1

Action/Information Item

Governmental Relations Committee

State Budget and Legislative Update

State Budget

The enclosure includes a brief report on the status of the 2005/06 State Budget and its impact on the California Student Aid Commission.

Staff is preparing a response to the Legislative Analyst's Office recommendations included in its *Analysis of the 2005-06 Budget Bill.* The response will be mailed under separate cover.

Legislative Proposals

The enclosure includes a summary of the bills currently being tracked by Commission staff. The deadline for Legislators to submit bills for consideration in the first year of the 2005-06 Legislative Session was set for February 18th and was extended to February 22. The committee is asked to review and take appropriate action on specific legislative proposals.

Recommended Action: Review and take action on the legislative proposals.

Responsible Staff: Carlos A. Machado, Chief
Division of Governmental and Public Affairs

Steve Caldwell, Manager, Outreach and
Governmental Relations Branch

The California Student Aid Commission Response to the
Analysis of the 2005-06 Budget Bill

Table of Contents

Issues		Page
	Introduction	**1**
	Guiding Principles of the Commission	**2**
Intersegmental	**Student Fees**	**3**
Intersegmental	**Financial Aid – Cal Grant Eligibility**	**5**
Intersegmental	**Financial Aid – The Private University Cal Grant**	**6**
Intersegmental	**Financial Aid – The Public University Cal Grant**	**7**
Student Aid Commission	**National Guard APLE Funding**	**8**
Student Aid Commission	**The EDFUND Reserves**	**9**

Introduction

On February 24, 2005, the Legislative Analyst's Office (LAO) released its analysis of the Governor's Budget Proposal for 2005-06. This is the second step in the annual State budget process, the first being the January release of the Governor's Budget Proposal itself. The LAO analysis identifies, analyzes and makes recommendations on issues in the budget proposal that it concludes should be more closely examined and debated throughout the Legislative hearings process that begins in both fiscal and policy committees in March. Those Governor's Budget proposals that are not identified as issues by the Analyst are often approved on consent by the Legislature and incorporated into the final budget act. Budget issues that are raised by the Analyst are generally resolved in one of three ways: the Legislature approves the Analyst recommendation on a particular issue, it approves the Governor's original proposal, or a compromise is negotiated between the two positions.

The following Commission staff analysis focuses only on those issues identified by the Analyst that directly affect the Commission, its programs, and the financially needy students and higher education institutions it serves.

Guiding Principles for the 2005-06 Budget Discussions

California statute (Education Code §66021.2) adopted as part of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program (SB 1644, Chapter 403, Statutes of 2000) affirms the state's historic commitment to provide educational opportunity to students pursuing a higher education by ensuring both access and choice for students with financial need and who meet academic criteria.

The California Student Aid Commission (Commission) has a long-standing commitment to delivering high quality service and increased resources for student financial aid through its administration of state grant programs and its role as California's designated guarantor in the federal loan program. Therefore, the Commission continues to support the policies adopted by the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act and opposes any changes which would undermine them or that would undermine the capacity of the Commission and EDFUND to meet their responsibilities under the federal California loan program. Consequently, the following policy principles are the priorities of the Commission, and the Commission urges the Governor and Legislature to support them:

❖ PRESERVE THE CAL GRANT ENTITLEMENT AND COMPETITIVE PROGRAMS

- **Maintain Current Cal Grant Eligibility Requirements**
  - Maintain statutory GPA requirements
  - Maintain statutory income ceiling
- **Preserve the Value of Cal Grant Awards**
  - Continue the longstanding state policy for Cal Grant awards to fully cover University of California (UC) and California State University (CSU) systemwide fees.
  - Provide genuine access and choice for, and consistent treatment of all financially needy students by reinstituting a statutory policy of linking the Cal Grant for students attending private institutions to the General Fund subsidy for financially needy students attending public universities.

❖ PRESERVE THE INTEGRITY OF THE STUDENT LOAN OPERATING FUND

- **Provide high quality services and keep the cost of borrowing low**
  - Continue to be the nation's premier service provider in the student loan industry.
  - Reduce the cost of borrowing by offering borrowers a zero guarantee fee as long as Student Loan Operating Funds permit and consistent with sound financial principles.
- **Protect loan program resources and preserve the long-term financial capacity of CSAC and EDFUND to meet their responsibilities to students and institutions in the federal loan program**

Page E-178 – E-197: Higher Education: Intersegmental – Student Fees

Analyst's Recommendation: *The Analyst recommends the State adopt a fee policy for the University of California, California State University, and California Community Colleges that sets certain targets for the share of education cost to be paid by students. The Analyst asserts that such a policy would provide both an underlying rationale for setting fee levels and a mechanism for annually assessing these levels. The Analyst believes that doing so would:*

- *Promote clear expectations about fee levels and consistent treatment;*
- *Strengthen accountability;*
- *Formally recognize that higher education is a shared responsibility with shared benefits; and*
- *Permit consideration of other factors to provide a fuller context for setting fees.*

The Analyst's recommendations for a new fee policy are similar in many respects to those outlined in AB 2710 (Liu) which passed the Legislature in the 2004 session but was then vetoed. Both contain specific share of cost targets for undergraduate fees for public four-year institutions -- 40 percent for the University of California (UC) and 30 percent for the California State University (CSU) -- and the Analyst also proposes a 20 percent share of cost target for the California Community Colleges (CCC).

Commission Comments: The Governor's Budget proposes to cap UC and CSU fee increases at 8 percent per year for undergraduate students and 10 percent for graduate students as part of the Governor's compacts with the two public four-year segments.

The Commission believes it would be desirable to have a coherent, consistent, and equitable state student fee policy, but recognizes that achieving that goal can be elusive for a number of reasons, including the following:

- Attempts to benchmark fee levels or future fee increases face a number of problems:
  - ✓ Fee levels at comparison institutions in other states may represent little more than the cumulative effects of a series of annual ad hoc responses to budget exigencies at institutions in those states;
  - ✓ Fee levels at comparison institutions may have been determined through policies that California would not want to emulate;
  - ✓ Using changes in per capita income or median family income to benchmark or adjust fee increases creates standards that bear little relationship to students' or the families of college-age students' ability to pay: and
  - ✓ Data for benchmarking purposes are rarely available in a timely fashion.

