Issue: The Chancellor's Office recently adopted a position of support for Assembly Bill 1287, which is consistent with our support of legislation improving financial aid options for students. Assembly Bill 1287 specifies that commencing with 2014-15 students deemed ineligible for the Cal Grant program because they exceeded the maximum household income or asset level, or failed to meet the minimum need threshold, shall be eligible to reapply for a Cal Grant under the same award status, entitlement or competitive, as was granted at the time initial eligibility was established.

Background: Significant changes were made to the Cal Grant program in the 2011 and 2012 Budget Act, and the associated Budget Trailer Bills for Education, which included stricter eligibility criteria for participating institutions and renewal applicants. Prior to 2011 Cal Grant recipients were only required to meet income and asset eligibility criteria as first time applicants, and were not required to meet these criteria annually for renewal purposes. According to a recent analysis from the Senate Education Committee, the stricter requirements for Cal Grant participation impacted more than 170,000 students and reduced the Cal Grant program by about $200 million.

Currently students who are disqualified from the Cal Grant Entitlement program because their incomes exceeded the maximum allowable levels are permitted to reapply to the program in a subsequent year, but they will only be able to regain eligibility to the oversubscribed Cal Grant Competitive program. The eligibility criteria for the Cal Grant Entitlement program require that students apply within one year of high school graduation. Disqualification from the program essentially means permanent exclusion because the state is limited to issuing 22,500 Cal Grant Competitive awards annually. Only one competitive Cal Grant is available for every 17 eligible applicants.

Approximately 80,000 community college students receive Cal Grant awards each year. This bill would increase opportunities for currently enrolled community college students and community college transfer students at four year institutions to access Cal Grant Entitlement awards.
AB 1287 (Quirk-Silva) Cal Grant Eligibility
Amended: July 9, 2013

Summary: AB 1287 specifies that commencing with 2014-15 students deemed ineligible for the Cal Grant program because they exceeded the maximum household income or asset level, or failed to meet the minimum need threshold, shall be eligible to re-apply for a Cal Grant award under the same award status, as was granted at the time initial eligibility was established for the program.

Current Law: Existing law provides a variety of student financial aid grant and loan programs to provide awards to needy and academically eligible students, including the Cal Grant A, Cal Grant B, and Cal Grant C programs. Eligibility is based upon financial need, grade point average, California residency, and other eligibility criteria. The Cal Grant program includes “Entitlement” and “Competitive” awards for Cal Grants A and B. To be eligible for an Entitlement award, a student is required to apply within one year of high school graduation, and if all other eligibility criteria are met the Entitlement Cal Grant program represents a guarantee that an award will be granted to the student. In contrast, the Cal Grant Competitive awards are limited to only 22,500 Cal Grant applicants who meet financial, academic, and general program eligibility requirements. Additionally, half of the Competitive awards are reserved for students enrolled at a community college provided they meet the application deadline.

Background: Prior to the Budget Act of 2011-12 and the Education Budget Trailer bill, Cal Grant recipients were only required to meet income and asset eligibility criteria as first-time applicants, and were not required to meet these criteria annually for renewal purposes. Since 2011-12, additional changes were made to the Cal Grant program in efforts to resolve problems related to the state's budget deficits. These changes include reduced eligibility and benefits, reductions in the Cal Grant B stipend amount, enactment of institutional graduation and student loan default rate minimum thresholds for maintaining program eligibility, and reductions to the award amount for students attending private institutions. These reductions, combined with actions taken in the Budget Act of 2011-12, impacted more than 170,000 students and reduced the Cal Grant program by about $200 million.

Previously students were required to meet income and asset requirements when they first applied for a Cal Grant, and for each successive year they were required to prove financial need but did not have to meet the income and asset test for renewal purposes. Currently, students in the Cal Grant Entitlement program who lost program eligibility because their household income exceeded the established income ceiling can reapply in a subsequent year, but they are only permitted to gain eligibility to the oversubscribed Competitive Cal Grant program. For these students the consequence they face is essentially permanent exclusion from the Entitlement program, because the state is limited to 22,500 Cal Grant Competitive awards annually and only one competitive Cal Grant award is available for every 17 eligible applicants.

Comments: It may be reasonable to require applicants to annually meet income and asset guidelines for renewal purposes, but it is not clear that it was the intent of the Legislature to
permanently disqualify students from the Entitlement program due to a short-term change in household income and/or asset levels. AB 1287 would correct an unintended consequence related to renewal requirements imposed in the 2011-12 Budget Act.

The Chancellor’s Office recently adopted a position of support for AB 1287, which is consistent with our support of legislation improving financial aid options for students. Approximately 80,000 community college students receive Cal Grant awards each year. This bill increases opportunities for students to regain their eligibility to the Cal Grant Entitlement program.

**Status**: Set for hearing in the Senate Committee on Appropriations on August 12, 2013.

**Position**: Support.