

# SUBCOMMITTEE NO. 1

# Agenda

Senator Anthony J. Portantino, Chair  
Senator Hannah-Beth Jackson  
Senator John M. W. Moorlach



Thursday, March 16, 2017  
9:30 a.m. or upon adjournment of session  
State Capitol - Room 3191

Consultant: Anita Lee

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**6600 HASTINGS COLLEGE OF LAW****Issue 1: Governor's Budget Proposal****Panel**

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- David Seward, Hastings College of Law

**Background**

Hastings College of the Law (Hastings) was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. On March 26, 1878, the Legislature provided for affiliation with the University of California. Hastings is the oldest law school, and one of the largest public law schools, in the western United States. Policy for the college is established by the board of directors and is carried out by the chancellor and dean and other officers of the college. The board has 11 directors: one is an heir or representative of S.C. Hastings and the other 10 are appointed by the Governor and approved by a majority of the Senate. Directors serve for 12-year terms. Hastings is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association. The Juris Doctor degree is granted by the regents of the University of California (UC) and is signed by the president of the University of California and the chancellor and dean of Hastings College of the Law.

The mission of Hastings is to provide an academic program of the highest quality, based upon scholarship, teaching, and research, to a diverse student body and to ensure that its graduates have a comprehensive understanding and appreciation of the law and are well-trained for the multiplicity of roles they will play in a society and profession that are subject to continually changing demands and needs.

The 2016-17 budget provided \$1 million in ongoing funding for Hastings operational costs to support the four-year investment plan in higher education, which began in 2013-14. The 2015-16 budget authorized \$36.8 million in state lease-revenue bonds to build a new academic facility on vacant land owned by Hastings. The new facility is intended to replace an existing academic facility whose building systems are reaching the end of their useful lives. Hastings will use a design-build procurement method for the project. The 2016-17 budget increased funding for the project by \$18.8 million due to higher-than-expected construction costs. Additionally, the 2016-17 budget included \$2 million one-time for deferred maintenance.

In 2009-10, enrollment at Hastings reached a high point at 1,179 full-time equivalent (FTE) resident JD students. Since then, enrollment has declined to 915 FTE resident JD students in 2016-17 and an estimated 898 FTE resident JD students in 2017-18. Hastings argues that it has reduced JD enrollment because of its concerns about the job market for its graduates, and its efforts to boost the qualifications of its student body by being more selective in its admissions. In addition to its JD program, Hastings also offers a Masters of Law (LL.M) in U.S. Legal Studies. In 2016-17 Hastings enrolled 25.5 students, and in 2017-18, it estimates 30 FTE students. Hastings is not budgeted on a per-student basis, and as a result the law school's state budget appropriation has not been adjusted to reflect the decrease in enrollment.

Hastings does not receive funding from the University of California, instead Hastings has a separate budget line item. While Hastings contracts with UC for payroll, police services, investment management and reprographic services, and it is a passive participant in UC's retirement and health benefits program. As stand-alone institution, Hastings states that it does not enjoy the economic benefits of integration with a larger institution with extensive economies of scale or substantial endowment. Hastings is obligated to fund costs that are funded at that the campus level at other law schools such as security, payroll and human resources, bursar and records, compliance and finance and financial reporting. Hastings relative small size means relatively high fixed costs that do not fluctuate with enrollment.

Tuition at Hastings is \$44,218 in 2016-17, and it expects to keep tuition flat in 2017-18. This is the fifth consecutive year that tuition has been frozen. Student fees are the primary source of funding for Hastings, accounting for nearly 75 percent of the revenues supporting the core operations (including revenue used for financial aid). While Hastings is proposing to hold tuition fees flat, it anticipates tuition revenue to decline by \$600,000 due to a projected decrease in enrollment.

### Governor's Budget

The 2017-18 budget proposes a \$1.1 million General Fund ongoing unallocated increase to Hastings budget. The charts below describes Hastings total budget.

