Position: None

15.b

Action/Information Item

California Student Aid Commission

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

This agenda item will provide 1) an update on federal activity and information on the 110th Congress and 2) a summary of bills related to the reauthorization of the Higher Education Act

Enclosed is the federal issue update.

Recommended Action: No action is required. Staff will provide a brief oral update on any significant changes that occur prior to the Commission meeting.

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

FEDERAL ISSUES UPDATE

Congress adjourned on August 4th for the summer recess and will not return to work in Washington, DC, until after Labor Day. The new fiscal year begins on October 1, 2007.

June was the busiest month to date for the 110th Congress this year for education legislation. In recent months, The House and Senate have each passed bills that would help make college more affordable, including provisions that would increase the maximum Pell Grant, cap student loan payments at a manageable percent of income, and raise the amount that working students can earn without reducing their financial aid awards. After several years of delay, bills to reauthorize the Higher Education Act (HEA) are moving through Congress again.

On June 13, the House Education and Labor Committee approved the *College Cost Reduction Act of 2007*, H.R. 2669. The full House then approved the bill on July 11 by a 273 to 149 vote. On June 20, the Senate Health, Education, Labor and Pensions Committee approved two bills related to HEA reauthorization. The first, S. 1642, was approved 20-0. The *Higher Education Amendments of 2007* would make changes to the Higher Education Act such as simplifying the federal financial aid application and reforming student loan policies in response to recent loan industry ethics investigations.

The second, slightly more controversial bill, the *Higher Education Access Act of 2007*, was approved 17-3. This bill is the Senate's version of legislation to meet the budget reconciliation requirement to cut costs in federal student aid programs. It would cut student loan lender subsidies by more than \$18 billion.

After approving two bills to reauthorize the Higher Education Act in Committee on June 20, the Senate moved the legislation quickly to the floor. The full Senate passed the *Higher Education Access Act of 2007*, whose text was inserted into H.R. 2669, by a 78-18 vote on July 20. This bill is the Senate's version of legislation to meet the budget reconciliation requirement to cut costs in federal student aid programs.

On July 24, after weeks of negotiations with the higher education community and a day and a half of debate, the full Senate passed the remaining portion of its HEA reauthorization legislation, S. 1642, the *Higher Education Amendments of 2007*, by a vote of 95-0. This much more comprehensive bill would make a range of changes to the current Higher Education Act and extend authority for the federal government's higher education programs for five years. Congress is expected to continue work on HEA Reauthorization in the fall.