

Date of Hearing: April 25, 2017

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1563 (Medina) – As Amended March 21, 2017

**SUBJECT:** Student financial aid: Cal Grant C awards

**SUMMARY:** Reforms the Cal Grant C Program to create Cal Grant C Entitlement and Competitive Award (C Entitlement / C Competitive) programs, administered by the California Student Aid Commission (CSAC), to provide need-based financial aid to students enrolled in occupational or technical training programs between four months and two years in length. Specifically, **this bill:**

- 1) Reforms the existing Cal Grant C Program into the C Competitive program, and makes the following changes to the program:
  - a) Reduces the income limitations to align with the Cal Grant B Award program.
  - b) Establishes award amounts as follows:
    - i) \$2,462 for tuition and fees;
    - ii) \$547 for access costs and training related costs such as special clothing and required tools and equipment;, and
    - iii) \$2,462 for California Community College (CCC) students (these students do not receive the aforementioned tuition and fee award) to cover access costs and training-related costs. Requires CSAC to establish a second application deadline of September 2 for CCC students to apply for this award.
  - c) Removes the requirement for CSAC to consult with specified stakeholders regarding workforce needs and industry demands and instead requires the Chancellor of the CCC to annually provide CSAC with a regional inventory of priority and emerging industry sectors and priority occupational and technical training programs developed by CCC economic and workforce development regions. The programs must have high employer demand, high projected employment growth, high earning outcomes, or are a part of a well-articulated pathway to economic security. Requires CSAC to use this information to determine the priorities for program awards, and to publish and maintain the priority list on its website;
  - d) Requires CSAC to work with stakeholders, including the CCC Chancellor's Office to develop an outreach plan that provides information to students regarding Competitive C awards; and,
  - e) Requires the Legislative Analyst's Office (LAO) to report on the outcomes of the Competitive C program on or before April 1, 2018 and on or before April 1 of each odd-numbered year thereafter.

- 2) Establishes the C Entitlement program to provide an access award to CCC students enrolled in for-credit high-priority certificate or credential programs (identified by CSAC pursuant to (1)(c)) of less than one academic year in length, as follows:
  - a) Defines "academic year" to constitute two semesters or 24 semester units;
  - b) Provides the access costs shall not exceed \$3,000, and may be adjusted in the annual Budget Act;
  - c) Provides that a student is entitled to receive an Entitlement C award if, in addition to meeting eligibility requirements consistent with those of the Cal Grant A and B Entitlement Awards programs, a student satisfies all of the following:
    - i) The student is a California resident;
    - ii) The student has submitted a complete application by the third September 2 following high school graduation or its equivalent;
    - iii) The student demonstrates financial need consistent with the Cal Grant B Entitlement program;
    - iv) The student attains a high school grade point average of at least 2.0 on a four-point scale; and,
    - v) The student is pursuing a for-credit certificate or credential instructional program offered by a community college that is less than one academic year in length.

**EXISTING LAW:**

- 1) Authorizes the Cal Grant C program, administered by CSAC to assist with tuition and training costs at occupational or vocational programs of four months to two years in length. Since 2000-01, the total number of new annual Cal Grant C awards has been set at 7,761. The maximum award amount and the total amount of funding is determined in the annual Budget Act (\$2,462 for tuition and \$547 for non-tuition access costs). (Education Code (EC) Section 69439)
- 2) Requires CSAC to use appropriate criteria in selecting award recipients including family income and household size, household status, and employment status of the applicant. CSAC is directed to give additional consideration to disadvantaged, low income, and long-term unemployed applicants. (EC Section 69439)
- 3) Requires CSAC to consult with appropriate state and federal agencies to develop areas of occupational and technical training for which students may utilize Cal Grant C awards. These areas of occupational and technical training are required to be regularly reviewed and updated at least every five years, beginning in 2012. (EC Section 69439)
- 4) Requires CSAC to give priority in granting Cal Grant C awards to students pursuing occupational or technical training in areas that meet at least two of the following criteria:

high employment need, high employment salary or wage projections, and high employment growth. CSAC is required to determine areas of occupational or technical training that meet these criteria in consultation with the Employment Development Department (EDD) using projections available through the Labor Market Information Data Library. (EC Section 69439)

- 5) Requires CSAC to examine the graduation rates and job placement data of eligible programs, and commencing with the 2014-15 academic year, to give priority to Cal Grant C applicants seeking to enroll in programs that rate high in graduation rates and job placement data. (EC Section 69439)
- 6) Requires CSAC to consult with EDD, the CCC Chancellor's Office (CCCCO), the California Workforce Investment Board, and local workforce investment boards to (a) publicize the existence of the grant program to long-term unemployed, and (b) develop a plan to make students receiving awards aware of job search and placement services available through EDD and local workforce boards. (EC Section 69439)
- 7) Requires the Legislative Analyst's Office to submit a report to the Legislature on the outcomes of the Cal Grant C program on or before April 1, 2018, and on or before April 1 of each odd-numbered year thereafter, as specified. (EC Section 69439)

**FISCAL EFFECT:** Unknown

**COMMENTS:** *Background.* The existing Cal Grant C program provides financial aid to support California students pursuing occupational and technical training. Statute limits the number of new annual awards to 7,761, which has not changed since 2000/01. Annual Cal Grant C awards are worth up to \$2,462 for tuition and \$547 for books and supplies, and may provide support for up to two years. Students attending community college programs are only eligible to receive the smaller stipend for books, not the tuition grant, whereas students attending other schools receive a combined grant. Students who do not qualify for the entitlement Cal Grant program may become eligible for Cal Grant C, these include:

- 1) Students who meet the requirements to receive an Entitlement B award, but are enrolling in an occupational and technical training programs of less than one year in length (Entitlement B awards can be used for programs of 1 year or longer); and,
- 2) Students who do not meet the requirements to receive an Entitlement B award and did not receive a Competitive Cal Grant A or B Award.

