3

Information/Action Item

Strategic Policy and Planning Committee

Consideration of state legislative and budget issues affecting Commission programs

This agenda item provides the Commission with legal and historical context for consideration of a number of Cal Grant and financial aid policy measures that have been introduced by members of the Senate and Assembly. These measures are aimed primarily at:

- Restoring the previous income, asset and minimum financial need requirements for Cal Grant renewal students by reinstating the guarantee of Cal Grant aid for four years of eligibility (AB 1287);

- Restoring the maximum Cal Grant award for private nonprofit and for-profit institutions to $9,708 (AB 1085);

- Establishing a statutory formula for setting the Cal Grant award for students enrolled at eligible Western Association of Schools and Colleges (WASC) accredited, private nonprofit and for-profit institutions. The formula would require that, for the first time, these institutions provide a matching level of institutional aid to Cal Grant recipients (AB 1318);

- Establishing a new base award amount for the Cal Grant B “access” award for eligible students enrolled in eligible Cal Grant institutions. There are two measures:

  AB 1364 which would establish the award as $5,900 for the 2013-14 fiscal year and annually adjust the amount by the California Consumer Price Index; and,

  SB 285 which would supplement the appropriated award to no more than $5,000 as funds are available through a newly established special fund;

- Extending the period of Cal Grant High School Entitlement eligibility from one year beyond high school to four years beyond high school (AB 1241); and

- Extending Cal Grant B tuition or fee coverage for all new Cal Grant B recipients during their first year of college attendance (AB 1285).

All of the measures have been approved by policy committees and sent to fiscal committees in the Assembly and the Senate. Each would require major General Fund expenditures, which will be considered as each house holds its fiscal committee hearings prior to May 24.

The goals of the measures currently under consideration in the Legislature raise three specific issue areas that are of critical concern to the Commission:

1. **Independent colleges.** Is Cal Grant support for students attending independent non-profit and for-profit institutions a cost-effective way to achieve equitable higher education opportunities for students, removing restrictions now in place because of limited public institution enrollment capacity?

2. **Underrepresented students.** Is the structure of the current Cal Grant program inadequate to address the need of underrepresented students who may not follow a traditional path or traditional timing to access higher education, limiting their ability to become part of California's much-needed future workforce?

3. **Quality standards.** Are current restrictions regarding which institutions are eligible for Cal Grant participation (minimum standards for cohort default and graduation rates) appropriate under state policy goals for financial aid as effective ways to support high-quality education opportunities for students?

The Commission staff has made recommendations on each measure. However, prior to its own deliberation on each measure, the Commission may wish to consider and discuss how these measures fit within the Commission's Legislative and Budget Guiding Principles, as well as the state statutes regarding financial aid. The following sections provide context for this discussion.

State Policy Goals for Education System and State Financial Aid
The goals of California's education system are clearly stated in Section 66010.2 of California's Education Code:

"The public elementary and secondary schools, the California Community Colleges, the California State University, the University of California and independent colleges and institutions of higher education share goals designed to provide educational opportunity and success to the broadest range of our citizens and shall provide the following:

(a) Access to education and the opportunity for educational success for all qualified Californians. Particular efforts should be made in regards to those who have historically been and currently are underrepresented in both their graduation rates from secondary institutions and in their attendance at California higher educational institutions.
(b) Quality teaching and programs of excellence for their students. This commitment to academic excellence shall provide all students the opportunity to address issues, including ethical issues, that are central to their full development as responsible citizens,
(c) Educational equity not only through a diverse and representative student body and faculty but also through educational environments in which each person, regardless of race, gender expression, sexual orientation, age, disability, or

economic circumstances, has a reasonable chance to fully develop his or her potential."

The State's financial aid programs have "*the primary purpose of providing equal opportunity and access to postsecondary education for persons of both sexes, and all races, ancestries, incomes, ages and geographies in California" (California Education Code 69500).* **Existing statutes state that student assistance programs should (a) complement the purposes of federal student assistance programs, (b) complement the general goals for public postsecondary education, (c) provide assistance to students who seek to enroll in an independent college or university, and (d) assist students in meeting their educational objectives at the institution that the student chooses to attend.**

Policy Framework in Cal Grant Enabling Legislation

In establishing policy priorities among these measures, the Commission needs also to consider the underlying policy framework of the Ortiz-Pacheco-Poochigan-Vasconcellos Cal Grant Program.

The enabling legislation, SB 1644 (2000), established a guarantee of Cal Grant aid for high school seniors and transfer students who meet the financial and academic program requirements. The new Entitlement Program built on the program structure for the Cal Grant A and B programs that had been in place since their establishment.

It is important to note that originally Cal Grants were **not** designed to support students attending public institutions. The Cal Grant A (formerly the State Scholarship Program) aimed initially to provide tuition assistance to qualified students to enroll in eligible independent colleges and universities. The policy objective was to provide educational opportunity for as many students as possible by utilizing available enrollment capacity at accredited private colleges and universities. Later, as mandatory student fee levels rose at the University of California and the California State University, Cal Grant awards were expanded to provide fee coverage at the State's public universities.

Cal Grant B (formerly the College Opportunity Grant Program) was aimed at the lowest income students who were primarily enrolled in the State's community college system. The program award was deemed an access award for the indirect costs of college, as the majority of recipients were community college students where fees were not imposed until 1984. Currently, Cal Grant B recipients attending baccalaureate institutions received tuition assistance in the second, third and fourth year with the exception of a small group of students who also received such assistance during their first year (otherwise known as the "Top 2 Percent" students).

The price of public higher education has increased significantly as the State has reduced its General Fund support for the University of California, the California State University, and the California Community Colleges. Cal Grant aid has kept pace with student fee increases at the University of California and the California State University. However, since 2001, the maximum award set in the annual Budget Act for Cal Grant students enrolled at the independent colleges and universities has not increased significantly and has lost value in meeting the cost of tuition.

- Average tuition at Cal Grant-eligible non-profit accredited institutions is $27,400.

- Eligible for-profit institutions' tuition ranges from $9,000 to $46,000 for a comparable degree program.

- Tuition at the University of California for the 2013-2014 is $12,192, an increase of $5,556 since 2007-08. UC students now pay approximately 55 percent of the cost of their instruction.

- Tuition at the California State University for 2013-14 is $5,472, an increase of $2,700 since 2007-08. CSU students now pay approximately 46 percent of the cost of their education.

- Fees at the community colleges are now $46 a unit or $1,380 for a full credit load. CCC students now pay approximately 24 percent of the cost of their education.

The chart below provides existing Cal Grant award levels by institution and by Cal Grant Program.

New Cal Grant Award Maximums for 2013-14^

Segment	Entitlement & Competitive		Cal Grant C
	Cal Grant A	Cal Grant B	
California Community College		$1,473	$547
California State University	$5,472	$1,473 + $ 5,472*	
University of California	$12,192	$1,473 + $12,192*	
Private Nonprofit Institution	$9,084	$1,473 + $ 9,084*	$547 + $2,462
Private For-profit Institution**	$4,000	$1,473 + $ 4,000*	$547 + $2,462

^Renewal awards at public institutions are same as listed here. Renewal awards at private institutions are different.

*Almost all Cal Grant B recipients in their first academic year receive only the "access" grant of $1,473; all students in their 2nd, 3rd, and 4th academic years receive "access" plus tuition/fees identical to the Cal Grant A.

**Students attending WASC accredited for-profit institutions receive the same maximum award amounts as those attending private nonprofit institutions.

How Cal Grants Help Meet the Challenges of Equitable Access

A 2008 Public Policy Institute of California (PPIC) study found that California needs more than 1 million more college graduates than it currently produces to meet its workforce needs for 2025. However, although the PPIC study raised an alarm that has been widely acknowledged, no progress has been made on increasing the number of graduates because of the economy, state budget cuts in support for higher education, and resulting limits on student enrollment. According to a recent report issued by the University of California at Los Angeles (UCLA) Civil Rights Project, California presently enrolls the lowest proportion of students in four-year institutions of all states—26 percent. California is 49th in the nation in percent of underrepresented-minority high school graduates who enroll in four year institutions and is 45th in the nation with respect to Bachelor of Art completion among ethnic minorities (Latinos and African American students).

California clearly needs to do better at educating and graduating our college students. Without a significant re-investment of tax dollars, the public colleges and universities will not have the fiscal capacity to accommodate all eligible California students. While the Governor's recent commitment to increase General Fund support for our public institutions will stabilize funding, it will not provide enough space to enroll all qualified students.

1. Independent Colleges.
Historically, the Cal Grant program has recognized the participation of the independent colleges and universities as a viable way to fund access for California students. Although it may appear counter-intuitive, cutting or eliminating Cal Grants for students attending independent institutions has the primary impact of limiting student choice rather than saving money. **That is because the state subsidy (when the General Fund appropriation and Cal Grant aid received per student) for our public institutions is significantly larger per student than funding a seat in our private sector.**

As admission to the University of California and the California State University has become more competitive for California resident students, the independent institutions provide a quality alternative to meet the demand for a college education. Allowing Cal Grant participation by independent non-profit and for-profit institutions is an effective tool for giving students more opportunities for access to higher education.

2. Underrepresented Students.
In addition to the failure of the current system to provide the enrollment opportunities needed for our future workforce, there continues to be the underlying issue of severe economic and social inequities in our educational system.

The number of "underrepresented minorities" (Latinos and African Americans) has increased from 50 percent of the 18-24 year old population to 55 percent of the population between 2000 and 2011. Today, California's K-12 population is over 50 percent Latino; in the Los Angeles Unified School District approximately 70 percent of all K-3rd graders are Latino. Recent data published by the UCLA Civil Rights Project continue to show the disparity in not only the number of persons between the ages of 25 to 34 years with a bachelor's degree but the representation of students from historically underrepresented backgrounds who are eligible to enroll in college

While most "underrepresented" students continue to enroll in the State's community colleges (where 69 percent of all Latinos and 65 percent of all African American college goers attend), research shows that if underrepresented students who are prepared for college level work enroll first in a four-year institution, their chance to successfully complete their degree program is significantly higher. The majority of these students are low-income and middle-income students who are represented in our Cal Grant population. Embracing policies that provide them more opportunities at appropriate institutions, such as extending eligibility beyond the first year after graduation and enhancing Cal Grant B support, is critical.

3. Quality Standards.
Last year, California led the nation by adopting tough standards for institutional participation in the Cal Grant program. Those institutions with cohort default rates higher than 15.5 percent and graduation rates lower than 30 percent became ineligible. While

disruptive for some students in the short term, these standards serve as a proxy for educational quality, ensuring that students who receive Cal Grants use them at institutions with a stronger record of program completion (graduation rates) and effective career preparation (ability to pay off student loans in post-graduation jobs).

Although no legislation currently proposes altering these new standards, bills that address Cal Grant levels at private institutions may become vehicles for amendments later in the legislative process. In line with state laws that specify quality education as a goal for the State's education system and assign the state financial aid program the role of assisting students in meeting educational objectives (graduation and financially adequate jobs), it is important for these standards to be defended and maintained.

In conclusion, as the Commission establishes policy priorities for dealing with the overall needs of the State and its population, issues involving support for students attending private institutions of higher education and for underrepresented students must be taken into consideration if the State is to meet its goals for higher education.

For your information, Commission staff is also providing an update on federal and state budget proposals. This includes information about budget proposals by the Obama Administration and each house of Congress, as well as the status of portions of the Brown Administration's 2013-14 Proposed Budget that impact Commission programs.

Responsible Person(s):

Ed Emerson, Chief
Federal Policy & Programs Division

Janet McDuffie, Chief
Administration & External Affairs Division

Lori Nezhura, Legislative Director
Office of the Executive Director

2013-14 Legislative and Budget Guiding Principles

It is essential that the Commission collaborate with the Legislature and the Administration to ensure that the Cal Grant program and other specialized aid programs are successful. The continued commitment from the State to improve the availability and amount of financial aid is crucial to secure educational access for all California students. This commitment strengthens the state's economic well-being by educating California's future workforce.

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 student 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 pursue increased resources for student financial aid. Therefore, the Commission continues to support the policies adopted by the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act and opposes any changes that would undermine them. Consequently, the following policy principles are the priorities of the Commission, and the Commission urges the Governor and Legislature to support them.

MISSION: To make education beyond high school financially accessible to *all* Californians.

GOAL: To ensure all California students learn about and apply for benefits provided through the Cal Grant program and other specialized aid programs the Commission administers and to serve the public interest by providing quality financial aid services, including student loans at a reasonable cost to those students who need financial assistance to attend a college or university.

PRINCIPLES: Recognizing the critical need to maintain Legislative and Executive support for postsecondary educational opportunities, the Commission seeks to

1. **Support College Access That Is Equitable, Affordable and Comprehensive;***
2. **Ensure the Availability of Information on Higher Education Opportunities;***
3. **Advocate for and Preserve the Flow of Financial Aid; and***
4. **Ensure Adequate Support and Flexibility for Commission Operations and Its Programs.***

   *****Numbering principles in no way indicates priorities; all principles are equally considered.

The guiding principles and objectives should be reviewed at the beginning of each two-year legislative session to ensure they continue to be applicable, valid, and supportive of the Commission's mission.

Each of these principles is discussed in further detail below.

PRINCIPLE #1: Support College Access That Is Equitable, Affordable and Comprehensive

The Commission and the State should advocate for increased higher education opportunities by providing all California students financial access to the postsecondary education of their choice. In addition to promoting current Commission programs, these efforts should encourage the protection of federal, state, and institutional financial aid programs and benefits for all groups of undergraduate students.

OBJECTIVES:

- Encourage the expansion of financial aid to the growing number of California college students who demonstrate financial need as the cost of completing a postsecondary education continues to rise;
- Preserve and Expand the Cal Grant Entitlement and Competitive Programs
  - Eligibility Requirements
    - Maintain statutory GPA requirements
    - Maintain statutory income ceiling
    - Support eligibility requirements that provide greater student access to the program
  - Award Value
    - Cover full-fee funding for University of California and California State University students
    - Restore the current maximum award amount for nonpublic postsecondary institutions and support the development of a statutory formula that adjusts the maximum award amount for nonpublic postsecondary institutions and would not be subject to the annual budget process
    - Recommend and fully support increases to the Cal Grant B access award and first year tuition for Cal Grant B recipients
  - Competitive Awards
    - Advocate for funds that increase the number of Competitive Cal Grant awards
- Preserve and Expand the Cal Grant C Program
  - Eligibility Requirements
    - Maintain statutory income ceiling
    - Support eligibility requirements that provide greater student access to the program
  - Award Value
    - Support, at a minimum, the current maximum grant amount for institutional tuition and fees at applicable postsecondary institutions
    - Support increases to the book and supplies allowance
  - Number of Awards
    - Recommend and support increases in the number of awards in the Cal Grant C program
    - Support expanded financial aid opportunities for career technical education students
- Cultivate legislative and budget actions that protect, strengthen, and increase the state's General Fund commitment to student financial aid;
- Encourage continued bipartisan support for funding of statutory growth in state and federal grant programs and for continued access to lower interest federal student loans;
- Promote expanded educational and transfer opportunities for students transferring from community colleges to four-year colleges;

- Seek the greater utilization and enhancement of all Commission-administered specialized programs; and
- Enhance the benefits to those participating in state or federal tuition savings plans that encourage saving while offering tax relief incentives, such as the ScholarShare Program.

