

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose

BILL NUMBER: AB 91
AUTHOR: A. Portantino

BILL SUMMARY: Community Colleges: Student Financial Aid

This bill would require the California Community College Chancellor's Office (CCCCO) to: (1) establish a voluntary pilot program to increase student participation in state and federal financial aid programs; (2) select up to 10 voluntary California community colleges (CCCs) to participate in the pilot program; and (3) provide specified information on the pilot program to the Legislative Analyst's Office (LAO) by January 10, 2014. The bill would also require the LAO to use the information provided and report the results of the pilot program to the Legislature and make recommendations for statewide expansion of the program. The provisions of this bill would be repealed on January 1, 2015.

The bill would intend for the pilot program to identify: (1) students potentially eligible for financial aid that complete an application for a Board of Governors' Fee Waiver (BOG Waiver), but do not complete the Free Application for Federal Student Aid (FAFSA); and (2) students potentially eligible for financial aid who do not receive any campus, state, or federal financial aid.

FISCAL SUMMARY

This bill could cost hundreds of thousands and potentially millions of dollars General Fund depending on the success of the pilot program and the corresponding increase in Cal Grant awards at the 112 CCCs. Since one of the stated goals of the bill is to increase state financial aid, a likely outcome would be increased participation in the Cal Grant B High School Entitlement Program and the Cal Grant Community College Transfer Entitlement Program.

At a minimum, the California Student Aid Commission (CSAC) estimates that the ten-campus pilot program could increase Cal Grant costs by approximately \$193,000 in the initial year of implementation and that costs could increase to \$585,000 in the second year as another cohort and renewal awards are funded. The bill would generate minimal, if any, state operations costs for CSAC.

The bill would encourage the CCCCCO to pursue private and federal funding to support the implementation and operation of the pilot program. In the event that new funding was not identified, the CCCCCO would need to absorb the cost of staffing and supporting the pilot program within existing resources. The cost would likely be in the tens of thousands of dollars General Fund since it would likely require less than one full-time position to support the program.

COMMENTS

The Department of Finance opposes this bill for the following reasons:

- The annual Budget Act provides the CCCs \$34.2 million Proposition 98 General Fund for financial aid outreach efforts that are expected to assist students with maximizing financial aid options. If there is a concern that current CCC efforts are not utilizing existing funding effectively, it may be more appropriate to focus limited resources on how to do so rather than creating a new pilot

Analyst/Principal Date Program Budget Manager Date
(0331) E. Hanson Nick Schweizer

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

A. Portantino

Original

AB 91

program. This point would also apply to the \$7.5 million federal funds provided to the CSAC for outreach efforts.

- The pilot program would likely create hundreds of thousands, and potentially millions, of dollars General Fund costs while the state struggles to fund existing programs. While the goal of the bill is to increase student participation in state financial aid programs, we note that the state already provides approximately \$1.4 billion in state student financial aid.
- The bill lacks detail on how the pilot program would be structured and how it would increase student participation in state and federal financial aid programs. Without a more specific framework of how the pilot program would be implemented, it is difficult to assess whether the pilot program would generate any meaningful results.

ANALYSIS

A. Programmatic Analysis

A completed FAFSA is required for all federal financial aid and is also required for most state financial aid programs such as the Cal Grant Program. The primary purpose of the FAFSA is to determine the student's financial need. This is accomplished through a series of questions regarding the student's, (and generally the student's parents), assets, income, the student's dependency status, size of the family, etc. The student's information is entered into a formula that determines the student's expected family contribution (EFC) and ultimately the student's eligibility for financial aid.

The primary federal student financial aid is the Pell Grant Program. The United States Department of Education uses information from the FAFSA to determine the student's eligibility. The Pell Grant is primarily awarded to undergraduate students who are United States citizens, or eligible noncitizens, and have earned a high school diploma, or equivalent. The maximum Pell Grant award for 2011-12 is \$5,550; however, the actual Pell Grant award depends on various factors such as the EFC and the cost of tuition, fees, books, supplies, and living expenses. Approximately 419,000 CCC students received Pell Grant awards in 2009-10 totaling over \$1.4 billion.

California's primary financial aid program is the Cal Grant Program, which includes: the Cal Grant A Entitlement Program, the Cal Grant B Entitlement Program, the Community College Transfer Entitlement Program, and the Cal Grant Competitive Program. Students applying for a Cal Grant must also complete the FAFSA and the Cal Grant GPA Verification Form, which are submitted to the CSAC.

The Cal Grant Entitlement award programs were established by Chapter 403, Statutes of 2000. The entitlement awards are guaranteed to students who graduate from high school in 2000-01, or beyond, and meet financial, academic, and general program eligibility requirements.

The Cal Grant A Entitlement award provides tuition and fee funding to eligible lower income high school graduates who have at least a 3.0 grade point average (GPA). The 2011-12 Cal Grant A award provides up to \$11,124 for new and renewal recipients at qualifying postsecondary institutions. Community college students generally do not receive Cal Grant A awards because they are also generally eligible for a BOG Fee Waiver; therefore, it is more advantageous for students to receive a Cal Grant B, which provides a living stipend.

