

ASSEMBLY BILL

No. 1538

Introduced by Assembly Member Eggman
(Coauthors: Senators Galgiani and Hill)

January 22, 2014

An act to amend Section 69432.7 of the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

AB 1538, as introduced, Eggman. Student financial aid: Cal Grant Program.

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

Existing law requires the Student Aid Commission to certify by October 1 of each year a qualifying institution's latest 3-year cohort default rate as most recently reported by the United States Department of Education. Existing law provides that, for purposes of the 2012–13 academic year, and every academic year thereafter, an otherwise qualifying institution with a 3-year cohort default rate that is equal to or greater than 15.5% is ineligible for initial and renewal Cal Grant awards at the institution. Existing law also requires that an otherwise qualifying institution is ineligible for an initial or renewal Cal Grant award at the institution if the institution has a graduation rate of 30%

or less for students taking 150% or less of the expected time to complete degree requirements, as specified, with certain exceptions.

If an otherwise qualifying institution has a default rate that exceeds the statutory threshold for eligibility, this bill would deem the institution eligible if the commission certifies that the institution satisfies specified conditions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

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

1 SECTION 1. Section 69432.7 of the Education Code is
2 amended to read:
3 69432.7. As used in this chapter, the following terms have the
4 following meanings:
5 (a) An “academic year” is July 1 to June 30, inclusive. The
6 starting date of a session shall determine the academic year in
7 which it is included.
8 (b) “Access costs” means living expenses and expenses for
9 transportation, supplies, and books.
10 (c) “Award year” means one academic year, or the equivalent,
11 of attendance at a qualifying institution.
12 (d) “College grade point average” and “community college
13 grade point average” mean a grade point average calculated on the
14 basis of all college work completed, except for nontransferable
15 units and courses not counted in the computation for admission to
16 a California public institution of higher education that grants a
17 baccalaureate degree.
18 (e) “Commission” means the Student Aid Commission.
19 (f) “Enrollment status” means part- or full-time status.
20 (1) “Part time,” for purposes of Cal Grant eligibility, means 6
21 to 11 semester units, inclusive, or the equivalent.
22 (2) “Full time,” for purposes of Cal Grant eligibility, means 12
23 or more semester units or the equivalent.
24 (g) “Expected family contribution,” with respect to an applicant,
25 shall be determined using the federal methodology pursuant to
26 subdivision (a) of Section 69506 (as established by Title IV of the
27 federal Higher Education Act of 1965, as amended (20 U.S.C. Sec.
28 1070 et seq.)) and applicable rules and regulations adopted by the
29 commission.

1 (h) “High school grade point average” means a grade point
 2 average calculated on a 4.0 scale, using all academic coursework,
 3 for the sophomore year, the summer following the sophomore
 4 year, the junior year, and the summer following the junior year,
 5 excluding physical education, reserve officer training corps
 6 (ROTC), and remedial courses, and computed pursuant to
 7 regulations of the commission. However, for high school graduates
 8 who apply after their senior year, “high school grade point average”
 9 includes senior year coursework.

10 (i) “Instructional program of not less than one academic year”
 11 means a program of study that results in the award of an associate
 12 or baccalaureate degree or certificate requiring at least 24 semester
 13 units or the equivalent, or that results in eligibility for transfer from
 14 a community college to a baccalaureate degree program.

15 (j) “Instructional program of not less than two academic years”
 16 means a program of study that results in the award of an associate
 17 or baccalaureate degree requiring at least 48 semester units or the
 18 equivalent, or that results in eligibility for transfer from a
 19 community college to a baccalaureate degree program.

20 (k) “Maximum household income and asset levels” means the
 21 applicable household income and household asset levels for
 22 participants, including new applicants and renewing recipients, in
 23 the Cal Grant Program, as defined and adopted in regulations by
 24 the commission for the 2001–02 academic year, which shall be
 25 set pursuant to the following income and asset ceiling amounts:

26
 27 CAL GRANT PROGRAM INCOME CEILINGS

	Cal Grant A, C, and T	Cal Grant B
Dependent and Independent students with dependents*		
Family Size		
Six or more	\$74,100	\$40,700
Five	\$68,700	\$37,700
Four	\$64,100	\$33,700
Three	\$59,000	\$30,300
Two	\$57,600	\$26,900
Independent		

1	Single, no dependents	\$23,500	\$23,500
2	Married	\$26,900	\$26,900

3
4 *Applies to independent students with dependents other than a
5 spouse.

6
7 CAL GRANT PROGRAM ASSET CEILINGS

8	Cal Grant A, C, and T	Cal Grant B	
9			
10			
11			
12	Dependent**	\$49,600	\$49,600
13	Independent	\$23,600	\$23,600

14
15 **Applies to independent students with dependents other than a
16 spouse.

