

Date of Hearing: April 9, 2013

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Das Williams, Chair

AB 1085 (Gaines and Morrell) – As Introduced: February 22, 2013

SUBJECT: Cal Grant Program: maximum award amounts: private institutions.

SUMMARY: Increases the maximum annual tuition award for Cal Grant A and B awards for new recipients attending private for-profit and nonprofit postsecondary educational institutions to \$9,708, as an urgency measure, commencing with the 2013-14 award year. Specifically, this bill:

- 1) Increases the maximum annual tuition for Cal Grant A and B awards for new recipients attending private postsecondary educational institutions from \$4,000 to \$9,708.
- 2) Increases the maximum annual tuition for Cal Grant A and B awards for new recipients attending independent non-profit institutions and private for-profit, Western Association of Schools and Colleges (WASC)-accredited institutions from \$9,084 in 2013-14 and \$8,056 in 2014-15 to \$9,708.
- 3) Includes an urgency clause to allow the new award levels to go into effect for the 2013-14 award year.

EXISTING LAW provides a variety of student financial aid grant and loan programs, administered by the California Student Aid Commission, to provide awards to needy and academically eligible students, including the Cal Grant Entitlement Programs for California residents who graduated from high school within one year.

FISCAL EFFECT: Unknown but potentially significant. These reduced award amounts were estimated to save \$16 million in 2013-14 with increased savings in the following years.

COMMENTS: Cal Grant background. The Cal Grant Entitlement Program guarantees financial aid awards to recent high school graduates and community college transfer students who meet financial, academic, and other eligibility requirements. The state also provides a relatively small number of competitive Cal 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. About 269,000 students received new or renewed Cal Grant awards in 2012-13, totaling about \$1.6 billion.

Recent budget actions. As a result of recent budget deficits and growing costs to the program, several changes to the Cal Grant program in recent years reduced eligibility and benefits, including annual student needs assessments to maintain eligibility, a reduction in the Cal Grant B stipend amount, institutional graduation and student loan default rate thresholds for program eligibility, and a reduction in the award amount for students attending private institutions. These cuts, combined with actions taken in the 2011-12 Budget Act, impacted more than 170,000 students and reduced the Cal Grant program by at least \$194.5 million.

Specifically, the 2012 education trailer bill [SB 1016 (Committee on Budget and Fiscal Review), Chapter 38, Statutes of 2012] implemented the following reductions in maximum tuition award levels beginning in 2013-14:

- 1) For new recipients attending independent non-profit institutions and private for-profit, WASC-accredited institutions as of July 1, 2012, maximum grant awards were reduced by 6.5%, from \$9,708 to \$9,084. In 2014-15, new maximum tuition awards at non-profit institutions and WASC-accredited for-profit institutions will be reduced by an additional 10.5%, from \$9,084 to \$8,056.
- 2) For new recipients attending all other private for-profit institutions, maximum grant awards were reduced by 59%, from \$9,708 to \$4,000.

Need for this bill. According to the author, "With the cut to Cal Grants, students may be priced out of private universities and trade schools. These students may be forced to either drop out of school altogether or transfer to a public school. If students transferred to a public school, the non-partisan Legislative analyst predicts that the state would end up paying up to \$12,500 for that same student at a CSU or \$24,000 for a student that attends a UC."

Other measures to expand Cal Grant benefits. A similar measure, AB 1318 (Bonilla), would link the Cal Grant award amount for students attending private nonprofit colleges and universities to the average cost of educating students in the public sector, implementing a recommendation by the Legislative Analyst's Office. Other measures before this Committee to increase Cal Grant eligibility or benefits include:

- 1) AB 303 (Calderon) would extend eligibility to the Cal Grant Entitlement program to California residents who are current or former members of the United States Armed Forces.
- 2) AB 1241 (Weber) would extend the Cal Grant Entitlement program period of eligibility from one to three years, allowing an applicant for Cal Grant A and B Entitlement Awards to submit a complete financial aid application no later than March 2 of the 4th academic year after his or her high school graduation.
- 3) AB 1285 (Fong) would expand Cal Grant B funding by eliminating the 2% cap on the number of Cal Grant B awards that cover the first year of tuition and fees.
- 4) AB 1287 (Quirk-Silva) would remove statutory provisions requiring renewing Cal Grant recipients to meet annual income and asset criteria to maintain eligibility.
- 5) AB 1364 (Ting) would restore the Cal Grant B access award to \$1,551, the amount of the award prior to the Governor's 5% veto in the 2012 Budget Act, and index the stipend to changes in the Consumer Price Index.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

California Federation of Teachers

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