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## SENATE COMMITTEE ON EDUCATION

Senator Carol Liu, Chair  
2015 - 2016 Regular

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**Bill No:** AB 25  
**Author:** Gipson  
**Version:** April 8, 2015  
**Urgency:** No  
**Consultant:** Olgalilia Ramirez

**Hearing Date:** June 24, 2015  
**Fiscal:** Yes

**Subject:** Financial aid: Cal Grant program: renewal

**SUMMARY** This bill requires the California Student Aid Commission (CSAC) to establish an appeal process for institutions failing to meet Cal Grant program participation requirements and authorizes the CSAC to grant an appeal for one academic year to an institution with a small cohort of 20 individuals or less, as specified.

### BACKGROUND

- 1) Existing law authorizes the Cal Grant program, administered by the CSAC, to provide grants to financially needy students to attend a college or university. The Cal Grant programs include both the entitlement and the competitive Cal Grant awards. The program consists of the Cal Grant A, Cal B, and Cal Grant C programs, and eligibility is based upon financial need, grade point average, California residency and other criteria. (Education Code 69430-69433.9)
- 2) The 2012 and 2013 Budget Acts established new requirements for institutional participation in the Cal Grant program (SB 70, Chapter 7, Statutes of 2011, and SB 1016, Chapter 38, Statutes of 2012) by providing that:
  - a) For the 2011-12 academic year, an otherwise qualifying institution for the Cal Grant program must maintain a three-year cohort default rate equal to or below 24.6 percent to be eligible for Cal Grant awards at the institution.
  - b) For 2012-13, and every academic year thereafter, colleges must maintain three year cohort default rates below 15.5 percent in order to be eligible for initial and renewal Cal Grant awards at the institution.
  - c) For 2012-13 and every academic year thereafter, an institution must maintain a graduation rate above 30 percent to be eligible for Cal Grant awards at the institution.
  - d) There is an exception to these requirements for an institution with a three- year cohort default rate of below 15.5 percent and a graduation rate above 20 percent through the 2016-17 academic year. (EC § 69432.7)
- 3) Existing law provides that the cohort default rate and graduation requirements do not apply to institutions with 40 percent or less of its students borrowing federal student loans. (EC § 69432.7)

## ANALYSIS

This bill:

- 1) Requires the CSAC to establish an appeal process for an otherwise qualifying institution that fails to satisfy existing three-year CDR and graduation rate requirements.
- 2) Specifically authorizes the CSAC to grant an appeal for one academic year if the commission determines the cohort of students at the institution is 20 or less and that cohort is not representative of the institution's overall performance.

## STAFF COMMENTS

- 1) ***Need for the bill:*** As a condition of participating in the Cal Grant program, institutions are required to meet specified criteria including a 3-year cohort default rate below 15.5 percent and maintain a 20% graduation rate for the 2015-2016 academic year. According to the author, program participation requirements have exposed the vulnerability of smaller specialized Universities, where first time full time freshman (FTFTF) students typically have lower enrollment rates and therefore, present volatility to campus Cal Grant eligibility. The author asserts that the risk of losing Cal Grant eligibility to the instability of a small sample size could lead institutions to stop enrolling FTFTF students who would otherwise be eligible to enroll, or to completely eliminate programs that may attract these students.

This bill provides an otherwise qualifying institution, with a very small cohort size that becomes ineligible due to CDR and graduation rate requirements the opportunity to regain Cal Grant eligibility following one academic year for which it satisfied the specified thresholds.

- 2) ***Appeal process?*** Although some institutions deemed ineligible to participate in the Cal Grant program have appealed to CSAC, there is no statutory or regulatory guidance provided regarding such a process. Current law allows an institution to regain eligibility if the United State Department of Education corrects or revises an institution's three-year CDR or graduation rate that results in the institution satisfying rate requirements. Most recently the CSAC heard from Marymount California University, National Hispanic University, and Charles R. Drew University of their institutional eligibility to participate in the Cal Grant Program in 2014-15. Those institutions whose CDR or graduation rate were miscalculated successfully regained their eligibility.
- 3) ***Effect on schools.*** For the 2015-2016 academic year a total of 33 schools were found to be Cal Grant ineligible. Schools on the ineligible list failed to meet one or both of the required thresholds for the 2015-16 academic year. As mentioned schools must keep their federal student loan CDR below 15.5 percent and maintain their graduation rate above 20 percent. Included among the list of ineligible schools is Charles R. Drew University of Medicine and Science (CDU). CDU contends that its unsatisfactory status is attribute to having a small cohort of FTFTF undergraduate students, nine in 2005 and four in 2006 (cohorts from whom the recent graduation rate derived) are not representative of its ability to recruit and retain undergraduate

students with Cal Grant eligibility. Although CDU tried to appeal its status to CSAC, current law constrains the CSAC's ability to remedy the situation. The bill provides CSAC with the statutory authority to establish an appeal process and grant an appeal to institutions whose small cohort size is not representative of the institutions overall performance, as specified. It is unclear how many schools would fall under the 20 individuals or less threshold specified in the bill.

- 4) ***Effect on Students.*** Initial and renewal Cal Grant recipients are not able to use their Cal Grant awards at institutions that fail to meet institutional CDR requirements; however, Cal Grant awards are mobile, meaning if a student chooses to transfer from one institution to another the award would follow the student to the new school provided that the institution is Cal Grant eligible.

5) ***Prior Legislation.***

AB 640 (Hall, 2014) similar to this bill, would have required CSAC to implement an appeal process for schools that fail to meet the CDR and graduation rate requirements and authorized CSAC to consider cohort size. AB 640 was held in the Senate Appropriations Committee.

SB 1149 (Galgiani) was substantially similar to AB 640. SB 1149 was heard and passed by this Committee by a vote of 9-0 but was subsequently held in the Senate Appropriations Committee.

## **SUPPORT**

American Federation of State, County and Municipal Employees (AFSCME)  
Association of Independent California Colleges and Universities (AICCU)  
Charles Drew University of Medicine and Science  
Our Lady of Victory Catholic Church  
San Jose Evergreen Community College District  
St. Aloysius Gonzaga Catholic Church  
St. Lawrence of Brindisi Church

## **OPPOSITION**

None received.

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