

Date of Hearing: April 3, 2018

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 2563 (Patterson) – As Amended March 23, 2018

**SUBJECT:** Student financial aid: book advance program

**SUMMARY:** Establishes a program whereby a recipient of financial aid for educational expenses can purchase textbooks on credit from the campus bookstore. Specifically, **this bill:**

- 1) Requires every postsecondary educational institution, as a condition of participating in the Cal Grant Program, and from one week prior to the start of classes until the campus's census date, to provide a line of credit at the campus bookstore, to a recipient of a Cal Grant B or Cal Grant C award, a federal Pell Grant, or other financial aid awards disbursed by the institution for educational expenses, as follows:
  - a) If the source of the line of credit is a Cal Grant B or C award, the amount of the line of credit shall equal the portion of the award not used for tuition and fees, and,
  - b) If the source of the line of credit is a Pell Grant or other financial aid award disbursed by the institution for educational expenses, the amount of the line of credit shall not exceed a maximum amount established by the institution for this purpose.
- 2) Requires the campus to authorize the financial aid recipient to purchase books and educational materials at the bookstore, during the period specified, up to the amount of the line of credit established pursuant to (1).
- 3) Allows a student to purchase books and educational materials using the line of credit up to the amount established per (1).
- 4) Requires the bookstore to report the amount expended by the student per (3) to the campus financial aid office, and requires the institution do one of the following:
  - a) Reduce the amount of the student's Cal Grant B or C award, by the amount expended by the student pursuant to (3), from the student's Cal Grant B or C award, or,
  - b) Reduce the amount of the student's Pell Grant or other financial aid disbursed by the institution for educational expenses, by the amount expended by the student pursuant to (3), from those respective fund sources.
- 5) Requires the institution to reimburse the bookstore in the amount equal to the amount reported by the bookstore pursuant to (4).
- 6) Stipulates that, if subsequent to purchasing books and educational materials, the amount of a student's financial aid award is reduced, due to a change in the student's eligibility status, and this reduction would have reduced the line of credit originally established for that student, and the student's expenditures for books and educational materials exceeded what would have been the reduced line of credit, the institution may reimburse the bookstore at a lesser amount pursuant to an agreement between the institution and the bookstore.

- 7) Exempts an institution that does not have a campus bookstore from the requirements of this bill.

**EXISTING LAW:**

- 1) Establishes the California Student Aid Commission (CSAC) for the purpose of administering specified student financial aid programs. (Education Code (EC) Section 69510, et seq.)
- 2) Cal Grant B Entitlement Awards. Students that meet income and asset thresholds and other eligibility requirements, have at least a 2.0 GPA and apply either the year they graduate from high school or the following year are entitled to a living allowance and tuition and fee assistance. Awards for most first-year students are limited to an allowance for non-tuition costs (access award), such as books and living expenses (currently \$1,672). In the second and subsequent years, the award also provides tuition and fee support. (EC Sect. 69435.)
- 3) Competitive Cal Grant A and B Awards. Students who are not eligible for entitlement awards may compete for a Cal Grant A or B Competitive award. The award benefits and eligibility requirements are the same as the entitlement program, but awards are not guaranteed. Annually, 25,750 Cal Grant Competitive awards are available. Of these, 12,875 (one-half) are for students who do not qualify for a Cal Grant Entitlement award, but who otherwise meet the Cal Grant requirements. The remaining awards are set aside for eligible California Community College (CCC) students. (EC Sect. 69437.)
- 4) Cal Grant C Awards. Specifically to assist students 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 amounts, which are determined in the annual Budget Act, are currently up to \$2,462 for tuition and fees and \$547 for non-tuition costs, for recipients attending other than a community college, and \$1,094 toward non-tuition costs for CCC students. (EC Sect. 69439.)
- 5) CCC Full-Time Student Success Grant. Provides up to \$1,000 annually to supplement the Cal Grant B or C access award for recipients who enroll in 12 or more units per semester. (Budget Act of 2015 and thereafter.)
- 6) CCC Completion Grant. Provides up to \$2,000 annually to supplement the access award and the Full-Time Student Success Grant for Cal Grant B or C recipients who develop a comprehensive educational plan and enroll in 15 or more units per semester. (EC Sect. 88910, et seq.)
- 7) The federal Pell Grant provides aid to students who demonstrate financial need, and can be used for tuition and fees, books and supplies, transportation, and living expenses for the equivalent of up to six years of full-time enrollment. The maximum Pell Grant for 2017-18 is \$5,920. (20 U.S. Code Sect. 1070.)

**FISCAL EFFECT:** Unknown

**COMMENTS:** *Purpose.* The author asserts that each participating Cal Grant institution has discretion as to how it disburses the non-tuition portion of Cal Grant B and C awards. The author indicates that some Cal Grant B and C recipients receive these monies after the start of

instruction, after they have incurred costs for expensive textbooks. Under AB 2563, the campus financial aid office would provide a line of credit, equal to the amount of a Cal Grant B or C recipient's non-tuition award, to the campus bookstore one week before the start of classes. The student could then purchase up to this amount of books and related materials based on this credit. The bookstore would then be reimbursed by the campus financial aid office from the non-tuition portion of the student's Cal Grant.

According to the author, this bill is modeled after a pilot program implemented at Santa Ana College, whereby students are allowed to obtain course materials at the start of the semester credited against their incoming Pell Grants. About 1,400 students took advantage of the program last year. In light of the practice used in this pilot program, the recent amendments broaden the bill to, in addition to Cal Grant B or C recipients, allow participation by students receiving Pell Grants or other forms of financial aid that are disbursed by the institution and that can, at least in part, be used to purchased books and course materials. Importantly, under the bill no student would be required to buy their books from the campus bookstore or to use the line of credit. Students could continue to purchase their books through any means and from any source of funds available to them.

*Spending on Books/Course Materials.* According to the National Association of College Stores' (NACS) annual Student Watch survey for 2016-17, college students nationwide spent an average of \$579 last year on books and \$506 on technology and school supplies. According to the survey, the average spent on books has been slowly declining in recent years, as students are increasing the use of book rentals and electronic materials. According to the survey, during the fall of 2016, 74% of students purchased new books, 70% bought used books, and 23% purchased in digital format (up from 8% in fall 2015). In addition, 25% of the students surveyed reported using a free method (borrowing, sharing, downloading) to obtain some of their course materials. Lastly, the survey indicates that students obtained their books from a variety of sources: campus store (82%), Amazon (40%), other students (8%), Chegg (7%), and from publishers' websites (7%).

*Financial Aid Recipients.* Though not all students receiving financial aid would likely take advantage of the book advance program established in this bill, the number that could do so is significant. For example, at the California State University (CSU), 340,000 undergraduates received some form of financial aid (grants, loans, work study, and/or fee waivers) in 2016-17. Of course, every form of financial aid, such as work study or aid solely to cover tuition costs, would not be available for book purchases, but for example, 95,000 CSU students received Cal Grant B awards last year and 218,000 received Pell Grants. At the community colleges, 112,000 students received Cal Grant B or C awards and 450,000 received Pell Grants.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

None on file.

### **Opposition**

None on file.

**Analysis Prepared by:** Chuck Nicol / HIGHER ED. / (916) 319-3960