

Date of Hearing: April 1, 2014

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Das Williams, Chair
AB 1976 (Quirk-Silva) – As Introduced: February 19, 2014

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

SUMMARY: Authorizes 50,000 Competitive Cal Grant A and B awards, commencing with the 2015-16 academic year, and authorizes the California Student Aid Commission (CSAC) to utilize data from the three award years immediately preceding in order to estimate the maximum number of award offers that CSAC may make without exceeding 50,000 acceptances. Authorizes CSAC to exceed the 50,000 award limit in any academic year and then reduce the number of awards in the subsequent year by the number of awards granted over 50,000.

EXISTING LAW:

- 1) Establishes the Cal Grant program awards to provide tuition and access cost 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.
 - b) Cal Grant B Entitlement Awards. Students that meet income and asset (lower thresholds 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 (\$1,473). In the second and subsequent years, the award provides tuition and fee support.
 - 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 California Community College GPA of 2.4.
 - 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, 22,500 Cal Grant Competitive awards are available. Of these, 11,250 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.
 - e) Cal Grant C Awards. Students attending qualifying occupational, technical, and vocational programs are eligible for up to \$547 for books and equipment and \$2,462 for

tuition and fees. In 2012-13, applicants competed for 7,761 grants; applicants are ranked by work experience, educational history, vocational aptitude, and occupational goal.

- f) Cal Grant T Awards. Designed to help post-baccalaureate students pursue their initial California teaching credential, funding for new Cal Grant T awards has not been authorized since 2002-03.
- 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 (commencing 2013-14), and for students attending non-profit or WASC-accredited for-profit institutions is \$8,056 (commencing 2014-15).

FISCAL EFFECT: Unknown

COMMENTS: Background. Upon submission of a completed application, which includes the Free Application for Federal Student Aid (FAFSA) and GPA requirements, each student's electronic file is reviewed by CSAC for overall eligibility. Students who do not meet the requirements for an Entitlement Cal Grant award are considered for the Competitive program. CSAC uses a 200-point scoring system to evaluate applications for the Competitive Cal Grant awards. Scoring is based on income levels, GPA, access equalizer, parents' education level, and student or parent household status. Students are placed in cohorts based on scoring of approximately 1,000-2,000 students, and cutoff scores are established to determine which cohorts will be offered an award. According to CSAC, cutoff scores are set with the goal of getting as close to 22,500 as possible. In 2001-02, the first award cycle, the take-rate in the Competitive program was 79.7%; meaning nearly 20% of grants were unclaimed by students. The take-rate declined slightly each year, until 2013-14, when CSAC expanded efforts to maximize award use.

Purpose of this bill. According to the author, in 2012-13, 317,500 qualified applicants competed for only 22,500 awards, and of those statutorily authorized awards, a large number went unused. According to the author, CSAC is fearful of making additional award offers in case too many students accept grants, creating a liability CSAC cannot fulfill. This bill would make three important changes to the Competitive Cal Grant Program: (1) increase the maximum number of Competitive Cal Grant A and B Awards to 50,000 annually; (2) authorize CSAC to establish a take-rate upon which to base the number of award offers each year; and (3) authorize CSAC to exceed the 50,000 award limit in an academic year, if the take-rate exceeds expectations, and reduce the number of awards by the overage in the subsequent academic year.

Increasing the number of Competitive Cal Grant Awards. On October 7, 2013, the Assembly Higher Education Committee held an oversight hearing to examine affordability in California's public colleges and universities. As witnesses testified, a student's ability to pay for college is a major factor in enrollment and completion of a degree program; significant unmet need results in students being less likely to enroll and, once enrolled, low-income students are also less likely to complete their degree program. Financial aid plays a vital role in leveling the playing field and increasing access, retention, and completion rates. California has made a substantial commitment to college affordability through the Cal Grant Program; still, there is room for improvement. Among the recommendations provided to the Committee, witnesses encouraged

an increase in the number of awards provided in the Competitive Cal Grant Program. This bill would increase the maximum number of Competitive Cal Grant Awards to 50,000.

Underutilization in the Competitive Award. CSAC currently offers awards to more than 22,500 students in each academic year. The chart below shows the total numbers of awards offered for the past several years.

Award Year	Total Awards Offered	Over Statutory Limit
2011-12	25,459	2,959 (13%)
2012-13	26,237	3,737 (17%)
2013-14	28,970	6,470 (29%)

Despite CSAC making offers to more students than the allowable statutory limit, each year Competitive Cal Grant awards are unclaimed. The chart below shows the number of awards claimed (both recipients and eligible deferments) in recent academic years.

Award Year	Total Paid Recipients	Percentage of 22,500	Number of Grants NOT Awarded
2011-12	17,157	76.30%	5,343
2012-13	16,412	72.90%	6,088
2013-14	19,302	85.80%	3,198

In an attempt to address underutilization, CSAC efforts have largely focused on increasing the number of students claiming awards. CSAC has increased the number of messages sent to students, established procedures to assist campuses in processing and paying students Competitive awards, and expanded training for financial aid administrators. CSAC does not appear to have focused efforts on increasing the number of award offers based on the take-rate of awards. This bill would authorize, but not require, CSAC to use data from the preceding three award years to establish a take-rate to determine a maximum number of award offers that could be made without exceeding 50,000 awards. CSAC would also be authorized to exceed the 50,000 award limit in one academic year and then reduce the number of awards, by the prior year award overage, in the immediate subsequent year.

Committee staff recommends amendments to require CSAC to establish a specific method for calculating the take-rate and number of award offers to make in each academic year, as follows:

Education Code §69473(b):

(5)(A) In granting awards for the 2015-16 award year, the commission shall do all of the following:

- (i) Establish a target of 50,000 awards to be paid.*
- (ii) Establish a take-rate for awards by dividing the total number of awards paid by the total number of offers made during the three award years immediately preceding the 2015-16 award year.*

(iii) Estimate the number of award offers that the commission may make to achieve the target for awards paid by dividing 50,000 by the take-rate estimated pursuant to clause (ii).

(B) In granting awards under this article for the 2016-17 award year and subsequent award years, the commission shall do all of the following:

(i) Calculate a target for awards to be paid by subtracting the number of awards paid in the previous award year from the target for awards paid in the previous award year and adding the result to 50,000.

(ii) Estimate the take-rate for awards by dividing the total number of awards paid by the total number of offers made during the three award years immediately preceding that award year.

(iii) Estimate the number of award offers that the commission may make to achieve the target for awards paid calculated pursuant to clause (i) by dividing the target by the take-rate estimated pursuant to clause (ii).

(6) Notwithstanding paragraphs (1 to (4), inclusive, the commission may exceed the 50,000 award limit in an academic year when the number of acceptances exceeds 50,000, provided that, in the 2016-17 award year and subsequent award years, the commission grants awards in accordance with subparagraph (B) of paragraph (5).

REGISTERED SUPPORT / OPPOSITION:

Support

American Civil Liberties Union
Kern Community College District
Las Angeles Community College District
National Association of Social Workers – California Chapter
South Orange Community College District
The Institute for College Access and Success (TICAS)
Yosemite Community College District
Young Invincibles

Opposition

None on file.

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