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## SENATE COMMITTEE ON EDUCATION

Senator Carol Liu, Chair

2015 - 2016 Regular

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**Bill No:** SB 15  
**Author:** Block  
**Version:** March 25, 2015  
**Urgency:** No  
**Consultant:** Kathleen Chavira

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**Fiscal:** Yes

**Subject:** Postsecondary education: financial aid

### SUMMARY

This bill statutorily establishes the Cal Grant award at \$9,084 for recipients attending private postsecondary education institutions accredited by Western Association of Schools and Colleges (WASC), increases the number of statutorily authorized competitive Cal Grant awards from 22,500 to 30,000, and establishes a Graduation Incentive Grant program for undergraduate students at the California State University.

### BACKGROUND

Existing law authorizes the Cal Grant Program, administered by the California Student Aid Commission, to provide grants to financially needy students to attend college. 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. (Education Code 69430-69433.9)

Existing law includes both the Entitlement and the Competitive Cal Grant awards. Under the Competitive program, the state provides a maximum of 22,500 Cal Grant A and B awards 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. (Education Code § 69437-§ 69437.7)

Current law provides for a long-term Cal Grant policy that requires that the maximum Cal Grant A award and the Cal Grant B award, for students attending each respective segment, equal the amount of the mandatory systemwide fees at the University of California and the California State University, as specified. This policy also requires that the maximum Cal Grant award for students attending nonpublic institutions equal the tuition award level established in the Budget Act of 2000, or the amount as adjusted in subsequent annual budget acts. (EC § 66021.2)

Notwithstanding the provisions of EC 66021.2, current law, enacted through the 2012 budget, sets the maximum amount of the Cal Grant award for students who attend private postsecondary institutions. Beginning in the 2013-14 award year, this amount

is \$4,000 for new recipients attending private for-profit institutions. For new recipients attending private non-profit or for-profit institutions accredited by WASC, the amount is set at \$9,084 for the 2013-14 award year and \$8,056 for 2014-15. The scheduled reduction in 2014-15 was postponed for one year but is currently proposed to be reduced to \$8,056 for the 2015-16 budget year. (EC § 69432)

**ANALYSIS**

This bill:

1. Permanently restores the Cal Grant annual award amount to \$9,084 for recipients attending a private postsecondary education institution accredited by WASC and deletes the scheduled reduction to \$8,056 for new recipients in the 2015-16 award year.
2. Increases the number of statutorily authorized competitive Cal Grant Awards from 22,500 to 30,000 annually.
3. Establishes the Graduation Incentive Grant (GIG) Program to be awarded beginning in the 2015-16 academic year to matriculated undergraduate students with financial need at the California State University (CSU). Specifically it:
  - A. Clarifies that the purpose of the award is to provide additional financial aid to offset the total cost of education, including the cost of housing, textbooks and transportation.
  - B. Requires, in order to be eligible, that a student:
    - i) Be a matriculated undergraduate at the CSU.
    - ii) Be a California resident or be exempt from non-resident tuition as the result of the provisions of AB 540.
    - iii) Have an expected family contribution (EFC) of no more than \$12,000, to be determined as specified.
    - iv) Be enrolled in at least 12 semester units (or equivalent), have a declared major and maintain satisfactory academic progress at the participating institution.
    - v) Not be incarcerated, in default on any student loan, or have failed to repay a state or federal grant if so required.
  - C. Outlines the specific grant amounts and unit requirements for an award annually as \$1,000 if 30 semester units (45 quarter units) are completed the first year, \$1,500 if 60 semester units (90 quarter units)

are completed the second year, \$2,000 if 90 semester units (135 quarter units) are completed the third year.

