

Date of Hearing: March 28, 2017

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 370 (Rodriguez) – As Introduced February 9, 2017

SUBJECT: Student financial aid: Competitive Cal Grant A and B awards

SUMMARY: Requires the California Student Aid Commission (CSAC), beginning in the 2018-19 award year, to offer Competitive Cal Grants under a specified process incorporating the average "take-rate" from the prior three award years in order to estimate the number of awards to be offered to achieve the current statutory limit of 25,750 annual awards, and increases or reduces the target number of awards in any subsequent year by the number of awards granted over or under 25,750, respectively, in the prior year. Specifically, **this bill:**

- 1) Requires the California Student Aid Commission (CSAC), beginning in the 2018-19 award year to:
 - a) Establish a target of 25,750 Competitive Cal Grant awards to be paid;
 - b) Estimate the "take rate" for awards by calculating an average of the number of awards offered and taken for the three years immediately prior;
 - c) Use the calculated "take rate" to estimate the number of awards to be granted to achieve the target of 25,750 awards; and,
 - d) For awards granted in the 2019-20 award year and thereafter, requires an adjustment of the target rate and the take rate to consider and adjust for the total amount of awards paid in the prior year.
- 2) Authorizes the CSAC to exceed the 25,750 award limit if acceptances exceed that amount, provided that the CSAC uses the adjustment formula outlined in 1(d) in 2019-20 and subsequent award years to grant awards.

EXISTING LAW:

- 1) Establishes the Cal Grant program to provide tuition and other assistance to eligible students attending qualified institutions:
 - a) Cal Grant A Entitlement Awards. Students that meet income, asset and other eligibility requirements, have at least a 3.0 grade point average, and apply either the year they graduate from high school or the following year are entitled to an award that provides coverage for tuition and fees. (Education Code (EC) Section 69434.)
 - b) Cal Grant B Entitlement Awards. Students that meet income and asset thresholds (lower than Cal Grant A) 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 first-year students are limited to an allowance for books and living expenses (\$1,678). In the second and subsequent years, the award also provides tuition and fee support. (EC Sect. 69435.)

- c) California Community College (CCC) Transfer Entitlement Awards. Cal Grant A and B awards are guaranteed to every student who graduated from a California high school after June 30, 2000, was a California resident at the time of high school graduation, transferred to a qualifying baccalaureate-degree granting institution from a CCC during the award year, was under the age of 28 at the time of the transfer, and had a minimum CCC GPA of 2.4. (EC Sect. 69436.)
 - d) 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 CCC students. (EC Sect. 69437.)
- 2) Maximum award amounts for CSU and UC are established in the annual Budget Act and have traditionally covered all systemwide tuition and fees. The maximum tuition award for Cal Grant A and B for students attending private for-profit colleges is \$4,000, and for students attending non-profit or WASC-accredited for-profit institutions is currently \$9,084, but will decline to \$8,056 starting in 2017-18. (EC Sect. 69432.)

FISCAL EFFECT: Unknown

COMMENTS:

Background. According to a spring 2016 report, "How and Why to Improve Cal Grants," by The Institute for College Access and Success (TICAS), a majority of Cal Grant recipients receive their award as an entitlement, which is available only to students applying in their senior year of high school or within the following year. Students transferring from a community college to a four-year school are generally eligible for a transfer entitlement if younger than age 28. In 2015-16, 75% of all Cal Grant recipients received high school entitlement awards and 8% received transfer entitlement awards.

According to TICAS, most Cal Grant applicants are ineligible for an entitlement award because they are more than one year out of high school, miss the entitlement application deadline, or do not meet age or other requirements when transferring. These applicants, which totaled 360,000 in 2015-16, compete for just 25,750 awards through the Cal Grant Competitive Program. Thus, while virtually every eligible applicant is offered an award through the entitlement programs, well over 300,000 eligible applicants are unsuccessful in obtaining a Competitive Program award.

Even though the Competitive Program is highly oversubscribed, not all of the 25,750 statutorily-authorized awards are provided each year. If any awards are not distributed under an initial allocation, CSAC is required to make awards to as many students as possible and as practical, without exceeding the 25,750 award limit. The table below outlines Competitive Program offers and awards from 2011-12 through 2014-15. (Note that, during this period, the statutory award limit was 22,500 awards. The limit was raised to 25,750 as part of the 2015-16 Budget Act.)

Award Year	Award Offers	Awards Paid	Take Rate	% of 22,500 Paid	Number Unpaid
2011-12	25,459	17,507	68.8%	77.8%	4,993
2012-13	26,237	16,173	61.6%	71.9%	6,327
2013-14	28,970	19,995	69.0%	88.9%	2,505
2014-15	25,660	20,884	81.4%	92.8%	1,616

As shown in the table, the number of unpaid awards declined significantly in 2013-14 and again in 2014-15. CSAC's efforts to improve the take rate have included institutional training, contacting colleges about unpaid students, and direct communication with students. Most significantly, however, the Commission implemented a process whereby when an award is not claimed, after a time period it is withdrawn and awarded to another eligible applicant.

Purpose. Given that so many Competitive Program applicants are unsuccessful, the author wishes to ensure that at least the number of awards reaches the statutory limit. As shown in the table, CSAC awards beyond the 22,500 (now 25,750) cap, anticipating that not all students will utilize their award. This bill allows CSAC to exceed the award limit in an academic year when the number of acceptances exceeds that amount, and then provides for an adjustment in the subsequent year to reduce the number of awards, with the intent of averaging 25,750 awards over multiple award years. This bill gives CSAC the assurance that they can guarantee an award even if they exceed the statutory cap in a given year, and thus ensures that all authorized awards will be used.

Prior Legislation. AB 1976 (Quirk-Silva) of 2014, which was substantially similar to this bill, was vetoed. The Governor stated, "The California Student Aid Commission is working within its statutory authority to ensure that as many students as possible are claiming competitive awards without exceeding the 22,500 awards authorized each year. I would like to allow the Commission some time to get it right before enacting a legislative solution that would expand the current program. This bill is premature."

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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