PRINCIPLE #2: Ensure the Availability of Information on Higher Education Opportunities

The Commission should work to expand and strengthen its early, statewide outreach efforts to low-income middle and high school students as well as to non-traditional, re-entry and older students. These efforts should highlight the variety and differences of federal, state, and institutional student financial aid, including grants, scholarships, and loans.

OBJECTIVES:

- Advocate for adequate funding for outreach, academic preparation, and public awareness activities;
- Promote the availability of information on college educational opportunities for all California students and families;
- Cultivate partnerships with community groups to promote the implementation of the California Dream Act.
- Support curricular and extracurricular activities, events, and coalitions that develop and promote financial literacy.
- ~~Provide information and guidance to~~Help students and their families become educated consumers of various financial aid products and benefits, including federal and private student loans; ~~on alternative methods for financing a college education;~~
- Provide the resources needed to maximize the effectiveness of the California Student Opportunity and Access Program (Cal-SOAP) and the California Cash for College program;
- Encourage the expansion of public and private partnerships in the California Cash for College program;
- Strengthen the Commission’s partnership with the Superintendent of Public Instruction and local school districts; and
- Recognize that the Commission’s outreach programs are designed to supplement and not supplant the activities that should be provided by secondary schools and districts.

PRINCIPLE #3: Advocate for and Preserve the Flow of Financial Aid

The Commission should promote the uninterrupted flow of student financial aid to enable students to achieve their educational goals. The process of applying for and receiving student aid should be as simple as possible for students and their families, educational institutions, and other program participants.

OBJECTIVES:

- Advocate for federal and state actions that result in a streamlined application process for California students;
- Advocate for continued enhancements and improvements to the Grant Delivery System to promote transparency and ease of use in the system while maintaining speed and accuracy;
- Advocate for policies that promote the cost-effective and timely administration of student financial aid programs;

- Strengthen the Commission's communication and partnerships with financial aid administrators through written communication and other training opportunities related to program changes and informational updates; and
- Encourage the expansion of public and private partnerships in the California Cash for College program.

PRINCIPLE #4: Ensure Adequate Support and Flexibility for Commission Operations
The Commission should ensure that it can administratively fulfill its essential mission and responsibilities.

OBJECTIVES:

- Work with the Legislature and the Administration to ensure the Commission continues to maintain the resources, including funding, equipment, and skilled personnel, necessary for an uninterrupted flow of financial aid and services to California students;
- Work to ensure that any new specialized programs have appropriate resources;
- Advocate for additional resources for new, advanced technology for delivery and customer services; and
- Advocate for the resources needed to reestablish fundamental operational services previously offered through the Educational Credit Management Corporation (ECMC) .

PARTICIPATION IN THE LEGISLATIVE PROCESS

POSITIONS ON BILLS

Staff will draft an objective analysis of all legislative bills that affect the Commission. All positions will be in a "pending" status until the Commission has the opportunity to review the legislation and analysis and take an official position. During the legislative session, the Commission should support these legislative principles by taking the following actions for proposed legislation at Commission meetings as appropriate.

No Position

- A bill that the Commission has not yet discussed or is not relevant to the Commission's mission or Legislative Principles.

Watch

- A bill that is not within the scope of the Commission's responsibility or would not affect the Commission's operations or procedures in its current iteration, but which may be amended to do so.

Support

- Supports the Commission's mission and principles.

Neutral if Amended, Support if Amended, or **Oppose unless Amended**

- The Commission's position would change if recommended amendments are made to resolve implementation or policy concerns. This position should indicate which concerns must be resolved before the Commission would change its position.

Oppose

- A bill that is in conflict with the Commission's mission and principles; it cannot be administered; it is too costly and burdensome to the Commission, the students, and schools.

Sponsor

- A bill proposal that the Commission identifies as beneficial to preserve or enhance service to California students and families and central to the Commission's administration of its programs, its mission and its legislative principles.

OPPORTUNITIES FOR DIRECT INVOLVEMENT

Staff will request the Commission's involvement during the legislative session as opportunities arise. Commission staff will develop and provide Commissioners with an advocacy binder to aid the Commissioners in communicating Commission policy and messaging.

- Discussions related to the January Governor's Budget, bills and new proposals beginning in January;
- Participation in the Commission-sponsored annual Legislative Briefing Day and annual Cash for College Kick-off;
- Work with Commission staff to arrange visits with member offices to promote the Mission and advocate for the passage of Commission-supported legislation;
- Work with legislative budget committee staff to preserve the Cal Grant program and maintain adequate funding for Commission operations; and
- Work in coordination and cooperation with our partners in the financial aid community including secondary schools, all segments of higher education, and state and national financial aid associations by attending board and annual meetings and Webinars.

BILLS EXPANDING THE CAL GRANT PROGRAM BY EITHER INCREASING THE AWARD AMOUNT OR EXPANDING ELIGIBILITY

SB 285 (De Leon) Student Financial Aid: Cal Grant Program **SUPPORT**

SB 285 seeks to supplement the Cal Grant B Access award amount with funds appropriated from the College Access Tax Credit Fund (Fund) to be created through SB 284 (De León, 2013). This bill stipulates that moneys from the Fund *supplement* the appropriated Access award amount in the annual Budget Act and when added together shall not exceed $5,000. Both SB 285 and SB 284 must be passed in order for the other to be enacted. A sunset has been placed on both the contributions to the Fund and to the Access supplement unless later legislation extends them.

Amendments since Last Commission Meeting: None.

SB 141 (Correa) College Education Benefits: Children of Deported Parent **SUPPORT**

This bill exempts U.S. citizen children of deported parents who have chosen to relocate to their parents' home country in order to remain with their family and who have accordingly lost their California residency from being charged out-of-state or international student tuition rates at California public colleges and universities. SB 141 allows these students to participate in California student financial aid programs.

Amendments since Last Commission Meeting: Added voluntary departure; changed California residency to "lived in California immediately prior…"; other minor, technical changes.

AB 303 (Calderon) Cal Grant Program: Members and Former Members of the Armed Forces of the United States **SUPPORT**

This bill would allow members of the U.S. Armed Forces who enlisted in the military during the one year Cal Grant High School Entitlement "window" to keep their Entitlement eligibility if they begin their college education within one year of their honorable discharge and meet all the other application and eligibility requirements.

Amendments since Last Commission Meeting: Added National Guard; this has become a two-year bill

AB 1085 (Gaines, co-authored by Morrell) Cal Grant Program: Maximum Award Amounts: Private Institutions **NO POSITION AT THIS TIME** NEW

This bill seeks to restore the Cal Grant A and B maximum award amount for the private nonprofit and for-profit postsecondary educational institutions to $9,708.

See analysis in next section.

AB 1241 (Weber) Student Financial Aid: Cal Grant Program **NO POSITION AT THIS TIME** NEW

This bill is sponsored by the UC Student Association. AB 1241 seeks to extend the period of Cal Grant A and B High School Entitlement eligibility from one year beyond high school graduation (or the equivalent) to four years beyond graduation (or the equivalent).

See analysis in next section.

AB 1285 (Fong) Student Financial Aid: Cal Grant Program **NO POSITION AT THIS TIME** NEW

This bill is sponsored by the UC Student Association. AB 1285 seeks to delete the 2% limit for receipt of payments for tuition or fees, or both, for new Cal Grant B recipients in their first academic year of attendance at an institution of postsecondary education, thus making all of the Cal Grant B recipients eligible for these payments.

See analysis in next section.

AB 1287 (Quirk-Silva) **NO POSITION AT THIS TIME** NEW

This bill is sponsored by the UC Student Association. AB 1287 reverses the renewal income, asset, and minimum financial need requirements put in place in 2011 through SB 70.

See analysis in next section.

AB 1318 (Bonilla) **NO POSITION AT THIS TIME** NEW

This bill is sponsored by the Association of Independent California Colleges and Universities (AICCU). AB 1318 creates a statutory formula for increasing the maximum Cal Grant award for students attending nonpublic, nonprofit institutions accredited by the Western Association of Schools and Colleges (WASC). The bill also requires institutions under the provisions of this bill to provide a specified level of institutional aid to California resident students in order to qualify.

See analysis in next section.

AB 1364 (Ting) Student Financial Aid: Cal Grant Program **NO POSITION AT THIS TIME** NEW

This bill is sponsored by the UC Student Association. AB 1364 seeks to set the minimum allowable amount of the Cal Grant B Access award at $5,900 as adjusted annually to include the percentage increase, if any, in the California Consumer Price Index (CCPI) as calculated by the Department of Industrial Relations. In years where there is a decrease in the CCPI, the authorized Cal Grant B Access maximum award will remain at the prior year's amount.

See analysis in next section.

BILLS PERTAINING TO FINANCIAL AID DEBIT CARDS

SB 595 (R. Calderon) Postsecondary Education: Financial Aid **NO POSITION AT THIS TIME**

This bill seeks to prohibit public colleges and universities from entering into contracts with banks and other financial institutions to disburse student financial aid in cases when the bank or financial institution requires students to open an account with their company as a condition of the student receiving his financial aid disbursement. SB 595 also requires public colleges and universities to offer students the option of a check or direct deposit into their personal accounts in a timeframe similar to the timeframe offered when a student opens an account with the partnering bank or financial institution.

See analysis in next section.

AB 1162 (Frazier) Student Financial Aid: Debit Cards **NO POSITION AT THIS TIME**

This bill would require the California Community Colleges and California State University, and requests the University of California and accredited private nonprofit and for-profit postsecondary educational institutions, to develop policies for negotiating contracts with banks and other financial institutions to disburse student financial aid. The policies are encouraged to include provisions requiring an adequate number (defined) of regularly replenished automated teller machines on the campus, prohibitions of certain fees, and the same level of consumer protections under the federal Electronic Fund Transfer Act (15 U.S.C. Sec. 1601 et seq.).

See analysis in next section.

BILLS FREEZING OR SETTING TUITION LEVELS FOR A NUMBER OF YEARS

SB 58 (Canella) Public Postsecondary Education: Funding **WATCH**

SB 58 prohibits, from the 2013-14 fiscal year to the 2018-19 fiscal year, mandatory systemwide fees or tuition charged to students of the California State University, the California Community Colleges, and the University of California from exceeding the level of the mandatory systemwide fees or tuition charged to students of those institutions for the 2011-12 fiscal year.

Amendments since Last Commission Meeting: None.

AB 67 (Gorell) Public Postsecondary Education: Funding **WATCH**

AB 67 prohibits, from the 2013-14 fiscal year to the 2018-19 fiscal year, mandatory systemwide fees or tuition charged to students of the California State University, the California Community Colleges, and the University of California from exceeding the level of the mandatory systemwide fees or tuition charged to students of those institutions for the 2011-12 fiscal year.

Amendments since Last Commission Meeting: Makes provisions operable only for budget years in which there is at least a 5% increase in appropriations.

AB 138 (Olsen) Public Postsecondary Education: Tuition and Fees **WATCH**

AB 138 would require the Trustees of the California State University and the Regents of the University of California to determine the amounts of undergraduate tuition and mandatory systemwide fees for residents in each incoming first-year class in their respective segments. This bill would require that the tuition and fees set for residents in each incoming class would not be increased until that class has completed at least four academic years.

Amendments since Last Commission Meeting: None.

AB 158 (Chavez) Public Postsecondary Education: Tuition and Fees **WATCH**

AB 158 would require the Trustees and requests the Regents to determine the amounts of undergraduate tuition and mandatory systemwide fees for each incoming first-year class. This bill would require that the tuition and mandatory fees not be increased for that class for six years except as adjusted for inflation.

Amendments since Last Commission Meeting: None.

BILLS PERTAINING TO STUDENT LOANS

AB 233 (Wieckowski) Student Loan Wage Garnishment **WATCH**

AB 233 would prohibit the issuance of an earnings withholding order for purposes of collecting debt on a student loan that is not made, insured or guaranteed by the U.S. Government pursuant to the Federal Family of Education Loan Program or the William D. Ford Federal Direct Loan Program (I.e. student loans through a private lender or institution).

Amendments since Last Commission Meeting: Technical.

AB 534 (Wieckowski) Postsecondary Education: Institutional and Financial Assistance Information for Students **SUPPORT IN CONCEPT**

Known as the "Know Before You Owe" bill, AJR seeks to create state requirements for entrance and exit loan counseling to students borrowing private student loans modeled off of the federal statute for Title IV federal student loans.

Amendments since Last Commission Meeting: None.

AJR 11 (Wieckowski) Student Loan Bankruptcy Discharge **SUPPORT**

This resolution states California's support for changing federal bankruptcy laws to remove the private loan exemption and allow private student loan debt to be discharged via bankruptcy.

Amendments since Last Commission Meeting: None.

BILLS PERTAINING TO DISCLOSURES

AB 330 (Chau) Student Financial Aid: Disclosures **WATCH**

AB 330 would provide that Cal Grant participating institutions are to report and the Student Aid Commission is required to display in a searchable database on their Internet Web site (the link to) the institution's Net Price Calculator and average student debt of its graduates. AB 330 also requires the Commission to include a glossary of financial aid terms on their Web site.

Amendments since Last Commission Meeting: None.

BILLS PERTAINING TO COLLEGE AFFORDABILITY AND FINANCIAL AID LITERACY

SB 150 (Lara) Pupils: Concurrent Enrollment in Community College **SUPPORT**

This bill creates AB 540-like criteria for high school students who are concurrently enrolled in community college courses: (1) He or she has attended school in California for one year or more; (2) He or she is enrolled in a California high school; (3) He or she is enrolled in a California community college pursuant to Section 44800 and 76001 of the California Education Code; and (4) In the case of a pupil without lawful immigration status, an affidavit has been filed with the institution of higher education stating that the student has filed an application to legalize his or her immigration status, or will file an application as soon as he or she is eligible to do so.

