

Date of Hearing: July 11, 2017

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Jose Medina, Chair
SB 15 (Leyva) – As Amended June 27, 2017

SENATE VOTE: 39-0

SUBJECT: Student financial aid: Cal Grant awards.

SUMMARY: Makes changes to Cal Grant awards and streamlines the application process. Specifically, **this bill:**

- 1) Establishes, statutorily the maximum annual amount of the Cal Grant C award at \$2,462 and authorizes adjustment of this maximum amount in the annual Budget Act.
- 2) Authorizes Cal Grant B and C awards to be used for technology by expanding the definition of "access costs" to include technology.
- 3) Modifies eligibility requirements for Cal Grant C participating occupational or technical training programs by requiring that a Cal Grant C award be utilized only for occupational or technical training courses that meet federal gainful employment standards.
- 4) Deletes provisions specifying the duties of California Student Aid Commission (CSAC) in determining areas of occupational or technical training that meet the criteria of the Cal Grant C award program.
- 5) Requires the California Community Colleges (CCC) Chancellor's Office (CCCCO) to annually provide the CSAC with eligible occupational and technical training programs, as specified.
- 6) Recasts provisions that require CSAC to give priority in granting Cal Grant C awards to students pursuing occupational or technical training in areas that meet at least two of the following criteria: high employment need, high employment salary or wage projections, and high employment growth.
- 7) Requires CSAC to do all of the following:
 - a) Using information provided by the CCCCCO, ensure that priority is given to students enrolled in a program that meets the following criteria:
 - i) High-employer demand or high-projected employment growth; and,
 - ii) High-earning outcomes, or is part of a well-articulated career pathway to a job providing economic security.
 - b) Establish an application deadline of September 2 for students to apply for the Cal Grant C award effective with the fall term or semester of the 2018–19 academic year;

- c) Publish, and maintain on its Internet Web site, a current list of the eligible and prioritized occupational and technical training programs that are in demand in each economic and workforce development region, as determined according to the information provided to the CSAC as specified.
- 8) Deletes provisions that give priority in granting Cal Grant C awards to applicants seeking to enroll in programs that rate high in graduation rates.
- 9) Requires private or independent postsecondary educational institutions that meet the definition of a “qualifying institution” as defined, to provide, at a minimum, occupational or technical training programs that meet specified conditions in order for their Cal Grant C eligible students to receive a Cal Grant C award.
- 10) Requires a postsecondary educational institution participating in the Cal Grant C program to provide CSAC with the specified information in (9) above in a timely manner, in order to facilitate the processing of awards.
- 11) Modifies the reporting requirement CSAC is statutorily required to submit to the Legislature on outcomes of the Cal Grant C program.
- 12) Makes clarifying and technical changes.

EXISTING LAW:

- 1) Authorizes the Cal Grant C program, administered by CSAC, to assist with tuition and training costs at occupational or vocational programs of four months to two years in length. Existing law establishes the total number of Cal Grant C awards as the number awarded in the 2000-01 fiscal year (7,761) with the maximum award amount and the total amount of funding being determined in the annual Budget Act (\$2,462 for tuition and \$547 for non-tuition access costs) (Education Code (EC) Section 69439);
 - a) Requires CSAC to use appropriate criteria in selecting award recipients, including family income, household size, household status, and employment status of the applicant. The CSAC is directed to give additional consideration to disadvantaged, low income, and long-term unemployed applicants (EC Section 69439 (c));
 - b) Requires CSAC to consult with appropriate state and federal agencies to develop areas of occupational and technical training for which students may utilize Cal Grant C awards. These areas of occupational and technical training are required to be regularly received and updated at least every five years, beginning in 2012 (EC Section 69439 (f)(1) and (2));
 - c) Requires CSAC to give priority in granting Cal Grant C awards to students pursuing occupational or technical training in areas that meet at least two of the following criteria: high employment need, high employment salary or wage projections, and high employment growth. CSAC is required to determine areas of occupational or technical training that meet these criteria in consultation with the California Employment Development Department (EDD) using projections available through the Market Information Data Library (EC Section 69439 (f)(3)); and,

- d) Requires the Legislative Analyst's Office (LAO) to submit a report to the Legislature on the outcomes of the Cal Grant C program on or before April 1, 2018, and transfers reporting responsibilities to CSAC thereafter, as specified (EC Section 69439 (j)(2)and(3)).
- 2) Establishes CSAC for the purpose of administering specified student financial aid programs (EC Section 69510, et seq.).
- 3) Establishes the CCC Economic and Workforce Development (EWD) Program to be implemented and administered by the CCCCO in those fiscal years for which funds are appropriated for this purpose. And, requires the CCC Chancellor to implement performance accountability outcome measures to annually provide the Governor, Legislature, and the public with information that quantifies employer and student outcomes for program participants (EC Sections 88600 and 88650).

FISCAL EFFECT: According to the Senate Appropriations Committee:

- 1) The total number of Cal Grant C awards currently authorized is set at 7,761. The bill's changes to the application process for students is expected to increase the paid rate for the existing allocation of awards and not result in additional costs to the state.
- 2) General Fund costs to the CCCCO of approximately \$80,000 to provide CSAC with the required information on eligible occupational and technical training programs.

COMMENTS: *Urgency clause.* To ensure that the authorized award amounts as specified in this measure are able to be adjusted in time for the commencement of the 2017-18 award year, this measure contains an urgency clause.