- Basing undergraduate fees on a share of the cost of education is fraught with its own pitfalls:
  - ✓ The procedure depends on broad agreement and there currently is none on what actually are average undergraduate or graduate costs.
  - ✓ Using average total costs, particularly at UC but also at CSU, either understates the percentage of education costs undergraduates currently pay or overcharges undergraduates in relation to "their share" of their actual education costs;

- ✓ Setting the percentage of costs undergraduates in different segments would be expected to pay is an inherently arbitrary process;
- ✓ In some instances, the percentage is set at the same level for all segments but in other states that use this approach different percentages are used for each segment;
- ✓ There is nothing magical about either approach and the percentage used is not an indicator of students ability to pay or affordability unless it is explicitly linked to financial aid policy;
- ✓ A higher education financing system based on charging students a specified share of the costs could provide sufficient revenue for public institutions to deliver quality education and fulfill their missions but only if the State honors its obligation to fully fund its own share of those costs; and
- ✓ If State funding or its share is cut sharply as they have been in every preceding recession/budget crisis, then public institutions are faced with two unattractive options: (1) either sacrifice the quality of education they provide or reduce enrollment to adjust to budget cuts without raising fees or (2) preserve the quality and integrity of their programs by offsetting some of the State support cuts by raising student fees more sharply.

Commission Recommendation: The Commission supports a fee policy that would allow California students to plan for, save for, and achieve a postsecondary education. It is clear that the state's current boom and bust approach to funding higher education and raising student fees is counter-productive. The absence of a state fee policy produces inconsistent treatment of different cohorts of undergraduates depending upon the performance of the economy at the time they are in college. Moreover, current State practice makes it difficult for students and families to plan and prepare to help pay education costs. Therefore, whatever practices or policies are followed in setting fees, the Commission firmly believes that whenever the State finds it necessary to raise fees, the Governor and the Legislature must also ensure that changes are graduate, moderate, and predictable and that adequate financial aid for low-income and disadvantaged students is provided.

Higher Education: Intersegmental – Financial Aid – Income Ceilings and Cal Grant Eligibility

Analyst's Recommendation: *The Analyst and the Governor recommend that the Legislature continue to adhere to its existing statutory policy for annually adjusting the income and asset ceilings to preserve eligibility for the existing Cal Grant eligibility pool. This would again help many middle-income students cover increases in student tuition and fees and would protect California's most financially needy students from being denied entitlement benefits.*

Commission Analysis: In accordance with current law (SB 1644, Chapter 403, Statutes of 2000), the Commission approved the 2005-06 Income Ceilings at its November 2004 meeting. The 2005-06 income and asset ceilings were calculated based on the 2004-05 income ceilings plus a 2.96 percent increase, based on the September 2005 estimated increase (the most current information available) in per capita income for 2005 from the Department of Finance (DOF). The following table outlines the Commission's approved 2005-06 income ceilings:

2005-2006 INCOME CEILINGS
APPROVED BY THE COMMISSION NOVEMBER 9, 2004

Dependent and independent students with dependents other than a spouse		
Family Size	Cal Grant A, C, T	Cal Grant B
Six or more	$80,400	$44,200
Five	$74,500	$40,900
Four	$69,600	$36,600
Three	$64,000	$32,900
Two	$62,500	$29,200
Independent students		
Family Size	Cal Grant A, C, T	Cal Grant B
Single, no dependents	$25,500	$25,500
Married	$29,200	$29,200

*Applies to independent students with dependents other than a spouse.

In order to prepare for processing the next award year applications:

1. Commission staff proposed income and asset ceilings for the next award year to the Commission's Grant Advisory Committee (GAC) in October.

2. The Commission took action on the GAC recommended income and asset ceiling changes at its November meeting.

3. Grant Delivery System programs were updated to reflect the approved amounts in order to determine eligibility for the Cal Grant programs.

Commission Recommendation: The Commission supports the Governor's and the Legislature's adoption of the 2005-06 income and asset ceilings for the Cal Grant programs. By continuing to honor the long-term policy set in SB 1644, they will prevent erosion in the size and composition of the eligibility pool. California must continue to educate its future workforce to fuel the economic engine that has helped California recover from economic downturns in the past and prosper. Denying students choice and access to a postsecondary education would only serve to obstruct California's future economic growth.

Page E-232 – E-237: Higher Education: Intersegmental – Financial Aid – The Private University Cal Grant

Analyst's Recommendation: *The LAO recommends that the Legislature establish in statute a policy and an associated award formula that would link the Cal Grant for financially needy students attending private universities to the General Fund subsidy the state provides for financially needy students attending the public universities. Under the Analyst's recommended formula, the private university Cal Grant would be $10,568 in 2005-06 and concluded that providing this award for new recipients would cost $26.6 million relative to the Governor's Budget.*

Commission Analysis: The Administration proposes to reduce the maximum Cal Grant award for students at non-public postsecondary institutions from $8,322 to $7,449 per year, representing a 10.5 percent decrease in the value of the award. This proposal comes on top of the $1,386, 14 percent reduction in the maximum grant for new private institution recipients in 2004-05. The latest proposal would not affect awards issued prior to 2005-06.

Reducing Cal Grant maximum award for new students at non-public institutions would affect approximately 12,200 students. While we have no historical data to predict the effect of such a reduction, we are currently analyzing the impact of the reduction this year on award recipients who planned to attend non-public institutions in 2004-05.

The Analyst also stated that if the decision were made to provide the higher maximum award to those who were new recipients in 2004-05 it would cost an additional $25.5 million. Commission staff estimates of these added costs based on projected renewal rates among these recipients would be $21.1 million.

Commission Recommendation: The Commission believes that a policy framework for setting the maximum private university award needs to be established in statute and should not be subject to the annual budget process. At its January 13, 2005, meeting, the Student Aid Commission voted to support the concept of a formula that would set and adjust the maximum award amounts for students at independent institutions based on the estimated average General Fund costs of educating a student at the public four-year institutions. The estimated General Fund cost is defined as the weighted average of the General Fund component of the marginal costs at the University of California and the California State University (as determined jointly by the Department of Finance, the Legislative Analyst Office, and the segments) plus the weighted average Cal Grant award at the University of California and California State University.

Higher Education: Intersegmental – Financial Aid – The Public University Cal Grant

Analyst's Recommendation: *The Administration and the Analyst believe that the Legislature should adhere to existing law and existing budgeting practice and increase the grant to cover the entire systemwide fee at the University of California and the California State University. The Governor's Budget reflects this commitment to cover full systemwide fees by increasing Cal Grant awards to fully cover the 8 percent increase at public four-year institutions. This would continue to send a clear and consistent message that the financially needy students at all three public higher education segments will continue to receive full student fee coverage.*

Commission Analysis: Even prior to the creation of the Cal Grant Entitlement program, the state's long-term statutory policy had been to link the public university Cal Grant with systemwide student fees at UC and CSU. However, students' cost of attendance and actual fees are much higher than what is covered by the maximum Cal Grant award. For example, not since the 1991-92 academic year have Cal Grant awards been used to cover *all* UC/CSU fees including campus-based student fees. Historically, students' educational fees have been viewed as the major fiscal hurdle to attending college. Thus, the state's primary goal has been to cover all systemwide student fees. The Commission's recommendation to maintain the integrity of the public university Cal Grant by linking it to full systemwide fees is consistent with the state's overall Cal Grant policy.