- D. Establishes specific eligibility requirements for transfer students. Specifically it:
    - i) Requires that a student who transfers with an Associate Degree for Transfer be eligible to receive an award in the first academic year of enrollment at the California State University (CSU).
    - ii) Makes other transfer students eligible to receive an award after completing their first college year at the CSU.
  - E. Requires awarding of the Graduation Incentive Grant (GIG) Program at the same time as the overall financial aid package, clarifies that the GIG is a supplemental grant, prohibits its supplanting of any other grants or scholarships, and prohibits the GIG from resulting in total grant or scholarship aid from exceeding a student's total cost of attendance.
  - F. Authorizes the CSU Trustees to adopt regulations to administer the GIG.
  - G. Requires, by April 1, 2017, annual reporting on the GIG program, and specifically requires that the CSU:
    - i) Report to the Legislature on the number of students overall completing the required number of units in the year prior, the number of first-time freshman and transfer students (disaggregated by Associate for Transfer degree recipients and other transfer degree recipients) successfully completing the required units and qualifying for the GIG award, the number of eligible students who successfully meet the unit requirements of the program, as well as the average grade point average of GIG recipients.
    - ii) Disaggregate the data by discipline, race, ethnicity, gender and socioeconomic status.
  - H. Provides that the program requirements are not operative in a fiscal year unless the Trustees determine that sufficient funding has been provided for the program, and requires that funding for the program be considered supplemental to the CSU's operating budget.
4. Declares the Legislature's intent to appropriate funds in the 2015-16 fiscal year to:
- A. Eliminate the 5 percent tuition increase adopted by the Regents in 2014.

- B. Provide additional course offerings and support services for students to complete a bachelor's degree in four years or less at both the CSU and UC.

## STAFF COMMENTS

1. ***Need for the bill.*** In December 2014, the Senate announced a comprehensive plan for higher education in California. The stated purpose of the plan is to establish higher education policies that promote affordability, access, and completion for California students. In addition to providing direct assistance to students to afford college and finish their degrees, the plan includes additional funding for the UC and the CSU to support enrollment growth, provide more course offerings, and increase student support services. While several of these objectives are proposed to be met through the budget process, this bill contains the policy changes necessary to implement and support the plan. These include the elimination of the cut to the Cal Grant award for recipients attending Western Association of Schools and Colleges (WASC) accredited non-public institutions in California, an increase in the total number of annual competitive Cal Grant awards, and the establishment of a new grant program to incentivize timely degree completion at the CSU.
2. ***The Graduation Incentive Grant.*** According to the author, the grant program established by this bill is based upon the experience of several universities that have adopted policies to incentivize students to take 15 units per term in an effort to expedite completion. According to a 2013 report by Complete College America, *The Game Changers: Are states implementing the best reforms to get more college graduates?*, the University of Hawaii's "A 15 to Finish" campaign educated students on the benefits of taking 15 units per semester and increased the number of freshmen enrolling at that level from 15 percent to 24 percent systemwide, and from 38 percent to 56 percent at its flagship campus. Additionally, Adams State University in Colorado increased the number of credits taken by its students by 11 percent in two years after offering \$500 incentive scholarships to students who completed 30 credits per year.

According to the CSU, in 2013-14, 50 percent of the almost 392,000 enrolled students were full-time students, but enrolled in only 12-14 units (35 percent were enrolled for 15 units or more). While 12-14 units meets the "full-time" requirements for financial aid eligibility, a CSU student must complete an average of 15 units each semester in order to be on pace to graduate within four years. It appears many students forgo the additional units in order to accommodate time to work to meet the costs of their education, while some students are unaware that completing 15 units each semester is necessary to graduate within four years.

This bill proposes to improve completion rates at the CSU by incentivizing students to enroll in the requisite number of units necessary to complete their degrees within four years.

3. ***Why is it important?*** Aside from benefitting the state through increased access and more efficient movement of students through the CSU system, accelerating degree completion also reduces the overall cost of higher education for students and families. In *The Real Cost of College: Time and Credits to Degree in California*, the Campaign for College Opportunity reports that every additional year of enrollment in college increases the total cost by more than \$26,000 in tuition, fees, books, and living expenses, as well as more than \$22,000 in lost lifetime wages. A CSU student who takes six years to earn a bachelor's degree will spend an additional \$58,000 more on tuition, fees, books and other expenses, and will earn \$52,900 less, over his/her lifetime, than someone who graduated in four years. As a result of these additional two years, this student would incur \$110,900 in extra expenses and lost wages.

According to the *CSU Academic Sustainability Plan* (prepared by the CSU as required by the Budget Act of 2014) current 4-year graduation rates for the Fall 2009 cohort of students are 17.3 percent for all students and 10.8 percent for students receiving Pell grants. The projected 4-year graduation rate for the Fall 2013 cohort is 18.5 percent for all students and 11.2 percent for students receiving Pell grants.