#### Hastings Core Budget (Dollars in Millions)

	2015-16 Actual	2016-17 Revised	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
<b>Reserve at start of year</b>	<b>\$26.1</b>	<b>\$24.9</b>	<b>\$18.5</b>	<b>-\$6.4</b>	<b>-25.8%</b>
<b>Funding</b>					
General Fund—ongoing	\$10.6	\$11.7	\$12.7	\$1.1	9.2%
General Fund—one time	0.0	2.0	0.0	-2.0	—
<b>Subtotals</b>	<b>(\$10.6)</b>	<b>(\$13.7)</b>	<b>(\$12.7)</b>	<b>(-\$0.9)</b>	<b>(-6.8%)</b>
Gross tuition and fee revenue	\$40.3	\$41.7	\$41.1	-\$0.6	-1.3%
Other core <sup>a</sup>	1.6	1.6	1.6	—	2.8
<b>Totals</b>	<b>\$52.5</b>	<b>\$56.9</b>	<b>\$55.5</b>	<b>-\$1.4</b>	<b>-2.5%</b>
<b>Spending</b>					
Instruction	\$21.2	\$21.8	\$22.1	\$0.3	1.2%
Tuition discounts	12.1	16.0	18.9	2.9	17.9
Institutional support	10.9	12.7	12.4	-0.3	-2.1
Student services	4.4	4.9	4.9	-0.0	-0.2
Law library	2.8	3.0	3.1	0.0	0.8
Facility maintenance	2.4	4.9	2.5	-2.5	-49.6%

<b>Totals</b>	<b>\$53.7</b>	<b>\$63.4</b>	<b>\$63.8</b>	<b>\$0.4</b>	<b>0.7%</b>
<b>Annual Deficit</b>	<b>-\$1.2</b>	<b>-\$6.4</b>	<b>-\$8.3</b>	<b>-\$1.9</b>	<b>29.2%</b>
<b>Year-end reserve</b>	<b>\$24.9</b>	<b>\$18.5</b>	<b>\$10.2</b>	<b>-\$8.3</b>	<b>-45.0%</b>
<sup>a</sup> Includes funding from auxiliary programs for overhead, investment income, income from scholarly publications, and state lottery.					

### Legislative Analyst's Office Comments

In order to attract additional higher-performing students, Hastings proposes to augment spending on tuition discounts by \$2.9 million (17.9 percent) over current year levels. In so doing, Hastings indicates that it hopes to boost its competitiveness and national ranking among law schools. (According to the U.S. News and World Report, Hastings is ranked 50th in the nation's top law schools.) Tuition discounts typically are awarded based on merit rather than need, this increased aid likely is benefitting applicants who would attend law school anyway, rather than targeting resources toward the school's neediest applicants.

The Legislative Analyst's Office (LAO) notes that Hastings is on track to spend \$63.4 million in core funds in 2016-17, while only receiving \$56.9 million in revenues—reflecting a \$6.4 million operating deficit. Under Hastings' 2017-18 spending plan, this gap between spending and revenues would grow to \$8.3 million. The school plans to use their reserve (core funding, which generally consists of tuition and other non-state funds) to cover its anticipated operating deficits. Under its proposed spending plan, Hastings' reserve would drop from \$25 million at the start of 2016-17 to \$10.2 million by the end of 2017-18.

Hastings has developed a plan to bring spending in line with projected revenues by (1) reducing spending on tuition discounts beginning in 2018-19, and (2) increasing tuition by 10 percent in 2019-20, followed by an additional seven percent increase in 2020-21. By 2020-21, Hastings indicates it hopes to end its deficit spending and start building back a reserve.

The enhanced discounts would only be offered to students for one additional year, and the LAO states that Hastings' proposed approach likely would not accomplish any long-term policy goals. Instead, it would provide a short-term benefit to one cohort of students while creating a deficit that likely will be paid down by future students through tuition increases. In addition, the LAO notes that Hastings' budget shortfall also could put pressure on the Legislature to provide additional funding to help stabilize the school's financial condition.

**Staff Recommendation:** Hold Open.

## 6980 CALIFORNIA STUDENT AID COMMISSION

Since its creation by the Legislature in 1955, the California Student Aid Commission (CSAC) has continued to operate as the principal state agency responsible for administering financial aid programs for students attending public and private universities, colleges, and vocational schools in California. The mission of CSAC is to make education beyond high school financially accessible to all Californians by administering state-authorized financial aid programs.

CSAC is composed of 15 members: 11 members are appointed by the Governor and confirmed by the Senate, two members are appointed by the Senate Rules Committee and two members are appointed by the Speaker of the Assembly. Members serve four-year terms except the two student members, who are appointed by the Governor, and serve two-year terms.