Students are entered into the existing Cal Grant C award pool if they indicate on their FAFSA that they are entering a vocational program and submit a supplemental form to the Student Aid Commission. Based on statute, the Commission prioritizes Cal Grant C applicants pursuing training in occupations that meet strategic workforce needs and those coming from disadvantaged backgrounds.

According to information provided by CSAC on a substantively similar bill, prioritization requirements in statute for the Cal Grant C Program have not been used because, since the implementation of the priority requirements, the program has not been oversubscribed.

According to CSAC, of the CCC students selected for an award, only about half actually receive the award ("take rate"). In 2014-15, of the 13,715 CCC students who were awarded a Cal Grant C, only 6,535 CCC students actually received an award. The take rate for private and independent institutions is higher than that for CCC students. It is not entirely clear why the take rate in CCC is so low; some reasons provided include (1) the incentive created by the higher tuition award amount provided to for-profit and independent institutions, and (2) a lack of financial aid staffing and outreach provided at CCCs.

*Purpose of this bill.* According to the author, California has prioritized workforce development at CCCs; last year, the CCC Task Force on Workforce, Job Creation and a Strong Economy issued a report that included 25 recommendations to strengthen workforce education. Among its recommendations, the Task Force highlighted the importance of strengthening the Cal Grant C program and aligning the program with the CCC economic development priorities. According to the author, college affordability is a challenge that students face as they aspire to pursue workforce training. Living costs, transportation, books, and other costs that are not tuition often compromise the bulk of students' college expenses'. Expanding the Cal Grant C Program and aligning it to the CCC Strong Workforce program will provide students important non-tuition funding and support college access and success.

*Rationale for Cal Grant C Entitlement Award.* The Cal Grant A and B Entitlement Awards guarantee an award for recent California high-school graduates that meet specific academic and income eligibility guidelines. However, students who enroll in a program of less than one-year in length are not eligible for an A or B Entitlement award. According to the CCCCO, this includes programs in high-demand, high-wage career fields such as business, IT, engineering technology, health, public service and commercial services. According to CCCCO data, as many as 60,000 students graduated from these high-priority fields between 2010-11 and 2014-15. It is difficult to determine how many of these students would meet the eligibility requirements for the Entitlement C program proposed in this bill. For example, the bill requires students to be within three years of high school graduation; according to the LAO, in 2014-15, only 5% of Cal Grant C recipients were 19 or younger, and 29% were between 20 and 24.

*Rationale for CCC stipend in the C Competitive Award.* In a recent analysis, the LAO stated there is no policy reason to provide less of a stipend to Cal Grant C students than Cal Grant B students, and suggests changing the Cal Grant C program. The LAO suggests some options, including raising the award amount for all Cal Grant C recipients, or providing a targeted increase for community college students. This bill creates a targeted stipend increase for CCC students enrolled in high-priority programs.

*Arguments in support.* CSAC writes that, "AB 1563 would expand opportunities for students pursuing career technical education (CTE) by creating a new program called the Cal Grant C Entitlement for community college students. This program would provide a \$3,000 Access Award to recipients, enabling them to purchase needed books, supplies, and course materials. Additionally, community college students participating in the existing Cal Grant C program would receive an additional \$2,462 Access Award to provide equity with the awards available to students at private colleges, who are eligible to receive tuition coverage for that amount. The Cal Grant C program is an important component in California's financial aid portfolio, and provides access to job training programs and certificates."

*Issues to consider.* Moving forward, the author and committee may wish to consider the following issues and possible amendments:

- 1) According to the California EDGE Coalition, language in the measure may inadvertently limit eligibility to training in regional priority and emerging industry sectors developed by the community college economic and workforce development regions. They write, "...while each region has been asked to identify its top priority and emerging sectors these are not the only sectors in the region with jobs that meet the conditions of high employer demand, high projected growth, high earning outcomes, or are part of a well-articulated career pathway leading to employment and economic security."

*The author may wish to consider amendments* that would remove a reference to "regional inventories," and instead provide for an inventory of occupational and technical training programs developed by each community college economic and workforce development region.

- 2) Reporting requirements. This bill requires the first report to be submitted by April of 2018. The author may wish to extend the due date for the first report to 2020, to allow for at least one full award year prior to the issuance of the initial report.
- 3) Entitlement C application timelines. This bill would allow Entitlement C recipients three years post high school graduation to apply for an award; Cal Grant A and B Entitlement applicants are not provided this three-year extension.
- 4) Reporting on CCC take rate. As previously outlined, only about 50% of CCC students awarded a Cal Grant C ultimately receive the award. The reasons for this low take rate are unclear. The author may wish to require CSAC and the CCCCO to review and make recommendations to improve the C program take rate.

Similar legislation: SB 15 (Leyva), is currently pending in the Senate Appropriations Committee. This bill, and urgency measure, statutorily establishes the maximum Cal Grant C award at \$2,462 for tuition and fees and \$547 for access costs, and provides for an additional \$2,453 award for access costs to community college students.

AB 1892 (Medina, 2016), a substantively similar bill, was held in the Assembly Appropriations Committee.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

California Student Aid Commission

##### **Opposition**

None on file.

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