Amendments since Last Commission Meeting: None.

SB 524 (Lara, coauthor Steinberg) Pupil Instruction: Pathways Curriculum Task Force **NO POSITION AT THIS TIME** NEW

This bill expresses the intent of the Legislature to develop a voluntary K-12 curriculum to educate pupils and their families about college and career opportunities. SB 524 requires the Superintendent of Public Instruction to appoint, and provide staff for, a 12-member Pathways Curriculum Task Force. The task force would be required to solicit input from the higher education experts, including but not limited to the Student Aid Commission and the Bureau of Private Postsecondary Education. Once a curriculum is developed, it must be transmitted to the Legislature, state board, UC Regents, CSU Trustees, Board of Governors of the CCC, the Student Aid Commission and the Instructional Quality Commission for a three-month review and comment period.

See analysis in next section.

AB 166 (Hernandez) Pupil Instruction: Economics: Personal Finances **NO POSITION AT THIS TIME** NEW

This bill requires the curriculum framework for K-12 economics to contain instruction relating to personal financing including, but not limited to, budgeting and managing credit, student loans, and debt.

See analysis in next section.

AB 391 (Wieckowski) Pupil Instruction: Personal Finance **NO POSITION AT THIS TIME** NEW

This bill would enact the Common Cents Curriculum Act of 2013 and would require, commencing with the 2014–15 school year, that the adopted course of study for social sciences for grades 7 to 12, inclusive, offer instruction providing a foundation for understanding personal finance, including, but not limited to, budgeting, savings, credit and loans, identity theft, and paying for postsecondary education.

See analysis in next section.

AB 475 (Brown) Pupil Counseling **WATCH**

AB 475 seeks to amend the Middle and High School Supplemental Counseling Program by changing the allocation of funding for this program and specifying duties authorized to be performed by a counselor under this program. Those duties would include, but are not limited to conducting financial aid workshops, working with outside outreach programs and assisting pupils to fill out and submit GPA release forms.

Amendments since Last Commission Meeting: Gut-and-amended to make technical changes to athletic scholarship rules. **Commission staff recommends removing Watch position.**

OTHER BILLS TO WATCH

SB 195 (Liu) California Postsecondary Education: State Goals **NO POSITION AT THIS TIME**

SB 195 is the re-introduction of SB 721 (Lowenthal, vetoed by the Governor) with one difference. This bill states the Legislature's intent that budget and policy decisions regarding postsecondary education adhere to three specified goals and that appropriate metrics be adopted to monitor progress toward achievement of those goals. The bill requires the Governor's Office of Planning and Research to convene a working group (last year's SB 721 had the LAO convene the working group) to develop those metrics. Student Aid Commission is not a member of the group, but the group is allowed to consult with "any agency that maintains data that would be helpful in developing the metrics…"

AB 1348 (Pérez) Postsecondary Education: California Higher Education Authority **NO POSITION AT THIS TIME**

AB 1348 repeals the provisions in law establishing CPEC and, instead, establishes the California Higher Education Authority (CHEA) under the administration of a 13-member board of directors. The bill sets forth CHEA responsibilities including, but not limited to, developing, presenting, and monitoring postsecondary educational goals for the state; measuring and reporting segmental effectiveness, including that of the private segments; and developing and recommending strategic finance policy to the Governor and Legislature on topics including, but not limited to, student fee policy and student financial aid.

The California Student Aid Commission met on February 21 to consider and take positions on bill. All bills above with a "NO POSITION AT THIS TIME" status were introduced on or after that date.

CALIFORNIA STUDENT AID COMMISSION	**Bill Number: AB 1085**	**Introduced: February 22, 2013**
	Author: Gaines	**Last Amended:**
	Legislative Contact: Dana Sweetin	**CSAC Position: Pending** *Staff Recommendation: Support, Unless Amended*

I. Bill Summary

This bill seeks to restore the Cal Grant A and B maximum award amount for the private nonprofit and for-profit postsecondary educational institutions to $9,708.

II. Current Law/Proposed Law

Current Law:

California Education Code (CEC) Section 69432 sets maximum award amounts for new students at eligible private nonprofit institutions at $9,084 for the 2013-14 academic year and $8,056 for the 2014-15 academic year and following. The maximum award amount for new students at eligible private, for-profit institutions is set at $4,000 for the 2013-14 academic year and following.

CEC §69433(a)(2) states that a student attending a nonpublic institution shall receive a renewal award for tuition or fees, or both, in an amount not to exceed the maximum allowable award amount that was in effect the year in which the student first received a new award.

The bill, as introduced on February 22, 2013:

- Reverses SB 1016 (2012) amendments to CEC §69432, that set Cal Grant A and B tuition awards at nonpublic institutions at specific (reduced from prior years) levels rather than setting them through the annual Budget Act.
- Sets both private nonprofit and private for-profit Cal Grant A and B maximum award amounts at $9,708, the amount they were prior to SB 1016.

Reporting Requirements on CSAC, Participating Institutions:

None

III. Analysis

Purpose of the Bill:

According to the author, “the Cal Grant program, established in 1955, was intended to provide the state a dependable way to send students to independent colleges. It was, and still is, less costly for the state to help a student go through a private college with a Cal Grant than for the Cal Grant [plus] state subsidized tuition at a UC or CSU.”

The Legislative Analyst’s Office (LAO) has calculated the State General Fund contribution for every full-time California resident student at CSU ($7,513) and UC ($12,067). Additionally, CSU and UC students can receive Cal Grants for up to the student’s full share of tuition costs

Analyst/Principal	**Date**	**Reviewed by**	**Date**
JU	3-21-13		
Legislative Director	**Date**	**Executive Director**	**Date**
LN	3-26-13		
Commission	**Date**	**Position Taken**	

($5,472 at CSU and $12,192 at UC). This means that the state ends up paying $12,500 to $24,000 with these combined costs compared to the lower $9,708 Cal Grant award for students at private colleges and universities. Thus net savings to the State can be as much as $14,292 per student.

"Students are now making decisions based on where they can get the most financial aid. With the cut to Cal-Grants this decision will always result in a student going to a public university reducing college choice for students and putting great pressure on the state budget," states Assemblywoman Gaines.

<u>Policy Summary:</u>

- In SB 1016 (2012 Budget Act), the Legislature and the Governor decoupled the maximum Cal Grant award amounts for students attending eligible private nonprofit and for-profit California institutions for the first time. Prior to this action, the maximum award amount was the same for all private institutions, regardless of business model or profit status. (The decoupling is scheduled to go into effect in Fall 2013.)
- Under current law, the amount of the private award is still determined in the annual Budget Act. The 2012 action by the Legislature and Governor greatly reduced the maximum Cal Grant award for students enrolled in a for-profit institution as part of the discussion about spending reductions to address a deficit situation, not as a result of policy discussions including the pre-Entitlement formula that was in statute. Going forward, the policy question is whether the maximum Cal Grant for students attending private nonprofit institutions should be the same amount as the award for students attending for-profit institutions or different.
    - Do the two types of institutions offer the same quality of education? Student services? Access? Maintain the same student success standards?
    - Do their respective degrees/certificates provide the same degree of job placement and earning power?
    - Are they providing the same return on investment for each dollar of the grant? The Association for Independent Colleges and Universities (AICCU) reports that they provide $6 of institutional aid for every $1 of Cal Grants that they receive.
    - Are for-profit colleges and universities using the revenues gained from taxpayer-funded grants for instruction or student services-related expenses? Or are they using the revenues for advertisement, recruitment, and/or shareholder profits? A July 29, 2012, Senate Health, Education, Labor, and Pensions Committee hearing report showed that the top 30 for-profit companies in the nation spent a total of $4.2 billion, or 22.7 percent of all revenues, on marketing and recruiting. AICCU maintains that as charitable, nonprofit institutions, all their revenues are reinvested into the institutions and their mission.
    - According to TICAS, "the for-profit college sector recruits and enrolls a disproportionate share of low-income students and students of color…and many other student, civil rights, college access, consumer and veterans advocates are particularly concerned about the disparate impact of this sector's alarmingly high student debt and default levels. Considered together, the for-profit college industry's rapid growth, aggressive recruiting practices, heavy reliance on federal funds, high student debt and default levels, and disproportionate enrollment of

underrepresented students clearly point to high and rising stakes for both students and taxpayers."[i]

- o In 2011 and 2012, the State instituted certain eligibility measures for Cal Grant participating schools, Cohort Default Rate (CDR) and graduation rate thresholds that have eliminated 154 private institutions, most of them for-profit colleges and universities. These institutions had very high levels of students defaulting on their federal loans and low levels of degree and certificate attainment. The institutions remaining in the Cal Grant Program, by these two measures, appear to be better serving their students. Why should their students be penalized with lower Cal Grant awards?

- In recent budget hearings, there have been discussions by lawmakers and student advocacy groups about whether public taxpayer funds should be used for the support of public institutions of higher education (IHE) only or jointly for public and private IHEs.
    - o Advocates for Cal Grants to students attending private sector colleges have shown, and certain data supports, that allowing students the choice to attend a public or private IHE can reduce cost pressures to the State while providing the State with the skilled workforce it needs.
    - o The LAO citation above (under Purpose of the Bill), shows that the public subsidy for students attending public universities, including the Cal Grant, can be up to $24,000. This bill would raise the public subsidy for students attending private institutions to less than half of that, $9,708.
    - o Are there enough seats in the public institutions to meet demand?
    - o Private institutions, especially for-profits schools, tend to offer more flexible schedules geared to working adults.
    - o Is the reduction of the Cal Grant award at these institutions, in effect, turning some students away from higher education?
- Finally, timing of the bill is important. AB 2085 is an urgency statute to be enacted immediately upon the Governor’s signing. The reductions and decoupling of the private awards are scheduled to go into effect in the 2013-14 academic year beginning in (for some institutions) August. If this bill is enacted before then, students will not see reductions in their awards, nor likely see a delay in their fall disbursements. If the bill is signed after August, there will be some degree of disruption in the students’ awards and potential workload issues on the Commission and campus financial aid offices if adjustments must be made after the first disbursements have already gone out.

<u>Policy Recommendations:</u>

Commission staff recommends a position of **Support, Unless Amended** to reverse the qualitative measures, Cohort Default Rate (CDR) and graduation rate, that have been enacted for institutional eligibility in the Cal Grant Program.

<u>Rationale:</u>

The Cal Grant A Program, originally known as the State Scholarship Program, was created to provide students the right to choose postsecondary education in the private sector as well as the public. Because the State subsidy of a Cal Grant recipient at a private university is less than that at a public university, maintaining the current award amount is still a good deal for the State. Cal Grants at private institutions have not been increased in a very long time, and, due to SB 1016, will be reduced considerably without this legislation. If that occurs, Cal Grant eligible students at private institutions may end up increasing their workload or student loan debt, dropping out, or transferring to public institutions.

The CDR and graduate rate measures have eliminated a great number of institutions whose students were not effectively paying off their federal student loans or graduating in a timely manner. The assumption can be made that the students were failing these criteria to a large degree, because their schools were either overburdening them with debt or not providing adequate student support services and information. The opposite assumption can also be made about the eligible Cal Grant institutions: they are not overburdening their students with debt, and greater numbers of their students are graduating in timely manner. Therefore, the qualitative measures are fulfilling their intended purpose and should not be weakened or removed.

IV. Fiscal Summary

Commission Operations Impact:

Minimal workload to adjust the award amounts if the bill is passed prior to the commencement of fall disbursements.

General Fund, Local Assistance Impact:

Major General Fund impact.

	Budget Year 2013-14	
	Students Affected	**Additional Cost**
Estimated New Cal Grant A and B Recipients		
From $9,084 to $9,708 at private, nonprofit institutions	8,845	$4.7 million
From $4,000 to $9,708 at private, for-profit institutions	4,485	$16.3 million
Estimated Renewal Cal Grant A and B Recipients Initially Awarded Prior to the 2012-13 Award Year [1]		
From $9,223 to $9,708 at private institutions (nonprofit and for-profit)	12,635	$5.8 million
Total Estimated Cal Grant A and B Recipients and Additional Cost	**25,965**	**$26.8 million**

[1] Excludes estimated renewal Cal Grant A and B recipients initially awarded in the 2012-13 award year. These renewal recipients at private institutions will receive $9,223 in accordance with California Education Code Section 69432(c)(2).

Assumptions:

- Used the number of projected awards to be paid in 2013-14.
- Average award amounts were calculated using data from the 2011-12 reconciled Cal Grant expenditures.

V. Related Bills

AB 1318 (Bonilla, 2013) *Student Financial Aid: Cal Grant Program* – analysis attached

VI. Legislative History

SB 70 (Chapter 7, Statutes of 2011) instituted a Cohort Default Rate (CDR) measure for Cal Grant Participating institutions. If institutions had a CDR of 24.6% or higher, they could not receive any new Cal Grants and their renewal students saw a 20% reduction in their awards.

SB 1016 (Chapter 38, Statutes of 2012) lowered the CDR threshold to 15.5% and added a new graduation rate measure. If institutions had a graduation rate of 30% or lower, they could not receive any new Cal Grants and their renewal students saw a 20% reduction in their awards. The legislation also stipulated that beginning in 2013-14 renewing students at ineligible institutions could not use their Cal Grants at all.

SB 1016 also amended statute to reduce the maximum Cal Grant awards at private institutions beginning in 2013-14: $9,084 for nonprofit colleges and universities and $4,000 at for-profits, with a second reduction of the nonprofit award to $8,056 in 2014-15.

VII. Organizations in Support

William Jessup University

American Career College

West Coast University

Opposition

California Federation of Teachers

[i] Remarks delivered by Debbie Cochrane to a joint legislative oversight hearing of the Assembly Higher Education Committee and the Senate Business, Professions, and Economic Development Committee on California's Oversight of Private Postsecondary Education, February 14, 2012. http://ticas.org/files/pub/Debbie_Cochrane_testimony_2-14-12.pdf.

CALIFORNIA STUDENT AID COMMISSION	**Bill Number: AB 1241**	**Introduced: February 22, 2013**
	Author: Weber	**Last Amended:**
	Legislative Contact: Marcus McKinney	**CSAC Position:** *Staff Recommendation: Support, if Amended*

I. Bill Summary

This bill would enable students to qualify for Entitlement awards up to four years after high school graduation or its equivalent.