### 3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2015-16	2016-17	2017-18	2015-16*	2016-17*	2017-18*
5755 Financial Aid Grants Program	72.4	64.5	64.5	\$2,015,997	\$2,079,007	\$2,107,315
9900100 Administration	32.5	32.5	32.5	3,716	3,855	3,854
9900200 Administration - Distributed	-	-	-	-3,716	-3,855	-3,854
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>104.9</b>	<b>97.0</b>	<b>97.0</b>	<b>\$2,015,997</b>	<b>\$2,079,007</b>	<b>\$2,107,315</b>
<b>FUNDING</b>				<b>2015-16*</b>	<b>2016-17*</b>	<b>2017-18*</b>
0001 General Fund				\$1,479,016	\$1,130,082	\$1,152,832
0995 Reimbursements				535,525	943,823	943,323
3263 College Access Tax Credit Fund				1,456	5,102	11,160
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>				<b>\$2,015,997</b>	<b>\$2,079,007</b>	<b>\$2,107,315</b>

Issue 2: Governor's Budget Proposal

#### Panel:

- Bijan Mehryar, Department of Finance
- Lupita Alcalá, Executive Director, California Student Aid Commission
- Paul Golazewski, Legislative Analyst's Office

The Cal Grant program is the primary financial aid program run directly by the state. In 1955, the Legislature established a merit-based, competitive State Scholarship program for financially needy students attending either public or private institutions. In the late 1970s, the Legislature consolidated the State Scholarship program and other aid programs that it had created over the years into the Cal Grant program. In 2000, the Legislature restructured the Cal Grant program into an entitlement program for students meeting certain financial and merit-based eligibility criteria, as well as a competitive program for students not meeting all the entitlement criteria.

There are three types of Cal Grant awards: 1) the Cal Grant A covers full systemwide tuition and fees at the public universities and up to a fixed dollar amount toward costs at private colleges; 2) the Cal Grant B is designed for students with the lowest household income. It provides stipends, known as access awards, to help pay for books, supplies, and transportation as well as covers tuition in all but the first year of college; and 3) the Cal Grant C provides up to a fixed amount for tuition and fees and

other costs for eligible low-and middle-income students enrolled in career technical education programs. The following chart displays the various Cal Grant award amounts and eligibility criteria.

### Cal Grant Award Amounts and Eligibility Criteria

Award Amounts
<p><b>Cal Grant A</b></p> <ul style="list-style-type: none"> <li>• Tuition awards for up to four years.</li> <li>• Full systemwide tuition and fees (\$12,294) at UC.</li> <li>• Full systemwide tuition and fees (\$5,472) at CSU.</li> <li>• Fixed amount (\$9,084) at nonprofit or WASC-accredited for-profit colleges.</li> <li>• Fixed amount (\$4,000) at other for-profit colleges.</li> </ul> <p><b>Cal Grant B</b></p> <ul style="list-style-type: none"> <li>• Up to \$1,678 toward books and living expenses for up to four years.</li> <li>• Tuition coverage comparable to Cal Grant A award for all but first year.</li> </ul> <p><b>Cal Grant C</b></p> <ul style="list-style-type: none"> <li>• Up to \$2,462 for tuition and fees for up to two years.</li> <li>• Up to \$547 for other costs for up to two years.</li> </ul>
Financial Eligibility Criteria (for Dependent Students)
<p><b>Cal Grant A and C</b></p> <ul style="list-style-type: none"> <li>• Family income ceiling: \$81,300 to \$104,600, depending on family size.</li> <li>• Asset ceiling: \$70,000.</li> <li>• Financial need: varies by institution.<sup>a</sup></li> </ul> <p><b>Cal Grant B</b></p> <ul style="list-style-type: none"> <li>• Family income ceiling: \$38,000 to \$57,500, depending on family size.</li> <li>• Asset ceiling: \$70,000.</li> <li>• Financial need: at least \$700.<sup>a</sup></li> </ul>
Nonfinancial Eligibility Criteria
<p><b>High School Entitlement (A and B)</b></p> <ul style="list-style-type: none"> <li>• High school senior or graduated from high school within the last year.</li> <li>• Minimum high school GPA of 3.0 for A award or 2.0 for B award.</li> </ul> <p><b>Transfer Entitlement (A and B)</b></p> <ul style="list-style-type: none"> <li>• CCC student under age 28 transferring to a four-year school.</li> <li>• Minimum college GPA of 2.4.</li> </ul> <p><b>Competitive (A and B)</b></p> <ul style="list-style-type: none"> <li>• Not eligible for entitlement award.</li> <li>• Minimum high school GPA of 3.0 for Cal Grant A award and 2.0 for Cal Grant B award.</li> <li>• State law authorizes 25,750 new awards per year.</li> </ul> <p><b>Competitive (C)</b></p> <ul style="list-style-type: none"> <li>• Must be enrolled in career technical education program at least four months long.</li> <li>• No GPA minimum.</li> <li>• State law authorizes 7,761 new awards per year.</li> </ul> <p><sup>a</sup>Financial need is the difference between (1) total cost of attendance (including living expenses) and (2) the expected family contribution, as calculated based on the Free Application for Federal Student Aid. For Cal Grant A and C awards, the minimum</p>

