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Student Aid Commission supports reducing Cal Grant awards received by for-profit colleges:

In an effort to establish funding priorities if cuts are necessary, Commission places Cal Grants that go to for-profit colleges at bottom of priority list, citing lack of regulation, oversight, and high default rates among list of concerns

SACRAMENTO, CA – The California Student Aid Commission voted unanimously on Friday to support reduction of Cal Grant awards received by for-profit higher education institutions if cuts to the program are necessary. Citing for-profit colleges' lack of regulation, oversight, high default and dropout rates as concerns, the Commission decided it may no longer be able to afford large subsidies for the costly tuition and fees at these institutions.

The Commission's action was prompted by federal and state efforts to increase accountability of for-profit colleges which for many years have lacked significant regulation. For-profit colleges are institutions run by private, profit seeking companies or organizations. Many of them are publicly traded on the stock market and have an obligation to provide return on investment for their shareholders.

Students at for-profit universities are the most likely to default on their student loans. A study by the U.S. Senate Committee on Health, Education, Labor and Pensions shows that in recent years for-profit schools accounted for 10 percent of the students enrolled in higher education, but those students received 23 percent of Federal student loans and grants, and they accounted for 44 percent of defaults. The U.S. Department of Education reported earlier this month that the default rate at for-profit colleges had jumped to 25 percent. It has been reported that some for-profit executives earn up to 26 times more than the Presidents of public and non-profit colleges.

As the State's expert agency on financial aid, today's commission decision sent a clear message to the Governor and Legislature that, in light of the State's financial crisis, reducing Cal Grant awards received by for-profit colleges is in the best interest of taxpayers and students.

"The Governor and the Legislature need a communication from us," said Commission Chair Barry Keene. "This is not a position we want to be in, but we have to set priorities and this painful priority setting has to take place today".

Commissioner Lawrence Hershman agreed, "The public universities have taken on drastic cuts. It's time for the for-profit colleges to share in some of the pain."

California Student Aid Commission

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The Commission's decision to reduce Cal Grant awards received by for-profit colleges was part of a larger list of recommendations to be implemented if Cal Grant program cost savings are needed. The entire package of recommendations would:

- Require a Cal Grant participating institution to have a cohort default rate of no greater than 20% or loan repayment rate (determination based on staff analysis) and institutional aid of no less than 10%
- Reduce the maximum award at for-profit institutions:
 - To the Cal Grant award amount for California Community Colleges (currently \$1,551) for recipients pursuing certificates and two-year degrees
 - To the Cal Grant award equivalent for California State Universities for recipients pursuing a bachelor's degree
- Require Cal Grant renewal recipients to meet the same income and asset ceilings and minimum need as new recipients
- Withdraw a Cal Grant award immediately upon the recipients failing to maintain satisfactory academic progress in any academic terms occurring after June 30, 2011 and totaling one academic year
- Limit the number of years of eligibility to 2 years for:
 - Cal Grant A and B Transfer Entitlement recipients (3 years if enrolled in a recognized 5-year program)
 - Cal Grant B recipients attending a California Community College or 2 year program at a non-public institution (3 years if enrolled in a program that requires more than 2 years to complete)
- Reduce the maximum award at independent institutions by 15%
- Limit the Competitive Cal Grant award to the Access Grant amount (currently \$1,551) for all segments
- Eliminate tuition/fee payments for the top 2% of High School Entitlement Cal Grant B awards
- Raise the minimum Grade Point Average for new Cal Grant awards to 2.5 for the Cal Grant Entitlement Programs

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