II. Current Law/Proposed Law

Current Law:

California Education Code (CEC) Sections 69434(b)(1) and 69435.3(a)(1) allow students to submit their completed applications on or before March 2 in the year of their high school graduation or its equivalent or the year immediately following high school graduation or its equivalent in order to be eligible for a Cal Grant A or B Entitlement award.

This bill, as introduced on February 22, 2012:

Amends CEC §69434(b)(1) and §69435.3(a)(1) to enable students to qualify for Cal Grant A and B Entitlement awards up to four years after high school graduation or its equivalent.

Reporting Requirements on CSAC, Participating Institutions:

None

III. Analysis

Purpose of the Bill:

According to the author, "The sticker price of an education at a four year college or university has forced many qualified high school students to prolong their educational goals and get a job and save up enough money to cover the cost of college. Furthermore, those qualified students coming from first generation and under-resourced backgrounds are often without the counseling to explain the financial aid process for public higher education. The current eligibility requirements for the Cal Grant A and B Entitlement Program penalizes those students for their inability to access or for their decision not to attend higher education immediately after high school graduation."

Policy Summary:

- This measure simply expands the High School Entitlement Cal Grant Program application window. It does not change any academic, financial, or general eligibility requirements of the Program.
- As written, the bill does not disallow college enrollment at any time in the up to four-year window of Entitlement eligibility. Therefore, students that are potentially college juniors and seniors and students who have delayed their first college attendance by up to four years

Analyst/Principal	Date	Reviewed by	Date
JU	3/26/13		
Legislative Director	**Date**	**Executive Director**	**Date**
LN	3/29/13	DFM	4-9-13
Commission	**Date**	**Position Taken**	

would be similarly eligible for Cal Grant A and B Entitlement awards. Benefits of allowing current college students to utilize the longer Entitlement window would be
  - o to preserve the Competitive awards for students for students that are 22 years of age and older. The average Competitive Cal Grant recipient is 30 years of age.
  - o to continue to incentivize direct enrollment from high school to college while still allowing for a gap in initial college enrollment for financial or other reasons.
- This bill does not change a Cal Grant recipient's lifetime payment eligibility. Eligibility would continue to be based on grade level as a new recipient. Therefore, a college junior who receives an Entitlement Cal Grant under this bill would have two years of eligibility; a college senior would only have one year of eligibility. A first time college student would be granted four full-time years of Cal Grant payments.
- Existing law requires eligible recipients to submit a high school grade point average (GPA) of 3.0 for Cal Grant A or 2.0 for Cal Grant B. Since this bill allows current college students to qualify for Entitlement Cal Grants, they will need to submit high school GPAs with their FAFSAs to qualify. Should the bill be amended to allow current college students to submit a college GPA? If so, this will require a change in Commission regulations and processes, including programming changes to our system.
- Extending the Entitlement window up to four years after high school may decrease the number of Community College Transfer Entitlement awards offered. It may also capture some students that missed applying for a Community College Transfer Entitlement award in the year that they transferred to a four-year college or university.
- This bill could potentially diminish the intent behind the Entitlement Program. The Entitlement Program encourages students to pursue a higher education immediately after completing a high school diploma or the equivalent.
- When a student is in high school, he has various avenues to hear about the Cal Grant program through teachers, counselors, college workshops, etc. Once the student graduates from high school, outreach programs are not as readily available. The longer a student is out of high school, the less likely he will have support to file a FASFA.

Policy Recommendations:
Commission staff recommends a position of **Support, if Amended** to specify implementation in the 2015-16 academic year.

Rationale:
- AB 1241 expands student opportunity for Cal Grant Entitlement awards. An additional benefit of this bill is to transfer some current Competitive Cal Grant eligible applicants over to the Entitlement pool, thereby freeing up some of the limited Competitive awards for older and returning students.
- If signed, the enactment date of this bill would be January 1, 2014, the first date of the application period for the 2014-15 academic year. Commission staff would not be able to perform all the programming changes necessary prior to the first award cycle of 2014-15 Cal Grant Entitlement A and B awards, potentially delaying all subsequent award cycles (Transfer Entitlement A and B awards, Competitive awards, Cal Grant C awards, renewal awards).

IV. Fiscal Summary

Commission Operations Impact:
- Currently, many high schools submit two consecutive years of GPAs to the Commission for students that are both graduating seniors and one year beyond graduation. If statute

continues to require a high school GPA for students meeting the requirements under this bill, the Commission may potentially start receiving four years' worth of high school GPAs annually. It is unknown whether our system can accommodate that volume
- The Grant Delivery System will need to be reprogrammed to allow for the longer Entitlement window.
- All forms and publications will need to be updated to reflect the change in this bill.
- Additional staff time will be required to process the additional GPA forms.

General Fund, Local Assistance Impact:

- **Major General Fund impact.**

V. Organizations in Support **Opposition**

CCC Association of Trustees
CCC Chancellor's Office
California Competes
California Federation of Teachers
California State Conference National Association for the Advancement of Colored People
California State Student Association
NAACP Los Angeles
National Council of La Raza
Public Advocates, Inc.
Southern California College Access Network
Student Senate for CCC
The Education Trust – West
The Institute for College Access & Success
UC Student Association (sponsor)
Young Invincibles

CALIFORNIA STUDENT AID COMMISSION	**Bill Number: AB 1285**	**Introduced: February 22, 2013**
	Author: Fong	**Last Amended: April 2, 2013**
	Legislative Contact: Bryan Singh	**CSAC Position: Pending** *Staff Recommendation: Support, if Amended*

I. Bill Summary

This bill would delete the 2% limit for receipt of payments for tuition or fees, or both, for new Cal Grant B recipients in their first academic year of attendance at an institution of postsecondary education, thus making all of the Cal Grant B recipients eligible for these payments.

II. Current Law/Proposed Law

Current Law:
California Education Code (CEC) Section 69435 states that a Cal Grant B award shall be used only for tuition, student fees, and access costs in a for-credit instructional program that is not less than one academic year in length. Access stipends only will be granted in a student's first academic year. In subsequent years, the award shall include the Access stipend and an additional amount to pay tuition or fees, or both, identical to the Cal Grant A award.

Not more than two percent of new Cal Grant B recipients enrolling for the first time in an institution of postsecondary education shall be eligible for payments for tuition or fees, or both, in their first academic year of attendance.

An award for access costs shall be in an annual amount not to exceed $1,551. This amount may be adjusted in the annual Budget Act.

As introduced on February 22, 2013:

- Seeks to allow first year Entitlement Cal Grant B students to use the tuition and fees portion of their award.

This bill, as amended on April 2, 2013:

- Guarantees that any student that meets the requirements for a Cal Grant B receives an award.
- States that the Cal Grant B award amount is based on the cost of tuition and fees at their qualifying institution.
- Amends CEC 66021.2, the Long Term Cal Grant Policy, thereby making the provisions of this bill apply to *all* Cal Grant B awards, Entitlement and Competitive.

Reporting Requirements on CSAC, Participating Institutions:
None.

Analyst/Principal	**Date**	**Reviewed by**	**Date**
JU	4-5-2012	ND	4-5-12
Legislative Director	**Date**	**Executive Director**	**Date**
LN	4-5-2012	DFM	4-9-13
Commission	**Date**	**Position Taken**	

III. Analysis

Purpose of the Bill:
According to the author, “The Cal Grant Program is California’s safeguard for our student’s future and maintains the state’s commitment to access to higher education. Unfortunately, 98% of Cal Grant B recipients are not able to use their awards to pay for tuition during their critical first year of college…” due to changing circumstances over time without equivalent changes in the law.

Policy Summary:
- The Cal Grant B Program began as the College Opportunity Grant Program in the late 1960’s, at the tail end of the civil rights movement. Low-income and minority students were expected to begin their higher education at a local community college where there was no tuition and no registration fees. The Cal Grant B Access award was $900, and no tuition award was granted in the first year (it was not needed). In subsequent years, if the student transferred to a tuition-charging school, she could get an award for actual tuition costs (about $2,000 dollars).
- Today, college and university access is available to any student who does her part to meet academic and other entrance requirements, regardless of income status or ethnicity. Unfortunately the Cal Grant law never changed to reflect that opportunity. First year students are still denied the tuition award, even if they begin their higher education at a tuition-charging school.
- Ninety-eight percent of first-year students receive only the Access allowance of up to $1,473 for books and living expenses. After the freshman year, Cal Grant B also helps pay tuition and fees in the same amount as a Cal Grant A.
- Cal Grant B recipients have an average family income of $16,640 and consistently have remaining need after all financial aid.
- According to the 2008 National Postsecondary Student Aid Study (latest available) that looks at how students and their families afford and pay for postsecondary education, students at community colleges still have an average gap of $5,892 after all aid. The average gap for students at public four-year institutions is $5,146, and the average gap for students at private four-year institutions is $12,900.
- Under this bill, 100 percent of Cal Grant B recipients will receive tuition and fees and the Access allowance for up to four years.
- If students know they will receive tuition and fees awards beginning in their first year, they will be better equipped when making decisions about choosing and paying for college.
- Currently, if a new applicant qualifies for both Cal Grant A and B awards, the Cal Grant A award provides a larger four-year benefit for students intending to enroll in the University of California and most private institutions. If this bill passes, we may see co-eligible students choosing the Cal Grant B award instead of the Cal Grant A. The local assistance estimate below reflects that anticipated shift.

Policy Recommendations:
Commission staff recommends a position of **Support, if Amended** to specify implementation in the 2015-16 academic year.

Rationale:
- This bill increases the overall value of the Cal Grant B award and rectifies an inequity that has existed in the Cal Grant program for many years. These low-income students have

worked hard to gain eligibility to enroll in the institutions of their choice, and the Cal Grant B should be expanded to prioritize the funding for them.

- If signed, the enactment date of this bill would be January 1, 2014, the first date of the application period for the 2014-15 academic year. Commission staff would not be able to perform all the programming changes necessary prior to the first award cycle of 2014-15 Cal Grant Entitlement A and B awards, potentially delaying all subsequent award cycles (Transfer Entitlement A and B awards, Competitive awards, Cal Grant C awards, renewal awards).

IV. Fiscal Summary

Commission Operations Impact:

- The Grant Delivery System will need to be updated in order to allow first year students to receive the tuition and fees award. This will require a minimum of six months for programming, testing, and deployment. Because the bill currently requires an implementation for the 2014-15 academic year, and the application period for 2014-15 begins on the same date the bill becomes operable, the Commission will need to request an amendment to delay implementation until the 2015-16 academic year.
- Publications, manuals, and award letters will need to be updated.

General Fund, Local Assistance Impact:

Major General Fund impact.

Freshmen Cal Grant B Recipients [1]	**High School Entitlement Program**		**Competitive Program [3]**	
	2013-14	**2014-15**	**2013-14**	**2014-15**
Current percentage	2 percent		0 percent	
Proposed percentage		100 percent		100 percent
Percentage change from prior year		98 percent		100 percent
Recipients likely to be paid tuition/fees		*20,140*		*630*
Estimated additional cost for tuition/fees		*$108.7 m*		*$2.9 m*
Freshmen Cal Grant A or B Recipients [2]				
Eligible Cal Grant A recipients, selecting Cal Grant B to receive both tuition/fees and access costs, likely to be paid access costs		*3,755*		*240*
Estimated additional cost for access		*$5.5 m*		*$0.3 m*
Total recipients likely to be paid		**23,895**		**870**
Total estimated additional cost		**$114.2 m**		**$3.2 m**

Total recipients likely to be paid for all programs: ***24,765***
Total estimated additional cost for all programs: ***$117.4 m***

[1] Excludes the two percent of the freshmen High School Entitlement Cal Grant B paid recipients receiving both tuition/fees and access costs. Also, the new Cal Grant B paid recipients receiving access costs at California Community Colleges will not have tuition/fees costs.

[2] Applicants who qualify for a new Cal Grant A and a Cal Grant B select either a Cal Grant A or a Cal Grant B. Freshman recipients who currently select the Cal Grant B receive access costs (except for the two percent in the High School Entitlement Program receiving both tuition/fees and access costs) while those who select the Cal Grant A receive tuition/fees costs.

<u>Assumptions:</u> (next page)

- Used the number of projected recipients to be paid in 2013-14 for 2014-15.
- Projected recipients to be paid were segmentally distributed the same as the recipients paid in 2011-12.
- Average award amounts were calculated using data from the 2011-12 reconciled Cal Grant expenditures.
- Used the following tuition/fee award amounts: $12,192 at University of California; $5,472 at California State University; $8,056 at private, non-profit institutions and private, for-profit, WASC-accredited institutions; and $4,000 at all other private, for-profit institutions.
- Used $1,473 for the Cal Grant B access award amount.

V. Legislative History

The introduced version of AB 970 (Fong, 2011), AB 1761 (Fong, 2010), and AB 2365 (De La Torre, 2008) were substantively similar to AB 1285. They attempted to incrementally increase the percentage of Cal Grant B recipients receiving tuition and fees to 100% over a four-year period.

VI. Organizations in Support — Opposition

American Association of University Women
CCC Association of Student Trustees
California Competes
California Federation of Teachers
California State Conference National Association for the Advancement of Colored People
California State Student Association
Community College League of California
NAACP Los Angeles
National Council of La Raza
Public Advocates, Inc.
Southern California College Access Network
Student Senate for CCC
The Education Trust – West
The Institute for College Access & Success
UC Student Association (sponsor)
Young Invincibles

CALIFORNIA STUDENT AID COMMISSION	**Bill Number: AB 1287**	**Introduced: February 22, 2013**
	Author: Quirk-Silva	**Last Amended: April 2, 2013**
	Legislative Contact: Gina Frisby	**CSAC Position: Pending** *Staff Recommendation: Support, if Amended*

I. Bill Summary

This bill would remove requirements for renewing Cal Grant A and B recipients to meet the income and asset level annually in order to be eligible for an award.

II. Current Law/Proposed Law

Current Law:
California Education Code (CEC) Section 69432.7(k) directs the California Student Aid Commission (Commission) to annually adjust the maximum household income and asset levels based on the percentage change in the cost of living within the meaning of paragraph (1) of subdivision (e) of Section 9 of Article XIII B of the California Constitution. New applicants and renewing recipients must meet the income and asset ceiling thresholds annually in order to be eligible for Cal Grant awards.

As amended on March 21, 2013:

- Amends Section 69432.7 of the CEC to allow renewing Cal Grant recipients to apply for and qualify as a renewal in subsequent years if deemed ineligible due to failing the annual income and asset ceiling levels.