financial need a family must have is linked to tuition at UC and CSU and Cal Grant award levels at private, nonprofit and for-profit institutions.  
 WASC = Western Association of Schools and Colleges and GPA = grade point average.

In addition to Cal Grants, CSAC administers various other financial aid programs, including:

- The California Dream Act.** The Dream Act was implemented in 2013-14, and allows undocumented and nonresident documented students who meet AB 540 (Firebaugh), Chapter 814, Statutes of 2001, requirements to apply for and receive private scholarships funded through public universities, state-administered financial aid, university grants, community college fee waivers, and Cal Grants. The Dream Act application is similar to the process of filing a Free Application for Federal Student Aid (FAFSA) and grade point average (GPA) verification. Applicants who meet the Cal Grant eligibility requirements (as mentioned above) are offered a Cal Grant award. Below is a chart from CSAC displaying Dream Act award offers and payments by segments.

#### Dream Act Award Offers & Payment by Segment

	2015-16			2016-17 (not final)			2017-18
	Offered Awardees	Paid Recipients	Paid Rate	Offered Awardees	Paid Recipients	Paid Rate	Offered Awardees
Community College	4,085	2,235	55%	4,592	1,986	43%	1,186
UC	1,078	983	91%	1,346	1,046	78%	656
CSU	2,392	1,866	78%	3,233	1,970	61%	1,836
Private Non-Profit	188	113	60%	253	143	57%	254
For-Profit	35	13	37%	54	16	30%	16
<b>Total</b>	<b>7,778</b>	<b>5,210</b>	<b>67%</b>	<b>9,478</b>	<b>5,161</b>	<b>54%</b>	<b>3,948</b>

- The Middle Class Scholarship Program.** In 2014-15, the Legislature established the Middle Class Scholarship (MCS) program, which students with household incomes and assets each under \$156,000 may qualify for an award that covers their tuition (when combined with all other public financial aid). The program is being phased in, with awards in 2016-17 set at 75 percent of full award levels, increasing to 100 percent at full implementation in 2017-18. CSAC provides these scholarships to eligible students who fill out a federal financial aid application, though the program is not need-based according to the federal government's financial aid formula. Unlike Cal Grants, the program is not considered an entitlement, with program funding levels capped in state law. If funding were insufficient to cover the maximum award amounts specified in law, awards would be prorated downward. Current state law appropriates \$74 million for 2016-17, increasing to \$117 million in 2017-18 to reflect the phase in of award coverage.

## **Governor's Budget**

The Governor proposes a \$28 million (1.4 percent) increase for CSAC over the revised 2016-17 level. The two main fund sources for CSAC are state General Fund and federal Temporary Assistance for Needy Families (TANF) funds. Under the Governor's proposal, General Fund spending increases by \$23 million, while TANF funds remain flat. In spring 2016, the state revised 2015-16 Cal Grant spending to \$1.9 billion, based on CSAC's spring estimates. The Governor's 2017-18 budget assumes the same level of spending.

The Administration proposes to reduce the statutory appropriation for the MCS for 2017-18 from \$117 million to \$74 million due to lower than expected participation and also to phase out the program and funding only renewal awards for prior-year recipients. The Governor also proposes to set the program statutory funding level at \$45 million in 2018-19, \$28 million in 2019-20, and \$2 million in 2020-21. The Administration notes that this phase out is intended to address a state budget shortfall, while prioritizing state aid for financially need students served through the Cal Grant program.

