

Date of Hearing: April 7, 2015

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 831 (Bonilla) – As Introduced February 26, 2015

SUBJECT: Student financial aid: Cal Grant Program

SUMMARY: Establishes a formula to determine the amount of Cal Grant awards for students attending nonprofit, private colleges based on the average General Fund subsidy the state provides for financially needy students attending the University of California and California State University. Specifically, **this bill:**

- 1) Establishes findings and declarations regarding the importance of private nonprofit colleges and universities accredited by WASC to meet higher education needs and that stable predictable funding formulas and eligibility requirements ensure the state maximizes its investment by allowing families to better plan and pay for higher education, in addition to incentivizing private nonprofit colleges and universities to enroll low-income Californians.
- 2) Establishes the maximum Cal Grant award amount for students attending private nonprofit institutions 75% of the base funding per Cal Grant student at the UC and the CSU (the average state support per student plus the average Cal Grant award for UC and CSU), and phases in the maximum amounts as follows:
 - a) \$9,084 for 2015-16.
 - b) 70% of the amount calculated pursuant to (2) for 2016-17.
 - c) 80% of the amount calculated pursuant to (2) for 2017-18.
 - d) 90% of the amount calculated pursuant to (2) for 2018-19.
 - e) 100% of the amount calculated pursuant to (2) for 2019-20 and each year thereafter.
- 2) Requires, as a condition for the aforementioned funding, a private nonprofit postsecondary educational institution to submit performance metrics to the Association of Independent California Colleges and Universities (AICCU).
- 3) Requires AICCU, in collaboration with the public higher education segments, to determine a form and content for consistent collection and reporting of required performance metrics.
- 4) Requires AICCU to provide performance metric data in a cumulative report to the Legislature, Governor, Department of Finance, and Legislative Analyst's Office on or before March 15, 2016 and each year thereafter.
- 5) Requires the AICCU report to include all of the following data with respect to each participating private nonprofit postsecondary educational institution:

- a) The number of undergraduate students enrolled in that institution and the percentage who are California residents.
 - b) The number of graduate students enrolled in that institution.
 - c) The number of transfer students from the California Community Colleges (CCC) enrolled in that institution and the percentage of undergraduate students of that institution who are transfer students from the CCC.
 - d) The number of Pell Grant recipients enrolled in that institution and the percentage of undergraduate students of that institution who are Pell Grant recipients.
 - e) The number and percentage of Cal Grant recipients enrolled in that institution and their ethnic composition and the *median amount of institutional aid provided to them*.
 - f) The four- and six-year graduation rates for freshman entrants of that institution disaggregated by Pell and Cal Grant recipients.
 - g) The two- and three-year graduation rates for transfer students from the CCC disaggregated by Pell and Cal Grant recipients.
 - h) The number of degrees awarded annually by the institution in total and in each of the following categories:
 - i) Undergraduate students who first enrolled in the institution as freshmen.
 - ii) Undergraduate students who first enrolled in the institution as transfer students.
 - iii) Graduate students.
 - iv) Pell Grant recipients.
 - i) The number of degrees or credentials awarded in health-related fields, teacher preparation, and the fields of science, technology, engineering, and mathematics (STEM).
- 6) Provides that the maximum award for new Cal Grant recipients attending for-profit institutions accredited by the Western Association of Schools and Colleges is \$8,056.
- 7) Declares urgency for the statute to take effect immediately.

EXISTING LAW authorizes the Cal Grant Program, administered by CSAC, to provide grants to financially needy students to attend college. The maximum grants for Cal Grant A and B awards, for students attending UC and CSU are equal to the amount of mandatory systemwide fees at the respective segments. The maximum award amount for students attending private institutions is set at \$4,000 for private for-profit institutions and for private non-profit institutions or private for-profit WASC accredited institutions, the amount is set at \$9,084 for the 2014-15 award year and \$8,056 for 2015-16.

FISCAL EFFECT: Unknown. However, according to the Senate Appropriations Committee analysis of similar legislation authored in 2014, CSAC estimated that increasing Cal Grant award levels for private, WASC-accredited colleges would result in additional costs of \$12.3 million in 2015-16, \$34.9 million in 2016-17, \$65.3 million in 2017-18, and \$102 million in 2018-19 (General Fund).

COMMENTS: *Purpose of this bill.* According to the author, financially needy and academically deserving students should be provided more choices when selecting a college. This bill creates a Cal Grant award amount formula for students attending private, nonprofit colleges and universities in order to create fairness and predictability for students as they plan for college.

The author notes that since the enactment of the Cal Grant Entitlement program, there has been no policy for setting the Cal Grant maximum award for students attending private, nonprofit colleges and universities. The Cal Grant maximum for students attending UC and CSU is equal to the system wide fees. Since 2000, the Cal Grant award amount for students attending private institutions has not been linked to any funding formula and has been vulnerable to cuts resulting in a decline in value by 37% in current dollars. Furthermore, the Cal Grant award for students attending private, nonprofit institutions will receive another 11% reduction for the upcoming school year should no action be taken beforehand.

