

Date of Hearing: March 19, 2019

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 505 (Patterson) – As Amended March 7, 2019

**SUBJECT:** Student financial aid: Cal Grant B, Cal Grant C, and federal Pell Grant awards: financial aid book advance program

**SUMMARY:** Establishes a program whereby a recipient of specified financial aid program awards may purchase textbooks on credit from the campus bookstore. Specifically, **this bill:**

- 1) Makes the following definitions:
  - a) “Bookstore” or “institution’s bookstore” means a university- or college-owned bookstore located on or off campus, or a privately owned bookstore located on campus.
  - b) “Census date” is the date that marks the end of the add/drop period for course enrollment and is used to determine financial aid eligibility for an academic semester or term.
  - c) “Financial aid award” means a Cal Grant B, Cal Grant C, or federal Pell Grant award.
  - d) “Program” means a financial aid book advance program established pursuant to this bill.
- 2) Requires every postsecondary educational institution, beginning in the 2020-21 academic year and as a condition of participating in the Cal Grant program, to implement a program in accordance with the following:
  - a) For any student owed a credit balance for a financial aid award for the semester or term, the institution must provide a line of credit to the student at bookstores, starting from on or before the seventh day of the semester or term until one day before the institution’s census date for that semester or term. Also declares legislative intent that the line of credit be provided at the earliest practicable time.
  - b) Specifies that the amount of the credit shall be the lesser of the credit balance owed to the student or an amount generally needed by students to purchase books and educational materials, as determined by the institution.
  - c) Specifies that, if an institution has more than one bookstore, a student may use the line of credit at any of the institution’s bookstores.
  - d) Requires the institution to align its implementation of the above with applicable federal regulations.
- 3) Stipulates a student may purchase books and educational materials, using the line of credit, during the period specified in (2)(a), in the amount up to the line of credit.
- 4) Requires the bookstore to report to the institution’s financial aid office the amount expended by a student using their line of credit.

- 5) Requires the institution, after the census date, to deduct from the student's financial aid award, in addition to any authorized tuition and fee deductions, the amount expended by the student at bookstores, as reported in (4).
- 6) Requires the institution to reimburse the bookstore for the amount expended by the student per (5).
- 7) Allows the institution to reimburse a bookstore at a lesser amount than that specified in (6), pursuant to an agreement between the institution and the bookstore, if all of the following conditions are met:
  - a) The amount of a student's financial aid award is reduced due to changes in the student's eligibility status.
  - b) The reduction described above would have reduced the student's line of credit.
  - c) The student's bookstore expenditures, as reported pursuant to (4), exceed what would have been the reduced line of credit.
- 8) Exempts from the program any institution that disburses all of its students' financial aid award moneys on or before the seventh day of the semester or term.
- 9) Requires each institution to provide a means for a student to voluntarily opt out of the program.
- 10) Stipulates that this program does not require a student to either use the line of credit established under the program or to purchase books or educational materials from a bookstore covered under the program.

**EXISTING LAW:**

- 1) Establishes the California Student Aid Commission (CSAC) for the purpose of administering specified student financial aid programs. (Education Code (EC) Section 69510, et seq.)
- 2) Cal Grant B Entitlement Awards. Students that meet income and asset thresholds 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 most first-year students are limited to an allowance for non-tuition costs (access award), such as books and living expenses (currently \$1,648). In the second and subsequent years, the award also provides tuition and fee support. (EC Sect. 69435.)
- 3) 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, 25,750 Cal Grant Competitive awards are available. Of these, 12,875 (one-half) 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 California Community College (CCC) students. (EC Sect. 69437.)

- 4) Cal Grant C Awards. Specifically to assist students with tuition and training costs at occupational or vocational programs of four months to two years in length. Since 2000-01, the total number of new annual Cal Grant C awards has been set at 7,761. The maximum award amounts, which are determined in the annual Budget Act, are currently up to \$2,462 for tuition and fees and \$547 for non-tuition costs, for recipients attending other than a community college, and \$1,094 toward non-tuition costs for CCC students. (EC Sect. 69439.)
- 5) Establishes the Community Colleges Student Success Completion Grant, which supplements the Cal Grant B access award by up to \$1,298 annually for students enrolled in 12, 13 or 14 units per semester and up to \$4,000 annually for student taking 15 or more units per semester. (EC Sect. 88930.)
- 6) The federal Pell Grant provides aid to students who demonstrate financial need, and can be used for tuition and fees, books and supplies, transportation, and living expenses for the equivalent of up to six years of full-time enrollment. The maximum Pell Grant for 2018-19 is \$6,095. (20 U.S. Code Sect. 1070.)
- 7) Federal regulations require an institution to provide a student eligible for federal education funds, including Pell Grants, with a way to purchase applicable books and supplies by the seventh day of a semester or term if, 10 days before the beginning of the semester, the institution could disburse funds for which the student is eligible and the student has a credit balance. (34 U.S. Code Sect. 668.16(m).)