The Governor revises down estimated Cal Grant costs in 2016-17 by \$52 million to reflect an estimated three percent drop in recipients from 2016-17 Budget Act assumptions. Compared to the revised 2016-17 level of spending, he projects a \$34 million increase in 2017-18. The increase primarily is due to a projected two percent increase in participation, offset by savings from a scheduled decrease to the award for students attending private, nonprofit colleges.

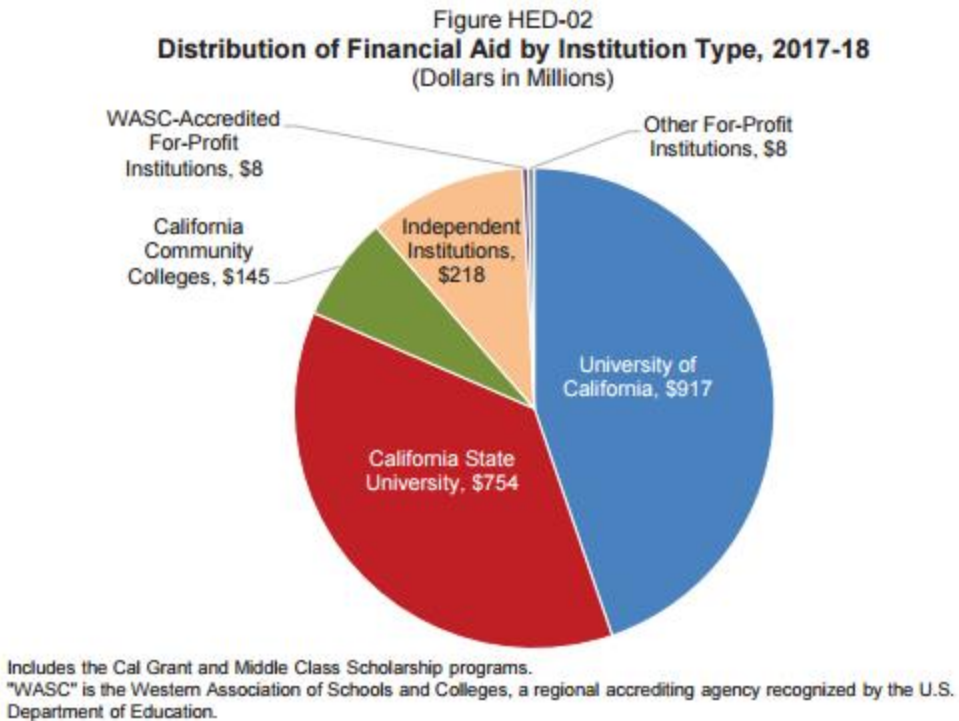
The Governor's estimate for 2017-18 does not assume any changes in tuition and fees except for a \$54 increase (five percent) in UC's Student Services Fee. The LAO chart on the following page displays the CSAC budget, including program expenditures and funding source.



**California Student Aid Commission Budget**  
(Dollars in Millions)

	2015-16 Revised	2016-17 Revised	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
<b>Expenditures</b>					
<b>Local Assistance</b>					
Cal Grants	\$1,916 <sup>a</sup>	\$1,952	\$1,986	\$34	1.7%
Middle Class Scholarships	48	74	74	—	—
Assumption Program of Loans for Education	14	10	7	-3	-33
Chafee Foster Youth Program	11	14	14	—	—
Student Opportunity and Access Program	8	8	8	—	—
National Guard Education Assistance Awards	2	2	2	—	—
Other Programs <sup>b</sup>	1	1	1	— <sup>c</sup>	3.7
<b>Subtotals</b>	<b>(\$2,002)</b>	<b>(\$2,062)</b>	<b>(\$2,093)</b>	<b>(\$31)</b>	<b>(1.5%)</b>
<b>State Operations</b>	<b>\$14</b>	<b>\$17</b>	<b>\$14</b>	<b>-\$2</b>	<b>-14%</b>
<b>Totals</b>	<b>\$2,016</b>	<b>\$2,079</b>	<b>\$2,107</b>	<b>\$28</b>	<b>1.4%</b>
<b>Funding</b>					
State General Fund	\$1,479	\$1,130	\$1,153	\$23	2%
Federal TANF	521	926	926	—	—
Other federal funds and reimbursements	15	18	18	-1	-2.8
College Access Tax Credit Fund	1	5	11	6	119
<sup>a</sup> Reflects amount assumed in the Governor's budget. The California Student Aid Commission estimates expenditures to be \$56 million lower. <sup>b</sup> Includes Cash for College, Child Development Teacher/Supervisor Grants, Graduate Assumption Program of Loans for Education, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships, and State Nursing Assumption Program of Loans for Education for Nursing Faculty. <sup>c</sup> Less than \$500,000. TANF = Temporary Assistance for Needy Families.					