The author argues that the lack of a policy for determining the Cal Grant award amount for students attending private, nonprofit institutions has led to an unpredictable and arbitrarily determined award amount. This process undermines the original purpose of the Cal Grant program, which is to allow financially needy students to choose an institution that best serves their academic and financial needs. AB 831 seeks to strengthen the Cal Grant program and the portability of the award. It should be noted that the majority of these students are underrepresented in higher education and 35% of these students are the first in their families to go to college. Students at California's accredited private, nonprofit institutions have higher graduation rates than students at public institutions and are more likely to complete their degree in four years.

Background on Cal Grant Program. According to the Public Policy Institute of California (PPIC), more than half of all postsecondary students in California receive grant or scholarship aid. The primary sources of financial aid funding are the federal government (43% in 2012), the state government (23% in 2012) and institutional aid (27% in 2012).

State grant aid in California is provided primarily through the Cal Grant Program and the CCC Board of Governors Fee Waiver program. Cal Grant A awards to cover full tuition and fees at UC (\$12,192) or CSU (\$5,472), up to \$8,056, beginning in 2015-16, at private colleges accredited by the Western Association of Schools and Colleges (WASC), and up to \$4,000 at other private colleges. Cal Grant B awards provide additional grant aid up to \$1,648 for very low-income students to help pay for access costs. Cal Grant C provides up to \$2,462 in tuition and \$547 for living expenses for vocational students.

Cal Grant A and B Entitlement Awards guarantee awards to students who meet specified GPA and income-related criteria and apply within deadlines. The majority of Cal Grant recipients (211,300 in 2013-14) receive an Entitlement award. The majority of Cal Grant applicants, however, do not qualify for an Entitlement award because they are more than a year out of high school, decide to go to college after the Entitlement application deadline, or do not meet age or

other requirements when they transfer. Competitive Cal Grant A and B awards are available to applicants who did not receive an entitlement award. In the Competitive program, over 300,000 applicants compete annually for 22,500 awards.

Unmet need. According to The Institute for College Access and Success (TICAS), the Cal Grant Program leaves the neediest students underserved. Less than one quarter of the lowest income aid applicants in California receives a Cal Grant and on average lower income recipients are awarded smaller grants than higher income recipients. TICAS notes that underrepresented students are also less likely to receive grants, and their grants tend to be smaller. The average student denied a Cal Grant has an average family income of less than \$21,000, a family size of three, and a GPA of 2.9. *The Committee may wish to consider how the proposal contained in this bill, to increase the maximum grant amount for students attending private non-profit colleges, fits into overall higher education affordability priorities.*

Background on formula provisions. This bill establishes a formula for calculating the amount of a Cal Grant award for students attending private institutions. According to a 2005 report by the California Postsecondary Education Commission (CPEC), prior to 2001 a formula for determining grant amounts of non-public institutions similar to that established in this bill was contained in statute. According to the CPEC, this formula was developed in consultation with representatives from all of California's postsecondary education institutions as well as the Legislative Analyst's Office and the Department of Finance.

According to the CPEC, both the LAO and the California Student Aid Commission recommended that the Legislature return to a long-term Cal Grant policy that links the maximum award for nonpublic institutions to the weighted average General Fund subsidy the state provides for financially needy students attending the UC and CSU. CPEC recommended that, in exchange for these additional Cal Grant resources, institutions be required to annually report data on students to enable the State to determine if funding was ensuring financially needy Californians had higher education access and choice.

This bill contains reporting provisions consistent with the CPEC recommendation and consistent with the reporting required of UC and CSU pursuant to AB 94 (Committee on Budget), Chapter 50, Statutes of 2013.

Prior Legislation. AB 1318 (Bonilla) of 2014 was substantially similar to this bill except that under AB 1318, students attending for-profit WASC accredited institutions would also have been eligible for the increased award amount. AB 1318 was held by the author on the Senate Floor.

REGISTERED SUPPORT / OPPOSITION:

Support

American Federation of State, County and Municipal Employees, AFL-CIO
Association of Independent California Colleges and Universities
Biola University
California Institute of Technology
California Lutheran University
Charles Drew University of Medicine and Science
Claremont Graduate University

College Options
Dominican University of California
Fielding Graduate University
Fresno Pacific University
La Sierra University
Loyola Marymount University
Mills College
Marymount California University
Mount Saint Mary's University
Pepperdine University
Point Loma Nazarene University
Sacramento Metropolitan Chamber of Commerce
Saint Mary's College of California
Samuel Merritt University
San Diego Christian College
Santa Clara University
Simpson University
Stanford University
University of La Verne
University of San Diego
University of the Pacific
Vanguard University
William Jessup University

Opposition

California State Student Association

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