

# Exhibit 1

## Information/Action Item

Consideration of state and federal issues and legislative concepts and bills

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During the legislative break, the Commission staff has been actively involved in informing legislators and their staff about the Commission's programs and activities. Commission staff has been approached by several legislative offices regarding potential legislation impacting student financial aid policy. Staff will be providing the Committee with an oral update of these proposals and activities. The California Legislature will reconvene for the second year of the two-year session on January 6, 2014.

### **STATUS OF LEGISLATIVE MEASURES HEARD IN THE FIRST YEAR OF 2013-14 LEGISLATIVE SESSION**

Attached is the final legislative report of the first-year of the legislative session on measures that the Commission took a position. **Items 1.1 & 1.2** outline the legislative measures for which the Commission has taken positions.

### **LEGISLATIVE PROPOSALS**

#### **Increasing Cal Grant B Access Award**

Governor Brown vetoed SB 284 (De Leon) which would increase the Cal Grant B Access award from funds available through a newly created special fund (established in SB 285). The Governor, in his veto message stated that he would sign an identical measure that would correct the technical issue that he identified. The Commission took a support position on SB 284 and 285.

Senator De Leon has expressed his intention to reintroduce this legislation in January as an urgency measure. The commission staff asks that the Commission continue to support the measures by Senator De Leon.

#### **Veterans' Benefit Protection Act**

CSAC continues to work with the California Department of Veterans Affairs and the Bureau of Private Post-Secondary Education to align standards for institutional eligibility. While many institutions were made ineligible to participate in the Cal Grant program by the Commission standards for default rates and graduation rates, these institutions remain eligible for participation in the federal Title IV and the GI Bill programs (Title 38).

#### **Debt Card Issue**

The Commission has taken a position of support for **AB 1162 (Frazier)**. This bill requires universities and colleges to develop policies for entering into a contract for financial aid debit card services and to negotiate those contracts in the best interest of students.

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Additionally the bill delineates many of the fees and charges that would be prohibited. Several other legislators are now contemplating legislation in this area.

### **Cal Grant Institutional Eligibility Requirements (Cohort Default Rate Manipulation)**

Commission staff is actively seeking data on CDR manipulation by educational institutions. The US Department of Education and the Consumer Financial Protection Bureau have launched investigations into questionable practices while the Justice Department recently settled a claim with a for-profit educational business for "...orchestrated certain short-term private loans" that the college had repaid in order to appear to comply with the 90/10 rule. It is important the Commission continue to protect students from these predatory practices.

### **Cohort Default Rate (CDR) & Graduation Rate Appeal Process for Institutions**

CSAC staff has been approached by several legislators regarding the creation of a state appeal process for institutions who have been found to be ineligible for participation in the Cal Grant program.

### **California Work-Study Program for California's Colleges and Universities**

In 1990, federal and state grants covered more than 75 percent of the costs of attending a public two-year & four-year college or university. Today, it covers barely 30 percent. Students who borrow the maximum subsidized loans are still left with unmet financial need and must work as well. Students now must work longer hours in order to afford a post-secondary education. Commission staff recommends that the Commission support proposals that seek to reestablish a state-funded Work Study Program.

Commission staff will have further discussion of possible legislative proposals that seek to restore funding for loan assumption programs and related efforts that would require Cal Grant students have access to 15 to 20 hours per week of on-campus employment as well as proposals urging colleges to provide all students with flexible schedules and provide financial literacy training.

**Responsible Person(s):** Ed Emerson, Chief  
Strategic Policy, Media & Communications Division

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### 2013 State Legislative Update – Commission Bills

At the Commission's November meeting, Commission staff provided an update on the measures on which the Commission has taken a position. This written update provides more specific information on the final actions taken by the Governor and requests that the Commission continue its positions on the measures found below.

#### Cal Grant Bills

**SB 284/285 (De León) – This bill will be reintroduced in January of 2014 as an urgency bill.** Governor Brown has indicated he will sign the bill as well as the companion funding bill. Beginning in 2015-16, this measure will add a supplement to the Cal Grant B Access award amount from special funds. The bill sunsets after the 2017-18 award year or when moneys in the fund are depleted, whichever occurs later.

