



California Assembly Recommends Eliminating For-Profit Institutions from Cal Grant Program

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In its FY2018 budget recommendation, the California Assembly has proposed that students attending any for-profit postsecondary schools in the state lose assistance under the Cal Grant program. The Assembly Budget Subcommittee recommending the action explained it as a means to fund an increase in the Cal Grant program for students attending nonprofit private institutions.

This comes six years after a 2011 amendment to the law that had already substantially reduced the number of private institutions eligible to offer Cal Grants to their students. Those changes mandated that any institution with a 40% rate of student borrowing would have to achieve a federal student loan cohort default rate of less than 24.6% in the first year and less than a 15.5% rate in 2012 and beyond, as well as a minimum 30% completion rate. At the time, it was argued that these heightened benchmarks would ensure only top performing institutions could offer Cal Grants to their students. The new Assembly budget proposal would prohibit the remaining proprietary institutions from participation in the Cal Grant program even if they achieved these measures.

However, the Senate budget proposal does not include a comparable provision impacting proprietary institutions' access to Cal Grant. The joint Budget Conference Committee must reconcile the many differences between the Assembly and Senate versions of the full state budgets, with a deadline of June 15. Of note, Assemblyman Kevin McCarty, a vocal opponent of for-profit institutions in California, has been appointed to the Conference Committee and will have substantial input into the final decision whether to allow proprietary institutions continued access to the Cal Grant program. McCarty was the author of AB1611 which, if enacted, would have required California to create its own version of the Gainful Employment rule at the state level.

If you have questions or concerns about this development, please let us know. Cooley will continue to monitor this situation and will provide updates as they become available.

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