

Date of Hearing: July 11, 2017

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

SB 346 (Glazer) – As Amended June 26, 2017

SENATE VOTE: Not relevant

SUBJECT: Public postsecondary education: the California Promise.

SUMMARY: Establishes the Student Success and On-time Completion Fund in the State Treasury, and authorizes the California State University (CSU) Trustees to use money in the fund to incentivize participation in a California Promise program through the offering of grants or a tuition freeze; and, requires the CSU to waive systemwide tuition or fees for a participating student unable to complete his/her degree due to limited space or no course offerings, as specified. Specifically, **this bill:**

- 1) Establishes the Student Success and On-time Completion Fund in the State Treasury.
- 2) Authorizes the CSU Trustees, upon appropriation by the Legislature, to use moneys in the fund to incentivize participation in a California Promise program in one or more of the following ways:
 - a) Provide a Summer Term Grant to a qualified student who participates in the program to cover the cost to take up six units or two courses, whichever is greater, during a summer term during his/her academic career;
 - i) Authorizes CSU student enrolled in the program to enroll in one course in two summer sessions, or two courses in one summer session.
 - b) Provide an On-Track Progress Grant of up to \$2,000 to a qualified student who participates in the program at the completion of each academic year;
 - i) Specifies that the purpose of the grant is to provide participating students with additional financial aid to offset their total cost of education including housing, textbooks, and transportation.
 - c) Provide a tuition freeze to a qualified student who participates in the program in accordance with the following:
 - i) Prohibits a participating student from being charged systemwide tuition in excess of the tuition charged to the student as an entering freshman at the CSU;
 - ii) Prohibits a participating transfer student who successfully received an associate degree within two academic years at the California Community Colleges (CCC) from being charged systemwide tuition in excess of the tuition that would have been charged to the student at the CSU at the time the student began the two year associate degree program; and,

- iii) Prohibits all other participating community college transfer students from being charged systemwide tuition in excess of the tuition charged to the student when admitted to the CSU as a transfer student.
- 3) Authorizes the CSU Trustees to select any combination of the three financial incentives, as described in (2)(c)(i – iii), for each campus with a program, at their discretion.
- 4) Requires, that the CSU, commencing July 1, 2018, waive systemwide tuition or fees for a student participating in the program who is unable to complete his/her baccalaureate degree within the required time because a required course for the degree program is not offered or is full at the campus.
- 5) Specifies that once the course or a substitute course becomes available, a student shall be resister and enroll in the course or in a substitute course that fulfills the graduation requirement.
- 6) Makes technical changes.

EXISTING LAW:

- 1) Establishes, as of January 1, 2017, with a sunset of January 1, 2026, the California Promise program for the purposes of supporting CSU students in earning baccalaureate degrees within four academic years of their first year of enrollment or for transfer students within two academic years of their first year of enrollment on a CSU campus.
- 2) Additionally, existing law requires the CSU Trustees to:
 - a) Develop and implement a California Promise program, beginning the 2017-18 academic year, at a minimum of eight campuses for non-transfer students and a minimum of 15 campuses (20 campuses by 2019-18) for qualifying transfer students. These campuses enter into a pledge with a first-time freshman or with a qualifying transfer student to support the student in obtaining a baccalaureate degree within four academic years;
 - b) Submit a report to Legislative policy and fiscal committees by January 1, 2021 that includes the number of students participating in the program in total, the total number of students who graduated in four academic years for students who entered as first-time freshman and two academic years, for CCC transfer students and a summary description of significant differences in the implementation of the California Promise program at each campus; and,
 - c) Submit recommendations to the appropriate policy and fiscal committees of the Legislature, by March 15, 2017, regarding potential financial incentives that could benefit students who participate in the California Promise program.
- 3) Thirdly, existing law requires support provided by a CSU campus for a program student to include, but not necessarily be limited to, both of the following:
 - a) Priority registration in coursework provided that a student does not qualify for priority registration under another policy or program, as specified; and,

- b) Academic advisement that includes monitoring academic progress.
- 4) Further, existing law requires a student, in order to qualify for the program, to:
- a) Be a California resident for purposes of instate tuition eligibility; and,
 - b) Commit to completing at least 30 semester units or the quarter equivalent per academic year, including summer term units, as specified.
- 5) Fifthly, existing law requires a campus to guarantee participation in the program to, at a minimum:
- a) Any student who is a low-income student, as defined;
 - b) A student who has graduated from a high school located in a community that is underrepresented in college attendance; and,
 - c) A first-generation college student or a transfer student who successfully completes his/her associate degree for transfer at a community college.
- 6) Lastly, existing law stipulates, in order for students to remain in the program, they must demonstrate both of the following:
- a) Completion of at least 30 semester units, or the quarter equivalent, in each prior academic year; and,
 - b) Attainment of a grade point average in excess of a standard established by the campus (Education Code Section 67430 et seq.).