**FISCAL EFFECT:** In 2018, the Assembly Appropriations Committee identified the following costs to a very similar bill:

- 1) One-time costs of about \$240,000 GF for 24 California State University (CSU) campuses to purchase or revise software that would allow reimbursement to the bookstore once the student's financial aid funding arrives and set up the program. Ongoing costs to hire a position at each campus and pay maintenance costs for the software, likely in the high hundreds of thousands of dollars annually.
- 2) One-time costs of about \$200,000 GF for 9 University of California (UC) campuses to purchase software and set up the program. Ongoing costs to hire a position at each campus and pay maintenance costs for the software, likely in the high hundreds of thousands of dollars annually.
- 3) One-time costs of about \$400,000 Proposition 98 GF for CCCs to purchase new software or revise existing software and to set up the program. (11 campuses already have a program, so these costs likely would not apply to them.) Ongoing costs to hire a position at each campus and pay maintenance costs for the software, likely in the high hundreds of thousands of dollars annually. (Last year's bill applied only to campus bookstores, and therefore impacted only half of the CCC's 114 campuses that own their own campus bookstores.) These costs would not represent a reimbursable state mandate cost because CCCs are not required by this bill to perform this activity. But CCC students would lose Cal Grant funding if CCCs do not comply.

- 4) Unknown costs to private institutions, likely in the tens of thousands of dollars annually. The state would not be required to reimburse these campuses because private entities are ineligible to claim state mandate costs.

#### COMMENTS:

*Purpose.* The author notes that students receive funding through their Pell Grant or Cal Grant B or C awards to cover a portion of their nontuition costs of education. The author asserts that some students receive their Cal Grant or Pell Grant assistance after the start of instruction—meaning they may not receive their assistance for expensive textbooks until weeks after their semester begins, which is especially problematic for students who cannot afford to pay out of pocket for required reading and instructional materials for their enrolled classes.

As noted in the Summary above, since 2011, federal regulations have required institutions to ensure that Pell Grant recipients have funding resources accessible to them in order to obtain books and supplies within the first seven days of the academic semester or term. This bill intends to place similar requirements with respect to the access grant portion of Cal Grant B and C awards. According to the author, AB 505 expands on a successful pilot program implemented by Santa Ana Community College, where the college bookstore allowed students to obtain their needed coursework materials beginning on the first day of classes and credited against their incoming Pell Grant award. AB 505 would require California colleges and universities participating in the Cal Grant program to implement a similar mechanism, with respect to both Cal Grants and Pell Grants, which allows eligible students to obtain the needed coursework materials no later than the seventh day of the semester or term. Their purchases would then be credited against their Cal Grant and/or Pell Grant awards. Students are not required to participate in the program, but the author believes this mechanism will ensure students have at least one option for purchasing their course materials in a more timely manner.

*Spending on Books/Course Materials.* According to the National Association of College Stores' (NACS) annual Student Watch survey for 2016-17, college students nationwide spent an average of \$484 last year on books (down from \$576 the prior year) and \$612 on technology and school supplies (up from \$506 the prior year). According to the survey, the average spent on books has been slowly declining in recent years, as students are increasing the use of book rentals and electronic materials. According to the survey, during the fall of 2016, 63% of students purchased new books, 56% bought used books, and 25% purchased in digital format (up from 8% in fall 2015). In addition, 20% of the students surveyed reported using a free method (borrowing, sharing, downloading) to obtain some of their course materials. The survey also indicates that students obtained their books from a variety of sources: campus store (77%), Amazon (42%), other students (9%), Chegg (7%), and from publishers' websites (9%).

The survey also notes that, in spring 2018, there was a spike in the percentage of students waiting to get their course materials until after the first week of classes (25%), and the percentage of students who had all of their materials at the term's beginning dropped nine percentage points (to 31%) from the spring of 2017.

*Financial Aid Recipients.* Though not all students receiving financial aid would likely take advantage of the book advance program established in this bill, the number that could do so is significant. For example, at the California State University (CSU), 340,000 undergraduates received some form of financial aid (grants, loans, work study, and/or fee waivers) in 2016-17. Every form of financial aid, such as work study or aid solely to cover tuition costs, would not be

available for book purchases, but for example, 95,000 CSU students received Cal Grant B awards and 218,000 received Pell Grants in 2016-17. At the community colleges in 2017-18, 121,000 students received Cal Grant B or C awards and 440,000 received Pell Grants.

*Prior Legislation.* This bill is very similar to AB 2563 (Patterson) of 2018, which passed this committee unanimously but was held on Suspense in Assembly Appropriations.

**REGISTERED SUPPORT / OPPOSITION:****Support**

None on file

**Opposition**

None on file

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