Commission Recommendation: The Governor and the Legislature should continue their support for access and affordability established under SB 1644 that allows the state's low-income and disadvantaged students to obtain and complete their postsecondary education even in the face of increasing fees.

Page E-236 & E-238: Higher Education: Student Aid Commission – National Guard APLE Program

Analyst's Recommendation: *The Analyst recommends that because no National Guard warrants have been issued to date, and individuals must complete one year of military service prior to receiving loan forgiveness, the Commission will incur no associated program costs in 2005-06. Thus, the Governor's Budget prematurely funds the program and the Analyst recommends the Legislature capture the associated $200,000 as General Fund savings.*

Commission Analysis: The National Guard APLE Program was established in 2003 and amended in 2004 to offer loan forgiveness as an incentive for more individuals to enlist or re-enlist in the National Guard, State Military Reserve, and Naval Militia. Specifically qualifying members have a portion of their loans forgiven after each year of military service -- $2,000 after their first year of service and $3,000 after their second, third, and fourth years of service – for total loan forgiveness of $11,000. The Governor's budget proposes to authorize up to 100 new National Guard APLE warrants in 2005-06. The Commission concurs with the Analyst that the $200,000 to redeem the authorized warrants will not be needed until 2006-07 after these initial recipients complete their initial year of new service.

Commission Recommendation: The Commission supports the National Guard APLE program and will work with the Governor and Legislature to determine the appropriate funding requirements.

Page E-238 – E-239: Higher Education: Student Aid Commission – The Commission/EDFUND Student Loan Operating Fund Reserves

Analyst's Recommendation*: The Analyst recommends the Legislature use $26.6 million from* EDFUND*'s Student Loan Operating Fund (SLOF) to fund the cost of the new maximum grant for new Cal Grant recipients attending private institutions.*

Commission Analysis: The recent State practice of using the Student Loan Operating Fund (SLOF) to pay for non-loan program General Fund obligations threatens to substitute short-term convenience for long-term benefits.

- At the end of the 2003-04 federal fiscal year, the State took $146.5 million in SLOF reserves to backfill cuts in General Fund support for Cal Grants in 2004-05. At the time, the Governor indicated that this would be a one-time transfer that reduced the SLOF reserves by half.

- For 2005-06, the Governor's Budget proposes to take an additional $35 million from the SLOF to make up for General Fund shortfalls in funding the Cal Grant program.

- Now, the Legislative Analyst proposes to take $26.6 million, in addition to the $35 million, from the SLOF to fund a new policy that would raise the maximum Cal Grant for students attending private institutions.

- Cal Grant award costs are State General Fund obligations, not loan program expenses. Continuing this practice would result in the loss of $208 million in loan fund reserves in just two years and could threaten the near- and long-term financial viability of California's loan program.

In 2003-04, the SLOF was strong and healthy. The fund was built up as the result of years of expanding student loan guarantee volume, increased collection recoveries on defaulted loans, and prudent management of loan program resources by CSAC/ EDFUND. From its position of financial strength, CSAC/ EDFUND was able to: a) significantly reduce borrower costs by over $40 million per year by waiving the guarantee fee, b)expand its guarantee services to student borrowers and higher education institutions throughout California and the nation, c) begin planning for expansion and improvement of loan services for decades to come, and d) preserve its financial flexibility to adapt successfully in a highly competitive, rapidly changing student loan business.

CSAC/ EDFUND's market position depends upon its ability to continue to provide high quality guarantee services to students and institutions at a competitive price. That, in turn, depends on its ability to continue to offer savings to prospective borrowers by charging a zero guarantee fee and on its having the SLOF resources to be able to forego the potential guarantee fee income and still maintain minimum reserve requirements in its Federal Fund. Without sufficient SLOF reserves to help maintain minimum Federal Fund reserves, CSAC/ EDFUND would be forced to increase borrower costs and in doing so would lose substantial guarantee volume to competitors who were still able to charge a zero guarantee fee.

The loss of $26.6 million more in SLOF reserves to pay for a new maximum Cal Grant at non-public institutions in FFY 2005-06 would not leave a prudent reserve in the SLOF. SLOF reserves are needed to maintain the Commission and EDFUND's operations and allow for expansion and improvements of services

CSAC/ EDFUND is still a tremendously valuable asset to the students and institutions it serves through its guarantee business, and it has the potential to continue to thrive with some prudent, phased investments in business diversification and careful management of its loan program resources.

The Governor's and the Legislative Analyst's proposals to use the SLOF for Cal Grant awards again next year could threaten CSAC/ EDFUND's capacity to maintain minimum reserve requirements for the Federal Fund. If that happened, the U.S. Secretary of Education could declare CSAC/ EDFUND insolvent and appoint a successor guarantor, much as was done recently in Oregon. California leaders would not make the choice and there would be no short-term windfall payment by a competitor to CSAC, EDFUND, or the State from the "sale" of EDFUND or its guarantee services business. Any remaining assets, aside from the remnants of its SLOF, would simply be transferred to a successor guarantor of the Secretary's choosing. California, its students, and its institutions would lose a valued asset, and the state would lose all control and influence over the cost and kinds of guarantee services provided to its citizens and over the entity providing those services.

The Analyst issued a cautionary note last year when it proposed a $66 million transfer from the SLOF to fund UC and CSU financial aid offices in fiscal year 2004-05. The Analyst warned that the SLOF would need to be reviewed annually to determine the viability of any such future uses to pay for General Fund obligations due to the uncertainty over federal law and policies regarding loan guarantee agency revenue retention and usage. In fact, approximately 37 percent of CSAC/EDFUND revenues in 2003-04 derived from a voluntary federal revenue-sharing agreement (VFA) that is subject to annual renewal. In future years, this source of revenue could quite possibly be eliminated altogether.

Finally, the Commission in February 2004 established a Capital Utilization Plan (CUP) to designate use of revenue from the SLOF. In adopting a CUP, the Commission stated its commitment to ensure college access and affordability, both today and in the future.

Under the CUP, the Commission has taken a prudent approach to the use of the accumulated SLOF reserves to provide optimal loan program benefits to current and future students and to further enhance EDFUND's revenue-generating capacity over the long run while maintaining adequate reserves.

Commission Recommendation: The Commission supports the Analyst's recommendation that the Legislature establish an equitable maximum grant for new Cal Grant recipients at private institutions that treats all financially needy students in a consistent manner but believes it would not be prudent in light of long-term revenue projections to fund this specific recommendation for Cal Grants awards, which are General Fund obligations, with the SLOF reserves.

However, in fiscal year 2004-05, the Commission recognized the magnitude of the General Fund budget deficit and recommended that any revenue that was taken from the SLOF be a limited, non-recurring, one-time expenditure. It also recognizes that the upcoming Reauthorization of the Higher Education Act introduces even greater risk and uncertainty about the future sources of loan program revenue, as well as expenses, and makes long term forecasts of future SLOF reserves much more problematic. Without greater certainty about

long-term revenues and expenses, it would be premature at this time to further reduce SLOF reserves for non-loan purposes.