This bill provides an additional tool for the CSU to address the specific policy objective of improving completion rates.

4. ***Who is eligible?*** This bill outlines various eligibility criteria for the Graduation Incentive Grant (GIG) Program including a financial need determination based upon expected family contribution (EFC). The EFC is also the basis for determining eligibility for the State University Grants program (SUG) which provides need-based grants to CSU undergraduates, post-baccalaureate, and graduate students. According to the CSU, the systemwide priority for SUG awards is an EFC of \$4,000 or less, which equates to an average annual parental adjusted gross income of \$20,245. This bill establishes an EFC of \$12,000 to be eligible for the GIG which equates to an adjusted gross income of \$92,000. In addition to the traditionally low-income students who would be eligible for the GIG, this program would offer an option for assistance to students and families with moderate to middle incomes.

The bill also extends eligibility for the GIG upon enrollment to students who complete the Associate Transfer Degree, ostensibly to acknowledge that the student has opted for a streamlined transfer program that has accelerated their progress through the community colleges and will get them through the CSU more expeditiously than other transfer routes.

This bill proposes to increase both affordability and access by expanding eligibility for aid and the overall assistance available to meet the total costs of attendance for CSU students and families.

5. ***Is there a need?*** The following reports highlight the increasing costs of higher education in California and the need to provide additional assistance to both lower and middle-income families to meet the total cost of college attendance.
  - A. *Higher Education in California: Student Costs*, a 2014 report by the Public Policy Institute of California, notes that in-state tuition at the UC and CSU has risen more dramatically than at other public universities in other states over the past decade. At the same time, federal, state, and institutional grant and scholarship programs that help make college affordable for students from lower- and middle-income families expanded. The report notes that, on average, students from families with incomes of less than \$75,000 who receive federal financial aid pay little to no tuition at either CSU or UC, and even families making up to \$110,000 pay less than full tuition if they receive federal financial aid of some kind. However, the report finds that the total amount a student pays for college can far exceed the cost of tuition as students pay for room and board, books, and related educational and living expenses. In 2011–2012, the estimated average price of attendance at the CSU was \$19,267, of which only 34 percent (\$6,486) was tuition.
  - B. *CSU Preliminary Institutional Financial Aid Report, 2014-15*, issued by the CSU in March 2015, reports that the aggregate cost of attendance for undergraduates at the CSU in 2015-16 was \$21,000. When financial aid resources are not adequate to meet the full amount necessary to meet the total cost of attendance, a student is said to have “unmet need.” This can occur when a student does not work the requisite number of hours to earn full work-study awarded, elects not to borrow, or decreases their costs (by sharing an apartment with several roommates, for example). In 2015-16, the aggregate outstanding unmet need for CSU students was \$7,786. In addition, the CSU reports that in 2013-14, 80 percent of undergraduate financial aid recipients had their tuition fees fully covered by grants or waiver, while 48 percent of CSU students graduated with an average loan debt of \$15,657.

This bill proposes to address affordability by providing an additional source of grant funding to meet costs other than tuition/fees for students who already receive grants and scholarships for this purpose. In addition, students who do not currently receive state or institutional grant assistance would be eligible for the GIG to assist with their costs of attendance.

6. ***Intent language.*** Successful implementation of the Graduation Incentive Grant (GIG) Program requires the availability of courses in which students can enroll. In addition, support services are necessary to ensure that students can successfully complete the increased unit loads, and that they understand the

importance of their course taking patterns and the degree applicability of the units they complete. This bill declares the intent of the Legislature to appropriate funding in the 2015-16 fiscal year to ensure the provision of course sections and support services for CSU students to complete their degrees within four years

7. ***Why increase the Cal Grant award for non-public institutions?*** The primary purpose for restoring the Cal Grant award amount is to ensure the continued access of students to Western Association of Schools and Colleges (WASC) accredited non-public institutions in California. Below is a summary of information about the sector and the Cal Grant recipients it serves.

