

Date of Hearing: April 9, 2013

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Das Williams, Chair
AB 1285 (Fong) – As Amended: April 2, 2013

SUBJECT: Student financial aid: Cal Grant Program.

SUMMARY: Expands Cal Grant B funding by eliminating the 2% cap on the number of Cal Grant B Entitlement and Competitive awards that cover the first year of tuition and fees, never to exceed the student's calculated financial need.

EXISTING LAW provides for Cal Grant assistance for needy students to be administered by the California Student Aid Commission and provides that two percent of first-time Cal Grant B recipients are eligible for payments for tuition or student fees.

FISCAL EFFECT: Unknown but CSAC estimates additional costs of \$117.4 million in 2014-15.

COMMENTS: Background. In both the entitlement and competitive Cal Grant programs, a very low-income student qualifies for a Cal Grant B, while middle-income students qualify for a Cal Grant A. In recognition that Cal Grant B serves the lowest income students, the annual award pays for tuition and fees and a small stipend (currently \$1,473) toward books, supplies, food and rent. (Cal Grant A pays for tuition and fees only.) When the Cal Grant B program was authorized (in the early 1960s as the "College Opportunity Grant Program") it was assumed that the lowest income students would not go to a four-year college or university but rather would choose to go to a community college first. Therefore, the program allowed for first-year tuition and fee payments for only the top two percent of the Cal Grant B recipients.

This assumption is no longer presumed to be valid, but the Cal Grant B program still does not pay tuition and fees in the first year for 98% of the recipients. Thus the majority of those Cal Grant B students who initially enroll in a four-year institution must take on additional debt to cover their first-year tuition unless they receive other, offsetting financial aid, such as from the institution itself. For example, Cal Grant B students at the California Community Colleges (CCC) are eligible for the Board of Governors Fee Waiver.

Need for the bill. According to the author, this bill is necessary to give Cal Grant B students financial assistance for four years, thereby expanding access to higher education and allowing low income students to attend the college of their choice.

Inequity of current policy. Some lower income (Cal Grant B) students receive a smaller lifetime award than higher income (Cal Grant A) students. This is because the first-year tuition benefit (currently a maximum of \$12,192) is more than four years of the access grant (currently \$1,473) received under Cal Grant B. In 2007-08, for the first time students attending the University of California (UC) faced the same situation. As a result, UC shifts its students from Cal Grant B to Cal Grant A awards, when possible, to provide students with the highest four-year award.

Implementation date. It is unlikely CSAC would have the resources or time to do the necessary programming and outreach to implement this bill in 2014-15. The author may wish to consider delaying implementation until 2015-16.

Recent budget actions. As a result of recent budget deficits and growing costs to the program, several changes to the Cal Grant program over 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. Combined with actions taken in the 2011-12 Budget Act, these cuts impacted more than 170,000 students and reduced the Cal Grant program by almost \$200 million.

Other measures to expand Cal Grant eligibility. 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 1085 (Gaines and Morrell) would increase the Cal Grant award for students attending private postsecondary educational institutions to \$9,708, restoring it to the level it was prior to reductions implemented in the Budget Act of 2012.
- 3) AB 1241 (Weber) would extend the Cal Grant Entitlement program period of eligibility from one to three years.
- 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 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.
- 6) AB 1364 (Ting) would increase the Cal Grant B access award amount to no less than \$5,900 and annually adjust the minimum award amount by the percentage increase in the Consumer Price Index.

Previous legislation. AB 970 (Fong), Chapter 620, Statutes of 2012, as introduced would have phased out the two percent restriction. AB 1761 (Fong, 2010), AB 2365 (De La Torre, 2008), and AB 302 (De La Torre, 2007), which were held in the Assembly Appropriations Committee, were identical or substantially similar to this bill.

REGISTERED SUPPORT / OPPOSITION:

Support

American Association of University Women
California Community College Association of Student Trustees
California Competes
California Federation of Teachers

California State Conference of the 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 California Community Colleges
The Education Trust-West
The Institute for College Access & Success
University of California Student Association
Young Invincibles

Opposition

None on file.

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