**Commission Position: Support**

**AB 1241 (Weber) – (Two Year Bill)** expands H.S. Entitlement application window for two years beyond high school graduation or the equivalent (that's one-year beyond current practice). **The bill was heard in Senate Appropriations Committee on August 12<sup>th</sup> and sent to Suspense.**

**Commission Position: Support**

**AB 1285 (Fong) – (Two Year Bill)** -provides first-year Cal Grant B students with tuition. **This bill was held in Senate Education Committee.**

**Commission Position: Support**

**AB 1287 (Quirk-Silva) –Vetoed by Governor Brown** – this bill would have allowed renewal Cal Grant recipients disqualified by income/asset/minimum financial need tests in 2011-12, 2012-13, and 2013-14 to reapply in 2014-15. **Commission staff recommends working with the author on technical amendments to improve the implementation of the measure.**

**Commission Position: Support**

**AB 1364 (Ting) – (Two Year Bill)** -beginning in 2014-15, increases Cal Grant B Access award to \$1,710 + CPI and increases it by CPI annually thereafter. **The bill was heard in Senate Appropriations Committee and sent to Suspense.**

**Commission Position: Support**

#### Debit Card Bills

The Commission staff recommends that the Commission remain active in supporting efforts which will further protect students' rights in the notification and use of their financial aid funds. It is our understanding that there will be legislators who will author measures impacting the use of debt cards in the delivery of student financial aid during the second year of the 2013-14 legislative sessions.

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**SB 595 (Calderon) – Signed by Governor Brown** – This bill prohibits requiring students to activate an account tied to their institution’s financial aid debit card and requires institutions to provide students with the option to receive financial aid disbursements into an account of the student’s choosing within the same timeframe as funds received in an account opened with the institution’s third-party financial aid contractor.

**Commission Position: Support**

**AB 1162 (Frazier) - (Two Year Bill)** - requires universities and colleges to develop policies for entering into a contract for financial aid debit card services and to negotiate those contracts in the best interest of students. This measure was held in Senate Banking & Financial Institutions Committee. **Commission Position: Support**

### Other Bills

**SB 141 (Correa) – Signed by Governor Brown** - exempts U.S. citizen children of deported parents from being charged nonresident tuition rates at California public colleges and universities.

**Commission Position: Support**

**SB 150 (Lara) – Signed by Governor Brown** - exempts a secondary pupil, defined as 7-12th grade, attending a community college as a special part-time student from paying nonresident tuition if certain conditions are satisfied.

**Commission Position: Support**

**SB 524 (Lara) - (Two Year Bill)** - establishes the Pathways Curriculum Task Force to create a voluntary K-12 curriculum to educate pupils about their options for postsecondary education and financing. Includes input from CSAC in development and review of the proposed curriculum. SB 524 will be heard in Assembly Appropriations on August 21<sup>st</sup>. **This bill is currently held in Assembly Appropriations on suspense.**

**Commission Position: Support**

### Legislative Outreach During the Legislative Session Break

Between October 7<sup>th</sup> and November 7<sup>th</sup>, the Commission participated in five (5) Joint Assembly/Senate Rules Committee 2013 “Maximizing Your Constituent Outreach” workshops which took place in the cities of Oakland, San Diego, Fresno, Los Angeles and Sacramento. As a result of this participation, Commission staff provided direct presentations about the Commission and student aid in California to 264 district office staff members. Commission staff also responded to an invitation from Assembly Speaker Pérez’s office to address 25 District Office Directors during their fall 2013 Northern California District Director’s Network Meeting.

On December 6<sup>th</sup>, the Commission presented its 2013 State Capitol Legislative Briefing. This was a bipartisan briefing that involved both houses of the California Legislature. Fifty-five (55) participants attended this hour-long event including representatives from member offices, Legislative Committees, the Senate Office of Research, the Legislative Analyst’s Office, California State University, the Senate Republican Caucus, the Speaker’s Office of Majority Services, and Commissioner Hal Geiogue attended.