This bill, as amended on April 2, 2013:

- Amends Sections 69432.7, 69432.9 and 36433.6 of the CEC. This bill removes language requiring renewal Cal Grant A and B recipients to annually meet income and asset level thresholds.

Reporting Requirements on CSAC, Participating Institutions:
None.

III. Analysis

Purpose of the Bill:
According to the author, “AB 1287 provides students and their families with the guarantee that they will receive the full financial assistance for which they are eligible” by reversing SB 70 language requiring renewal Cal Grant A and B recipients to annually meet income and asset thresholds in order to maintain eligibility.

This bill would allow students who have documented financial need to maintain their Cal Grant eligibility after

Analyst/Principal	**Date**	**Reviewed by**	**Date**
DS	4-5-13	ND	4-5-13
Legislative Director	**Date**	**Executive Director**	**Date**
LN	4-7-13	DFM	4-10-13
Commission	**Date**	**Position Taken**	

Policy Summary:

- In 2010, the education trailer bill, SB 70, instituted certain new renewal eligibility requirements. Prior to that time, Cal Grant recipients coming into the program as freshmen were guaranteed to have their Cal Grant for four years as long as they continued to have need each year. After SB 70, Cal Grant recipients had to meet annual income and asset ceilings and meet stringent minimum need requirements identical to those that are required for initial awarding.
- There were many unintended consequences of the new renewal eligibility requirements. Slight changes to the income of families just under the ceiling could make the renewal recipient ineligible, even if the increase in income was less than the increase of college costs. Variations in income due to one-time commissions or COLAs could disqualify the student from the program for good, even though subsequent years' income might be substantially lower. The penalty could be disproportionate when a student's income increased by $1,000 and caused him to lose his $12,192 Cal Grant at a UC.
- While student/family incomes may increase slightly or even significantly from one year to the next, research shows that the majority of students still have need. According to the 2008 National Postsecondary Student Aid Study (latest available) that looks at how students and their families afford and pay for postsecondary education, students at community colleges still have an average gap of $5,892 after all aid. The average gap for students at public four-year institutions is $5,146, and the average gap for students at private four-year institutions is $12,900.
- At a 2012 meeting, the Commission discussed whether it can administratively reinstate disqualified renewal students in subsequent years if they again met income and asset ceilings but found that statute did not allow that option without amendment. AB 1287 nullifies the need for pursuing legislation to allow reinstatement of disqualified students going forward, because that contingency will no longer exist; however, the bill does nothing to reverse the disqualification of students in the 2011-12, 2012-13, and 2013-14 academic years that have already taken place.

Policy Recommendations:

Commission staff recommends a position of **Support, if Amended** to reinstate the disqualified students from the 2011-12, 2012-13, and 2013-14 academic years due to the SB 70 renewal eligibility provisions.

Rationale:

The current statutory requirements disproportionately affect lower income students and could unintentionally encourage parents and independent students not to pursue better paying jobs due to the financial impact of losing their Cal Grant. The amended language restores the four-year guarantee and stability of the Cal Grant.

The amendment to retroactively reinstate the 2011-12, 2012-13, and 2013-14 disqualified renewal recipients seeks to restore equity to the Program.

IV. Fiscal Summary

Commission Operations Impact:

- Commission staff estimates that there will be minor one-time workload to return the Grant Delivery System programming to pre-SB 70 requirements.

General Fund, Local Assistance Impact:
Major General Fund Impact.

V. Legislative History

- March 24, 2011 – Governor Jerry Brown signed SB 70 into law. One of the major changes to CEC under this legislation was the requirement for renewing Cal Grant students to annually meet income and asset thresholds in order to remain eligible.

VI. Organizations in Support / Opposition

Organizations in Support	Opposition
UC Student Association (sponsor)	

CALIFORNIA STUDENT AID COMMISSION	**Bill Number: AB 1318**	**Introduced: February 22, 2013**
	Author: Bonilla	**Last Amended: April 2, 2013**
	Legislative Contact: Katie McCoy	**CSAC Position:** *Staff Recommendation: Support, if Amended*

I. Bill Summary

AB 1318 creates a statutory formula and increases the maximum Cal Grant award for nonprofit institutions accredited by the Western Association of Schools and Colleges (WASC), over the next four years. The bill also requires those institutions to provide a set level of institutional aid to California resident students in order to qualify.

II. Current Law/Proposed Law

Current Law:
Currently California Education Code (CEC) Section 66021.2 states that the maximum Cal Grant awards for nonpublic institutions shall be established by the annual budget act.

See Legislative History below for prior law relating to a statutory formula for maximum Cal Grant awards at nonpublic institutions.

As introduced on February 22, 2013:
- States intent to enact legislation that would affect the Cal Grant Program.

As amended on March 21, 2013:
- States findings and declarations that support the quality of WASC accredited, nonpublic institutions, the diverse demographic they serve, and the harm to students that decreases in the amount of the Cal Grant award has affected.
- Amends CEC §66021.2, the Long Term Cal Grant Policy, to increase the maximum Cal Grant award at nonpublic institutions accredited by WASC by creating a statutory formula that
  - o Sets the maximum award at 80 percent of the estimated average General Fund cost of educating a student at the UC or the CSU, as calculated by the Commission and
  - o Phases the award up to that 80 percent value over a four-year period.
- Amends CEC 69432.7(*l*) to change the definition of a qualifying institution. Disqualifies nonprofit, nonpublic institutions accredited by WASC that do not provide an amount of institutional aid to California students that equals or exceeds 50 percent of funds received at that institution for Cal Grant awards. If the institution has less than 50 Cal Grant students and charges tuition 50 percent or less of the average of the annual tuition charged by all institutions to which this provision is applicable, it is exempt from the institutional aid requirement.

This bill, as amended on April 2, 2013:

Analyst/Principal	**Date**	**Reviewed by**	**Date**
JU	4/4/13		
Legislative Director /	**Executive Director**	**Date**	
LN	4/8/13	DFM	4/9/13
Commission	**Date**	**Position Taken**	

- Amends CEC §66021.2 to clarify that the statutory formula
  - Sets the maximum award for *nonprofit,* nonpublic WASC accredited institutions at 80 percent of the *base funding per Cal Grant student* at the UC *and* the CSU as *determined by the average state support per student plus the average Cal Grant award for the University of California and the California State University.*
  - Defines "average state support" as *the total General Fund support for the University of California and the California State University divided by the number of California resident full-time equivalent students for each four-year public segment.*
  - Defines "institutional aid" as including *scholarships and fellowships granted and funded by a postsecondary educational institution or by a department within that institution, and includes scholarships targeted to certain individuals based on, for example, state of residence, major field of study, or athletic team participation, for which the institution designates the recipient.*
- Deletes amendments to CEC 69432.7(*l*) and amends CEC 66021.2 to add that nonprofit, nonpublic WASC accredited institutions *shall be deemed a qualifying institution if they* provide an amount of institutional aid to California students that equals or exceeds 50 percent of funds received at that institution for Cal Grant awards.

<u>Reporting Requirements on CSAC, Participating Institutions:</u>
None

III. Analysis

<u>Purpose of the Bill:</u>
The purpose of this bill is to increase the value and stability of the Cal Grant award at private, nonprofit WASC accredited schools by establishing a formula to make it more comparable to the base funding of each student at a California State University (CSU) or University of California (UC).

<u>Policy Summary:</u>

- Prior to the enactment of SB 1644 (Chapter 403, Statutes of 2000) the Long Term Cal Grant Policy in CEC 66021.2 contained a formula for nonpublic institutions similar, but not identical, to this bill. The statute did not include an institutional match requirement.
- SB 1016, the education trailer bill of the 2012-13 Budget Act, codified maximum Cal Grant award amounts for nonpublic awards, reducing them from prior years and for the first time differentiating award amounts for private nonprofit institutions and for-profit institutions. These budget cuts put into motion by SB 1016 could potentially force over 6,000 students to turn away from these institutions and put more of a financial burden on the state by trying to get into the UC's and CSU's.
- AICCU, the sponsors of the bill, state that this bill is a good deal for the State of California. The State pays a subsidy for every student attending a public institution – approximately $7,500 at the CSU and $12,000 at the UC, plus the amount of the Cal Grant. With the subsidy, the cost per student at a public institution is 2-3 times the cost of sending a Cal Grant student to a nonprofit, nonpublic institution. With the award in this bill capped at only 80 percent of the average subsidy at the UC and CSU, the nonprofit institutions will still save the state money for every student that would alternatively have to attend a UC or CSU.

- Requiring the institutions to match a minimum of 50 percent of all Cal Grant money with their own institutional aid helps to ensure that only those institutions in the business of helping student's obtain a higher education will qualify for this award. Should this match be required of all nonpublic institutions?
- Commission staff believes it is the intent of the bill to enable institutions fulfilling the match requirement or exempt from doing so to participate in the larger maximum Cal Grant award provisions of this bill and any nonprofit, nonpublic WASC accredited institutions not making the required match and not exempted would then qualify for the lower Cal Grant award specified in SB 1016. However, the way the bill is worded, any nonprofit, nonpublic WASC accredited institution not making the match and not so exempted would cease to be deemed a qualifying institution and be out of the Cal Grant Program altogether. Commission staff recommends the wording be amended to clarify the difference, so institutions are not unwittingly disqualified from the Cal Grant Program.
- The bill does not state which year's data is to be used for the calculation of either "average state support per student" or average Cal Grant maximum at UC and CSU. If current year or budget year, then there would be significant timing issues for the awarding and administration of awards. If prior year, the Commission would need a deadline of no later than fall prior to the start of the new application period to receive that information to update our tables and Website.
- Commission staff will have to develop an annual process by which institutions must verify their institutional match. Once developed, affidavits and/or other documentation will have be collected and processed before a new table of eligible institutions can be created. Once again, timing is very important. Commission staff recommends a delayed implementation of these provisions until the 2015-16 award year, so these processes do not delay awarding for all students.

<u>Policy Recommendations:</u>
Commission staff recommends a position of Support, if Amended to address the issues listed above.

<u>Rationale:</u>
- AB 1318 does add stability to the Cal Grant award for students attending nonprofit nonpublic WASC accredited institutions.
- Current law establishes institutional eligibility requirements for all Cal Grant participating institutions, public and private, including the measures of Cohort Default Rates (CDR) and graduation rates. The Commission has expressed support of the latter qualitative measures and will not want to see them weakened or superseded by any of the requirements in this bill.
- Processes will need to be put in place to determine schools eligible for the new formula on an annual basis. The match requirements in this bill will also require the Commission to collect the annual tuition, calculate an aggregate tuition average, and take into account number of paid recipients (probably prior year) at each WASC accredited nonprofit, nonpublic campus seeking the Cal Grant award under this bill. Then we will need to update our website, appropriate tables in the Grant Delivery System, and award letters—all prior to the first processing cycle for the award year. The bill, as currently written, allows insufficient time to accomplish all this for the 2014-15 award year.

IV. Fiscal Summary

Commission Operations Impact:

- The Grant Delivery System will need to be updated to distinguish award amounts between those institutions that qualify and those that do not. The formula will also have to be added to the system and updated on a yearly basis.
- Commission staff has already identified those nonprofit institutions that are WASC accredited. Proof of qualification will need to be collected from those institutions prior to the first award year (2014-15) and monitored on a yearly basis.
- Manuals and publications will need to be updated with the new award amount formula.
- If the language is intended to change the definition of a qualifying institution, then the Institutional Participation Agreement will need to be updated and re-signed by all institutions that fall within this category.

General Fund, Local Assistance Impact:
Major General Fund impact. Staff is working to provide detail.

V. Related Bills

AB 1085 (Gaines, 2013) *Cal Grant Program: Maximum Award Amounts: Private Institutions* – analysis attached

VI. Legislative History

- Prior to 2000, CEC §66021.2(c) contained the following specifications for determining the maximum Cal Grant for all students attending nonpublic institutions:

  > (c) 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. In accordance with this policy, the formula for determining the estimated average General Fund cost shall include both of the following:
  > (1) Seventy-five percent of the average General Fund cost per student at the California State University.
  > (2) The average of the University of California and the California State University systemwide and campus-based student fees.

- SB 1644 (Chapter 403, Statutes of 2000) amended the law above to

  > (c) The maximum Cal Grant awards for students attending nonpublic institutions shall be as follows:
  > (1) The maximum Cal Grant A award shall equal the tuition award level established in the Budget Act of 2000, or the amount as adjusted in subsequent annual budget acts.
  > (2) The maximum Cal Grant B award shall equal the amount of the tuition award as established in the Budget Act of 2000, or the amount as adjusted in subsequent annual budget acts, plus the amount of the access costs specified in Section 69435, except that, in the first year of enrollment in a qualifying institution, the maximum award shall be only for the amount of the access award.

- SB 1016 (Chapter 38, statutes of 2012) added the following to CEC §69432:

  (c) (1) Notwithstanding subdivision (b), and subdivision (c) of Section 66021.2, commencing with the 2013–14 award year, the maximum tuition award amounts for Cal Grant A and B awards for students attending private for-profit and nonprofit postsecondary educational institutions shall be as follows:
  (A) Four thousand dollars ($4,000) for new recipients attending private for-profit postsecondary educational institutions.
  (B) For the 2013–14 award year, nine thousand eighty-four dollars ($9,084) for new recipients attending private nonprofit postsecondary educational institutions. For the 2014–15 award year and each award year thereafter, eight thousand fifty-six dollars ($8,056) for new recipients attending private nonprofit postsecondary educational institutions.
  (2) The renewal award amount for a student whose initial award is subject to a maximum award amount specified in this subdivision shall be calculated pursuant to paragraph (2) of subdivision (a) of Section 69433.
  (3) Notwithstanding subparagraph (A) of paragraph (1), new recipients attending private for-profit postsecondary educational institutions that are accredited by the Western Association of Schools and Colleges as of July 1, 2012, shall have the same maximum tuition award amounts as are set forth in subparagraph (B) of paragraph (1).

VII. Organizations in Support

Association of Independent California Colleges and Universities (sponsor)
California Institute of Technology
California Lutheran University
Chapman University
Claremont McKenna College
Menlo College
National University
Pepperdine University
Point Loma Nazarene University
Santa Clara University
St. Mary's College of California
University of San Diego
University of the Pacific
University of Southern California
Westmont College
8 Administrators, University of LaVerne

Opposition

CALIFORNIA STUDENT AID COMMISSION	Bill Number: AB 1364	Introduced: February 22, 2013
	Author: Ting	**Last Amended: April 1, 2013**
	Legislative Contact: Heath Minton	**Commission Position: Pending** *Staff Recommendation: Support, if Amended*

I. Bill Summary

AB 1364 proposes that beginning in the 2014-15 academic year (AY), the Cal Grant B Access Award maximum is increased annually in relation to the California Consumer Price Index. If California Consumer Price Index does not increase, or decreases, no adjustment is made to the Cal Grant B Access Award amount.

