

## Assembly Bill No. 187

### CHAPTER 644

An act to amend Sections 69434, 69435, and 69436 of, and to add Article 8 (commencing with Section 69450) to Chapter 1.7 of Part 42 of Division 5 of Title 3 of, the Education Code, relating to student financial aid, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor November 4, 2009. Filed with  
Secretary of State November 5, 2009.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 187, Committee on Budget. Cal Grant Program.

(1) Existing law, the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program, establishes, among other award programs, the Cal Grant A and B Entitlement awards and the California Community College Transfer Cal Grant Entitlement awards under the administration of the Student Aid Commission, and establishes eligibility requirements for awards under these programs for participating students attending qualifying institutions.

This bill would require the commission to adopt regulations establishing a pilot program for an alternative Cal Grant delivery system under which a qualifying institution, if it elects to participate and meets specified requirements, would be authorized to voluntarily administer award grants under the Cal Grant A and B Entitlement Programs and the California Community College Transfer Cal Grant Entitlement Program. The bill would prohibit the commission from implementing the pilot alternative delivery system until the commission meets prescribed conditions, including receiving commitments from at least 30, but not more than 35, qualifying institutions electing to participate in the alternative delivery system and to pay the costs associated with developing and implementing the pilot alternative delivery system. The bill would prescribe requirements for the selection of qualifying institutions within the University of California, California State University, and California Community Colleges for participation in the pilot program.

The bill would require the Legislative Analyst's Office to report to the Legislature and the Governor regarding the implementation of the program by January 10, 2011.

The bill would appropriate \$4,300,000 from the General Fund to the commission for the support of the commission for the 2009–10 fiscal year.

(2) This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Section 69434 of the Education Code is amended to read:  
69434. (a) A Cal Grant A award shall be used only for tuition or student fees, or both, in a for-credit instructional program with a length of not less than two academic years. Each student who meets the Cal Grant A qualifications as set forth in this article shall be guaranteed an award. The amount of any individual award is dependent on the cost of tuition or fees, or both, at the qualifying institution at which the student is enrolled. For each applicant, the award amount shall not exceed the amount of the calculated financial need.

(b) Pursuant to Section 66021.2, any California resident is entitled to a Cal Grant A award, and the commission, or a qualifying institution pursuant to Article 8 (commencing with Section 69450), shall allocate that award, if all of the following criteria are met:

(1) The student has submitted, pursuant to Section 69432.9, a complete financial aid application, submitted or postmarked no later than March 2 of the academic year of high school graduation or its equivalent for the award year immediately following the academic year of high school graduation or its equivalent, or no later than March 2 of the academic year following high school graduation or its equivalent for the second award year following the year of high school graduation or its equivalent.

(2) The student demonstrates financial need pursuant to Section 69433.

(3) The student attains a high school grade point average of at least 3.0 on a four-point scale.

(4) The student's household has an income and asset level that does not exceed the level for Cal Grant A recipients set forth in Section 69432.7.

(5) The student is pursuing an undergraduate academic program of not less than two academic years that is offered by a qualifying institution.

(6) The student is enrolled at least part time.

(7) The student meets the general Cal Grant eligibility requirements set forth in Article 1 (commencing with Section 69430).

(8) The student graduated from high school or its equivalent during or after the 2000–01 academic year.

(c) A student who meets the Cal Grant A Entitlement Program criteria specified in this article shall receive a Cal Grant A award for tuition or fees, or both, pursuant to Section 66021.2.

SEC. 2. Section 69435 of the Education Code is amended to read:

69435. (a) (1) A Cal Grant B award shall be used only for tuition, student fees, and access costs in a for-credit instructional program that is not less than one academic year in length.

(2) The commission, or a qualifying institution pursuant to Article 8 (commencing with Section 69450), shall award access grants in a student's first academic year. In subsequent years, the award shall include an additional amount to pay tuition or fees, or both, to attend college at a public or private four-year college or university or other qualifying institution for all Cal Grant B awards pursuant to paragraph (2) of subdivision (b) of Section

66021.2. In no event shall the total award in any year exceed the applicant's calculated financial need.

(3) Not more than 2 percent of new Cal Grant B recipients enrolling for the first time in an institution of postsecondary education shall be eligible for payments for tuition or fees, or both, in their first academic year of attendance. The commission shall adopt regulations specifying the criteria used to determine which applicants, if any, receive both tuition and fees plus the access grant in the first year of enrollment. Priority shall be given to students with the lowest expected family contribution pursuant to Section 69432.7 and the highest level of academic merit.