The Commission stands ready to work with the Governor and the Legislature in determining the future course of action for its participation in the federal loan program and the appropriate use and level of funding for non-loan purposes. The Commission's operating budget and its outreach activities are presently funded from the SLOF. The Commission is presently assessing the long-term ability of the SLOF to support grant and outreach services.

The Commission makes these recommendations in accordance with its mandate to provide college access and affordability and to ensure that the Commission and EDFUND continue as the self-sustaining guarantor of student opportunity in California. The Commission strongly believes that sustaining and not draining SLOF reserves is critical to the Commission and EDFUND collectively and the students and higher education institutions they serve.

Analysis of the 2005-06 Budget Bill

Legislative Analyst's Office
February 2005

Student Aid Commission (7980)

The Student Aid Commission provides financial aid to students through a variety of grant and loan programs. The proposed 2005-06 budget for the commission includes state and federal funds totaling $1.4 billion. Of this amount, $746 million is General Fund support—all of which is used for direct student aid for higher education. A special fund covers the commission's operating costs.

Below, we first summarize the Governor's budget proposals for the Cal Grant program and the Assumption Program of Loans for Education (APLE). We have concerns with three of these proposals—the reduction to the private university Cal Grant, the "set aside" for the National Guard APLE program, and the size of EdFund's operating surplus (which partly supports the Cal Grant program). We discuss these issues later in this section.

Major Budget Proposals

Figure 1 compares the commission's revised 2004-05 budget with the proposed 2005-06 budget. As the figure shows, financial aid expenditures would increase $44.6 million, or 6 percent, from the current year. Virtually all of this increase is due to additional Cal Grant costs ($37.3 million) and APLE costs ($6.9 million). As the figure also shows, in the budget year, General Fund support would increase considerably, in part to backfill a major reduction in support from the Student Loan Operating Fund (SLOF). Whereas $146.5 million in SLOF monies were used to support the Cal Grant program in 2004-05, the Governor's budget proposes to use $35 million in SLOF monies in 2005-06.

Figure 1
Student Aid Commission Budget Summary [a]

(Dollars in Millions)

	2004•05 Revised	2005•06 Proposed	Change Amount	Change Percent
Expenditures				
Cal Grant programs				
Entitlement	$551.0	$608.9	$57.9	11%
Competitive	116.2	124.9	8.7	7

Pre-Entitlement	37.2	7.4	-29.8	-80
Cal Grant C	9.7	10.3	0.6	6
Subtotals—Cal Grant [b]	($714.1)	($751.4)	($37.3)	(5%)
APLE [c]	$34.0	$40.9	$6.9	20%
Graduate APLE	0.2	0.4	0.2	75
National Guard APLE	—	0.2	0.2	—
Law enforcement scholarships	0.1	0.1	—	1
Totals	**$748.5**	**$793.1**	**$44.6**	**6%**
Funding Sources				
General Fund	$589.4	$745.5	$156.1	26%
Student Loan Operating Fund [d]	146.5	35.0	-111.5	-76
Federal Trust Fund [d]	12.6	12.6	—	—
Totals	**$748.5**	**$793.1**	**$44.6**	**6%**

[a] In addition to the programs listed, the commission administers the Byrd Scholarship and Child Development Teacher and Supervisor programs—both of which are supported entirely with federal funds. It also administers the Student Opportunity and Access program, an outreach program supported entirely with Student Loan Operating Fund monies.

[b] Includes $46,000 for the Cal Grant T program in 2004•05. The program has been phased out as of 2005•06.

[c] Assumption Program of Loans for Education.

[d] These monies pay for Cal Grant costs as well as support and administrative costs.

Cal Grant Program. Figure 2 provides a more detailed breakdown of the four major budget proposals relating to the Cal Grant program. The Governor's budget assumes the commission will issue 3,345 additional Cal Grant awards. This represents a 1.3 percent increase from the current year in the total number of Cal Grant awards issued. The Governor's budget also proposes to increase the value of Cal Grants for University of California (UC) and California State University (CSU) students (to compensate for the proposed undergraduate fee increases), but it would decrease Cal Grants for financially needy students attending private institutions by $873, or 10 percent. (Please see below for a more detailed discussion of the private university Cal Grant issue.)

Figure 2

Major Cal Grant Budget Proposals

Governor's Budget Proposal	Cost (In Millions)
Increase in number of Cal Grant awards (3,345)	$21.6
Increase University of California Cal Grant by 8 percent (raising maximum award from $5,684 to $6,141)	15.3
Increase California State University Cal Grant by 8 percent (raising maximum award from $2,334 to $2,520)	7.9
Decrease private university Cal Grant by 10 percent (lowering maximum award from $8,322 to $7,449)	-7.5
Total	**$37.3**

Figure 3 shows growth in the number of Cal Grant awards from 2003-04 (actual) to 2005-06 (projected). The budget assumes the commission will issue almost 260,000 Cal Grants in 2005-06. It assumes a modest increase (2.3 percent) in the number of new High School Entitlement awards, and no increase in the number of new Transfer Entitlement awards (though the commission indicates it currently is analyzing transfer patterns and might revise this estimate in the spring). Per statute, the budget assumes the commission will award 22,500 new Competitive Cal Grant awards and 7,761 new Cal Grant C awards. (The Competitive Cal Grant program is designed for older students whereas the Cal Grant C program is designed for students enrolled in short-term vocational programs.) The commission is in the midst of studying renewal patterns in the competitive program to determine if its associated budget-year projections need to be revised. The budget assumes only 1,660 pre-entitlement renewal awards—indicating that almost all pre-entitlement recipients already have completed college. In a couple of years, the program will be entirely phased out.

Figure 3

Growth in Cal Grant Participation

	2003•04 Actual	2004•05 Revised	2005•06 Projected	Change From 2004•05	
				Number	Percent
High School Entitlement					
New awards	60,359	63,000	64,449	1,449	2.3%
Renewal awards	82,486	106,960	114,371	7,411	6.9
Subtotals	(142,845)	(169,960)	(178,820)	(8,860)	(5.2%)
Transfer Entitlement					
New awards	2,270	4,300	4,300	—	—
Renewal awards	209	1,075	2,895	1,820	169.3%
Subtotals	(2,479)	(5,375)	(7,195)	(1,820)	(33.9%)
Competitive					
New awards	22,391	22,902	22,500	-402	-1.8%
Renewal awards	28,717	35,193	33,670	-1,523	-4.3
Subtotals	(51,108)	(58,095)	(56,170)	(-1,925)	(-3.3%)
Pre-Entitlement Renewal Awards	28,010	8,135	1,660	-6,475	-79.6%
Cal Grant C					
New awards	7,580	7,761	7,761	—	—
Renewal awards	6,500	6,884	7,964	1,080	15.7%
Subtotals	(14,080)	(14,645)	(15,725)	(1,080)	(7.4%)
Cal Grant T Renewal Awards	255	15	—	-15	-100.0%

Totals	**238,777**	**256,225**	**259,570**	**3,345**	**1.3%**

APLE Program. The Governor's budget includes a $6.9 million General Fund augmentation to cover loan-forgiveness costs associated with APLE warrants issued in previous years. The Governor's budget proposes to issue 7,700 new APLE warrants—the same level as in the current year. The Governor's budget also includes $200,000 to fund a maximum of 100 new National Guard APLE warrants. (Please see below for a more detailed discussion of this proposal.)