II. Current Law/Proposed Law

Current Law:
Pursuant to California Education Code (CEC) Section 69435(b), the maximum Cal Grant B Access shall not exceed $1,551. Under the 2012 Budget Act (Chapter 29, Statutes of 2012), the maximum Cal Grant B Access Award was set at $1,473.

As introduced on February 22, 2013:
CEC §69435(b) is amended to:

- Set the maximum Cal Grant B Access Award amount to $1,551.
- Annually adjust the maximum Cal Grant B Access Award to include the percentage increase, if any, in California Per Capita Personal Income as calculated by the Department of Finance commencing with the 2014-15 academic year.
- If the California Per Capita Personal Income decreases, or does not change, the maximum allowable award will remain what it was in the previous year.
- The provision allowing the maximum Cal Grant B Access Award amount to be adjusted in the Annual Budget Act is deleted.

This bill, as amended on April 1, 2013:
CEC §69435(b) is amended to:

- Set the minimum Access award at no less than $5,900 commencing with the 2014-15 academic year.
- Annually adjust the maximum Cal Grant B Access Award to include the percentage increase, if any, in the California Consumer Price Index as calculated by the Department of Industrial Relations.
- If the California Consumer Price Index decreases, the maximum allowable award will remain what it was in the previous year.

Reporting Requirements on CSAC, Participating Institutions:
None.

Analyst/Principal	Date	Reviewed by	Date
LH	04/04/13		
Legislative Director /	**Date**	**Executive Director**	**Date**
LN	4/5/13	DFM	4/9/13
Commission	**Date**	**Position Taken**	

III. Analysis

Purpose of the Bill

To increase the Cal Grant B stipend, which helps low-income college students pay for expenses such as textbooks and automatically increase the aid in future years commensurate with the cost of living.

Policy Summary:

- The Cal Grant B Access Award has not been historically tied to any inflation adjuster. Increases in the award have been sporadic and have come as a direct result of legislative action in the annual Budget Act. In 2012, the Access Award was decreased by five percent due to the Governor's line item veto.
- If the Cal Grant B Access Award had been tied to inflation from its inception, the award would be over $5,900 today.
- Statute defines "access costs" as "living expenses and expenses for transportation, supplies, and books." The average cost of textbooks at a community college is now approximately $1,100 per year meaning the award is able to cover very little of a student's living expenses, transportation, and educational supplies.
- Tying the Access Award amount to increases in the California Consumer Price Index directly represents the change in price of goods and services purchased for consumption by urban households and therefore is a good indicator of changes to student costs.
- Over 102,000 Cal Grant B Access Awards have been paid during the 2012-13 AY as of February 26, 2013, equating to over $150 million. Tying the maximum award amount to a statutory formula means that the Legislature will be restricted in its ability to manage the General Fund pressure of increasing the award, even slightly, in difficult budget years.
- The increase required in this bill appears to apply to both new and renewal Cal Grants beginning in 2014-15.
- It appears that the language does not allow the Commission to pay out any awards less than the $5,900 minimum. Commission staff recommends clarifying language to allow for lower awards if the student's enrollment status or financial need require a prorated or otherwise adjusted amount below the maximum award amount in place for any given year.
- If the Access amount is increased, the minimum need for Cal Grant B qualification (currently $700) may need to be re-evaluated.

Policy Recommendation:

Commission staff recommends a position of **Support, if Amended** to allow for prorated or lower amounts not to exceed the allowable for a student's enrollment status or exceed the student's financial need.

Rationale:

- AB 1364 strengthens the Cal Grant B Access Award by regaining its purchasing power lost over the years and assuring that it retains its purchasing power as college costs continue to rise.
- The current law does not allow for paying a student federal or state financial aid above his documented financial need. While most Cal Grant B students do have sufficient need to receive the full current maximum Cal Grant B Access award, the larger award in this bill may exceed some students' financial need and have to be adjusted. Also, current Cal Grant law requires the proration of Cal Grants based on three-quarter time and half-time enrollment status, and this bill must be amended in order not to contradict that section of the CEC.

IV. Fiscal Summary

Commission Operations Impact:

- Calculations of the most recent California Consumer Price Index change percentage will need to be completed annually beginning in 2014, in order to update the Grant Delivery System and publish the amounts before the first awards are offered.
- WebGrants tables and Website will need to be updated annually to reflect the new Cal Grant B Access Award amounts.
- Minor staff time will be required for calculation of rates and update of WebGrants annually.
- No need for new mailings/notifications or other changes to program/process is required.
- There should be adequate time to complete implementation for the 2014-15 awarding period.

General Fund, Local Assistance Impact:

Major cost to the General Fund. Commission staff is presently working to determine LA impact.

V. Organizations in Support

Opposition

American Association of University Women
CCC Association of Student Trustees
California Competes
California Federation of Teachers
California State Conference National
  Association for the Advancement of
  Colored People
California State Student Association
Community College League of California
NAACP Los Angeles
National Council of La Raza
Public Advocates, Inc.
Southern California College Access Network
Student Senate for CCC
The Education Trust – West
The Institute for College Access & Success
UC Student Association (sponsor)
Young Invincibles

CALIFORNIA STUDENT AID COMMISSION	**Bill Number: SB 595**	**Introduced: February 22, 2013**
	Author: Calderon	**Last Amended:**
	Legislative Contact: Carlos Molina	**CSAC Position:** *Staff Recommendation: Support, if Amended*

I. Bill Summary

This bill sets parameters the California Community Colleges (CCC) and California State University (CSU) must follow for disbursing financial aid to students and outlines what types of bank contracts they may not enter into. It also requests University of California (UC) do the same.

II. Current Law/Proposed Law

Current Law:

No current state law specifically governing postsecondary institutions' policies for financial aid disbursement through debit cards. (See Legislative and Regulatory History below for related federal laws and regulations.)

This bill, as introduced on February 22, 2013:

Adds California Education Code (CEC) Section 69505.5 to

- Prohibit CCC and CSU from entering into a contract with a bank or financial institution that requires students to open an account with that institution in order to receive their financial aid disbursement.
- Require institutions to give students the option of receiving their financial aid disbursement in the form of a check or direct deposit into the student's personal account in the same timeframe offered by their third party financial aid servicers.
- Request the UC to comply with the same requirements.

Reporting Requirements on CSAC, Participating Institutions:

None

III. Analysis

Purpose of the Bill:

SB 595 provides options for students to receive their awards in a timely manner and not require them to open additional accounts in order to access their financial aid award.

Policy Summary:

- In 2009, the federal government recognized that banks and other financial institutions were, among other actions, exploiting an inexperienced demographic when marketing credit cards to young adults on college campuses. They passed the Credit Card Accountability, Responsibility & Disclosure Act (also known as the CARD Act) limiting

Analyst/Principal	**Date**	**Reviewed by**	**Date**
JU	3/26/13		
Legislative Director /	**Executive Director**	**Date**	
Commission	**Date**	**Position Taken**	

the marketing of credit cards to consumers on college campuses, the offering of inducements, and requiring cosigners for adults under the age of 21.

- In more recent years, banks and other financial institutions have created a new product and service for college campuses, financial aid debit cards.
- While the debit card can be a useful tool for financial aid disbursement, U.S. PIRG and others have identified certain concerns with the contracts and fees these companies are charging students. Among the recommendations made by U.S. PIRG are:
    - The U.S. Department of Education (Department) should do more in their annual compliance audits of third party servicers to collect the average annual costs incurred by students in the use of their debit cards each year.
    - Policymakers should eliminate fees for financial aid disbursement.
    - The Department should require that each campus has an adequate number of regularly-replenished ATMs.
    - The Consumer Financial Protection Bureau (CFPB) should enforce the Electronic Funds Transfer Act (EFTA) provision against sending an unsolicited debit card. The CFPB should issue new rules emphasizing that materials accompanying a financial aid debit card explain that the card need not be activated and that here are alternative methods of accessing the student's funds.
    - The CFPB should issue rules to prohibit overdraft fees on these cards and ATM transactions and provide less costly methods of providing overdraft protection.
    - For a full copy of the U.S. PIRG report go to http://www.uspirg.org/reports/usp/campus-debit-card-trap.
- Ultimately, the institutions, themselves, have the greatest responsibility in the matter, because they are the ones reviewing the contract and entering into a business partnership with these banks and other financial institutions. Their first concern should always be the protection of their students, and their policies should reflect that.
- SB 595 requires institutions to provide alternate disbursement options in a timeframe similar to that of their third party servicers. Rather than place that burden on institutions that have contracted with a third party servicer so they don't have to handle disbursements, the bill should be amended to require that the institution must make clear to students in their award letters,
    - that the student does not have to activate the card/open the account in order to receive her financial aid disbursement;
    - that the student has options for disbursement through the servicer, including receiving a check or EFT into her own account; and
    - that the timeframe for all three should be similar (excluding the time that a check is in the delivery service of the U.S. Postal Service)?
- Likewise, the bill should be amended to require that any contract with the third party servicer ensure
    - that students opting to receive a check or EFT into their own account may receive their financial aid disbursement from the servicer in the same timeframe as that for opening an account with the servicer (excluding the time that a check is in the delivery service of the U.S. Postal Service)?

<u>Policy Recommendations:</u>
Staff recommends a position of Support, if Amended to address the two issues listed above.

Rationale:
The bill, as introduced, puts the onus of timely disbursements on institutions, rather than on the servicers with whom they have contracted. Also, more transparency in the award letters would alleviate the perceived mandate that students must activate the debit card/open the account in order to receive their financial aid disbursements.

IV. Fiscal Summary

Commission Operations Impact:
No direct impact to the Commission's operations. However, Cal Grant funds are presently disbursed through these debit cards on the local level and many Cal Grant, including CA Dream Act, students will be impacted by the policy changes in this bill.

General Fund, Local Assistance Impact:
No direct impact to the Commission's programs.

V. Legislative & Regulatory History

- The Credit Card Accountability, Responsibility & Disclosure Act was passed in 2009 (PL 111-24, 111th Congress). Its goal was protection of students from banks on campus wielding influence over the financial affairs of students.
- The Electronic Funds Transfer Act (EFTA) of 1978 (15 USC 1693 et seq.), as amended, and Regulation E (12 CFR 205)) are intended to protect individual consumers engaging in EFTs through automated teller machines, point-of-sale terminals, automated clearinghouse systems, telephone bill-payment plans, and remote banking programs.
- Title 34 Code of Federal Regulations (CFR) – in regards to Title IV funds:
  - 168.164 (c) (3) (iv) Ensure that the student or parent does not incur any cost in opening the account or initially receiving any type of debit card, stored-value card, other type of automated teller machine (ATM) card, or similar transaction devise that is used to access the funds in that account;
  - 168.164 (c) (3)(v) Ensure that the student has convenient access to a branch office of the bank or an ATM of the bank in which the account was opened (or an ATM of another bank), so that the student does not incur any cost in making cash withdrawals from that office or these ATMs. This branch office or these ATMs must be located on the institution's campus, in institutionally-owned or operated facilities, or, consistent with the meaning of the term 'Public Property' as defined in CFR 668.46(a), immediately adjacent to and accessible from the campus.
  - 168.164 (c) (3)(vi) Ensure that the debit, stored-value or ATM card, or other device can be widely used, e.g., the institution may not limit the use of the card or devise to particular vendors

VI. Organizations in Support **Opposition**

CALIFORNIA STUDENT AID COMMISSION	**Bill Number: AB 1162**	**Introduced: February 22, 2013**
	Author: Frazier	**Last Amended: April 1, 2013**
	Legislative Contact: Zachary Leary	**CSAC Position: Pending** *Staff Recommendation*: Support, if Amended

I. Bill Summary

AB 1162 proposes that all postsecondary institutions adopt policies for negotiating contracts with financial institutions to disburse a student's financial aid award and other refunds onto a debit card, prepaid card or reloaded card in a method that best serves the needs of the students.

II. Current Law/Proposed Law

Current Law:
No current state law specifically governing postsecondary institutions' policies for financial aid disbursement through debit cards. (See Legislative and Regulatory History below for related federal laws and regulations.)

As introduced on February 22, 2013:
Adds Section 69505.6 to the California Education Code (CEC) which will

- Require postsecondary educational institutions to adopt policies for negotiating contracts with financial institutions to disburse student financial aid awards and other refunds onto a debit card in a method that best serves the needs of the students and recommends the following be included in the policies:
  - Provide students clear and unbiased choice of where to bank.
  - Require at least one fee-free regularly replenished automated teller machine on a participating campus.
  - Prohibit card use fees, including, but not limited to: insufficient fund fees, account balance inquiry fees, PIN-based transaction fees, inactive account fees, replacement card fees, transfer or wire fees, dispute fees, account closure fees.
  - Require all card fees to be prominently displayed on the partnering financial institution's Web site or information mailed to students.
  - Prohibit the cards from being co-branded with the logo of the postsecondary educational institution.
  - Require the cards to include the same level of consumer protections that are provided to ATM customers under the Electronic Fund Transfer Act (15 U.S.C. Sec. 1601 et seq.).

The bill, as amended on April 1, 2013:

- Adds prepaid cards, or preloaded cards, to the existing provisions for debit cards.
- Adds that at least one fee-free, regularly replenished automated teller machine be placed on each participating campus, including satellite campuses, plus an additional ATM for every 3,000 students enrolled.

Analyst/Principal	**Date**	**Reviewed by**	**Date**
LH	4-5-13		
Legislative Director	**Date**	**Executive Director**	
LN	4-7-13	DFM	4-9-13
Commission	**Date**	**Position Taken**	

- Specifies the Electronic Fund Transfer Act (15 U.S.C. Sec. 1601 et seq.) *as it exists on January 1, 2014*.

Reporting Requirements on CSAC, Participating Institutions:
None.

III. Analysis

Purpose of the Bill:
To encourage campuses to provide students with basic consumer protections when accessing their financial aid monies and guarantee fee-free convenient ATM access.

