

**ASSEMBLY BILL**

**No. 1590**

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**Introduced by Assembly Member Wieckowski**

February 3, 2014

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1590, as introduced, Wieckowski. 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, and establishes eligibility requirements for awards under these programs for participating students attending qualifying institutions, as defined.

Existing law requires the commission to certify by October 1 of each year a qualifying institution's latest 3-year cohort default rate and graduation rate as most recently reported by the United States Department of Education.

This bill would express findings and declarations, would change the date the commission needs to certify the institution's latest 3-year cohort default rate and graduation rate to November 1, and would define the graduation rate of a qualifying institution to be the percentage of full-time, first-time degree or certificate-seeking undergraduate students who graduate in 150% or less of the expected time to complete the

degree requirements as most recently reported by the United States Department of Education.

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. The Legislature finds and declares all of the  
2 following:

3 (a) The Budget Act of 2011 and the Budget Act of 2012 made  
4 significant statutory changes to the Cal Grant Program, refining  
5 institutional eligibility based on cohort default rates and graduation  
6 rates, which measure institutional quality.

7 (b) College institutions with a substantial proportion of students  
8 taking out federal student loans and with a high percentage of those  
9 borrowers defaulting on the student loans no longer qualify to  
10 participate in the Cal Grant Program. The Budget Act of 2012  
11 further tightened the loan default limit and added a minimum  
12 graduation rate that institutions must satisfy to remain eligible to  
13 participate in the Cal Grant Program.

14 (c) Due to a lack of clarity, there is confusion about the  
15 implementation by the Student Aid Commission of these statutory  
16 changes.

17 (d) On January 7, 2013, the Legislative Analyst’s Office issued  
18 a report entitled, “An Analysis of New Cal Grant Eligibility Rules,”  
19 which analyzed the new eligibility rules and offered several  
20 findings and recommendations for clarifying existing statute.

21 (e) Clarifying these provisions going forward will avoid further  
22 confusion and ensure consistency in the administration of the Cal  
23 Grant Program.

24 SEC. 2. Section 69432.7 of the Education Code is amended to  
25 read:

26 69432.7. As used in this chapter, the following terms have the  
27 following meanings:

28 (a) An “academic year” is July 1 to June 30, inclusive. The  
29 starting date of a session shall determine the academic year in  
30 which it is included.

31 (b) “Access costs” means living expenses and expenses for  
32 transportation, supplies, and books.

1 (c) “Award year” means one academic year, or the equivalent,  
2 of attendance at a qualifying institution.

3 (d) “College grade point average” and “community college  
4 grade point average” mean a grade point average calculated on the  
5 basis of all college work completed, except for nontransferable  
6 units and courses not counted in the computation for admission to  
7 a California public institution of higher education that grants a  
8 baccalaureate degree.

9 (e) “Commission” means the Student Aid Commission.

10 (f) “Enrollment status” means part- or full-time status.

11 (1) “Part time,” for purposes of Cal Grant eligibility, means 6  
12 to 11 semester units, inclusive, or the equivalent.

13 (2) “Full time,” for purposes of Cal Grant eligibility, means 12  
14 or more semester units or the equivalent.

15 (g) “Expected family contribution,” with respect to an applicant,  
16 shall be determined using the federal methodology pursuant to  
17 subdivision (a) of Section 69506 (as established by Title IV of the  
18 federal Higher Education Act of 1965, as amended (20 U.S.C. Sec.  
19 1070 et seq.)) and applicable rules and regulations adopted by the  
20 commission.

21 (h) “High school grade point average” means a grade point  
22 average calculated on a 4.0 scale, using all academic coursework,  
23 for the sophomore year, the summer following the sophomore  
24 year, the junior year, and the summer following the junior year,  
25 excluding physical education, reserve officer training corps  
26 (ROTC), and remedial courses, and computed pursuant to  
27 regulations of the commission. However, for high school graduates  
28 who apply after their senior year, “high school grade point average”  
29 includes senior year coursework.

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

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

1 (k) “Maximum household income and asset levels” means the  
 2 applicable household income and household asset levels for  
 3 participants, including new applicants and renewing recipients, in  
 4 the Cal Grant Program, as defined and adopted in regulations by  
 5 the commission for the 2001–02 academic year, which shall be  
 6 set pursuant to the following income and asset ceiling amounts:

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8 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		
Single, no dependents	\$23,500	\$23,500
Married	\$26,900	\$26,900

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24 \*Applies to independent students with dependents other than a  
25 spouse.