Private University Cal Grant

The Governor's budget proposes to reduce the maximum Cal Grant for students attending private colleges and universities by $873, or 10 percent—lowering the award from its current-year level of $8,322 to $7,449. This would be the second consecutive reduction. Between 2003-04 and 2004-05, the award was reduced by $1,386, or 14 percent. Approximately 12,100 financially needy students attending private universities likely would be affected by the proposal, which would be imposed only on new Cal Grant recipients. Of these students, approximately 8,500 would experience the reduction in the budget year whereas approximately 3,600 others would experience the reduction in 2006-07. (This delayed impact is due to a state policy that does not provide fee assistance to most first-year Cal Grant B recipients, even though they represent the financially neediest students served by the Cal Grant program.) Continuing students would retain the higher award rates they are receiving in the current year. The Governor's budget assumes the proposal would generate $7.5 million in General Fund savings. Below, we discuss our concerns with this proposal.

Create Parity for Financially Needy Students Attending Public and Private Universities

We recommend the Legislature establish in statute a policy and an associated award formula that would link the Cal Grant for financially needy students attending private universities to the General Fund subsidy the state provides for financially needy students attending public universities. Under our recommended formula, the private university Cal Grant would be $10,568 in 2005-06. Providing this higher award amount to new 2005-06 recipients would cost $26.6 million relative to the Governor's budget. We recommend the Legislature use additional Student Loan Operating Fund surplus monies to cover this cost (please see final write-up of this section).

Since 2001-02, the state has had neither an explicit nor an implicit policy for determining the private university Cal Grant. Without a policy, Cal Grant decisions can appear arbitrary, the program can become disconnected from its primary objective, and the program can be more difficult to oversee and evaluate. For these reasons, we recommend the Legislature establish a statutory private university Cal Grant policy that is linked with an associated award formula that can be used for budgeting purposes. We recommend a policy and related formula that would provide a simple means by which the state could ensure that it contributes about the same amount of support for all financially needy students.

Since 2000, State Has Not Had Private University Cal Grant Policy. When Chapter 403, Statutes of 2000 (SB 1644, Ortiz), created the new Cal Grant Entitlement program, the state's existing private university award policy was replaced with a new provision that linked the private university Cal Grant to whatever amount was specified in the annual budget act. For the next three consecutive years, the private university award was maintained at its 2000 level before being reduced in the current year.

Without a Policy, Funding Decisions Can Appear Arbitrary. Without an award policy, private university Cal Grant decisions can appear arbitrary. For example, in the current year, college costs (including fees and tuition) increased for public and private students alike. However, the Cal Grant award increased for public university students while the private university Cal Grant declined.

Without a Policy, Program Can Become Disconnected From Its Purpose. Without a policy to guide annual private university award decisions, the Cal Grant program can quickly become disconnected from its primary purpose. Although maintaining access and choice for all financially needy students is the primary goal of the Cal Grant program, the state's current-year action appeared to promote access to public institutions while dampening the potential for some financially needy students to attend private institutions. This is of particular concern because some private institutions are very specialized and essentially have no public university equivalent, yet they may best meet a financially needy student's educational objective. Access also is of particular concern because a significant proportion of financially needy, baccalaureate-seeking students attend *local* four-year private universities—living at home to substantially reduce overall college costs. For example, more than one-third of the financially neediest students (with family incomes less than $30,000) attending private four-year colleges live at home. Moreover, of the 25 private schools that enroll the greatest number of Cal Grant recipients (please see nearby box), all but a handful are relatively small regional universities with relatively small endowments. These institutions would not be as likely to backfill the proposed reduction in the state's award.

Without a Policy, Program Is Difficult to Evaluate. One of the primary benefits of any statutory policy is that it can clarify the objective of a program, thereby allowing the Legislature to monitor and track its performance. Without a policy, the Legislature cannot determine whether the private university award is fulfilling its objective. A statutory policy could establish criteria upon which to evaluate the private university award's success in promoting access, choice, and persistence among financially needy students as well as its success in expanding general higher education enrollment capacity.

State's Former Statutory Policy Sought Parity. Prior to 2000, the state had a longstanding statutory policy that guided private university Cal Grant decisions. Statute then specified, "The maximum award for students attending nonpublic institutions shall be set and maintained at the estimated average General Fund cost of educating a student at the public four-year institutions of higher education." Toward this end, statute included a formula that set the private university Cal Grant at 75 percent of the average General Fund cost per student at CSU plus the average of UC and CSU's student fees (both systemwide and campus-based).

Our Modified Formula Promotes Greater Parity. Our recommendation is consistent with the intent of the state's former statutory policy to provide comparable General Fund support for financially needy students attending public and private schools. We recommend modifying the previous formula to better meet this intent. The earlier formula was somewhat arbitrary in linking the award to "75 percent of the average General Fund cost per student at CSU." Our modified formula is based on the enrollment-weighted General Fund subsidy provided for students attending UC and CSU. We think this is a more accurate reflection of how much the state provides for an additional public university student. Second, our modified formula is based on the marginal cost rather than the average cost, as this too is a better reflection of the amount the state pays for each additional (rather than existing) student. Third, the earlier formula accounted for both systemwide and campus-based fees to reflect former Cal Grant policies. Our modified formula reflects current Cal Grant policies, which link awards only to systemwide fees. All three modifications establish a simple, ongoing means for equalizing what the state provides for financially needy students at public and private universities.

Figure 4 compares the support the state provides for different groups of financially needy students. As

reflected in the figure, the Governor's proposed private university Cal Grant award would be 15 percent less than the level of General Fund support provided for financially needy students at CSU and 46 percent less than the level of General Fund support provided for financially needy students at UC. Also reflected in the figure, the budget-year private university rate generated by our recommended formula would be just slightly less than what the award would have been using the state's former statutory formula.