Policy Summary:
- In 2009, the federal government recognized that banks and other financial institutions were, among other actions, exploiting an inexperienced demographic when marketing credit cards to young adults on college campuses. They passed the Credit Card Accountability, Responsibility & Disclosure Act (also known as the CARD Act) limiting the marketing of credit cards to consumers on college campuses, the offering of inducements, and requiring cosigners for adults under the age of 21.
- In more recent years, banks and other financial institutions have created a new product and service for college campuses, financial aid debit cards.
- While the debit card can be a useful tool for financial aid disbursement, U.S. PIRG and others have identified certain concerns with the contracts and fees these companies are charging students. Among the recommendations made by U.S. PIRG are:
    - The U.S. Department of Education (Department) should do more in their annual compliance audits of third party servicers to collect the average annual costs incurred by students in the use of their debit cards each year.
    - Policymakers should eliminate fees for financial aid disbursement.
    - The Department should require that each campus has an adequate number of regularly-replenished ATMs.
    - The Consumer Financial Protection Bureau (CFPB) should enforce the Electronic Funds Transfer Act (EFTA) provision against sending an unsolicited debit card. The CFPB should issue new rules emphasizing that materials accompanying a financial aid debit card explain that the card need not be activated and that here are alternative methods of accessing the student's funds.
    - The CFPB should issue rules to prohibit overdraft fees on these cards and ATM transactions and provide less costly methods of providing overdraft protection.
    - For a full copy of the U.S. PIRG report go to http://www.uspirg.org/reports/usp/campus-debit-card-trap.
- Ultimately, the institutions, themselves, have the greatest responsibility in the matter, because they are the ones reviewing the contract and entering into a business partnership with these banks and other financial institutions. Their first concern should always be the protection of their students, and their policies should reflect that.
- AB 1162 simply requires that institutions adopt policies for negotiating contracts with banks and other financial institutions to disburse students' financial aid awards and other refunds onto debit cards, prepaid cards, or preloaded cards that "best serve the

needs of students." Within those policies, AB 1162 *encourages*, not requires, institutions to consider the items listed above under **Proposed Law**.

- Cal Grants and other Commission administered financial aid awards are among the funds that may be placed on these cards. If this bill is enacted, it will be Commission responsibility to assure that eligible Cal Grant participating institutions are in compliance with this law. Commission staff recommend the bill be amended to require institutions to provide a copy of their policies pursuant to this bill to the Commission as a condition of their participation in Commission programs.

Policy Recommendations:
Commission staff recommends a position of **Support, if Amended** to require Cal Grant participating institutions to transmit a copy of their policies for negotiating contracts with financial institutions to disburse student financial aid through debit cards to the Commission as a condition of their eligibility for Commission administered programs.

Rationale:
While financial aid debit cards can be a useful tool in financial aid disbursement, certain basic consumer protections are needed. This bill attempts to ensure that students are able to access their financial aid funds easily, timely, and without additional costs.

This bill codifies good practices for campuses to consider when negotiating a contract with a third party servicer for financial aid disbursement. While minimal federal laws and regulations are in place, the lack of enforcement of those laws has allowed certain practices to chip away at students' financial aid and their access to it.

Because Cal Grants and other Commission administered funds are distributed through these debit cards, the Commission should have a role in oversight of our eligible institutions' compliance with this law.

IV. Fiscal Summary

Commission Operations Impact:
No direct impact to the Commission's operations. However, Cal grant funds are presently disbursed through these debit cards on the local level and many Cal Grant, including CA Dream Act, students will be impacted by the policy changes in this bill.

General Fund, Local Assistance Impact:
No impact under the Commission's budget.

V. Related Legislation

SB 595 (Calderon, 2013) *Postsecondary Education: Financial Aid* - analysis attached

VI. Legislative & Regulatory History

- The Credit Card Accountability, Responsibility & Disclosure Act was passed in 2009 (PL 111-24, 111th Congress). Its goal was protection of students from banks on campus wielding influence over the financial affairs of students.

- The Electronic Funds Transfer Act (EFTA) of 1978 (15 USC 1693 et seq.), as amended, and Regulation E (12 CFR 205)) are intended to protect individual consumers engaging in EFTs through automated teller machines, point-of-sale terminals, automated clearinghouse systems, telephone bill-payment plans, and remote banking programs.
- Title 34 Code of Federal Regulations (CFR) – in regards to Title IV funds:
    - 168.164 (c) (3) (iv) Ensure that the student or parent does not incur any cost in opening the account or initially receiving any type of debit card, stored-value card, other type of automated teller machine (ATM) card, or similar transaction devise that is used to access the funds in that account;
    - 168.164 (c) (3)(v) Ensure that the student has convenient access to a branch office of the bank or an ATM of the bank in which the account was opened (or an ATM of another bank), so that the student does not incur any cost in making cash withdrawals from that office or these ATMs. This branch office or these ATMs must be located on the institution's campus, in institutionally-owned or operated facilities, or, consistent with the meaning of the term 'Public Property' as defined in CFR 668.46(a), immediately adjacent to and accessible from the campus.
    - 168.164 (c) (3)(vi) Ensure that the debit, stored-value or ATM card, or other device can be widely used, e.g., the institution may not limit the use of the card or devise to particular vendors

VII. Organizations in Support

California Public Interest Research Group
California State Student Association
Center for Responsible Lending
Consumer Action
Consumers Union
Institute for College Access & Success
Student Senate for California Community Colleges

Opposition

California Bankers Association

CALIFORNIA STUDENT AID COMMISSION	Bill Number: SB 524	Introduced: February 21, 2013
	Author: Lara	Last Amended:
	Legislative Contact:	CSAC Position: *Staff Recommendation: Support*

I. Bill Summary

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

II. Current Law/Proposed Law

Current Law:

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

This bill, as introduced on February 21, 2013:

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

Analyst/Principal	Date	Reviewed by	Date
JU	4/10/13	GF	4/10/13
Legislative Director	**Date**	**Executive Director**	**Date**
LN	4/12/13		
Commission	**Date**	**Position Taken**	

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

Reporting Requirements on CSAC, Participating Institutions:
None.

III. Analysis

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

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

Policy Recommendations:
Staff recommends a position of Support.

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

IV. Fiscal Summary

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

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

V. Organizations in Support / Opposition

Organizations in Support	**Opposition**

	Bill Number: AB 166	Introduced: January 23, 2013
CALIFORNIA STUDENT AID COMMISSION	Author: Roger Hernández	Last Amended: April 1, 2013
	Legislative Contact:	CSAC Position: *Staff Recommendation: Watch*

I. Bill Summary

This bill amends California Education Code (CEC) Sections 51282 and 51284 to include financial literacy as part of the core curricula for pupils in grades 7 to 12. The financial literacy curricula will include, but is not limited to, budgeting and managing credit, student loans, and debt.

II. Current Law/Proposed Law

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

As introduced on January 23, 2013:

- Adds a new section to the CEC to require the Department to incorporate instruction related to personal finances in the next cycle in which the mathematics and history-social science curricula frameworks are adopted.

As amended on March 11, 2013:

- Adds findings and declarations stating the need and importance for California to develop an educational plan for the teaching of financial literacy.
- Adds an expansion of financial literacy including, but not limited to budgeting and managing credit, student loans, and debt.

This bill, as amended on April 1, 2013:

- Deletes the new section created in the introduced version.
- Amends CEC §51282 and §51284 to include the provisions of financial literacy including, but not limited to budgeting and managing credit, student loans, and debt, into a model curriculum prepared by the Superintendent of Public Instruction and made available at no cost to school teachers at the local level.

Reporting Requirements on CSAC, Participating Institutions:
None.

Analyst/Principal	Date	Reviewed by	Date
DS	4/10/13	GF	4/10/13
Legislative Director	**Date**	**Executive Director**	**Date**
LN	4/12/13		
Commission	**Date**	**Position Taken**	

III. Analysis

Purpose of the Bill:
The intent of the bill is to prepare students to manage personal finances and debt, including student loans. The language would require curricula framework updates to include material for financial literacy, including, but not limited to, budgeting and managing credit, student loans, and debt.

Policy Summary:

- The proposed legislation does not directly impact any of the California Student Aid Commission's programs or operations. However, the Commission does play a role in financial aid literacy and outreach. We are the state's primary agency for the administration of and policy direction for both federal and state grant, loan, loan repayment, and work study programs in California, even though our loan servicing agency is now retired. In the past, financial literacy projects have been funded through our outreach programs. Only budget cuts have kept the Commission from continuing those very valuable efforts.
- California is only one of four states in the nation which does not require the teaching of financial literacy in its K-12 curriculum.
- This policy would equip students with a broader knowledge base surrounding finances in order to make educated decisions regarding purchases, banking, financing postsecondary education, and much more.
- The latest amendments appear to integrate the financial literacy into an existing voluntary curriculum in order to eliminate the mandate on local educational agencies.
- The bill tasks the Superintendent with developing this model curriculum, but does not require or recommend the state Department of Education to work with experts in the field to do so.

Policy Recommendations:
Staff recommends a position of Watch.

Rationale:

- This bill is designed to better prepare students for handling finances and potential debt obligations such as student loans. By providing this information, to students in grades 7 through 12, they will be better equipped to make informed decisions about college and the corresponding expenses and potential debt. Providing a basic understanding of the various options available, and how to manage these obligations will empower students when they are faced with financial questions.
- While this bill contains laudable goals, there is no direction given in the development of this curriculum. AB 524 (see Related Bills), on the other hand, contains details of the curriculum development, requiring input from a variety of experts in the field, including the Student Aid Commission. Commission staff recommends prioritizing SB 524 among the bills related to financial literacy curriculum development.

IV. Fiscal Summary

Commission Operations Impact:
No direct impact to the Commission's operations.

General Fund, Local Assistance Impact:
No direct impact to the Commission's programs.

V. Related Bills

AB 391 (Wieckowski) *Pupil instruction: personal finance.* See analysis attached.
AB 524 (Lara, Steinberg) P*upil instruction: Pathways Curriculum Task Force*. See attached analysis.

VI. Organizations in Support / Opposition

CALIFORNIA STUDENT AID COMMISSION	Bill Number: AB 391	Introduced: February 15, 2013
	Author: Wieckowski	Last Amended: April 9, 2013
	Legislative Contact:	CSAC Position: *Staff Recommendation: Watch*

I. Bill Summary

This bill would enact the Common Cents Curriculum Act of 2013 and would require that instruction related to the understanding of personal finances, including, but not limited to, budgeting, savings, credit and loans, identity theft, and paying for postsecondary education be required for high school graduation. The bill would require the Instructional Quality Commission to identify resources and curriculum to assist institutions in delivering this instruction.

II. Current Law/Proposed Law

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

As introduced on February 15, 2013:
Spot bill.

As amended on March 14, 2013:

- Adds findings and declarations entitling this section, the "Common Cents Curriculum Act of 2013" and stating the need and importance for California to develop an educational plan for the teaching of financial literacy.
- Amends CEC §51220 and §51225.3 to include in the social sciences curriculum commencing in 2014-15 school year a one-semester course in personal finance, including, but not limited to, budgeting, savings, credit and loans, identity theft, and paying for postsecondary education.
- Specifies that the course is one of three required in social sciences in order to receive a diploma of graduation from high school.
- Adds §51226.9 to require the state Department of Education to develop and adopt the specified financial literacy curriculum

This bill, as amended on April 9, 2013:

- Deletes the provisions above from the social sciences curriculum in §51220 and §51225.3 and moves it to the single economics course requirement in CEC §51833.
- Stipulates that the curriculum shall be made available no later than July 1, 2015.

Reporting Requirements on CSAC, Participating Institutions:
None

Analyst/Principal	Date	Reviewed by	Date
LH	4/10/13	GF	4/10/13
Legislative Director	**Date**	**Executive Director**	
LN	4/12/13		
Commission	**Date**	**Position Taken**	

III. Analysis

Purpose of the Bill:
According to the author, "Economic and Financial Education are core life skills. The financial crisis has made economic matters front page news, requiring individuals to understand concepts such as deficit, national debt, and interest rates. It is nearly impossible to be a citizen today without understanding personal financial matters such as credit cards, student loans, interest rates and mortgages."

"Moreover," the author continues, "the rising cost of college education requires that students and their families start planning for college as soon as possible, to be savvy about financial aid, and to manage student loans effectively. The average graduating college senior in 2011, received their [sic] diplomas after accruing $27,000 in debt. This is up over $10,000 from just 5 years ago, demonstrating the drastic changes facing the next generations and the need for sound financial literacy."

Policy Summary:

- The proposed legislation does not directly impact any of the California Student Aid Commission's programs or operations. However, the Commission does play a role in financial aid literacy and outreach. We are the state's primary agency for the administration of and policy direction for both federal and state grant, loan, loan repayment, and work study programs in California, even though our loan servicing agency is now retired. In the past, financial literacy projects have been funded through our outreach programs. Only budget cuts have kept the Commission from continuing those very valuable efforts.
- California is only one of four states in the nation which does not require the teaching of financial literacy in its K-12 curriculum.
- The latest amendments place the financial literacy requirement under the economics curriculum with which it is most commonly associated.
- This bill addresses two issues that directly impact postsecondary education - Student loan debt/default rates, and lack of student understanding of funding options for college. Better preparing our future students to deal with these issues is consistent with Commission priorities.

Policy Recommendations:
Staff recommends a position of Watch.

Rationale:

- Students who are educated about financial aid options before beginning the application process for college will better understand college costs, financial aid award packages, the differences between various loan products, and the dangers of unmanageable debt. The same students who are more prepared for their educational and financial future will create a more stable citizenry for our state in the future.
- While this bill contains laudable goals, there is no direction given in the development of this curriculum. AB 524 (see Related Bills), on the other hand, contains details of the curriculum development, requiring input from a variety of experts in the field, including the Student Aid Commission. Commission staff recommends prioritizing SB 524 among the bills related to financial literacy curriculum development.

IV. Fiscal Summary

Commission Operations Impact:
No direct impact to the Commission’s operations.

General Fund, Local Assistance Impact:
No direct impact to the Commission’s programs.

V. Related Bills

AB 166 (Hernandez).*Pupil instruction: financial literacy.* See attached analysis.
AB 524 (Lara, Steinberg) *Pupil instruction: Pathways Curriculum Task Force*. See attached analysis.

VI. Organizations in Support **Opposition**

President Obama's Proposed 2014 Budget

President Obama's fiscal year (FY) 2014 budget request to Congress shows the President's prioritization of higher education. It includes a maximum Pell Grant award of $5,785 for the 2014-15 award year, modifies student loan interest rate policy by making rates market-based, and would make some campus-based aid funds contingent on an institution's ability to keep tuition low, provide good value, and graduate Pell-eligible students.