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27 CAL GRANT PROGRAM ASSET CEILINGS

	Cal Grant A, C, and T	Cal Grant B
Dependent**	\$49,600	\$49,600
Independent	\$23,600	\$23,600

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35 \*\*Applies to independent students with dependents other than a  
36 spouse.

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38 The commission shall annually adjust the maximum household  
39 income and asset levels based on the percentage change in the cost

1 of living within the meaning of paragraph (1) of subdivision (e)  
2 of Section 8 of Article XIII B of the California Constitution. The  
3 maximum household income and asset levels applicable to a  
4 renewing recipient shall be the greater of the adjusted maximum  
5 household income and asset levels or the maximum household  
6 income and asset levels at the time of the renewing recipient's  
7 initial Cal Grant award. For a recipient who was initially awarded  
8 a Cal Grant for an academic year before the 2011–12 academic  
9 year, the maximum household income and asset levels shall be the  
10 greater of the adjusted maximum household income and asset  
11 levels or the 2010–11 academic year maximum household income  
12 and asset levels. An applicant or renewal recipient who qualifies  
13 to be considered under the simplified needs test established by  
14 federal law for student assistance shall be presumed to meet the  
15 asset level test under this section. Prior to disbursing any Cal Grant  
16 funds, a qualifying institution shall be obligated, under the terms  
17 of its institutional participation agreement with the commission,  
18 to resolve any conflicts that may exist in the data the institution  
19 possesses relating to that individual.

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

22 (A) A California private or independent postsecondary  
23 educational institution that participates in the Pell Grant Program  
24 and in at least two of the following federal campus-based student  
25 aid programs:

26 (i) Federal Work-Study.

27 (ii) ~~Perkins Loan Program.~~ *Stafford Loan Program.*

28 (iii) Supplemental Educational Opportunity Grant Program.

29 (B) A nonprofit institution headquartered and operating in  
30 California that certifies to the commission that 10 percent of the  
31 institution's operating budget, as demonstrated in an audited  
32 financial statement, is expended for purposes of institutionally  
33 funded student financial aid in the form of grants, that demonstrates  
34 to the commission that it has the administrative capacity to  
35 administer the funds, that is accredited by the Western Association  
36 of Schools and Colleges, and that meets any other state-required  
37 criteria adopted by regulation by the commission in consultation  
38 with the Department of Finance. A regionally accredited institution  
39 that was deemed qualified by the commission to participate in the

1 Cal Grant Program for the 2000–01 academic year shall retain its  
2 eligibility as long as it maintains its existing accreditation status.

3 (C) A California public postsecondary educational institution.

4 (2) (A) The institution shall provide information on where to  
5 access California license examination passage rates for the most  
6 recent available year from graduates of its undergraduate programs  
7 leading to employment for which passage of a California licensing  
8 examination is required, if that data is electronically available  
9 through the Internet Web site of a California licensing or regulatory  
10 agency. For purposes of this paragraph, “provide” may exclusively  
11 include placement of an Internet Web site address labeled as an  
12 access point for the data on the passage rates of recent program  
13 graduates on the Internet Web site where enrollment information  
14 is also located, on an Internet Web site that provides centralized  
15 admissions information for postsecondary educational systems  
16 with multiple campuses, or on applications for enrollment or other  
17 program information distributed to prospective students.

18 (B) The institution shall be responsible for certifying to the  
19 commission compliance with the requirements of subparagraph  
20 (A).

21 (3) (A) The commission shall certify by ~~October 1~~ *November*  
22 *1* of each year the institution’s latest *official* three-year cohort  
23 default rate and graduation rate as most recently reported by the  
24 United States Department of Education. *For purposes of this*  
25 *section, the graduation rate is the percentage of full-time, first-time*  
26 *degree or certificate-seeking undergraduate students who graduate*  
27 *in 150 percent or less of the expected time to complete degree*  
28 *requirements as most recently reported publicly in any format,*  
29 *including preliminary data records, by the United States*  
30 *Department of Education.*

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

37 (C) For purposes of the 2012–13 academic year, and every  
38 academic year thereafter, an otherwise qualifying institution with  
39 a three-year cohort default rate that is equal to or greater than 15.5  
40 percent, as certified by the commission on October 1, 2011, and

1 every year thereafter, shall be ineligible for initial and renewal Cal  
2 Grant awards at the institution, except as provided in subparagraph  
3 (F).

