

Date of Hearing: April 9, 2013

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Das Williams, Chair
AB 1287 (Quirk-Silva) – As Amended: April 2, 2013

SUBJECT: Student financial aid: Cal Grant eligibility.

SUMMARY: Removes statutory provisions requiring renewing Cal Grant recipients to meet annual income and asset criteria to maintain eligibility.

EXISTING LAW provides a variety of student financial aid grant and loan programs, administered by the California Student Aid Commission (CSAC), 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 the annual income and asset test enacted in the Budget Acts of 2011 and 2012 resulted in General Fund savings of \$68.4 million in 2011-12, with an additional \$52.2 million in savings projected for 2012-13.

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; these awards are capped at 22,500, half of which are set aside for community college students. 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. Below are the income and asset eligibility requirements for Cal Grant awards:

Income

| Family Size | Cal Grant A and C | Cal Grant B |
|-------------|-------------------|-------------|
| 6 or more | \$96,100 | \$52,800 |
| 5 | \$89,100 | \$48,900 |
| 4 | \$83,100 | \$43,700 |
| 3 | \$76,500 | \$39,300 |
| 2 | \$74,700 | \$34,900 |

Asset Ceiling

| | | |
|----------------------|----------|----------|
| Dependent Students | \$60,500 | \$60,500 |
| Independent Students | \$30,600 | \$30,600 |

Annual income and asset test. 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 requiring renewing Cal Grant recipients to meet the same income and asset limits as new applicants. Previously, students had to meet income and asset requirements when they first applied for a Cal Grant; however, upon renewal each year, while students had to prove financial need, they did not have to meet the income and asset test. According to CSAC, 19,913 students have lost Cal Grant eligibility since 2011 as a result of this change.

Need for this bill. According to the author, "The Cal Grant program currently has an all-or-nothing approach: if students' incomes and assets are below a specific level, they receive the entire Cal Grant. This is unlike some other financial aid programs; in which students receive differing amounts based on need, with students with greater need receiving more and students with less need receiving less. Losing financial aid that can be worth more than \$13,000 in the middle of a student's college attendance could have devastating impacts. Under the income/asset change made to the Cal Grant program in 2011, students who still have the financial need to qualify for Cal Grants now face losing a large grant if they or their families increase their incomes by a small amount. According to data provided by CSAC, 1,218 students lost their entire Cal Grant because their earnings grew by less than \$1,000."

Options for students with modest changes in income/assets. As noted by the author, a student is either in or out of the Cal Grant program, based upon eligibility. While it seems reasonable to expect renewal recipients to meet the same eligibility requirement as new applicants, the author may wish to consider an option for those students for whom minor changes to their income and assets results in the loss of their Cal Grant eligibility, such as flexibility in income/asset limits or a reduced award amount.

Other budget reductions. Other budget actions taken to reduce the cost of the Cal Grant program included 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 the annual income and asset test, these actions 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 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.
- 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. SB 1016 (Committee on Budget and Fiscal Review), Chapter 38, Statutes of 2012, and SB 70 (Committee on Budget and Fiscal Review), Chapter 7, Statutes of 2011, implemented the requirement that renewing Cal Grant recipients meet the same income and asset limits as new applicants.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

Analysis Prepared by: Sandra Fried / HIGHER ED. / (916) 319-3960