Cal Grant C. The existing Cal Grant C program provides financial aid to support California students pursuing occupational and technical training. Statute limits the number of new annual awards to 7,761, which has not changed since award year 2000-01. In 2015-16, the maximum annual award was \$547 for training related non-tuition costs and up to \$2,462 more for tuition and fees for attendance at an institution other than a CCC. Funding is available for up to two years, depending on the length of the program. To qualify, a student must enroll in an occupational, technical, or vocational program that is at least four months long at a CCC, an independent college, or a vocational/career school.

According to the 2013-14 report on Cal Grant awardees prepared by CSAC, almost 82 percent of Cal Grant C awardees are independent students. About 68 percent earned less than \$18,000 annually, and more than 85 percent earned less than \$30,000 annually. To note, almost half are over the age of 30.

Additionally, according to a recent LAO report, the CCC system is the primary destination of Cal Grant C recipients, typically serving between 60 to 70 percent of all grantees. The report also confirms that because of the CCC Board of Governor's fee waiver program, students attending community colleges are only eligible to receive the smaller grant (\$547) for access costs (i.e. books and supplies). Although the vast majority of students who receive the Cal Grant

C are enrolled in community college programs, in 2014-15 almost 40 percent of the total funds awarded were paid to students enrolled in vocational for-profit programs.

Cal Grant C take-up rate. Qualifying applicants who completed and returned a Cal Grant C Supplemental form compete for 7,761 Cal Grant C awards. According to CSAC, in 2015-16 Cal Grant C supplemental forms were sent to approximately 60,000 students potentially eligible for Cal Grant C awards. However, CSAC received only a 15 percent response rate with only 9,007 Cal Grant C supplemental forms returned. Additionally, in 2015-16, 8,515 awards were offered, of which 4,427 (57 percent) were ultimately paid. This means that 43 percent of the Cal Grants C awards were left on the table.

Concerns have been raised that the resulting low participation rates can be attributed to low award amounts, fewer college choices as a result of school closures or the supplemental application which can prolong the award process. SB 1028 (Jackson), Chapter 627, Statutes of 2014, authorized the CSAC to prioritize applicant's pursuing training in occupations that meet strategic workforce needs, those from economically disadvantage backgrounds and long-term unemployed. To note, in order to determine an applicant's eligibility for a Cal Grant C, additional information must be provided on the Cal Grant C Supplement form.

This measure will eliminate the need for a supplemental form by requiring postsecondary institutions to report information pertaining to a student's enrollment in an eligible or prioritized program directly to CSAC.

Need for this measure. According to the author, "The Cal Grant C program is currently undersubscribed." The author contends by streamlining the application process, an existing barrier to eligible Cal Grant C students will be removed, thus the state should see an increase in the take-up rate.

Existing data exchange process. The current process requires CSAC to consult with appropriate state and federal agencies to develop areas of occupational and technical training for which students may utilize Cal Grant C awards; said agencies include the EDD, CCCCCO, and the California Workforce Investment Board.

This measure streamlines the administrative process by requiring data to be exchanged between CSAC and the CCCCCO, by requiring the CCCCCO to annually provide CSAC with a list of eligible programs.

According to the CCCCCO, it collects criteria pertaining to regional workforce needs and high growth sectors under its EWD division. Committee Staff understands that enactment of this measure will reduce duplicative data collection by two state entities associated with workforce development programs and should ease the overall administrative burden for CSAC that may have otherwise prolonged processing of awards.

Gainful employment regulation. The gainful employment regulation was meant to hold career-preparation programs accountable for the outcomes of their graduates. To qualify for federal student aid, federal law requires that most for-profit programs and certificate programs at private non-profit and public institutions prepare students for gainful employment in a recognized occupation.

The regulations distinguish programs that provide affordable training that lead to well-paying jobs from programs that leave students with poor earnings prospects and high amounts of debt. The regulations support greater accountability for colleges by requiring institutions to provide key information on program costs, whether students graduate, how much they earn, and how much debt they may accumulate. These required standard disclosures are intended to empower students to compare across career college programs when searching for and selecting a program.

To note, at the end of June 2017, a federal judge ruled that the existing gainful employment rules are illegal. Additionally, the U. S. Department of Education (USDE) recently announced that it will roll back the gainful employment rules and begin to revise them in November or December of 2017. That means that a revised rule could not take place until July 2019.

Committee comments and amendments. As presently drafted, this measure requires all Cal Grant C participating occupational or technical training programs to meet federal gainful employment standards.

According to the CCCCCO, each occupational and vocational program offered by its colleges meet these standards. Presumably, other institutions that qualify for federal aid programs are also in compliance and are less likely to be impacted by the change. However, it is unclear whether any institution would be disqualified as a result of the proposed requirement.

Additionally, as mentioned in the "gainful employment regulation" section of this analysis, the gainful employment regulation has been deemed illegal, and the USDE has also opined that it will delay implementing the existing regulations and begin to work on revising said regulations.

Is it premature for California to link Cal Grant eligibility to the federal gainful employment rules?

Committee Staff recommends, and the author has agreed to accept, the following amendment:

(b) (1) A Cal Grant C award shall be utilized only for occupational or technical training in a course of not less than four months that meets the federal gainful employment standards. There shall be the same number of Cal Grant C awards each year as were made in the 2000–01 fiscal year. The total amount of funding for Cal Grant C awards shall be determined each year in the annual Budget Act.

REGISTERED SUPPORT / OPPOSITION:

Support

California Community Colleges Chancellor's Office
California EDGE Coalition
California Student Aid Commission
Service Employees International Union
Western Association for College Admission Counseling

Opposition

None on file

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