FISCAL EFFECT: According to the Senate Appropriations Committee, based on the April 17, 2017 version of SB 803 (Glazer), of which this bill is virtually identical, the fiscal incentives proposed by this bill are permissive and would create the following General Fund cost pressures according to the CSU, depending on the number of participating students:

- 1) Summer Term Grant: systemwide costs of between \$3.4 million to \$11.8 million for students taking 3 units and between \$4.6 million to \$16.1 million students taking six units in the summer, systemwide costs would range from \$4.6 million for 2,900 students to \$16.1 million for 10,150 students.
- 2) On-Track Progress Grant: systemwide costs of between \$5.8 million to \$20.3 million.
- 3) Tuition freeze: gross lost revenue per cohort of approximately \$1.1 million to \$4 million for a small multi-year tuition increase.

COMMENTS: *Gut and amend.* This bill is virtually identical to SB 803 (Glazer) of 2017, which was held on the Senate Appropriations Committee Suspense File.

California Promise program. As noted in the "existing law" section of this analysis, the California Promise program, required the CSU Trustees to develop and implement promise programs, commencing in the 2017-18 academic year. The participating campuses have to enter into a pledge with first-time freshmen (or four-year students) or qualifying transfer students in order to support the students' objectives of earning a baccalaureate degree within four or two academic years. Below is the list of campuses implementing the program in 2017-18:

- 1) Bakersfield (four-year and transfer student program)
- 2) Channel Islands (transfer student program)
- 3) Chico (transfer student program)
- 4) Dominguez Hills (four-year and transfer student program)
- 5) Fresno (four-year student program)
- 6) Fullerton (four-year and transfer student program)
- 7) Humboldt (four-year and transfer student program)
- 8) Long Beach (four-year and transfer student program)
- 9) Monterey Bay (transfer student program)
- 10) Northridge (transfer student program)
- 11) Pomona (four-year and transfer student program)
- 12) Sacramento (four-year and transfer student program)
- 13) San Bernardino (four-year program)
- 14) San Diego (transfer student program)
- 15) San Francisco (transfer student program)
- 16) San José (four-year and transfer student program)
- 17) San Luis Obispo (transfer student program)
- 18) San Marcos (transfer student program)
- 19) Stanislaus (transfer student program)

To note, existing law only required the CSU to offer the program to first-time freshmen (or four-year students) at eight campuses, and 15 campuses for qualifying transfer students; however, as listed above, almost all of the 23 CSU campuses have launched the program. Additionally, prior to the creation of this program, the CSU already had several campuses participating in some form of a four-year promise program.

Need for this measure. According to the author, "The California Promise program aims to increase the CSU's four-year graduation rate, lower cost and debt obligations of students and their families, and ensure the number of CSU degrees is expanded to meet the needs of California employers." The author contends that, "It is important for this bill to continue to move forward this year in order to: 1) establish the fund and create the framework for the potential incentives ahead of, and separate from, funding negotiations that will take place in next year's [20]18-19 budget process; and, 2) provide the incentive and benefit of the back-end waivers for the first cohort of students."

CSU's Graduation Initiative 2025. Reviewed and approved by the CSU Trustees in September of 2016, CSU's Graduation Initiative 2025 is the CSU's initiative to increase graduation rates for all CSU students while eliminating opportunity and achievement gaps. Through this initiative, the CSU seeks to ensure that all students have the opportunity to graduate in a timely manner according to their personal goals, being able to then enter into careers in California and across the nation. As of fall of 2016, some of the goals of the initiative include the following:

- 1) The four-year graduation rate for freshmen is 19 percent and the new goal would increase those rates to 40 percent.
- 2) For transfer students, the four-year graduation rate is currently 73 percent and the new target goal would be 85 percent.
- 3) Increasing the two-year graduation rate from 31 percent to 45 percent.
- 4) Adding 100,000 more people with baccalaureate degrees to the California workforce over the next 10 years, bringing the total number of expected CSU graduates between 2015 and 2025 to more than one million.
- 5) Eliminating the achievement gap by increasing efforts to reduce course bottlenecks, increasing hands-on advising, boosting the number of online services and resources for students, and hiring more faculty and academic advisors.

CSU Recommendation on student financial incentives to participate in the program. As noted in the "existing law" section of this analysis, the CSU Trustees were required to submit recommendations to the appropriate policy and fiscal committees of the Legislature, by March 15, 2017, regarding potential financial incentives that could benefit students who participate in the program.

According to the Trustees March 2017 *California State University Report: Recommendations on Student Financial Incentives to Participate in the California Promise Program*, many institutions with similar programs offer students a "guarantee" that their degree programs can be completed in four or two year with the understanding that tuition will not be assessed if the institution is at fault of students taking longer to graduate.