(b) An award for access costs under this article shall be in an annual amount not to exceed one thousand five hundred fifty-one dollars (\$1,551). This amount may be adjusted in the annual Budget Act.

SEC. 3. Section 69436 of the Education Code is amended to read:

69436. (a) A student who was not awarded a Cal Grant A or B award pursuant to Article 2 (commencing with Section 69434) or Article 3 (commencing with Section 69435) at the time of his or her high school graduation but, at the time of transfer from a California community college to a qualifying baccalaureate program, meets all of the criteria set forth in subdivision (b), shall be entitled to a Cal Grant A or B award.

(b) Any California resident transferring from a California community college to a qualifying institution that offers a baccalaureate degree is entitled to receive, and the commission, or a qualifying institution pursuant to Article 8 (commencing with Section 69450), shall award, a Cal Grant A or B award depending on the eligibility determined pursuant to subdivision (c), if all of the following criteria are met:

(1) A complete official financial aid application has been submitted or postmarked pursuant to Section 69432.9, no later than the March 2 of the year immediately preceding the award year.

(2) The student demonstrates financial need pursuant to Section 69433.

(3) The student has earned a community college grade point average of at least 2.4 on a 4.0 scale and is eligible to transfer to a qualifying institution that offers a baccalaureate degree.

(4) The student's household has an income and asset level not exceeding the limits set forth in Section 69432.7.

(5) The student is pursuing a baccalaureate degree that is offered by a qualifying institution.

(6) He or she is enrolled at least part time.

(7) The student meets the general Cal Grant eligibility requirements set forth in Article 1 (commencing with Section 69430).

(8) The student will not be 28 years of age or older by December 31 of the award year.

(9) The student graduated from a California high school or its equivalent during or after the 2000–01 academic year.

(c) The amount and type of the award pursuant to this article shall be determined as follows:

(1) For applicants with income and assets at or under the Cal Grant A limits, the award amount shall be the amount established pursuant to Article 2 (commencing with Section 69434).

(2) For applicants with income and assets at or under the Cal Grant B limits, the award amount shall be the amount established pursuant to Article 3 (commencing with Section 69435).

(d) (1) A student meeting the requirements of paragraph (9) of subdivision (b) by means of high school graduation, rather than its equivalent, shall be required to have graduated from a California high school, unless that California resident graduated from a high school outside of California due solely to orders received from a branch of the United States Armed Forces by that student or by that student's parent or guardian that required that student to be outside of California at the time of high school graduation.

(2) For the purposes of this article, both of the following are exempt from the requirements of subdivision (e) of Section 69433.9 and paragraph (9) of subdivision (b) of this section:

(A) A student for whom a claim under this article was paid prior to December 1, 2005.

(B) A student for whom a claim under this article for the 2004–05 award year or the 2005–06 award year was or is paid on or after December 1, 2005, but no later than October 15, 2006.

(3) (A) The commission, or a qualifying institution pursuant to Article 8 (commencing with Section 69450), shall make preliminary awards to all applicants currently eligible for an award under this article. At the time an applicant receives a preliminary award, the commission, or a qualifying institution pursuant to Article 8 (commencing with Section 69450), shall require that applicant to affirm, in writing, under penalty of perjury, that he or she meets the requirements set forth in subdivision (e) of Section 69433.9, paragraph (9) of subdivision (b) of this section, and paragraph (1) of this subdivision. The commission, or a qualifying institution pursuant to Article 8 (commencing with Section 69450), shall notify each person who receives a preliminary award under this paragraph that his or her award is subject to an audit pursuant to subparagraph (B).

(B) The commission shall select, at random, a minimum of 10 percent of the new and renewal awards made under subparagraph (A), and shall require, prior to the disbursement of Cal Grant funds to the affected postsecondary institution, that the institution verify that the recipient meets the requirements of subdivision (e) of Section 69433.9, paragraph (9) of subdivision (b) of this section, and paragraph (1) of this subdivision. An award that is audited under this paragraph and found to be valid shall not be subject to a subsequent audit.

(C) Pursuant to Section 69517.5, the commission shall seek repayment of any and all funds found to be improperly disbursed under this article.

