

Date of Hearing: March 18, 2014

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Das Williams, Chair
AB 1590 (Wieckowski) – As Introduced: February 3, 2014

SUBJECT: Student financial aid: Cal Grant Program.

SUMMARY: Requires the California Student Aid Commission (CSAC), in administering the Cal Grant Program, to certify cohort default rate and graduation rate data for institutions seeking to participate by November 1 and to use the most recent publically available data. Revises the federal loan program participation requirements for private Cal Grant qualifying institutions.

EXISTING LAW requires, as a condition of participation in the Cal Grant Program, an institution with more than 40% of undergraduate students borrowing federal student loans to maintain either (1) a three-year cohort default rate of less than 15.5% and a graduation rate of greater than 30% (within 150% of program length) or (2) a three-year cohort default rate of less than 10% and a graduation rate of greater than 20% (within 150% of program length).

FISCAL EFFECT: Unknown

COMMENTS: Background. In an effort to increase accountability over public financial aid expenditures and address the budget deficit, as a part of the 2011-12 Budget Act, California established requirements linking an institution's participation in the Cal Grant Program to the percentage of students borrowing federal loans and the number of students defaulting on those federal loans within three years of entering repayment. In the 2012-13 Budget Act, the requirements regarding loan defaults were tightened and a graduation rate requirement was established. In the 2014-15 academic year, 122 institutions (primarily for-profit colleges) are ineligible to participate. Cal Grant students attending or seeking to attend ineligible institutions are required to transfer to an eligible institution in order to receive their Cal Grant award.

Dates and available data. In January 2013, the LAO reported to the Legislature on CSAC implementation of the Cal Grant requirements and provided recommendations for refining the standards. Among its recommendations, LAO suggested changing the date by which CSAC is required to certify default rate and graduation data and requiring CSAC to utilize the most recently available data. This bill would move the certification date from October 1 to November 1 to coincide with U.S. Department of Education (USDE) schedule for posting graduation rates, and require CSAC to use the most recent available data published by USDE.

Stafford vs. Perkins Loans. Existing law requires private Cal Grant qualifying institutions to participate in at least two of three outlined federal campus-based student aid programs (Federal Work-Study, Perkins Loan Program, or Supplemental Educational Opportunity Grant Program). This bill removes the Perkins Loan Program and replaces it with the Stafford Loan (Direct Loan) Program. The Author notes that the Perkins Loan Program is limited to those schools who already participate, no new institutions may enroll. The federally backed Stafford Loan Program is offered at more institutions, and available to more students. For 2012-13, nearly 500 California institutions participated in Stafford Loan Programs, while only 121 California institutions participated in Perkins Loan Programs.

Clarifying amendments.

The author has agreed to accept the following technical amendment to Education Code §69432.7(l)(1)(A) to reflect that the Stafford Loan Program is not a "campus-based" federal student aid program:

(A) A California private or independent postsecondary educational institution that participates in the Pell Grant Program and in at least two of the following federal ~~campus-based~~ student aid programs:

- (i) Federal Work-Study.
- (ii) Stafford Loan Program.
- (iii) Supplemental Educational Opportunity Grant Program.

REGISTERED SUPPORT / OPPOSITION:

Support

None on File

Opposition

None on File

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