

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/25/2012
POSITION: Oppose

BILL NUMBER: SB 1466
AUTHOR: De Leon, Kevin

BILL SUMMARY: Student Financial Aid: Cal Grant Program Eligibility

Commencing with the 2014-15 academic year and only upon enactment of companion legislation that would create the Higher Education Investment Tax Credit Program Special Fund (SB 1356, De León), this bill would expand Cal Grant award eligibility for students whose annual household income does not exceed \$100,000 and who otherwise meet Cal Grant eligibility requirements as they existed in 2011-12. The provisions of this bill would remain in effect until December 1, 2018 or until all funds generated are expended, whichever date comes last.

Companion legislation, SB 1356, would only become operative upon passage of this bill, and would provide tax credits ranging from 50 to 60 percent of a contribution made to the Higher Education Investment Tax Credit Program Special Fund for taxable years 2013, 2014, and 2015. Credits granted would be limited to \$100 million in any single calendar year.

FISCAL SUMMARY

While the number of applicants that would be eligible for Cal Grant awards in 2014-15 as a result of this bill is unknown, it is estimated that this bill would expand the current size of the Cal Grant Program significantly, by up to tens of thousands of students and hundreds of millions of dollars General Fund. Current law establishes \$80,100 as the maximum income a family of four could earn and receive a Cal Grant award. This bill would extend the maximum income level to \$100,000.

The Franchise Tax Board (FTB) estimates that the companion legislation, SB 1356, would result in a loss of General Fund revenues of \$190 million in 2012-13, \$380 million in 2014-15, and \$350 million in 2014-15.

COMMENTS

The Department of Finance is opposed to this bill for the following reasons:

- This bill and the companion bill would, if the tax credit is fully subscribed, forego General Fund revenues in the hundreds of millions annually and expand the Cal Grant Program in a fiscal climate where many core General Fund programs are being reduced or eliminated. This is inconsistent with the Administration’s budgetary goals of aligning state expenditures and revenues.
- The bill runs contrary to the efficiencies and reforms recently adopted in the Cal Grant Program. Specifically, the Budget Act of 2012 includes \$77.6 million of General Fund reductions by restricting participation and award amounts.
- This bill would set an unsustainable precedent by providing Cal Grant eligibility for students whose annual household income does not exceed \$100,000 and who meet 2011-12 eligibility requirements. Significant cost pressures in the hundreds of millions of dollars General Fund to preserve Cal Grant funding for these students will be generated once the provisions of this bill sunset.

Analyst/Principal (0320) E. Wynne	Date	Program Budget Manager Nicolas Schweizer	Date
Department Deputy Director		Date	
Governor’s Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

De Leon, Kevin

06/25/2012

SB 1466

COMMENTS (continued)

Senate Bill 1644 (Chapter 403 of the Statutes of 2000) established the Cal Grant Entitlement Program, which guarantees a Cal Grant A or B Entitlement award to every graduating high school senior who meets academic and financial need requirements, which are a minimum 2.0 grade point average and a maximum family income of \$80,100 for a family size of four or more. Financially-needy students who are not eligible for the Entitlement award may compete for 22,500 annual Competitive Cal Grant A and B awards.

The Cal Grant A award covers system wide mandatory tuition and fees at the University of California and the California State University, and provides tuition assistance at private colleges and universities. The Cal Grant B award provides access grants of up to \$1,473 for books and living expenses for first-year recipients. Beginning in the second year of attendance, the Cal Grant B award provides the access grant and tuition assistance. Existing law provides that no more than two percent of new Cal Grant B Entitlement recipients are eligible for the access grant and tuition assistance in their first year of attendance. The Cal Grant B awards make up the majority of Cal Grant awards.

Prior to 2001, the Cal Grant program offered a capped number of awards to students and award amounts were specified in the Budget. Under that construct, the program supported 130,000 students at a cost of \$462 million in 2000-01. The program is now an entitlement and has been one of the fastest growing programs in the state. The number of students and costs in the program have increased to an estimated 253,000 recipients and \$1.5 billion in 2012-13. This bill would provide Cal Grant eligibility for students whose annual household income does not exceed \$100,000. Under current law, families of four making \$80,100 or less are eligible to receive Cal Grant awards.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015	
7980/Student Aid	LA	No		-----	See Fiscal Summary	-----	0499
<u>Fund Code</u>	<u>Title</u>						
0499	Pending New Special Funds						