4 (D) (i) An otherwise qualifying institution that becomes  
5 ineligible under this paragraph for initial and renewal Cal Grant  
6 awards shall regain its eligibility for the academic year for which  
7 it satisfies the requirements established in subparagraph (B), (C),  
8 or (G), as applicable.

9 (ii) If the United States Department of Education corrects or  
10 revises an institution's three-year cohort default rate or graduation  
11 rate that originally failed to satisfy the requirements established  
12 in subparagraph (B), (C), or (G), as applicable, and the correction  
13 or revision results in the institution's three-year cohort default rate  
14 or graduation rate satisfying those requirements, that institution  
15 shall immediately regain its eligibility for the academic year to  
16 which the corrected or revised three-year cohort default rate or  
17 graduation rate would have been applied.

18 (E) An otherwise qualifying institution for which no three-year  
19 cohort default rate or graduation rate has been reported by the  
20 United States Department of Education shall be provisionally  
21 eligible to participate in the Cal Grant Program until a three-year  
22 cohort default rate or graduation rate has been reported for the  
23 institution by the United States Department of Education.

24 (F) (i) An institution that is ineligible for initial and renewal  
25 Cal Grant awards at the institution under subparagraph (B), (C),  
26 or (G) shall be eligible for renewal Cal Grant awards for recipients  
27 who were enrolled in the ineligible institution during the academic  
28 year before the academic year for which the institution is ineligible  
29 and who choose to renew their Cal Grant awards to attend the  
30 ineligible institution. Cal Grant awards subject to this subparagraph  
31 shall be reduced as follows:

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

34 (II) The reductions specified in this subparagraph shall not  
35 impact access costs as specified in subdivision (b) of Section  
36 69435.

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

38 (G) For purposes of the 2012–13 academic year, and every  
39 academic year thereafter, an otherwise qualifying institution with  
40 a graduation rate of 30 percent or less ~~for students taking 150~~

1 ~~percent or less of the expected time to complete degree~~  
2 ~~requirements, as reported by the United States Department of~~  
3 ~~Education and as certified by the commission pursuant to~~  
4 ~~subparagraph (A), shall be ineligible for initial and renewal Cal~~  
5 ~~Grant awards at the institution, except as provided for in~~  
6 ~~subparagraphs (F) and (I).~~

7 (H) Notwithstanding any other law, the requirements of this  
8 paragraph shall not apply to institutions with 40 percent or less of  
9 undergraduate students borrowing federal student loans, using  
10 information reported to the United States Department of Education  
11 for the academic year two years before the *academic* year in which  
12 the commission is certifying the three-year cohort default rate or  
13 graduation rate pursuant to subparagraph (A).

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

21 (J) The commission shall do all of the following:

22 (i) Notify initial Cal Grant recipients seeking to attend, or  
23 attending, an institution that is ineligible for initial and renewal  
24 Cal Grant awards under subparagraph (C) or (G) that the institution  
25 is ineligible for initial Cal Grant awards for the academic year for  
26 which the student received an initial Cal Grant award.

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

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

39 ~~(K) By January 1, 2013, the Legislative Analyst shall submit~~  
40 ~~to the Legislature a report on the implementation of this paragraph.~~

1 The report shall be prepared in consultation with the commission,  
2 and shall include policy recommendations for appropriate measures  
3 of default risk and other direct or indirect measures of quality or  
4 effectiveness in educational institutions participating in the Cal  
5 Grant Program, and appropriate scores for those measures. It is  
6 the intent of the Legislature that appropriate policy and fiscal  
7 committees review the requirements of this paragraph and consider  
8 changes thereto.

9 (m) “Satisfactory academic progress” means those criteria  
10 required by applicable federal standards published in Title 34 of  
11 the Code of Federal Regulations. The commission may adopt  
12 regulations defining “satisfactory academic progress” in a manner  
13 that is consistent with those federal standards.

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