Additionally, the Department of Finance chart below displays the 2017-18 distribution of financial by institution type.



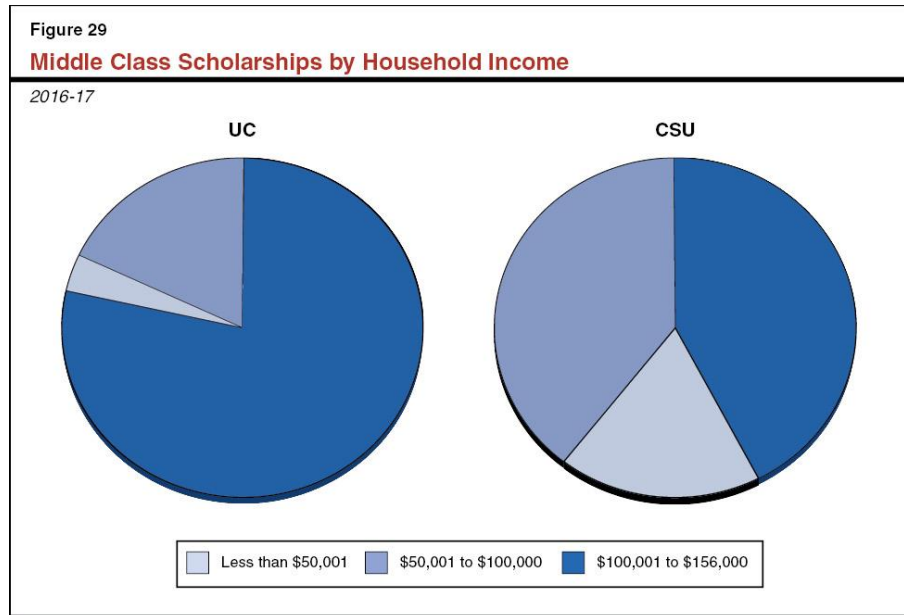
**Legislative Analyst’s Office Comments**

The state budget funds Cal Grant costs assuming full tuition coverage for students attending UC and CSU. This means that Cal Grant costs increase when the universities raise tuition. Tuition increases also can affect Middle Class Scholarships, as state law sets those awards to equal a percentage of tuition, though this program’s costs are capped in state law. The Governor assumes no changes to UC and CSU tuition, aside from a \$54 (five percent) increase in UC’s systemwide student services fee. The budget assumes the increase in the UC student services fee in turn increases Cal Grant spending in 2017-18 by \$3.8 million. The LAO estimates that UC’s and CSU’s tuition increases would increase state Cal Grant spending by \$20.2 million and \$27.2 million, respectively, in 2017-18.

In September 2016, CSAC revised its estimate of 2015-16 Cal Grant spending down by \$56 million. Historically, at that point in time, almost all of Cal Grant payments have been made for the prior fiscal year. The LAO recommends the Legislature recognize CSAC’s updated estimate of 2015-16 program costs, which would increase the state’s incoming General Fund balance by \$56 million compared to the Governor’s budget. Additionally, CSAC will update its current-year and budget-year estimates in April for inclusion in the May Revision. As these estimates will be based on more recent trends in paid recipients, the LAO recommends the Legislature revisit CSAC’s estimates at that time.

**Middle Class Scholarship.** In 2016-17, about five percent of UC students and 12 percent of CSU students are expected to receive a MCS. This difference between the segments is likely due to differences in student populations and institutional aid programs, with CSU having less grant aid available per student. Students with household income of \$50,000 or less make up only a small share

of UC recipients but comprise nearly one-fifth of CSU recipients. The LAO display below provides a breakdown of MCS by household income at UC and CSU.



