

Date of Hearing: July 3, 2012

ASSEMBLY COMMITTEE ON HIGHER EDUCATION  
Marty Block, Chair  
SB 1466 (De Leon) – As Amended: June 25, 2012

SENATE VOTE: 32-6

SUBJECT: Student financial aid: Cal Grant Program eligibility.

SUMMARY: Establishes eligibility for Cal Grants that are funded by the Higher Education Investment Tax Credit (HEITC) program, subject to specified priorities, until either all HEITC funds are expended or December 1, 2018, contingent upon enactment of SB 1356 (de Leon). Specifically, this bill:

- 1) Allows a student whose household income is \$100,000 or less to be eligible for a Cal Grant, subject to specified priorities.
- 2) Requires the California Student Aid Commission (CSAC) to grant the following priorities when using HEITC funds to award Cal Grant awards authorized by this bill:
  - a) Students who meet the eligibility requirements established for a Cal Grant A, B, or Transfer Entitlement Award for the 2011–12 academic year.
  - b) Students who meet the eligibility requirements established for a Competitive Cal Grant A or B Award for the 2011–12 academic year, up to the maximum number of awards authorized for Competitive Cal Grant A or B Awards in the annual Budget Act.
  - c) All other students who meet the eligibility requirements established for a Cal Grant Award for the 2011–12 academic year, except that these students may have a maximum household income no greater than \$100,000.
- 3) Conditions enactment of this bill on passage of SB 1356 (de Leon), which establishes the HEITC.
- 4) Sunsets the program when the funds are expended or effective December 1, 2018.

EXISTING LAW:

- 1) Authorizes the Cal Grant Program, administered by CSAC, to provide grants to financially needy students to attend college. The Cal Grant programs include both the entitlement and the competitive Cal Grant awards. The program consists of the Cal Grant A, Cal Grant B, and Cal Grant C programs, and eligibility is based upon financial need, grade point average, California residency, and other eligibility criteria, as specified in Education Code § 69433.9. These programs currently operate as follows:
  - a) *Cal Grant A High School Entitlement Program* provides tuition fee funding for the equivalent of four full-time years at qualifying postsecondary institutions to eligible

lower and middle income high school graduates who have at least a 3.0 grade point average (GPA) on a four-point scale and apply within one year of graduation.

- b) *Cal Grant B High School Entitlement Program* provides funds to eligible low-income high school graduates who have at least a 2.0 GPA on a four-point scale and apply within one year of graduation. The award provides up to \$1,551 for books and living expenses for the first year and each year following for up to four years (or equivalent of four full-time years). After the first year, the award also provides tuition fee funding at qualifying postsecondary institutions.
  - c) *Community College Transfer Program* provides a Cal Grant A or B to eligible high school graduates who have a community college GPA of at least 2.4 on a four point scale and transfer to a qualifying baccalaureate degree granting college or university.
  - d) *Cal Grant Competitive Award Program* provides 22,500 Cal Grant A and B awards available to applicants who meet financial, academic, and general program eligibility requirements. Half of these awards are reserved for students enrolled at a community college and who met the September 2 application deadline.
  - e) *Cal Grant C Program* provides funding for financially eligible lower income students preparing for occupational or technical training. The authorized number of new awards is 7,761. For new and renewal recipients, the current tuition and fee award is up to \$2,592 and the allowance for training-related costs is \$576. (Education Code § 69430-69450)
- 2) Authorizes the Cal Grant T program to provide assistance to individuals who attend teacher credential programs at colleges and universities approved by the California Commission on Teacher Credentialing. According to CSAC, the Governor and California State Legislature have not permitted new awards for the Cal Grant T program since the 2002-2003 academic year.
- 3) Requires that the maximum household income and asset levels for the Cal Grant program be adopted and defined in regulations by CSAC and that these ceilings be annually adjusted based upon changes in the cost of living. (EC § 69432.7)

**FISCAL EFFECT:** According to the Senate Appropriations Committee's analysis of this bill when the income ceiling was \$150,000, minor and absorbable workload increase to CSAC to administer increased Cal Grants and potentially substantial General Fund savings, to the extent that HEITC funding supplants General Fund support for Cal Grants. To the extent that expanded Cal Grant eligibility and funding covers additional students, it may supplant institutional aid from the segments.

**COMMENTS:** Need for the bill. Due to California's fiscal crisis, the state's contribution to higher education has steadily declined, and the author's office calculates that the share of expenditures borne by students in the form of fees has tripled from 13% in 2000 to 40% in 2011. According to the author, this bill provides an opportunity to leverage federal dollars to help offset increases in college tuition in California and make a public school education more affordable for middle-income Californians.

Cal Grants. This bill would increase the household income ceiling for Cal Grants to \$100,000, provided other Cal Grant priorities are met. Below are current income eligibility levels:

***Cal Grant Income Ceilings***

<b>Family size:</b>	<b>Cal Grant A &amp; C</b>	<b>Cal Grant B</b>
Six or more	\$92,600	\$50,900
Five	\$85,900	\$47,100
Four	\$80,100	\$42,100
Three	\$73,700	\$37,900
Two	\$72,000	\$33,600

***Cal Grant Asset levels***

Dependent students \$62,000  
Independent students \$29,500

The current maximum award for Cal Grants A and B are equal to the mandatory systemwide tuition fees at UC (\$12,192) and CSU (\$5,472). With regard to private for-profit and independent non-profit institutions, the maximum award has been \$9,708 since 2000, with the exception of two years (2004-2006), where the award levels were reduced by 14%, to a total of \$8,322.

Recent budget actions. On June 27, the Legislature approved SB 1016 (Committee on Budget and Fiscal Review), the education trailer bill, which cut the Cal Grant Program by \$103 million by reducing the award amount for students attending for-profit institutions to \$4,000 from \$9,708 and for students attending private nonprofit institutions to \$8,056 from \$9,084 over two years. The bill also requires institutions with more than 40% of undergraduates borrowing federal student loans to maintain a federal student cohort default rate below 15.5% and a 30% minimum six year graduation rate (for a four year program) to be eligible to participate in the Cal Grant program. Cal Grant eligibility requirements were unchanged.

Contingency language. The provisions of this bill are contingent upon the enactment of SB 1356 (de Leon) which:

- 1) Establishes the Higher Education Investment Tax Credit Program Special Fund.
- 2) Establishes a tax credit equal to 50-60%, depending on the year, of contributions to the Special Fund.
- 3) Requires that all revenue in this fund be allocated to CSAC for purposes of awarding Cal Grants to students eligible pursuant to the provisions of this bill.
- 4) Provides for a repeal of the tax credit in December 2016.

Related legislation. AB 1501 (J. Perez), pending in the Senate Appropriations Committee, would provide partial fee waivers for UC and CSU students with family incomes below \$160,000.

REGISTERED SUPPORT / OPPOSITION:

Support

California Catholic Conference  
Community College League of California

Opposition

None on file.

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