17
18 The commission shall annually adjust the maximum household
19 income and asset levels based on the percentage change in the cost
20 of living within the meaning of paragraph (1) of subdivision (e)
21 of Section 8 of Article XIII B of the California Constitution. The
22 maximum household income and asset levels applicable to a
23 renewing recipient shall be the greater of the adjusted maximum
24 household income and asset levels or the maximum household
25 income and asset levels at the time of the renewing recipient's
26 initial Cal Grant award. For a recipient who was initially awarded
27 a Cal Grant for an academic year before the 2011–12 academic
28 year, the maximum household income and asset levels shall be the
29 greater of the adjusted maximum household income and asset
30 levels or the 2010–11 academic year maximum household income
31 and asset levels. An applicant or renewal recipient who qualifies
32 to be considered under the simplified needs test established by
33 federal law for student assistance shall be presumed to meet the
34 asset level test under this section. Prior to disbursing any Cal Grant
35 funds, a qualifying institution shall be obligated, under the terms
36 of its institutional participation agreement with the commission,
37 to resolve any conflicts that may exist in the data the institution
38 possesses relating to that individual.

1 (l) (1) “Qualifying institution” means an institution that
2 complies with paragraphs (2) and (3) and is any of the following:

3 (A) A California private or independent postsecondary
4 educational institution that participates in the Pell Grant Program
5 and in at least two of the following federal campus-based student
6 aid programs:

7 (i) Federal Work-Study.

8 (ii) Perkins Loan Program.

9 (iii) Supplemental Educational Opportunity Grant Program.

10 (B) A nonprofit institution headquartered and operating in
11 California that certifies to the commission that 10 percent of the
12 institution’s operating budget, as demonstrated in an audited
13 financial statement, is expended for purposes of institutionally
14 funded student financial aid in the form of grants, that demonstrates
15 to the commission that it has the administrative capacity to
16 administer the funds, that is accredited by the Western Association
17 of Schools and Colleges, and that meets any other state-required
18 criteria adopted by regulation by the commission in consultation
19 with the Department of Finance. A regionally accredited institution
20 that was deemed qualified by the commission to participate in the
21 Cal Grant Program for the 2000–01 academic year shall retain its
22 eligibility as long as it maintains its existing accreditation status.

23 (C) A California public postsecondary educational institution.

24 (2) (A) The institution shall provide information on where to
25 access California license examination passage rates for the most
26 recent available year from graduates of its undergraduate programs
27 leading to employment for which passage of a California licensing
28 examination is required, if that data is electronically available
29 through the Internet Web site of a California licensing or regulatory
30 agency. For purposes of this paragraph, “provide” may exclusively
31 include placement of an Internet Web site address labeled as an
32 access point for the data on the passage rates of recent program
33 graduates on the Internet Web site where enrollment information
34 is also located, on an Internet Web site that provides centralized
35 admissions information for postsecondary educational systems
36 with multiple campuses, or on applications for enrollment or other
37 program information distributed to prospective students.

38 (B) The institution shall be responsible for certifying to the
39 commission compliance with the requirements of subparagraph
40 (A).

1 (3) (A) The commission shall certify by October 1 of each year
2 the institution's latest three-year cohort default rate and graduation
3 rate as most recently reported by the United States Department of
4 Education.

5 (B) For purposes of the 2011–12 academic year, an otherwise
6 qualifying institution with a three-year cohort default rate reported
7 by the United States Department of Education that is equal to or
8 greater than 24.6 percent shall be ineligible for initial and renewal
9 Cal Grant awards at the institution, except as provided in
10 subparagraph (F).

11 (C) For purposes of the 2012–13 academic year, and every
12 academic year thereafter, an otherwise qualifying institution with
13 a three-year cohort default rate that is equal to or greater than 15.5
14 percent, as certified by the commission on ~~October 1, 2011, and~~
15 ~~every year thereafter~~ *by October 1 of the prior academic year,*
16 shall be ineligible for initial and renewal Cal Grant awards at the
17 institution, except as provided in ~~subparagraph (F)~~ *subparagraphs*
18 *(F) and (H).*

19 (D) (i) An otherwise qualifying institution that becomes
20 ineligible under this paragraph for initial and renewal Cal Grant
21 awards may regain its eligibility for the academic year following
22 an academic year in which it satisfies the requirements established
23 in subparagraph (B), (C), or (G), as applicable.

24 (ii) If the United States Department of Education corrects or
25 revises an institution's three-year cohort default rate or graduation
26 rate that originally failed to satisfy the requirements established
27 in subparagraph (B), (C), or (G), as applicable, and the correction
28 or revision results in the institution's three-year cohort default rate
29 or graduation rate satisfying those requirements, that institution
30 shall immediately regain its eligibility for the academic year to
31 which the corrected or revised three-year cohort default rate or
32 graduation rate would have been applied.

33 (E) An otherwise qualifying institution for which no three-year
34 cohort default rate or graduation rate has been reported by the
35 United States Department of Education shall be provisionally
36 eligible to participate in the Cal Grant Program until a three-year
37 cohort default rate or graduation rate has been reported for the
38 institution by the United States Department of Education.