Figure 4

Comparing State Support for Financially Needy Students

	2005•06
University of California	
General subsidy	$7,588
Cal Grant	6,141
Total subsidy	$13,729
California State University	
General subsidy	$6,270
Cal Grant	2,520
Total subsidy	$8,790
Private University Cal Grant	
Proposed rate	$7,449
LAO-formula rate	10,568
Former statutory rate	10,694

Fiscal Implication of New Parity Policy. Increasing the private university Cal Grant to $10,568 for new 2005-06 recipients would cost $26.6 million relative to the Governor's budget. (By comparison, the Governor's budget proposal includes a $23 million augmentation for UC and CSU Cal Grants in the budget year.) We recommend the Legislature use surplus SLOF monies to cover this budget-year cost. In 2006-07, the cost of the higher private university grant would increase by approximately $8.3 million as second-year Cal Grant B recipients began receiving a fee award (rather than only a subsistence award). The Legislature also may want to consider increasing the award for new Cal Grant recipients in the current year, who were subject to the 14 percent award reduction. We estimate providing the higher award of $10,568 for these students would cost an additional $25.5 million in 2005-06.

In sum, we recommend the Legislature adopt a policy that would seek parity between state support provided for financially needy students attending public and private universities. This policy could help guide annual private university Cal Grant decisions, thereby making them seem less arbitrary. It also would support the primary objective of the Cal Grant program—to promote access and choice for all financially needy students. Finally, having an explicit policy could enhance the Legislature's ability, on an ongoing basis, to assess the public benefit of the private university Cal Grant.

Private University Cal Grant Helps Financially Needy Students Attending Diverse Set of Institutions

To help answer some private university Cal Grant questions that often arise, we list below the 25 private schools that enrolled the greatest number of Cal Grant recipients in 2004-05. Of the 25 schools, 23 are four-year institutions whereas 2 are two-year institutions. Seventeen are nonprofit institutions whereas eight are for-profit institutions. Two schools (Stanford and the University of Southern California) have endowments that exceed $1 billion, six schools have endowments that exceed $100 million, and the remaining nonprofit schools have relatively small endowments. These 25 schools enroll just about one-half of all private university Cal Grant recipients. In total, new Cal Grant recipients in 2004-05 are enrolled at 191 private institutions.

Private Institutions Enrolling the Greatest Number of Cal Grant Recipients

(2004•05)

Private Institution	Cal Grant Recipients	Private Institution	Cal Grant Recipients
University of Southern California	838	University of San Diego	231
University of Phoenix[a]	572	Saint Mary's College of California	215
Devry University, Pomona[a]	488	Westwood College of Technology[a]	199
Loyola Marymount University	392	University of Redlands	194
University of the Pacific	348	California Baptist University	194
Fashion Institute of Design[a, b]	334	The Art Institute of California, Los Angeles[a]	192
University of Laverne	306	Universal Technical Institute[a,b]	178
Azusa Pacific University	299	American Intercontinental University[a]	175
University of San Francisco	278	Santa Clara University	172
Mount St. Mary's College	264	La Sierra University	158
Stanford University	253	The Art Institute of California, San Francisco[a]	153
Chapman University	236	Fresno Pacific University	151
Biola University	232		

[a] For-profit institutions.

[b] Two-year institution.

National Guard APLE Program

As established in 2003 and amended in 2004, the National Guard APLE program offers loan forgiveness as an incentive for more individuals to enlist or re-enlist in the National Guard, State Military Reserve, and Naval Militia. Specifically, qualifying members have a portion of their education loans forgiven after each year of military service—$2,000 after their first year of service and $3,000 after their second, third, and fourth years of service—for total loan forgiveness of $11,000. The annual budget act has not yet authorized the commission to issue any National Guard warrants.

New Warrants Have No Budget-Year Cost

Because no National Guard warrants have been issued to date, and individuals must complete one year of military service prior to receiving loan forgiveness, the commission will incur no associated program costs in 2005-06. Thus, the Governor's budget prematurely funds the program. We therefore recommend the Legislature capture the associated $200,000 as General Fund savings.

The Governor's budget proposes to authorize up to 100 new National Guard APLE warrants. It also includes $200,000 for the program, with accompanying budget bill language that "these funds shall remain available through 2006-07." Because warrant-holders must complete one year of military service before receiving loan forgiveness, the state would not begin incurring a cost for a new National Guard APLE warrant (as is the case with all APLE warrants) until at least one year after it is originally issued. Thus, no funding would be needed in the budget year. Moreover, the Governor's proposal to set aside 2005-06 monies that will not be needed until 2006-07 is inconsistent with existing APLE funding practices. Specifically, the state has a long history of funding APLE warrants only as payment on them becomes due. This helps ensure funds are provided when needed. We recommend the Legislature continue to adhere to its existing budget practice and pay for any new warrants when payment becomes due. Thus, we recommend the Legislature capture the unneeded $200,000 as General Fund savings.

EdFund Operating Surplus

Chapter 961, Statutes of 1996 (AB 3133, Firestone), gave the commission the authority to establish an auxiliary organization for purposes of administrating the Federal Family Education Loan (FFEL) program. Toward this end, the commission created EdFund, which, consistent with statute, functions as a nonprofit public benefit corporation. Colleges and universities that are interested in participating in the FFEL program may choose to work with EdFund or one of several other independent guaranty agencies. Alternatively, colleges and universities may participate in the Federal Direct Student Loan program, in which case their student loans are guaranteed and administered directly by the federal government.

After Six Years of Increasingly Large Annual Surpluses, EdFund Had $267 Million Cumulative Surplus. From federal fiscal year (FFY) 1997-98 through FFY 2002-03, EdFund experienced increasingly large annual operating surpluses. In 2002-03, EdFund's annual surplus reached $108 million. EdFund's annual operating expenses that year were $118 million, so it was generating

about twice as much revenue as it needed to cover its operating costs. By the close of 2002-03, EdFund was carrying a cumulative surplus of $267 million. EdFund attributes these surpluses to three primary factors—an increase in its loan volume as well as its success in default prevention and loan collections.

Current-Year "Swap" Works as Intended. In 2004-05, the state decided to use $146.5 million in SLOF monies to cover a portion of Cal Grant costs. The swap worked as intended—helping to maintain existing Cal Grant benefits for most students, reducing EdFund's surplus without threatening the viability of the agency, and relieving the General Fund. Even after accounting for this swap, EdFund has a cumulative surplus of $160 million (as of September 2004).

Use Larger Budget-Year Swap to Restore Cal Grant Benefits

We recommend the Legislature use an additional $26.6 million in Student Loan Operating Fund surplus monies to restore Cal Grant benefits for financially needy students attending private universities (thereby reducing the cumulative surplus to a more moderate level).

The Governor's budget proposes to use $35 million in SLOF surplus monies to support the Cal Grant program. In essence, it swaps $35 mil lion in SLOF surplus monies for General Fund monies. We recommend the Legislature increase the swap by $26.6 million—for a total of $61.6 million—to restore the current-year and proposed reductions to the private university Cal Grant. If EdFund generated no additional operating surplus in FFY 2004-05, our recommendation would reduce EdFund's cumulative surplus from $160 million to $98 million. This equates to roughly a nine-month reserve. We think, for a nonprofit public agency, this is still a substantial reserve level—one that would not reduce EdFund's viability as a guaranty agency.