This measure requires the CSU to grant tuition waivers if students were unable to complete a degree within the required time frame due to the unavailability of necessary courses.

The report finds that the value of the guarantee would be felt by students both as a financial guarantee and in terms of the commitment that each campus would provide to their success. However, the report notes that, one limiting factor of the impact of a tuition waiver incentive would be the limited number of students who might directly financially benefit from this approach. For the 62 percent of CSU undergraduates receiving non-loan financial aid which fully covers tuition, the report contends that the perceived benefit of the guarantee may be limited.

This measure authorizes the use of funds appropriated by the Legislature for tuition freezes for program participants. However, the report states, "The CSU does not believe this [a tuition freeze] is an effective approach for incentivizing the program and therefore does not recommend this proposal." According to the CSU, 62 percent of its undergraduate students have their tuition fully covered by a Cal Grant award, University Grant or waiver; therefore, a tuition freeze would have limited value to the majority of CSU undergraduate students.

The CSU notes that in the absence of routine tuition increases, a tuition freeze approach would not be an effective incentive to increase participation or improve retention and could potentially decrease operating revenues to its campuses.

Opposition. According to the California Faculty Association (CFA) and the Service Employees International Union (SEIU), the concern exists that unintended consequences of this bill could disproportionately advantage students already close to graduating in four years at the expense of other students and their needs. Additionally, CFA and SEIU contend that while CFA and SEIU appreciate the goals of improving degree to completion time, CFA and SEIU remain significantly concerned about diverting resources from the CSU system to a subset of the student body.

To note, the Committee did not receive any letters of support regarding this measure.

Committee considerations. Tuition freeze? As aforementioned, the CSU has expressed strong concerns about a tuition freeze policy incentive. Additionally, CSU has expressed that a tuition freeze would create a differential impact between students participating in the four-year program compared to those participating in the two-year program. Students who exit the program could suddenly be faced with the responsibility of paying an unexpected increase in tuition.

To note, the Trustees have the authority to set tuition, by authorizing a tuition freeze, the Legislature would essentially be taking away that authority from the Trustees.

Further, the Legislature has historically supported need-based financial aid; but by creating a rather complex and layered tuition freeze only for those in the program, as this measure currently does, it could result in subsidizing tuition costs for students regardless of their financial need.

Though the bill is permissive, does it set a bad precedent, create funding pressures, and usurp the authority of the Trustees, by including a tuition freeze? *The Committee may wish to determine if it is prudent, equitable, and sound policy to create a tuition freeze incentive, thus taking the authority away from the Trustees, and only benefiting students in the program.*

Should this measure pass of this Committee, the author may wish to delete the authorization of a tuition freeze.

Implementation time table? Should the Legislature tell the CSU how to implement a program that they already conduct that may vary slightly from campus to campus? As specified in the "existing law" section of this analysis, the California Promise Program went into effect seven months ago. *Is it prudent for the Legislature to enact additional changes to a program before it has even reached a year of being operational?*

Previous vote history? As noted in the "gut and amend" section of this analysis, this measure is virtually identical to the April 17, 2017 version of SB 803 (Glazer), which was held on the Senate Appropriations Committee Suspense File. Though a vote on this measure does not technically break any Joint Legislative Rules, *the Committee may wish to consider if it is prudent to vote on a bill that their colleagues previously held in the House of Origin.*

Previous and related legislation. AB 393 (Quirk-Silva) of 2017, which was held on the Assembly Appropriations Committee Suspense File, would have, in part, prohibited, until after the 2019-20 academic year, any increases in California resident tuition charged to students at the CSU and the CCC above the amounts charged as of December 31, 2016.

SB 803 (Glazer) of 2017, which was held on the Senate Appropriations Committee Suspense File, is virtually identical to this measure.

SB 412 (Glazer), Chapter 436, Statutes of 2016, which, in part, required the CSU Trustees to develop and implement the California Promise, which authorized a campus to enter into a pledge with qualifying students, as defined, to support the completion of a baccalaureate degree within four years or, for transfer students, within two years. SB 412 also required the CSU Trustees to submit recommendations to the Legislature regarding potential financial incentives that could benefit students who participate in the program.

SB 1450 (Glazer) of 2016, which died in the Senate Education Committee, was nearly identical to SB 412, except that SB 1450 established various requirements regarding systemwide fees for California Promise students at CSU, including freezing tuition and granting tuition waivers if students were unable to complete a degree within the required timeframe due to unavailability of courses. To note, SB 1450 also imposed these same requirements on the CCC and required the CCC Board of Governors to establish the Promise program as well; however, the CCC was

removed from the scope of the bill and instead required CSU to ensure entry into a Promise program for any CCC student who transfers with an Associate Degree for Transfer.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

California Faculty Association
Service Employees International Union (SEIU)

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