According to a summary of the budget request issued by the U.S. Department of Education, "The 2014 budget includes a combination of discretionary and mandatory funding that would make available $155 billion in new grants, loans, and work-study assistance—an increase of more than $57 billion, or 59 percent, over the amount available 2008—to help nearly 14.7 million students and their families pay for college."

Federal Loans

- Restructure federal student loan interest rates so they are determined by the cost of government borrowing and are therefore more closely aligned with market rates. Specifically, rates would be constructed by using the base 10-year Treasury note rate ("T-bill") plus add-ons of:
    - .93 percentage points for Subsidized Stafford Loans
    - 2.93 percentage points for Unsubsidized Stafford Loans
    - 3.93 percentage points for PLUS Loans (Grad PLUS & Parent PLUS)

If those rates were in place currently it would be more favorable for students than the existing fixed rate policy, at least in the current years. Subsidized Stafford Loans would have an estimated 2.9 percent rate, Unsubsidized Stafford Loans a 4.9 percent rate, and a 5.9 percent rate for PLUS loans. The proposal calls for interest rates to be determined annually and then fixed for the life of loan. The president's budget request does not place a cap on interest rates.

- Expand the current Pay As You Earn (PAYE) repayment plan to all student borrowers, past, present and future. PAYE, a form of Income Contingent Repayment (ICR) currently available to only a certain pool of borrowers, ensures that their loan payments do not exceed 10 percent of their discretionary income and provides loan forgiveness after 20 years. Under the president's budget, PAYE would extend to all student borrowers beginning July 1, 2014.
- Change guaranty agency compensation for rehabilitating defaulted loans by eliminating their current retention share of the original defaulted student loan amount, and reducing to 16 percent the fee they can charge to a borrower on outstanding balances. If a guaranty agency is unable to locate a private sector lender willing to purchase the rehabilitated loan, the guaranty agency will send the loan to the Department of Education and the guarantee agency would continue to earn a 16 percent collection fee. The administration estimates that this would save $3.7 billion over 10 years to be invested in the Pell Grant program.

Grants

- Maintain a maximum Pell Grant of $5,785 for award year 2014-15. This amount takes into the account the scheduled Consumer Price Index (CPI) increase in mandatory funds.

- Replace TEACH Grant with a new Presidential Teaching Fellows program that would provide formula grants to states to fund scholarships for students attending “high-performing” teacher preparation programs. Students would receive scholarships of up to $10,000 in the final year of their teacher preparation program (either undergraduate or post-graduate).

Campus-Based Aid

- Provide $150 million more in funds to the Federal Work Study (FWS) program in order to double the number of participants in the next five years.
- Expand the Perkins Loan Program from $1 billion to $8.5 billion per fiscal year. The proposal would make Perkins unsubsidized with the same interest rate as the Unsubsidized Stafford Loan. The White House estimates that the increased funding would allow 2,700 additional postsecondary institutions to participate in the program and the savings would be reinvested in the Pell Grant program.
- Reform federal campus-based aid programs (specifically Federal Work Study and the Supplemental Educational Opportunity Grant) to reward colleges who keep their tuition and tuition increases low, enroll and graduate high numbers of Pell-eligible students, and provide good value. The budget does not include specifics about how these metrics would be defined.

Access and Affordability Proposals

- Create incentives for states and colleges, mirrored after the K-12 Race to the Top initiative, to keep costs under control through a $1 billion investment in a new challenge to states to spur higher education reform focused on affordability and improved outcomes across states and universities.
- Provide $260 million for the Fund for the Improvement of Postsecondary Education (FIPSE). FIPSE funds support competitive grants to explore projects that are models for innovative reform in higher education and that support K-12 through higher education pipeline initiatives.

Career and Workforce

- Includes $8 Billion to community colleges to better integrate their programs with workforce needs

Preschool for All

- Sets aside $750 million in discretionary Preschool Development Grants for a new federal-state partnership to create preschool slots for all low- and moderate-income 4-year-olds.
- Pays for the new program by increasing the federal tax on cigarettes to $1.95 a pack from $1.01.

Additionally, the budget does not reflect sequestration cuts as it assumes the replacement of the sequester through a series of increases to revenue and spending cuts.

House and Senate Proposed 2014 Budgets

Senate Budget

The Senate FFY 2014 proposed budget released on March 13 and passed by the Senate on March 23, replaces sequestration cuts with other reductions touted to save hundreds of thousands of jobs while protecting families, communities, and the economy. The budget plan proposes the following for higher education

- Secure Pell Grants
- Keep student loans affordable by retaining subsidized loans and important repayment programs, and facilitating passage of legislation to keep the interest rate low
- Bring down college and university costs
- Invest in strategies and technologies that build job skills for both the long-term unemployed and youth

House Budget

The House FFY proposed budget was passed by the House on March 21 on a mostly party-line vote (no Democrats voted for the bill, and ten Republicans voted against). It also seeks to replace sequestration cuts with other reductions and seeks to balance the budget in ten years.

- Maintain the 2012-13 award year Pell maximum of $5,645 for the next two years, but fund fully through discretionary spending. (Pell Grant currently is funded through a combination of discretionary and mandatory funding. The mandatory funding is authorized through FFY 2017 as a result of the College Cost Reduction and Access Act of 2007, amended in the Student Aid and Fiscal Responsibility Act of 2009. It is cuts to the discretionary funding that kept the 2012-13 *actual* maximum at $5,550.)
- Reduce the Pell Grant Income Protection Allowance (IPA) for students
- Eliminate duplicative student financial aid and workforce training programs
- Remove regulatory barriers to higher education that restrict flexibility and innovative teaching, especially as it relates to online learning and competency-based learning

State Budget Issues

2013-14 Proposed Budget

The Governor released his proposed 2013-14 Budget on January 10, 2013, and will release his May Revision on May 10, 2013.

The Assembly Budget Subcommittee No. 2 on Education Finance held a hearing on the Cal Grant Program on March 13, 2013. Executive Director Diana Fuentes-Michel presented along with the Legislative Analyst's Office and The Institute for College Access & Success (TICAS).

The Senate Budget Subcommittee No. 1 is holding a hearing on the Commission's budget on April 25, 2013. Executive Director Michel will present.

Cal Grant Program

We have provided technical assistance on Cal Grants and Specialized Programs to the Department of Finance as part of the Administration's confidential process for preparing the May Revision.

Temporary Assistance for Needy Families (TANF)

2012-13 Cal Grant disbursements to institutions were on hold for a couple of weeks until the final 2012-13 TANF fund were received in mid-April. Institutions were notified of the delay. We have not heard that this delay has had any adverse effect on students.

College Access Challenge Grant Program

The three key issues noted below regarding College Access Challenge (Challenge) Grant Program are presented in detail in Tab 5:

- Waiver for the Maintenance of Effort due to U.S. Department of Education (USED) by May 15, 2013
- Sequester effect on the 2013-14 Challenge Grant funding
- 2013-14 Challenge Grant Application due to USED in late June/early July 2013.

Legislative Analyst's Office Recommendations on January Budget

Program	Budget Issue	LAO Finding Or Recommendation	Last Updated
Cal Grants	Cal Grant funding.	Recommend adopting Governor's January budget proposal to increase total Cal Grant funding by $61 million in 2012-13 and an additional $100 million in 2013-14. The proposed increases are needed to fully fund Cal Grants under current state law.	3-15-13

State Budget Issues

Detailed Narrative

Background

Cal Grants Provide Students With Financial Aid to Help With College Costs. The state's Cal Grant program guarantees financial aid awards to recent high school graduates and community college transfer students who meet financial, academic, and other eligibility criteria. The program also provides a relatively small number of competitive grants to students who do not qualify for entitlement awards. Cal Grants cover full systemwide tuition at the public universities for up to four years and partly contribute to tuition costs at nonpublic institutions. Apart from tuition grants, some students qualify for grants that cover a portion of their living costs. Figure 1 summarizes the number of recipients and funding amounts by grant type in 2012-13.

Figure 1

Cal Grant Recipients and Funding by Grant Type

2012-13 Revised (Dollars in Millions)

Grant Type	Recipients	Amount
High School Entitlement	196,590	$1,258
Community College Transfer Entitlement	25,842	204
Competitive	38,510	124
Cal Grant C	7,936	8
Totals	**268,878**	**$1,594**

Governor's Proposal

The Cal Grant program currently is supported by federal Temporary Assistance for Needy Families funds, the state General Fund, and the Student Loan Operating Fund. The Governor proposes to increase total Cal Grant spending by $61 million in 2012-13 and an additional $100 million in 2013-14 to accommodate increases in the number of students eligible for Cal Grant entitlement awards. Figure 2 shows funding by source for the *2012-13 Budget Act*, revised current year and budget year.

Figure 2

Cal Grant Funding by Source

(In Millions)

Fund Source	2012-13 Budget Act	2012-13 Revised	Change From Budget Act	2013-14 Proposed	Change From 2012-13
Federal TANF Funds	$804	$804	—	$943	$139
General Fund	645	706	$61	691	-14
SLOF	85	85	—	60	-25
Totals	**$1,533**	**$1,594**	**$61**	**$1,694**	**$100**

TANF = Temporary Assistance for Needy Families and SLOF = Student Loan Operating Fund.

Assessment

Current-Year Growth Related to Increased Participation. The number of students applying for and claiming Cal Grants in the current year is about 5 percent higher than projected in the *2012-13 Budget Act*. Because entitlement awards are guaranteed to eligible students, costs rise with participation. The administration's proposal to add $61 million in the current year would align funding with expected award payments.

Two Major Drivers of Budget-Year Growth. Additional growth in Cal Grant costs for 2013-14 is primarily driven by two factors.

- ***Continuation Costs for 2012-13 Participation Increases.*** Higher current-year participation results in further cost increases in the budget year. This is because some students who are eligible for only a stipend toward living expenses in their first year of college (a maximum of $1,473) may become eligible for both living expenses and tuition support (up to $12,192 at the University of California) beginning in their second year. The tuition grants add more than $95 million in expected Cal Grant payments in 2013-14. These new costs are offset by more than $15 million in savings due to 2013-14 award reductions enacted last year for students at private institutions. (A reduction in the maximum award from $9,223 to $9,084 for students attending nonprofit institutions and those for-profit institutions accredited by the Western Association of Schools and Colleges is expected to save about $1 million. A reduction from $9,223 to $4,000 in the maximum award for students attending other for-profit institutions is expected to save nearly $15 million.)
- ***Dream Act Implementation.*** In addition, the administration projects participation increases in the budget year due to initial implementation of the California Dream Act, Chapter 604,

Statutes of 2011 (AB 131, Cedillo). The Dream Act allows certain previously ineligible students to receive Cal Grants beginning in 2013-14. The Governor's budget includes $19.5 million for an estimated 6,000 newly eligible students.

LAO Recommendation

Recommend Adopting Proposed Cal Grant Funding Increases. Because the proposed augmentations fund increased entitlement costs that the Legislature and Governor already have approved, we recommend adopting the Governor's proposal.

Program	Budget Issue	LAO Finding Or Recommendation	Last Updated
Cal Grants	TANF and SLOF adjustments for Cal Grant program.	Conform TANF funding amount for Cal Grants with decisions on CalWORKs. Increase SLOF support by $25 million over Governor's proposal. In both cases, these funds directly offset General Fund expenditures for Cal Grants and have no programmatic effect.	3-15-13

Detailed Narrative

Background

Cal Grants Currently Supported by Three Funding Sources. In 2012-13, the state's Cal Grant program is supported by $804 million in Temporary Assistance for Needy Families (TANF) funds, $706 million from the General Fund, and $85 million from Student Loan Operating Fund (SLOF). In previous years, Cal Grants were supported primarily from the General Fund and SLOF, with a small amount of direct federal support. This is the first year the state has replaced a portion of General Fund support for Cal Grants with TANF support.

Governor's Proposal

The Governor proposes to increase federal TANF funding for Cal Grants from $804 million in 2012-13 to $943 million in 2013-14, with a corresponding reduction in TANF support (and increased General Fund support) for social services. He also proposes to adjust SLOF support from $85 million in the current year to $60 million in the budget year.

Assessment

Fund Swaps Have No Programmatic Effect. The proposed shift in funding from the General Fund to federal and special funds has no programmatic effect on Cal Grants and does not reduce funding for other state programs. Each of the proposed fund shifts is described in more detail below.

State Budget Issues

TANF Funds Redirected From Social Service Programs. In 2012-13, TANF funds were shifted from the California Work Opportunity and Responsibility to Kids (CalWORKs) program to the Cal Grant program. The state, in turn, increased its share of CalWORKs support. These actions helped the state meet the CalWORKs maintenance-of-effort (MOE) requirement (whereby a certain level of state support must be maintained). In addition to helping meet MOE requirements, the fund shift provides other potential benefits such as helping the state meet other related federal requirements. These benefits are discussed in more detail in our report, *The 2013-14 Budget: Analysis of the Health and Human Services Budget*.

Growth in Cal Grant Participation Makes Room for Additional TANF Funding. The use of TANF funding for Cal Grants is limited by the number of grant recipients who meet certain eligibility requirements set by the state. To qualify, students must be unmarried, age 25 and under, and have annual parent and student income of no more than $50,000. The California Student Aid Commission (CSAC) estimates that about 56 percent of Cal Grant expenditures are for students meeting these eligibility requirements. Due to increased overall participation in Cal Grants, the number of participants eligible to be funded with TANF dollars also has grown. The Governor's proposal would align TANF funding with expected participation of eligible students.

SLOF Support Related to Multiyear Agreement. Cal Grant support from the SLOF is provided as part of an agreement between the state, the federal Department of Education, and ECMC, a company providing federal student loan services in California. This agreement resulted from the transfer of the state's federal guaranteed student loan program from EdFUND, a CSAC auxiliary, to ECMC. Under the agreement, SLOF funding level is not guaranteed from year to year. It is typically determined by ECMC in May of each year in consultation with the federal Department of Education, and the state budget is adjusted accordingly during the May Revision process.

Current Estimates Suggest Additional SLOF Will Be Available. In recent communications, ECMC noted that it expects to provide three more annual contributions toward Cal Grants totaling about $253 million. The Governor's budget includes a conservative estimate of $60 million in SLOF support for the budget year. We think a better estimate is one-third of the remaining expected contribution, or about $85 million.

LAO Recommendation

We recommend conforming TANF funding for Cal Grants with decisions on CalWORKs. We also recommend the Legislature increase SLOF funding for Cal Grants by $25 million over the Governor's proposed amount for the budget year and reduce General Fund support by the same amount.