

Date of Hearing: April 9, 2013

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Das Williams, Chair
AB 606 (Williams) – As Amended: April 1, 2013

SUBJECT: Student financial aid: community colleges.

SUMMARY: Requires the California Community College Chancellor's Office (CCCCO) to establish a voluntary pilot program to increase student participation in state and federal financial aid programs, outlines the parameters of the pilot, and requires the Legislative Analyst's Office (LAO) to report to the Legislature on the results of the pilot program and to make recommendations for its statewide expansion. Specifically, this bill:

- 1) Requires the CCCCCO to establish a voluntary pilot program to increase student participation in state and federal financial aid programs. More specifically it:
 - a) Requires the CCC Chancellor to select no more than 10 campuses from those that volunteer to participate;
 - b) Requires, to the extent possible, that the geographic, economic and demographic diversity of participating campuses be ensured;
 - c) Establishes the following two target populations of potentially eligible students to be identified for participation in the pilot program:
 - i) Those who complete an application for either a CCC Board of Governors (BOG) fee waiver but not a Free Application for Federal Student Aid (FAFSA), and,
 - ii) Those who do not receive any campus, state, or federal aid.
 - d) Establishes the goal of the pilot program to increase student participation in both state and federal financial aid programs and take advantage of the federal American Opportunity Tax Credit by actions that include, but are not limited to:
 - i) Identifying strategies and best practices for increasing the number of students who submit the FAFSA,
 - ii) Examining and developing strategies for increasing student participation in financial aid programs beyond the BOG Fee Waiver program, and,
 - iii) Identifying, to the extent possible, the extent to which students claim the federal American Opportunity Tax Credit and developing strategies for increasing the number of students who claim the credit.
- 2) Encourages the CCCCCO to pursue both private and federal funding to support implementation and operation of the pilot program.

- 3) Requires the Legislative Analyst's Office (LAO) to report to the Legislature by January 10, 2016, as specified, based on information provided by the CCCCCO on the strategies and techniques employed by participating campuses and data on student participation in state and federal financial aid programs.
- 4) Repeals these provisions as of January 1, 2017.

EXISTING LAW:

- 1) Provides for a variety of student financial aid programs including the Cal Grant programs and the CCC (BOG) fee waiver program. Current law requires that eligibility for a Cal Grant and the determination of financial need be accomplished using FAFSA, and that this application be used for all programs funded by the state or a public institution of post-secondary education as well as all federal programs administered by a postsecondary educational institution. Current law makes an exception to this requirement for the BOG fee waiver program which is authorized to use a simplified application designed for that sole purpose (Education Code [EC] § 69432.9 and § 69433).
- 2) Requires the CCCCCO to develop a statement that individual students will be asked to sign, which acknowledges that federal and state funds are available to assist with the costs of college and that information regarding these programs, and assistance in applying for those funds can be obtained at the financial aid office. The Chancellor is required to request the colleges to require students to sign this acknowledgment in the application for enrollment at all campuses of the CCC. Additionally, current law requires the CCCCCO to develop a statement to individual students receiving the BOG fee waiver, who did not apply for federal student aid, informing them about the benefits of the federal programs, the application process, and the availability of assistance to apply for these programs; the CCCCCO is required to request colleges to provide this statement to all students who meet this description (EC § 76071).

FISCAL EFFECT: In an analysis of a virtually identical bill in 2011, the Senate Appropriations Committee determined that greater participation in aid programs will result in more federal aid for CCC students but will also lead to increased state costs through increased access to Cal Grant B awards. Assuming a 10% increase in student participation in aid for 10 representative CCC campuses, this bill would drive new General Fund costs of approximately \$440,000. Further, the activities for administering the pilot would likely result in costs of approximately \$60,000 to \$80,000. There would also be undetermined costs for implementation at the campus level, though the local districts would undertake the activities at their own discretions. The CCCCCO is hopeful of receiving federal grants or private donations to assist with costs.

COMMENTS: Background: The FAFSA is the core document used to determine eligibility for all major federal and state financial aid programs, including Cal Grant, Pell Grant, institutional aid at the University of California and the California State University, work-study awards, scholarships, and federal student loans. The BOG Fee Waiver program provides relief from CCC fees for financially needy students. A CCC student may apply for a BOG fee waiver by submitting a FAFSA or by submitting a Short Form, which requires less information and is simpler to complete than the FAFSA.

The federal American Opportunity Tax Credit is a credit that can be claimed for expenses paid for tuition, certain fees, and course materials for higher education. The tax credit refunds up to \$2,500 in educational costs for students with modified adjusted gross incomes of \$80,000 or less (\$160,000 or less for joint filers). Additionally, 40% of the credit (up to \$1,000) is refundable; this means a student can receive the credit even if he/she owes no tax. Currently, it is unclear as to how many CCC students know about this tax credit and take advantage of the tax credit.