39 (F) (i) An institution that is ineligible for initial and renewal
40 Cal Grant awards at the institution under subparagraph (B), (C),

1 or (G) shall be eligible for renewal Cal Grant awards for recipients
2 who were enrolled in the ineligible institution during the academic
3 year before the academic year for which the institution is ineligible
4 and who choose to renew their Cal Grant awards to attend the
5 ineligible institution. Cal Grant awards subject to this subparagraph
6 shall be reduced as follows:

7 (I) The maximum Cal Grant A and B awards specified in the
8 annual Budget Act shall be reduced by 20 percent.

9 (II) The reductions specified in this subparagraph shall not
10 impact access costs as specified in subdivision (b) of Section
11 69435.

12 (ii) This subparagraph shall become inoperative on July 1, 2013.

13 (G) For purposes of the 2012–13 academic year, and every
14 academic year thereafter, an otherwise qualifying institution with
15 a graduation rate of 30 percent or less for students taking 150
16 percent or less of the expected time to complete degree
17 requirements, as reported by the United States Department of
18 Education and as certified by the commission pursuant to
19 subparagraph (A), shall be ineligible for initial and renewal Cal
20 Grant awards at the institution, except as provided for in
21 subparagraphs ~~(F)~~ and ~~(I)~~ (F), (H), and (J).

22 (H) *An institution that is ineligible for initial and renewal Cal*
23 *Grant awards at the institution under subparagraph (C) shall be*
24 *eligible if that institution satisfies all of the following conditions:*

25 (i) *The institution has an undergraduate student body comprising*
26 *of at least $\frac{2}{3}$ low-income students as certified by the commission*
27 *by October 1 of the prior academic year. For purposes of this*
28 *subdivision, “low-income students” are students eligible for federal*
29 *Pell Grants.*

30 (ii) *The institution has a three-year cohort default rate less than*
31 *20 percent as certified by the commission under subparagraph*
32 *(A).*

33 (iii) *The institution has a graduation rate greater than 70*
34 *percent for students taking 150 percent or less of the expected time*
35 *to complete degree requirements as certified by the commission*
36 *under subparagraph (A).*

37 ~~(H)~~

38 (I) Notwithstanding any other law, the requirements of this
39 paragraph shall not apply to institutions with 40 percent or less of
40 undergraduate students borrowing federal student loans, using

1 information reported to the United States Department of Education
2 for the academic year two years before the year in which the
3 commission is certifying the three-year cohort default rate or
4 graduation rate pursuant to subparagraph (A).

5 ~~(H)~~

6 (J) Notwithstanding subparagraph (G), an otherwise qualifying
7 institution with a three-year cohort default rate that is less than 10
8 percent and a graduation rate above 20 percent for students taking
9 150 percent or less of the expected time to complete degree
10 requirements, as certified by the commission pursuant to
11 subparagraph (A), shall remain eligible for initial and renewal Cal
12 Grant awards at the institution through the 2016–17 academic year.

13 ~~(I)~~

14 (K) The commission shall do all of the following:

15 (i) Notify initial Cal Grant recipients seeking to attend, or
16 attending, an institution that is ineligible for initial and renewal
17 Cal Grant awards under subparagraph (C) or (G) that the institution
18 is ineligible for initial Cal Grant awards for the academic year for
19 which the student received an initial Cal Grant award.

20 (ii) Notify renewal Cal Grant recipients attending an institution
21 that is ineligible for initial and renewal Cal Grant awards at the
22 institution under subparagraph (C) or (G) that the student's Cal
23 Grant award will be reduced by 20 percent, or eliminated, as
24 appropriate, if the student attends the ineligible institution in an
25 academic year in which the institution is ineligible.

26 (iii) Provide initial and renewal Cal Grant recipients seeking to
27 attend, or attending, an institution that is ineligible for initial and
28 renewal Cal Grant awards at the institution under subparagraph
29 (C) or (G) with a complete list of all California postsecondary
30 educational institutions at which the student would be eligible to
31 receive an unreduced Cal Grant award.

32 ~~(K)~~

33 (L) By January 1, 2013, the Legislative Analyst shall submit to
34 the Legislature a report on the implementation of this paragraph.
35 The report shall be prepared in consultation with the commission,
36 and shall include policy recommendations for appropriate measures
37 of default risk and other direct or indirect measures of quality or
38 effectiveness in educational institutions participating in the Cal
39 Grant Program, and appropriate scores for those measures. It is
40 the intent of the Legislature that appropriate policy and fiscal

1 committees review the requirements of this paragraph and consider
2 changes thereto.

3 (m) “Satisfactory academic progress” means those criteria
4 required by applicable federal standards published in Title 34 of
5 the Code of Federal Regulations. The commission may adopt
6 regulations defining “satisfactory academic progress” in a manner
7 that is consistent with those federal standards.

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