Typically, students with household income at or below \$50,000 have their tuition covered through Cal Grants or institutional aid programs and therefore would not qualify for a MCS. According to CSU, many of the lowest-income students receiving a MCS have exceeded the time limits for other sources of aid. A time limit for MCS is taking effect for the first time starting in 2016-17. The vast majority also are considered independent—meaning they are over age 24, married, or have dependents. These independent students generally require a very low-income to receive other forms of grant aid.

Students with household income between \$50,001 and \$100,000 also might have exceeded time limits for other programs or be considered independent for financial purposes. Additionally, many students in this income bracket might not meet the eligibility requirements for other aid programs. For instance, students in this bracket could be excluded from the Cal Grant program because they exceed that program’s income ceiling, which varies depending on the student’s family size and high school grade point average. Moreover, most students in this income bracket would not qualify for CSU’s institutional aid and some at the higher end might not qualify for UC’s aid program. Additionally, in order to receive a Cal Grant, students must meet certain grade point averages (GPA), whereas the MCS does not have a GPA requirement.

Staff notes that Senate Bill 81 (Committee on Budget and Fiscal Review), Chapter 22, Statutes of 2015, implemented several reforms to the MCS. These changes include implementing a four- or five-year participation time-limit for the program similar to limits imposed in the Cal Grant program, asset limit, and allows income and asset limits to increase with the Consumer Price Index.

The LAO notes that prioritizing aid for financially neediest students is the most effective approach to providing access to higher education. In particular, research indicates that grants provide greater improvements in persistence and completion for lower-income students as compared to middle- and upper-income students.

The LAO notes that prioritizing aid is difficult due to patchwork of financial aid programs, which have different financial need criteria as well as nonfinancial requirements, such as GPA and age. The LAO notes that the Legislature may wish to consider ways to restructure aid programs. One potential restructuring approach is to consolidate existing aid programs into a single state grant. Alternatively, the Legislature could retain the current array of programs but establish a core set of uniform and coordinated eligibility requirements across them. Under either approach, the Legislature would be better positioned to assess ways to prioritize aid among students.

### **Staff Comments**

According to the National Bureau of Economic Research, low-income students are much less likely than higher income students to enroll in or complete college, and in recent decades, income gaps have grown. Cal Grants are a critical tool to help low-income students attend college and graduate. Cal Grants provide the possibility of upward mobility for low-income California students.

The 2017-18 FAFSA allowed high school seniors and college students to complete a FAFSA, or CADAA beginning on October 1, 2016, rather than begging on January 1, 2017. This earlier submission date is a permanent change, allowing students to complete and submit a FAFSA earlier. Additionally, students and their families will now be required to report income and tax information from an earlier year. For example, on 2017-18 FAFSA, students or their parents will report their 2015 income and tax information, rather than their 2016 information.

The California Dream Act application allows students who qualify under AB 540 (Firebaugh), Chapter 814, Statutes of 2001, to apply for various forms of state-funded financial aid, such as the Cal Grant Program, MCS, board of Governor's Fee Waiver at California Community Colleges, and institutional aid. Additionally, under AB 540, these students would be eligible to pay for resident tuition. Senate Bill 68 (Lara), pending in Senate Education Committee, seeks to expand eligibility for students to qualify under AB 540. These students are not eligible for federal financial aid, and cannot complete the FAFSA, and instead fill out the CADAA. Similar to the FAFSA, the CADAA is now available for students to complete on October 1<sup>st</sup>, rather than January 1<sup>st</sup>.

Earlier this year, concerns were raised that the number of submitted Dream Act applications appeared to be significantly lower than in previous years. In mid-February, the commission had received about 60 percent of the number of applications it had received in 2016. High school counselors, college financial aid officials and higher education experts reported that concerns regarding changes in federal immigration practices were causing reluctance among some undocumented students to apply for state financial aid.

After a significant publicity campaign, CADAA submission numbers improved dramatically. The chart below indicates applications were received this year and last year as of March 3, 2017.