(D) On or before November 1 of each year, the commission shall submit a report to the Legislature and the Governor including, but not necessarily limited to, both of the following:

(i) The number of awards made under this article in the preceding 12 months.

(ii) The number of new and renewal awards selected, in the preceding 12 months, for verification under subparagraph (B), and the results of that verification with respect to students at the University of California, at the California State University, at independent nonprofit institutions, and at independent for-profit institutions.

SEC. 4. Article 8 (commencing with Section 69450) is added to Chapter 1.7 of Part 42 of Division 5 of Title 3 of the Education Code, to read:

Article 8. Cal Grant Alternative Delivery System Pilot Program

69450. (a) It is the intent of the Legislature, in enacting this article, to enhance the long-term policy of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program and the state's historic commitment, as stated in Section 66021.2, of providing educational opportunity by ensuring all students with financial need with access to, and choice of, an institution of higher education.

(b) It is further the intent of the Legislature that, pursuant to this article, the commission implement a pilot alternative delivery system within the Cal Grant Program that would provide program functions consistent with access to, and choice of, institutions for students with financial need. The pilot alternative delivery system should take advantage of, and not impair, the efficiencies of the recent Internet-based improvements to the commission's Grant Delivery System by allowing qualifying institutions to elect to award Cal Grant awards pursuant to Article 2 (commencing with Section 69434), Article 3 (commencing with Section 69435), and Article 4 (commencing with Section 69436) for students admitted to those institutions, and by ensuring that those qualifying institutions function as a one-stop shop for financial aid information by providing assistance to students, parents, and high school and community college counselors seeking information about the Cal Grant Program and other student financial aid.

(c) It is the intent of the Legislature that awards and services to students not be disrupted in the implementation of this article.

69452. (a) The commission shall adopt emergency regulations by July 1, 2010, establishing the pilot alternative Cal Grant delivery system to allow a qualifying institution to elect to administer Cal Grant awards under the Cal Grant A Entitlement Program (Article 2 (commencing with Section 69434)), the Cal Grant B Entitlement Program (Article 3 (commencing with Section 69435)), and the California Community College Transfer Cal Grant Entitlement Program (Article 4 (commencing with Section 69436)). The regulations shall be consistent with this article.

(b) The commission shall convene an advisory task force to assist in understanding the technical and data requirements necessary for implementation of the pilot program. The task force shall be convened within 15 days of the effective date of this section. The task force shall be

composed of commission staff and representatives of institutions interested in participating in the pilot program.

(c) To ensure unobstructed student access to Cal Grant awards, the alternative delivery system shall not impair the commission's ability to keep track of all students as long as they may be eligible for any Cal Grant awards and other student financial aid administered by the commission. The pilot alternative delivery system shall not impair the commission's ability to communicate with, and make awards to, students if they are eligible for Cal Grant awards.

(d) To ensure accountability for, and integrity of, state funds, the alternative delivery system shall not impair the commission's ability to do any of the following:

- (1) Pay Cal Grant awards.
- (2) Disburse funds to qualifying institutions.
- (3) Confirm Cal Grants awarded by qualifying institutions.
- (4) Require qualifying institutions to conform Cal Grants they have awarded to the requirements of this chapter.
- (5) Require qualifying institutions to provide student and Cal Grant award information to the commission at times deemed necessary by the commission.

(e) The commission may adopt any other requirements that are necessary to ensure that the alternative delivery system provides students with financial need with access to, and choice of, an institution of higher education.

69453. The commission shall not implement the pilot alternative delivery system established pursuant to Section 69452 until at least 30, but no more than 35, qualifying institutions have committed to participating in the alternative delivery system and to paying the costs associated with developing and implementing the alternative delivery system. The commission shall not expend any resources on the development and implementation of the pilot alternative delivery system.

69454. (a) (1) A qualifying institution electing to participate in the pilot alternative delivery system shall submit an application to the commission acknowledging that the qualifying institution satisfies the requirements for the pilot alternative delivery system and will maintain compliance with those requirements as long as it continues to award Cal Grant awards.

(2) The commission shall review, and may approve, the application if the commission determines that the institution complies with all applicable requirements.

(3) A qualifying institution may not award Cal Grants until the commission has approved its application.