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### Assembly Members' Offices Represented:

- John Pérez
- Das Williams
- Jimmy Gomez
- Rich Gordon
- Al Muratsuchi
- Susan Talamantes Eggman
- Rob Bonta
- V. Manuel Perez
- Phil Ting
- Steve Bradford
- José Medina
- Freddie Rodriguez
- Joan Buchanan
- Anthony Rendon
- Richard Pan
- Henry Perea
- Luis Alejo
- Kevin Mullin
- Bob Wieckowski
- Steve Fox
- Roger Dickinson

### Senators' Offices Represented:

- Norma Torres
- Carol Liu
- Steve Knight
- Ted Liu
- Alex Padilla
- Mimi Walters
- Leland Yee
- William Monning
- Jerry Hill
- Bob Huff
- Lou Correa
- Holly Mitchell

### Legislative Committees Represented:

- Senate and Assembly Rules
- Senate Budget and Fiscal Review
- Assembly Health
- Senate Appropriations
- Senate Education
- Assembly Budget
- Assembly Veterans Affairs

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### Legislative Concept Proposal

In the past thirty (30) days, the Commission has received approximately twenty (25) requests from Members' offices in need of specific information, technical assistance, support services, and questions regarding Legislative concepts, Cal Grants, Middle Class Scholarship, Cash for College Workshops, Community Presentations, Press and Outreach activities. The next regularly scheduled Commission meeting is in February, 2014. Commission staff will provide the Committee with information on bill proposals that are likely to be introduced in January when the legislature returns from its session break.

Commission staff will bring forward those legislative proposals that it believes that the Commission should **support in concept** at that time.

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### 2013 Federal Legislative Update

Commission staff will update the Strategic Planning and Policy Committee on recent events and actions taken by the Administration and Congress on federal student aid policy. Commission staff will provide recommended actions to the Committee at the time of its December 17<sup>h</sup> teleconference.

#### **Gainful Employment**

A third session was recently added to the Gainful Employment negotiations and the Obama Administration is expected to proceed with regulatory hearings on the proposed Gainful Employment provisions. Currently, no consensus has been built around possible regulations and the US Department of Education has indicated they will move ahead with the regulations development regardless.

One of the sticking points in negotiations has been the Department's proposal to use cohort default rate (CDR) for federal Title IV institutional eligibility. For programs with 10 or more students in repayment status, those programs with CDRs of 30 percent or higher for three consecutive years or those programs with CDRs of 40 percent or higher in a single year would be ineligible for federal Title IV financial aid funds.

#### **Student Loan Borrower Bill of Rights Act**

United States Senator Dick Durbin (D-Illinois) along with Senators Elizabeth Warren (D-MA) and Barbara Boxer (D-CA) have introduced, the Student Loan Borrower Bill of Rights Act<sup>1</sup>. This legislation aims to reform the loan disclosure and servicing standards for both federal and private student loans. The bill is aimed at providing student borrowers with the basic information that they need to understand their loan repayment options and borrower rights when the loan is serviced.

According to the Senator's website, the bill would establish six basic rights for all federal and private student loan borrowers;

- The right to have options such as alternative payment plans to avoid default.
- The right to be informed about key terms and conditions of the loan and any repayment options to ensure changing repayment plans won't cost more.
- The right to know your loan's servicer and who to contact when there is a servicing problem.
- The right to consistency when it comes to how monthly payments are applied to the principal. Lenders and servicers should also honor promotions and promises that are advertised or offered. The right to fairness, like grace periods when loans are transferred or debt cancellation when the borrower dies, or becomes disabled.

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- The right to accountability, including timely resolution of errors and certification of private loans.

The Senator's office indicated that the bill's provisions will provide a special focus on assisting active service members and veterans by requiring loan servicers to establish a liaison trained specifically to assist military borrowers who are eligible for related veteran benefits.

At the time of this report, the bill language had not yet been posted. Commission staff will update the Commission on the bill's provisions and their recommendations on actions that the Commission may take on the measure.