The Cal Grant B Entitlement award provides funds to eligible low-income disadvantaged high school graduates who have at least a 2.0 GPA. Specifically, the 2011-12 Cal Grant B award provides up to \$1,551 for book and living expenses for the first year. In the second year and beyond, it also helps pay for tuition and fees at qualifying post secondary institutions.

A. Portantino

Original

AB 91

The California Community College Transfer award provides funding to eligible high school graduates transferring from a CCC to a four-year institution and who have a community college GPA of at least 2.4.

The Cal Grant C award provides funding for eligible students preparing for occupational or technical training. The current award provides up to \$2,592 and an allowance of \$576 for training related costs.

The Cal Grant Competitive Program was established by Chapter 403, Statutes of 2000. There are 22,500 Cal Grant A and B Competitive awards available to applicants who meet financial, academic, and general program eligibility requirements. Approximately 70 percent of the Competitive awards are granted to community college students.

The Budget Act of 2011 provides approximately \$1.4 billion for the Cal Grant Program. Specifically, the Cal Grant Entitlement programs receive approximately \$1.3 billion, of which approximately \$1.2 billion is General Fund, and the Cal Grant Competitive Program receives approximately \$127 million, which is entirely General Fund.

Furthermore the Budget Act of 2011 provides the CSAC with approximately \$7.5 million federal funds to support various outreach efforts that are intended to increase Cal Grant awareness and Cal Grant participation among eligible students. For 2010-11, the CSAC received approximately 1.038 million Cal Grant applications and approximately 665,000, or 64 percent, were determined to be ineligible.

Current law also authorizes the BOG Fee Waiver, which allows CCCs to waive the \$26 (\$36 beginning 2011-12) per semester unit fee for economically disadvantaged students that are enrolled in specified government assistance programs or demonstrate financial need in accordance with federal law or regulation, or income standards established by the BOG. For 2009-10, over \$366 million in student fees were waived, which represents over 589,000 credit full-time equivalent students (FTES), or 50.4 percent of total credit FTES. The estimated cost for the 2011-12 fiscal year is approximately \$500 million. Since student fee revenue offsets Proposition 98 General Fund apportionment costs, any reductions in student fee revenue increases Proposition 98 General Fund costs.

The Budget Act of 2011 also provides the CCCs approximately \$57 million Proposition 98 General Fund specifically for financial aid efforts. Specifically, budget act provisional language dedicates \$34 million of this funding for direct contact with potential and current financial aid applicants to increase both financial aid participation and access for low-income and disadvantaged students.

Although the state provides the CCCs funding specifically for financial aid outreach and support, recent reports have indicated that CCC students are not maximizing the availability of Pell Grant funding. Specifically, a 2009 research brief by MPR Associates, Inc. (MPR), that was based on 2006-07 CCC data noted that only about 10 percent of degree seeking CCC students received a Pell Grant although significantly more received BOG fee waivers. The MPR also noted that the most common reasons for students not qualifying for a Pell Grant included: (1) being a part-time student, (2) student or family income was too high, or (3) the student did not meet other requirements such as citizenship or academic requirements.

B. Fiscal Analysis

This bill could cost hundreds of thousands of dollars General Fund if the pilot program increased participation in the Cal Grant B Entitlement Program and the Community College Transfer Entitlement Program across all 112 CCCs. The 2011-12 estimated cost for new Cal Grant B Entitlement awards for community college students is \$21.2 million and the 2011-12 estimated cost for new Community College Transfer Entitlement A and B awards is \$100.3 million. Although the Cal Grant Program receives funding from various sources, it is predominately a General Fund program. If the pilot program increased the cost of each of these programs by one percent, the resulting cost would be \$212,000 and \$1 million,

A. Portantino

Original

AB 91

respectively. However, if the pilot program was exceedingly successful and the pilot program was implemented on a system wide basis, the bill could create General Fund cost pressure in the millions of dollars. For example, if the costs for new Cal Grant B awards and Transfer Entitlement awards increased by 10 percent, the resulting cost would be \$2.1 million and \$10 million, respectively.

The CSAC estimates that the ten-campus pilot program could increase Cal Grant costs by approximately \$193,000 in the initial year of implementation and increase to \$585,000 in the second year. Specifically, the CSAC estimates that the pilot program could increase Cal Grant B High School Entitlement costs by \$91,000 and Cal Grant Community College Transfer Entitlement costs by \$102,000 in the initial year of implementation. The CSAC further estimates a second year cost of \$244,000 and \$341,000 for High School Entitlement and Transfer Entitlement awards, respectively.

The bill encourages the CCCCCO to pursue private and federal funding to support the implementation and operation of the pilot program. In the event that new funding was not identified, the CCCCCO would likely absorb the cost of the pilot program within existing resources. The cost would likely be in the tens of thousands of dollars General Fund.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	2011-2012		2012-2013		2013-2014		
	RV	98	FC	FC	FC	FC			
6870/Comm College	SO	No	-----	See Fiscal Summary	-----	-----	-----	0001	
7980/Student Aid	SO	No	-----	See Fiscal Summary	-----	-----	-----	0001	
7980/Student Aid	LA	No	-----	See Fiscal Summary	-----	-----	-----	0001	