- A. *WASC accredited non-public institutions.* The institutions that would benefit from the provisions of this bill are generally members of the Association of Independent California Colleges and Universities (AICCU) which represents 75 private, nonprofit, WASC accredited colleges and universities. These institutions include research universities, liberal arts colleges, religiously affiliated institutions, and specialized colleges and universities that focus on the arts, theater and music.

The AICCU reports that their member institutions enroll over 320,000 students, comprised of 184,000 undergraduate students and 144,000 graduate students. AICCU institutions award over 50% of all graduate degrees in California and approximately 21% of the baccalaureate degrees. The sector produces 40% of the teaching credentials, 65% of the legal professional degrees, 39% of the business degrees, 43% of the health degrees and 27% of the engineering degrees in the state. California residents make up approximately 70% of the undergraduate population.

- B. *Who is served?* According to the Association of Independent California Colleges and Universities (AICCU), Cal Grant students at their member institutions are overwhelmingly the first in their families to go to college and from historically underrepresented groups in higher education. AICCU reports that data collected over the years has consistently demonstrated that Cal Grant students graduate at a higher level than the general student population in the sector even with the barriers they confront. According to the AICCU's survey of their member institutions, 62% of their Cal Grant students graduate in 4-years (similar to the 4-year rate at the UC) and 63% are first generation college students.

Approximately 41% of the Cal Grant population at AICCU institutions is Latino, 27% Caucasian, 17% Asian and Pacific Islander, 7% African American. Based upon data from the California Student Aid Commission, the average family income for Cal Grant A students is \$41,300 and \$16,523 for Cal B Students (CSAC data). The average institutional aid award to a Cal Grant student is \$15,059. The AICCU

reports that the independent sector educates over 28,000 California students through the Cal Grant program.

The following are examples of the AICCU member institutions and the proportion of their students who are Cal Grant recipients:

Cal Baptist University - Riverside (33.5%)  
 Holy Names College - Oakland (31.8%)  
 La Sierra University - Riverside (38.7%)  
 Mills College - Oakland (38.4%)  
 Mount St. Mary's - Los Angeles (54%)  
 Simpson University - Redding (38.6%)  
 University of the Pacific - Stockton (41.6%)  
 William Jessup University - Rocklin (36.1%)

According to the AICCU, for the majority of their member institutions, who are tuition dependent, as Cal Grant award amounts are reduced, their options are to increase loan or work contributions, leave a gap in the financial aid package for families to address, or to reduce their enrollment of low-income students.

This bill proposes to increase access and affordability of higher education in California by restoring the amount of the Cal Grant award at these private institutions to the levels in place prior to the cuts implemented via budget action.

8. ***Increasing the number of Competitive Grants.*** According to an April 2013 report by The Institute for College Access & Success (TICAS), *Strengthening Cal Grants to Better Serve Today's Students*, in 2010-11 the majority of Cal Grant recipients (72%) received grants as a high school entitlement award, 5% received transfer entitlement awards, and competitive awards went to 18% of all Cal Grant recipients. According to the TICAS report, many otherwise eligible applicants miss the application deadline or enroll well after they have graduated from high school, and these are particular concerns for the lowest income students who miss timely application because they are unaware of the financial aid that is available. For these students the alternative would be a Competitive Cal Grant.

However, as noted in the background of this analysis, only 22,500 Competitive Cal Grants are statutorily authorized annually. According to TICAS, in the 2012-13 Cal Grant award cycle, there was only one competitive Cal Grant available for every 17 eligible applicants.

This bill would propose to increase both access and affordability by increasing the number of Competitive Cal Grants authorized annually by 7,500 awards.



**SUPPORT**

American Federation of State, County and Municipal Employees, AFL-CIO  
Asian Americans Advancing Justice  
Association of Independent California Colleges and Universities  
California Baptist University  
California Community United Institute  
California Federation of Teachers  
California State University  
Campaign for College Opportunity  
Education Trust West  
Los Angeles Area Chamber of Commerce  
Los Angeles Community College District  
Los Rios Community College District  
National Association of Social Workers, California Chapter  
North Bay Leadership Council  
San Diego Christian College  
San Francisco Chamber of Commerce  
South Orange Community College District  
Southern California College Access Network  
University of San Diego  
University of Southern California  
University of the Pacific

**OPPOSITION**

None received.

**-- END --**