

Date of Hearing: June 10, 2014

ASSEMBLY COMMITTEE ON HIGHER EDUCATION  
Das Williams, Chair  
SB 174 (De León) – As Amended: January 6, 2014

SENATE VOTE: 34-0

SUBJECT: Student Financial Aid: Cal Grant Program

SUMMARY: Provides for the use of funds from the College Access Tax Credit Fund (Fund) to increase Cal Grant B access awards, administered by the California Student Aid Commission (CSAC) up to a maximum of \$5,000 per award per academic year, contingent upon enactment of SB 798 (De León). Specifically, this bill:

- 1) Finds and declares that California's fiscal crisis resulted in deep cuts to public postsecondary education resulting in increased costs and time-to-degree for students; educational attainment levels predict the overall economic performance of states, California's educational attainment now ranks among the bottom 10 states; estimates show that the Fund will allow CSAC to fund larger access grants to California's neediest students; and, all Californians deserve access to affordable postsecondary education.
- 2) Provides that monies appropriated from the Fund are in addition to other monies appropriated for the Cal Grant Program, and that during the existence of the Fund the amount of the Cal Grant B access award may not be adjusted below the amount in the 2012 Budget Act.
- 3) Requires the Treasurer, on April 1, 2015, and each April 1 thereafter, to certify the amount of monies available for distribution from the Fund for the following academic year and provides that the amount available for distribution may not exceed 85% of the Fund balance.
- 4) Requires CSAC to determine the amount of the supplemental awards to be granted and to include that amount in the annual budget change proposals previously submitted to the Department of Finance by the Commission. Upon appropriation by the Legislature to the CSAC in the annual Budget Act, the monies become available for making awards to students.
- 5) Provides that any monies available in the fund after making supplemental awards shall remain in the fund for allocation in future fiscal years.
- 6) Provides that disbursements from the Fund shall be made for the following purposes:
  - a) To supplement awards made for "access costs" as defined under the provisions of the Cal Grant Program. Limits the amount of the supplemental award, when added to the annual access award amount established by the Budget Act, to \$5,000.
  - b) To defray the administrative costs incurred by the Commission in connection with these responsibilities.
- 7) Provides that awards are only payable to the extent monies are available from the Fund. Requires the Commission to inform award recipients that the award is for one academic year

only, is not an entitlement, and that future supplemental awards are subject to the availability of monies in the Fund.

- 8) Becomes operative only if SB 798 (De León) is enacted and becomes operative on or before January 1, 2015.
- 9) Declares this act an urgency to take effect immediately in order for this program to be funded by donations to the College Access Tax Credit Fund made during 2014, to provide adequate funding for Cal Grant B access awards beginning in the 2015–16 academic year so that students receiving these awards can stay enrolled.

EXISTING LAW authorizes the Cal Grant Program, administered by CSAC, to provide grants to financially needy students to attend college.

FISCAL EFFECT: According to the Senate Appropriations Committee, \$140,000 in staffing costs to CSAC to administer the program expansion, reimbursed by the Fund. This bill prohibits the Cal Grant B Access Award amounts funded in the annual Budget Act from being reduced below 2012 Budget Act levels, for the duration of the existence of Fund. If budget reductions became necessary, the Cal Grant B Access Award would be protected at the expense of other programs. To the extent that expanded Cal Grant Access Awards provide additional funding to students in California's public postsecondary institutions, that funding may supplant some institutional aid from the segments.

COMMENTS: Background. In the first award year, Cal Grant B students are awarded a grant to cover access costs, defined as living expenses and expenses for transportation, supplies, and books. After the freshman year, the Cal Grant B award may also include tuition and fee coverage in the same amount as the Cal Grant A award. Current law limits the access award to \$1,551, but allows the amount to be adjusted in the annual Budget Act. The 2012 Budget Act reduced the award to \$1,473; that amount was maintained in the 2013 Budget Act. According to the Commission, in 2012-13, the average income for new Cal Grant B recipients was \$16,511. There were a total of 128,426 new recipients of Cal Grant B. The largest number and percentage of Cal Grant B recipients were at the California Community Colleges (48%).

Purpose of this bill. According to the author, this legislation will increase the underfunded Cal Grant B access award amount for California's lowest income students to improve graduation rates. The Author notes that, adjusted for inflation, the Cal Grant B access award today should be \$5,900; instead it has lost most of its purchasing power over time and is currently set at only \$1,473. According to the author, there is significant research that shows that students who work more hours take longer to graduate; Grant aid is the proven equalizer that allows low-income students to persist and complete degrees at rates that equal those of their higher-income peers. This bill, in coordination with SB 798, is intended to enable CSAC to double the Cal Grant B access award during tough economic times.

Contingent enactment. The implementation of this bill is contingent upon the funding source established in SB 798 (De León), which would, for taxable years 2014 through 2016, allow taxpayers, upon receipt of California Educational Facilities Authority certification, to receive a tax credit for a specified percentage of cash contributions made to the Fund. SB 798 is pending hearing in the Revenue and Taxation Committee.

Related legislation. AB 1364 (Ting), which was approved by this Committee by a vote of 9-3 on April 9, 2013, proposes to, beginning in the 2014-15 academic year, increase the maximum amount of the Cal Grant B access award to \$1,710, and provide for annual adjustment upward based upon the California Consumer Price Index beginning January 15, 2014. AB 1364 is currently pending in the Senate Appropriations Committee.

Prior legislation. SB 284 (De León, 2013) which was identical to this bill, was approved by the Legislature and subsequently vetoed by Governor Brown due to a technical error contained in the companion measure, SB 285 (De León, 2013) that negatively impacted Proposition 98 funding guarantee. The companion measure to this bill, SB 798 (De León) corrects this technical error.

SB 1466 (De León, 2012), as heard in this committee, expanded eligibility for a Cal Grant to include a student with a household income up to \$100,000, subject to specified funding prioritization, and contingent upon legislation that created a fund for this purpose (SB 1356, De León, 2012). SB 1466 passed this committee in July 2012 by a vote of 8-1, but was subsequently amended to address a different subject.

#### REGISTERED SUPPORT / OPPOSITION:

##### Support

California Catholic Conference  
California Community College Chancellor's Office  
California Competes  
Californians for Shared Prosperity Coalition  
California State Student Association  
Community College League of California  
EARN  
Los Angeles Area Chamber of Commerce  
Southern California College Access Network  
Student Senate for California Community Colleges  
Students First  
The Campaign for College Opportunity  
The Education Trust-West  
The Institute for College Access and Success  
University of California Student Association  
Young Invincibles

##### Opposition

None on file.

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