<b>2017</b>	<b>Total</b>	<b>Renewals</b>	<b>New</b>
<b>On time</b>	35,882	22,727	13,155
<b>Late</b>	0	0	0
<b>Total</b>	35,882	22,727	13,155

<b>2016</b>	<b>Total</b>	<b>Renewals</b>	<b>New</b>
<b>On time</b>	34,169	20,965	13,204
<b>Late</b>	12,985	5,387	7,598
<b>Total</b>	47,154	26,352	20,802

As shown above, the number of on time CADAA in 2017 is higher than are higher than last year. While application numbers continue to increase each year, the overall paid rate continues to remain low for these students. This low paid rate amongst awardees, particularly at the community colleges is a concern. As shown in a previous chart, though not finalized, the 2016-17 paid rates for community college students is about 43 percent, whereas the paid rate for UC students is about 78 percent. Most recent data provided by CSAC, as of March 10<sup>th</sup>, shows the 2016-17 paid rate for CCC students is about 46 percent, whereas the paid rate of UC and CSU students is about 86 percent and 68 percent, respectively. Students are given 15 months to take action on their Cal Grant awards before being withdrawn. The subcommittee may wish to ask CSAC why community college students paid rate is significantly lower than other institutions, even though they account for the largest number of students offered who were offered grants. Additionally, the subcommittee may wish to ask CSAC if they anticipate the paid rate for CCC students to increase, and what methods CSAC may use to increase the paid rate for these students.

**Staff Recommendation.** Hold Open.

**Issue 3: Cal Grants for Students at Private Nonprofit and Private For-Profit Institutions****Panel**

- Bijan Mehryar, Department of Finance
- Paul Golazewski, Legislative Analyst's Office
- Lupita Alcalá, Executive Director, California Student Aid Commission
- President Ann McElaney-Johnson, Mount Saint Mary's College
- Rudy Amaya, Student, University of La Verne

**Background.** California has about 175 nonprofit colleges and universities and more than 1,000 for-profit institutions. California's share of students in nonprofit colleges is lower than the rest of the nation, whereas its share in for-profit colleges is similar to the rest of the nation. Based on fall 2015 estimates, California's private nonprofit institutions enrolled about 279,000 full-time equivalent (FTE) students, and its private for-profit institutions enroll about 261,000 FTEs. Moreover, in 2016-17, students attending private nonprofit institutions received about \$229 million, and students attending private for-profit institutions received about \$17 million in Cal Grant funding.

As noted in the previous section, the maximum tuition award for Cal Grant A and B recipients is equal to the mandatory systemwide tuition and fees at the UC and CSU. The award at private nonprofit institutions and private, for profit institutions that are accredited by the Western Association of Schools and Colleges (WASC) and the award at private, for profit institutions that are not WASC-accredited are determined in the budget. As a savings measure, the 2012 Budget Act put in place reductions to the Cal Grant award amounts for independent nonprofit and accredited for-profit institutions from \$9,084 to \$8,056 starting in 2014-15. However, subsequent actions have postponed the reduction. Recently, the 2015-16 budget delayed the reduction until 2017-18. The reduction is set to apply prospectively to new award recipients only.

**Governor's Budget.** The Governor's proposes to allow the scheduled reduction to go into effect. CSAC estimates the reduction will affect about 8,500 new Cal Grant recipients in 2017-18 and projects an associated \$7.4 million in savings. The number of recipients affected and the associated savings will more than triple over the following three years as recipients "grandfathered" in at the higher rate exit the program.

**Staff Comments.** Throughout its history, the Cal Grant program has provided aid to students attending either public or private institutions, thereby providing low-income students a choice over their postsecondary education. The Association of Independent California Colleges and Universities notes that 42 percent of their Cal Grant recipients are Latino, 16 percent are Asian/Pacific Islander, and seven percent are African American. Moreover, about 45 percent of their Cal Grant recipients are first generation college students. The LAO notes that prior to the restructuring of the Cal Grant program in 2000, state law called for the maximum private award to be set by adding together (1) 75 percent of the General Fund cost per CSU student, and (2) the average of the tuition and fees charged by UC and CSU. The policy served as an aspirational goal against which to measure state funding. As part of the Cal Grant program restructuring in 2000, the Legislature removed these provisions from state law. The LAO recommends the Legislature establish a statutory policy for private awards similar to the one in effect prior to 2000. If the Legislature were to use the same policy from back then, the LAO calculates the award amount would be \$16,500. This award would be higher than the current maximum Cal Grant award for students attending the state's public universities, with \$12,294 at UC and \$5,472 at CSU.

**Staff Recommendation.** Hold Open.