

Date of Hearing: April 9, 2013

ASSEMBLY COMMITTEE ON HIGHER EDUCATION  
Das Williams, Chair  
AB 1318 (Bonilla) – As Amended: April 2, 2013

SUBJECT: Student financial aid: Cal Grant Program.

SUMMARY: Establishes a formula for determining the maximum Cal Grant award amount for students attending private nonprofit postsecondary educational institutions, as defined.

Specifically, this bill:

- 1) States that private, nonprofit colleges and universities, as specified, help meet the state's higher education needs by enrolling 24% of its undergraduates and notes that the maximum Cal Grant award for students attending these institutions has not increased since 1999.
- 2) Establishes the maximum Cal Grant award amount for students attending private nonprofit institutions accredited by the Western Association of Schools and Colleges (WASC) at 80% of the base funding per Cal Grant at the University of California (UC) and the California State University (CSU).
- 3) Requires by the Department of Finance to determine the maximum award amount by using the average state support per student plus the average Cal Grant award for UC and CSU, defined as follows:
  - a) "Average state support per student" means the total General Fund support for UC and CSU divided by the number of California resident full-time equivalent students for each four-year public segment.
  - b) "Institutional aid" includes 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, fields of study, or athletic team participation, for which the institution designates the recipient.
- 4) Specifies the following maximum award amounts:
  - a) For the 2014-15 fiscal year, 70% of the amount calculated in (1).
  - b) For the 2015-16 fiscal year, 80% of the amount calculated in (1).
  - c) For the 2016-17 fiscal year, 90% of the amount calculated in (1).
  - d) For the 2017-18 fiscal year and thereafter, 100% of the amount calculated in (1).
- 5) To be eligible for this higher award amount, requires the total amount of institutional aid provided to California resident students by that institution, in any given year, is no less than 50% of the total Cal Grant awards received by its students, unless the institution has fewer

than 50 students receiving Cal Grants or charges an annual tuition that is no more than 50% of the average of the annual tuition charged by all institutions to which this bill applies.

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.

COMMENTS: Background. 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. 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, SB 1016 (Committee on Budget and Fiscal Review), Chapter 38, Statutes of 2012, the education trailer bill, 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, and 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, "The lack of a policy has led to an unpredictable and arbitrarily determined award, which undermines the original purpose of the Cal Grant program, which is to allow financially needy students to choose an institution that best serves their academic and financial needs. AB 1318 seeks to strengthen the Cal Grant program and the portability of the award. The majority of these students are underrepresented in higher education and 35% of these students are first generation college students. The average family income for these Cal A recipients is \$40,900."

Maximum award amounts. The author intends the Department of Finance to base the maximum award amount on the following estimates by the Legislative Analyst's Office (LAO) of the average General Fund of educating a Cal Grant student at UC and CSU.

	UC	CSU
Average base funding per student	\$11,352	\$7,113
Average Cal Grant award	\$12,192	\$5,472
Total subsidy	\$23,544	\$12,585

Thus, the maximum award amount would be \$14,451 per year when it is completely phased in.

Basis for formula. Prior to 2001-02, the state had a longstanding statutory policy that linked the maximum Cal Grant for financially needy students attending private institutions to the average General Fund cost of educating a financially needy student at UC and CSU. When the Cal Grant Entitlement program was created in 2000, this policy was replaced with a new provision linking the maximum private-student Cal Grant award to whatever amount was specified in the annual budget act. The LAO has long recommended re-establishing the private Cal Grant formula to establish a rational policy basis for the award and promote consistency among student groups.

Eligible institutions. Students who attend independent nonprofit private institutions would be eligible for this higher award, provided the institution provides a 50% institutional aid match for a student's Cal Grant award, excluding schools with less than 50 Cal Grant recipients and tuition less than 50% of the average of all institutions eligible for the maximum award. For-profit institutions would not be eligible for this higher award amount. The previous private Cal Grant policy did not distinguish between nonprofit and for-profit institutions. If for-profit institutions are included, all regionally accredited should be eligible consistent with a court ruling (*Daghlian v. DeVry University, Inc.*, 582 F. Supp. 2d 1231, 2008) that found that California could not favor WASC over other regional accreditors.

Other measures to expand Cal Grant benefits. A similar measure, AB 1085 (Gaines), would restore the annual Cal Grant award amount for students attending all private institutions to \$9,708. 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 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 358 (Liu) of 2005, which was vetoed, expressed legislative intent that the maximum Cal Grant for students attending independent and nonpublic colleges and universities shall be equal to 90% of the weighted public cost of educating a needy student at UC and CSU but no less than \$9,708.

REGISTERED SUPPORT / OPPOSITION:

Support

Association of Independent California Colleges and Universities  
California Institute of Technology  
California Lutheran University  
Chapman University  
Jonathan Choy, Director of Financial Aid, Biola 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

None on file.

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