(4) The Regents of the University of California, the Board of Trustees of the California State University, and the Board of Governors of the California Community Colleges shall select qualifying campuses from within their respective segments to apply for participation in the pilot program. For each segment, not more than 25 percent of the total number of campuses within the respective segment may participate in the pilot program.

(b) In addition to complying with the regulations adopted for participation in the pilot program, a qualifying institution electing to participate in the pilot alternative delivery system shall do all of the following:

(1) Make eligibility determinations consistent with the requirements of the Cal Grant Program and requirements adopted by the commission.

(2) Inform the student of his or her Cal Grant award before the student is required to make an enrollment decision for the following academic year. The award shall be made as part of the qualifying institution's complete financial aid award so that the student is aware of all the student aid that the he or she is eligible to receive.

(3) Provide notice to the student that he or she may be eligible to use the Cal Grant award at another qualifying institution to which he or she is admitted.

(c) A qualifying institution electing to participate in the pilot alternative delivery system shall report all of the following to the commission in a form, and within the time, determined by the commission to maximize student access to Cal Grant awards:

(1) Information necessary to determine Cal Grant funding projections for the State Budget.

(2) Aggregate information on applicants for Cal Grant awards and students who have been awarded Cal Grant awards, by income level, gender, age, and ethnicity.

(3) Aggregate information on students who have been awarded Cal Grant awards, but have withdrawn from their qualifying institutions.

(4) Aggregate information on students who have been awarded Cal Grant awards but for whom awards have not been disbursed.

(5) Information on the total amount of institutional aid available for students at the qualifying institution, the total number of recipients of institutional aid, the total amount of institutional aid provided to recipients of Cal Grant awards at the qualifying institution, and the amount of institutional aid awarded to each student receiving a Cal Grant award.

(6) Information on the amount of other financial aid, including, but not necessarily limited to, fee waivers, federal loans, private loans, and work study awarded to each student receiving a Cal Grant award.

(7) Any other information determined by the commission to be necessary to fulfill its responsibilities under the Cal Grant Program.

(d) (1) A qualifying institution electing to participate in the pilot alternative delivery system shall function as a one-stop shop for student financial aid by providing assistance to all students, parents, and high school counselors inquiring or seeking information about Cal Grant awards and other student financial aid, including information about the availability of, requirements for, and the amount of, Cal Grant awards that may be available at other qualifying institutions in all segments of postsecondary education. The qualifying institution may also provide comparable information on federal and other student financial aid.

(2) A qualifying institution that does not comply with this subdivision is not eligible to participate in the alternative delivery system pilot program.

69456. All costs associated with developing, implementing, maintaining, and improving the pilot alternative delivery system shall be paid by the qualifying institutions that elect to participate in the pilot alternative delivery system.

69458. (a) Participation in the pilot alternative delivery system pursuant to this article is voluntary. Any local agency electing to participate in the alternative delivery system is deemed to have acknowledged and agreed that its participation is voluntary and does not constitute a cost that is reimbursable under Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

(b) All costs associated with a qualifying institution's election to participate in the alternative delivery system shall be paid by the qualifying institution and, if the qualifying institution is a public institution, shall not require any additional state funds.

69460. (a) On or before January 10, 2012, the Legislative Analyst's Office shall report to the Legislature and the Governor on the implementation and outcomes of the first award cycle under this pilot program. The report shall assess the extent to which the pilot program resulted in improved Cal Grant delivery to students, parents, and high school and financial aid counselors; administrative efficiencies; and sufficient state oversight. The report shall also identify any challenges or barriers to expansion of the alternative Cal Grant delivery system, as well as any associated information technology challenges that may need to be addressed or changes that may be required.

(b) Consistent with the criteria in subdivision (a), the Student Aid Commission may provide a report to the Legislature and the Governor.

SEC. 5. The Student Aid Commission shall not conduct its duties under the provisions of this act until the commission, at a regular public meeting, determines that sufficient funding exists for it to conduct its regular operations for administering the Cal Grant Program.

SEC. 6. The sum of four million three hundred thousand dollars (\$4,300,000) is hereby appropriated from the General Fund to the Student Aid Commission, in augmentation of Item 7980-001-0001 of Section 2.00 of the Budget Act of 2009, for the support of the Student Aid Commission for the 2009–10 fiscal year.

SEC. 7. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to efficiently administer the Cal Grant Program and save costs to the Student Aid Commission in administering the program, it is necessary that this act take effect immediately.