Return to Education Table of Contents, 2005-06 Budget Analysis

STATE LEGISLATIVE UPDATE

THE BUDGET

Governor Schwarzenegger released his 2005-06 Proposed Budget on January 9, 2005. The proposal basically maintains the integrity of the Cal Grant programs. However, the proposal would reduce the maximum Cal Grant award for students at independent colleges and universities by 10 percent (from $8,322 to $7,749). Additionally, the proposed budget would shift $35 million from the Student Loan Operating Fund to cover a portion of the General Fund obligation.

Subsequently, the Legislative Analyst's Office (LAO), in its *Analysis of the 2005-06 Budget Bill* which was released on February 24, 2005, recommended creating parity for financially needy students attending public and private universities by establishing a statutory policy and award formula that would link the Cal Grant for students attending private universities to the General Fund subsidy the State provides to students attending UC and CSU.

According to the LAO, the proposed formula would increase the maximum grant to $10,568 for the 2005-06 award year at a cost of $26.6 million relative to the Governor's Budget. The LAO proposes funding the additional $26.6 million through the Student Loan Operating Fund.

The LAO also suggested that the Legislature may want to consider increasing the award for new Cal Grant recipients in the current year, who were subject to the 14 percent award reduction. The cost of this proposal is estimated at $25.5 million in 2005-06.

The Legislature began its budget overview hearings on February 28, 2005. Additional budget hearings are expected to begin immediately following the legislative break from March 18th through March 29th.

STATE LEGISLATIVE PROPOSALS

The first year of the 2005-06 2-year session began on January 3, 2005. The deadline for members to introduce bills was scheduled for February 18, 2005, but it was extended to February 22, 2005. Bills must be in print for at least 30 days before they can be heard in committee.

SB 30 **Position: None**
Author: Speier (D Hillsborough)
Version: As Introduced on December 9, 2004
Subject: Tax Deductions: 529 College Savings Plans

The Personal Income Tax Law, to conform to federal income tax laws, allows various deductions in computing the income that is subject to the taxes imposed by that law. This bill, beginning in 2005, would allow qualified taxpayers to deduct the amount contributed on behalf of a beneficiary, to the Golden State Scholarship Trust.

Status: As introduced.

SB 337 **Position: None**
Author: Maldonado (R-Santa Maria)
Version: As Introduced on February 16, 2005
Subject: Denial of Cal Grants for Specified Offenses

This bill would require the Commission to deny a Cal Grant award to any person who has been convicted of any of several prescribed offenses, including willful resistance, delay, or obstruction of a public officer; sexual battery; rape; riot; incitement to riot; rout; unlawful assembly; remaining present at the scene of a riot after a warning to disperse; assembly for the purpose of disturbing the public peace; and disorderly conduct; or who must register as a sex offender, until at least two years have elapsed from the time that the applicant has filed an otherwise timely application.

This bill would also require community colleges and the CSU and would request the UC Regents to immediately dismiss, from any institution within its jurisdiction, any student who is convicted of an offense requiring the student to register as a sex offender. The student would be permitted to apply for readmission to the institution after at least one year has elapsed from the dismissal date.

The bill would also prohibit community college and CSU campuses from admitting any applicant who is required to register as a sex offender, until at least one year has elapsed from the time that the applicant has filed an otherwise timely application for admission. The bill would also express the intent of the Legislature that the UC Regents adopt a policy that is at least as stringent as this provision.

Status: As introduced.

SB 531 **Position: None**
Author: Ortiz (D-Sacramento)
Version: As Introduced on February 11, 2005
Subject: Budget – Consideration of Fee Increases

This appears to be a spot bill. As currently written, this bill would require the annual Governor's Budget to take into consideration any increases in tuition and fees at California colleges and universities.

Status: As introduced.

SB 445 **Position: None**
Author: Ducheny (D-San Diego)
Version: As Introduced on February 17, 2005
Subject: Commission on Statewide Postsecondary Education Policy and Planning

This bill would establish the California Commission on Statewide Postsecondary Education Policy and Planning to replace or subsume the responsibilities of the California Postsecondary Education Commission (CPEC). The commission would advise the Executive and Legislative branch on higher education budget issues and would have specified functions and duties as the statewide higher education policy and planning agency.

Status: As introduced.

SB 577 **Position: None**
Author: Figueroa (D- Fremont)
Version: As Introduced on February 18, 2005
Subject: State Government Operations: Reform (Spot Bill)

This bill would declare the intent of the Legislature to enact legislation that would reform state government operations in an effort to improve the efficiency and accountability of government programs.

Status: As introduced.

SB 659 **Position: None**
Author: Scott (D-Altadena)
Version: As Introduced on February 22, 2005
Subject: Student Financial Aid: ScholarShare Account Balances

This bill would prohibit assets held in trust under the Golden State ScholarShare Trust Act by a lower income household to be counted with respect to any means-tested, state-funded student financial aid program administered by the Commission.

Status: As introduced.

SB 796 **Position: None**

Author: Figueroa (D-Fremont)
Version: As Introduced on February 22, 2005
Subject: Government Operations: Accountability.

This bill would declare the Legislative intent to enact legislation that will make state government more accountable to the public by improving the transparency of government operations.

Status: As introduced.

AB 3 **Position: None**
Author: Blakeslee (R-San Luis Obispo)
Version: As Introduced on January 6, 2005
Subject: Income Tax Deduction: College Savings

The Personal Income Tax Law authorizes various deductions in computing income that is subject to taxes imposed by that law. This bill would allow a deduction for contributions, not exceeding specified amounts, made by a taxpayer to a qualified tuition program, as defined.

Status: As introduced.

AB 53 **Position: None**
Author: Negrete McCleod (D-Los Angeles)
Version: As Introduced on January 6, 2005
Subject: State Boards and Commissions: Reorganization

This bill would declare the Legislature's intent to eliminate governmental waste and inefficiency, through the consolidation of five separate state agencies into a single entity with specified responsibilities; the creation of an Office of Management and Budget with responsibility for the state's fiscal affairs, personnel management, and procurement systems, and consolidate the Teale Data Center and the Health and Human Services Data Center.

Status: As introduced.

AB 110 **Position: None**
Author: Ruskin (D-San Mateo)
Version: As Introduced on January 12, 2005
Subject: Public Education: Reporting Requirements

Existing law requires the Superintendent of Public Instruction, the Commission on Teacher Credentialing, and the California Postsecondary Education Commission to compile certain reports relating to various matters. This bill would require these agencies to make recommendations to the Legislature and the Governor by June 30, 2006, regarding reports required by existing law that, in the opinion of the respective agency, are unnecessary or duplicative and should be eliminated.