Need for the bill. Several reports have highlighted the fact that CCC students have significant financial need but are the least likely to take advantage of the federal financial aid support that is available to them. A research brief issued by MPR Associates, Inc. in October 2009 (and based upon 2006 - 2007 enrollment data - the most recent comprehensive data on this issue) noted that fewer than 230,000 (about 10%) of degree seeking students at the CCC received federal Pell Grants. The most common form of financial aid was a BOG fee waiver, given to 540,000 students (26% of enrolled students). About 305,000 of these students received only a fee waiver and of those, 110,000 applied for federal aid but did not receive it with the most common reasons for not qualifying being 1) they were part-time, 2) their income or expected family contribution was too high, or 3) they did not meet citizenship, academic, or other requirements for federal financial aid.

Additionally, the Institute for College Success & Access (TICAS) issued a report (March 2010) finding that only 33% of CCC students apply for federal financial aid compared to 46% of community college students in other states. TICAS argued that CCC students are less likely than those in other states to complete the FAFSA. It is possible that CCC students are therefore not accessing an estimated \$500 million in federal aid that would otherwise be available to them. Despite not having more recent comprehensive data available, according to the CCC Chancellor's Office, approximately 80% of BOG fee waiver recipients filed a FAFSA in 2010 – 2011. The Chancellor's Office found that the BOG fee waiver program has grown substantially over the past eight years. For example, in 2002- 2003, 597,000 CCC students received \$102.7 million in BOG fee waivers compared to 2010 – 2011, those figures grew more than 89% over the comparison year, with over 1,130,000 students receiving more than \$410 million in BOG fee waivers.

According to the author, this measure attempts to gather specific information on the reasons and strategies specific to California's students and community colleges to determine why CCC students do not submit the FAFSA in greater numbers and to identify intervention strategies to increase their participation in state and federal financial aid programs.

Public Policy Institute of California (PPIC) report. Last month, PPIC issued a report that found it may be worth re-evaluating the need-based criterion of the BOG fee-waiver system. According to PPIC, BOG waivers currently limit the CCC's ability to generate revenue from about one-third of their students. Income thresholds are relatively high, suggesting that marginal BOG-qualifying students may be able to pay CCC fees at the current level. The LAO's 2011–12 budget analysis cites the example of an independent student living alone qualifying for a BOG waiver with an income of up to \$45,000, or \$80,000 with one child. Reducing such thresholds may not necessarily discourage access, given that lower income students are likely to be eligible for federal grants. PPIC finds that it is possible that BOG waivers crowd out funding that might come from the federal government.

PPIC suggests one option for addressing this situation would be to require students to apply for federal financial aid in order to receive a BOG waiver. Additionally, PPIC recommends high schools, colleges, and the state should strive to ensure that students are made aware of the availability of federal aid, and should make every effort to help students complete the necessary forms.

Increased Pell Grant awards: Funding for Pell Grants has doubled since 2008—the award is \$5,550 for the 2010-2011 award year, and starting with the 2013-2014 academic year, the maximum grant will automatically increase by the Consumer Price Index rate. These increased Pell Grant awards will provide additional direct aid to low-income students and families in future years.

Student success: The Institute for Higher Education Leadership & Policy (IHELP) in its report, *Rules of the Game: Barriers to Completion* (February 2007), found that enrollment patterns are related to student success. In particular, completion was more likely among those who: attended full time in a majority of terms enrolled; enrolled continuously without taking time off; completed an orientation course; dropped few of their courses; or registered on time for most of their courses. Only about 33% of students enrolled full time (12+ units) in a majority of the terms they attended, yet these students were four times more likely to complete than the two-thirds who enrolled part-time in most terms.

Previous legislation: AB 91 (Portantino, 2011) contained virtually identical provisions to this measure, was vetoed by Governor Brown as unnecessary since the CCCCCO can work with CCC districts to meet the objectives of this bill. AB 1997 (Portantino, 2010), which contained virtually identical provisions to this bill and AB 91, was vetoed by Governor Schwarzenegger for the same reasons AB 91 was vetoed. AB 668 (Portantino), Chapter 607, Statutes of 2007, required the CCCCCO to develop statements for students regarding the availability of federal financial aid. As introduced, this bill would have provided a financial incentive to CCC campuses for every student who received a Pell Grant.

REGISTERED SUPPORT / OPPOSITION:

Support

California Communities United Institute
Kern Community College District
Los Angeles Community College District
Los Rios Community College District
Service Employees International Union (SEIU)
West Kern Community College District
Yosemite Community College District

Opposition

None on file.