Status: As introduced.

AB 196 **Position: None**
Author: Liu (D-La Canada)
Version: As Introduced on January 27, 2005
Subject: California Postsecondary Accountability Structure

This bill would establish a statewide California Postsecondary Education Accountability structure to assess progress in meeting policy goals related to educational opportunity, preparation, student success, public benefits, and cost-effectiveness. CPEC would develop an

accountability system for institutions that would measure specified outcomes. CPEC would collect information, maintain a comprehensive database, and publish reports on the condition of the postsecondary educational system, as prescribed. The bill would further require CPEC to submit a biennial report providing information on the implementation of performance standards and the achievement of performance goals during the prior 2 years and initiatives to be undertaken during the next 2 years.

Status: As introduced.

AB 358 **Position: None**
Author: Liu (D-LaCanada)
Version: As Introduced on February 11, 2005
Subject: Maximum Award for Independent Colleges and Universities

This bill would put into place the formula recommended by the Commission for the private institution Cal Grant maximum award amount. It also proposes to "front-load" rather than "back-load" Cal Grant B awards by moving the 2 percent rule from the 1st year to the last year of college.

However, as currently written, the language appears to take away the grant that covers tuition and fees for the 1st and the 4th year.

Status: As introduced.

AB 593 **Position: None**
Author: Frommer (D-Los Feliz)
Version: As Introduced on February 17, 2005
Subject: California Hope Endowment Fund

This bill would establish the California Hope Public Trust in state government, to be governed and administered by a 7–member board consisting of 4 appointees from the Governor, the Secretary of State and Consumer Services, the Treasurer, and the Controller. The bill would require the Department of General Services by March 31, 2006, to submit to the trust a complete and thorough inventory of all state–owned real estate and property and all lease agreements between any state agency, and private or nonpublic management groups. The bill would require the trust by January 1, 2007, to review and recommend to the Legislature all real property owned by the State of California that should be transferred to the trust. The bill would require the Legislature by September 30, 2007, to transfer to the trust management and control of all state–owned real estate recommended by the trust for transfer, with specified exceptions.

Among other things, the trust fund would be used to supplement, and not replace, General Fund investment in public higher education. The bill would require the endowment board to develop guidelines and criteria for the awarding of grants for promising and innovative approaches for the improvement of access to California's public colleges and universities.

Status: As introduced.

AB 700 **Position: None**
Author: Jerome Horton (D-Inglewood)
Version: As Introduced on February 17, 2005
Subject: Expansion of the Cal Grant Entitlement Program

This bill would remove the age requirements for the Entitlement Program by deleting the reference to high school graduation and one year after and providing awards to all eligible applicants who apply by March 2nd immediately preceding the award year.

Status: As introduced.

AB 870 **Position: None**
Author: Bermudez (D-Norwalk)
Version: As Introduced on February 18, 2005
Subject: Student Fee Policy

This bill would, beginning in 2005-06, prohibit increases to the tuition and mandatory systemwide fees charged to students at the UC and the CSU in excess of 2 percent above the level charged in the immediately preceding fiscal year, unless at least one-third of the revenue that accrues to the respective segments because of the increase is used to fund student financial aid programs at the respective segments.

Status: As introduced.

AB 931 **Position: None**
Author: Emmerson (R-Riverside)
Version: As Introduced on February 18, 2005
Subject: Cal Grant Program: Spot Bill

This bill appears to be a spot bill. It would "make technical, nonsubstantive" changes in the provision of the Cal Grant program that is related to eligibility requirements.

Status: As introduced.

AB 933 **Position: None**
Author: Emmerson (D-Riverside)
Version: As Introduced on February 18, 2005
Subject: Student Fee Policy

This bill, beginning in 2006–07, would require the level of mandatory systemwide fees for resident undergraduate students at the UC, the CSU, and any community college campus to be set as an unspecified percentage of the total cost of instruction, as defined.

Status: As introduced.

AB 1072 **Position: None**
Author: Liu (D-La Canada)
Version: As Introduced on February 22, 2005
Subject: CPEC/BPPVE Consolidation

This bill would consolidate the degree-granting program approval and responsibilities of the Bureau for Private Postsecondary and Vocational Education and the responsibilities of CPEC into the Office of the Secretary for Higher Education which would be established as of July 1, 2006.

Status: As introduced.

AB 1241 **Position: None**
Author: Matthews (D-La Canada)
Version: As Introduced on February 22, 2005
Subject: GPA Submission for Cal Grant Programs

This bill would require, by March 1 of each year, California public and private high schools to report the high school grade point average (GPA) to the Student Aid Commission of each senior enrolled at the school who is potentially eligible for a Cal Grant award and for whom the school has a personal identifier that is acceptable to the Commission.

Status: As introduced.

AB 1399 **Position: None**
Author: Garcia (R-Cathedral City)
Version: As Introduced on February 22, 2005
Subject: Cal Grants: Dependents of Members of the National Guard or other Branches of the Military

This bill would express legislative intent to ensure that any child of a member of the armed forces the United States, or a member of the California National Guard, who serves at any time between September 11, 2001, and the end of the conflict in Iraq, is eligible to receive a Cal Grant award.

Status: As introduced.

AB 1436 **Position: None**
Author: Baca (D-San Bernardino)
Version: As Introduced on February 22, 2005
Subject: Cal Grants for Military Veterans Who Plan to Teach

This bill would provide that any California resident who has served honorably in the Armed Forces of the United States is eligible for a Cal Grant award if he or she is enrolled in a program of professional teacher preparation or in occupational or technical training, as defined, and agrees to repay the amount of the grant if he or she fails to obtain a full-time teaching position at

a public elementary or secondary school within the state within one year after the expiration of the award.

Status: As introduced.

AB 1445 **Position: None**
Author: Umberg (D-Orange)
Version: As Introduced on February 22, 2005
Subject: Tuition and Fee Waivers: National Guard, Air National Guard, Military Reserve

This bill would prohibit any campus of the UC, the CSU, or the CCC from charging any mandatory systemwide tuition or fees, including enrollment fees, registration fees, differential fees, or incidental fees, to qualifying members of the California Army National Guard, the California Air National Guard, or the State Military Reserve. The bill would require the Military Department to determine the eligibility of any applicant for a fee or tuition waiver under the bill, in accordance with regulations adopted by the Adjutant General. In accordance with existing law, the bill would apply to the UC only if the Regents act to implement the provisions.

Status: As introduced.

AB 1625 **Position: None**
Author: Klehs (D-Alameda)
Version: As Introduced on February 22, 2005
Subject: State Reports: Perjury

This bill would require any reports submitted by any state agency, board, or commission to the Governor or the Legislature include a signed statement by the head of the agency or chair of the board or commission, declaring under penalty of perjury that the contents of the report are accurate to the best of his or her knowledge.

Status: As introduced.