

Date of Hearing: April 23, 2019

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1314 (Medina, et al.) – As Amended April 22, 2019

SUBJECT: Student financial aid: Cal Grant Reform Act.

SUMMARY: Enacts the Cal Grant Reform Act. Specifically, **this bill:**

- 1) Finds and declares that California's student financial aid system is overly complex and burdensome to students and families. While the intent of the system is to make college "access and affordability a guarantee to every qualified student," it is outdated and needs to be completely reformed to better serve California's low-income students;
- 2) Specifies that the Cal Grant Reform Act will do all of the following:
 - a) Consolidate Cal Grant A, B, and C awards and the Middle Class Scholarship (MCS) Program into one program;
 - b) Remove or reduce eligibility and access barriers in the current Cal Grant Program;
 - c) Change the model of the Cal Grant Program to focus on the total cost of attendance, including maintaining full coverage of tuition and systemwide fees for public college and university students; and,
 - d) Support additional Cal Grant eligibility for students taking summer courses.
- 3) States that the Legislature intends that all forms of state-based aid in California be made equally available to students who are exempt from paying nonresident tuition and to all other students who qualify for state-based aid in this state.
- 4) Specifies that the Cal Grant Reform Act will become operative on July 1, 2021, or on the date that regulations adopted by the California Student Aid Commission (CSAC) implementing the Cal Grant Reform Act may determine, whichever date is later.
- 5) Sunsets the existing Cal Grant Program on July 1, 2021, or on the date that regulations adopted by the CSAC, whichever date is later.
- 6) Requires, commencing with the 2021-22 academic year and every year thereafter, an applicant for a Cal Grant award to receive an award for payment of tuition or student fees, nontuition costs, or both tuition or student fees and nontuition costs, that is not in excess of the financial need amount determined by CSAC.
- 7) Defines "nontuition" costs as all of a student's costs of attendance, other than tuition and student fees, as determined by CSAC, including, but not limited to, books, transportation, housing, and personal costs.
- 8) Makes numerous and confirming changes.

EXISTING LAW:

Federal law. Provides federal financial aid, known as the Pell Grant, to students who demonstrate financial need. The Pell Grant award can be used for tuition and fees, books, and supplies, transportation, and living expenses for the equivalent of up to six years of full-time enrollment. The maximum Pell Grant for 2018-19 is \$6,095 (20 U.S.C. Section 1070).

State law.

- 1) Establishes the CSAC for the purpose of administering specified student financial aid programs (Education Code (EC) Section 69510, et seq.).
- 2) Cal Grant A Entitlement Awards. Students that meet income, asset and other eligibility requirements, have at least a 3.0 grade point average, and apply either the year they graduate from high school or the following year are entitled to an award that provides coverage for tuition and fees (EC 69434).
- 3) Cal Grant B Entitlement Awards. Students that meet income and asset thresholds and other eligibility requirements, have at least a 2.0 GPA and apply either the year they graduate from high school or the following year are entitled to a living allowance and tuition and fee assistance. Awards for most first-year students are limited to an allowance for non-tuition costs (access award), such as books and living expenses (currently \$1,648). In the second and subsequent years, the award also provides tuition and fee support (EC Section 69435.).
- 4) California Community College (CCC) Transfer Entitlement Awards. Cal Grant A and B awards are guaranteed to every student who graduated from a California high school after June 30, 2000, was a California resident at the time of high school graduation, transferred to a qualifying baccalaureate-degree granting institution from a CCC during the award year, was under the age of 28 at the time of the transfer, and had a minimum CCC GPA of 2.4 (EC Section 69436.).
- 5) Competitive Cal Grant A and B Awards. Students who are not eligible for entitlement awards may compete for a Cal Grant A or B Competitive award. The award benefits and eligibility requirements are the same as the entitlement program, but awards are not guaranteed. Annually, 25,750 Cal Grant Competitive awards are available. Of these, 12,875 (one-half) are for students who do not qualify for a Cal Grant Entitlement award, but who otherwise meet the Cal Grant requirements. The remaining awards are set aside for eligible CCC students. (EC Section 69437.).
- 6) Cal Grant C Awards. Specifically to assist students with tuition and training costs at occupational or vocational programs of four months to two years in length. Since 2000-01, the total number of new annual Cal Grant C awards has been set at 7,761. The maximum award amounts, which are determined in the annual Budget Act, are currently up to \$2,462 for tuition and fees and \$547 for non-tuition costs, for recipients attending other than a community college, and \$1,094 toward non-tuition costs for CCC students (EC Section 69439.).
- 7) Establishes the MCS Program to offset a portion of tuition costs at the University of California (UC) and the California State University (CSU) for students with annual household incomes of less than \$150,000 (EC 70020, et seq.).

- 8) Establishes the Community Colleges Student Success Completion Grant, which supplements the Cal Grant B access award by up to \$1,298 annually for students enrolled in 12, 13 or 14 units per semester and up to \$4,000 annually for student taking 15 or more units per semester (EC Section 88930.).

FISCAL EFFECT: Unknown

COMMENTS: *Background.* The Legislature appropriates more than \$2 billion annually toward financial aid. Nearly 400,000 students are expected to receive a Cal Grant this year. Financial aid is critical to providing access to higher education for low-income students, and research continues to underscore the importance of the Cal Grant program: a study published in February of 2019 in the *American Economic Journal*, found that Cal Grant increases persistence in college, degree attainment, and post-college earnings.

Despite the state's significant investment and strong evidence of the benefits of financial aid, there is significant consensus among higher education stakeholders that California's aid programs are too complicated, exclude too many needy students, and do not adequately address the costs that today's students face; major factors contributing to rising student debt and suboptimal outcomes.

All three public segments (the CCC, CSU, and UC) report slower time-to-degree and lower graduation rates for low-income students, compared to their peers. For California college students that graduate with debt, the average debt is \$22,785, according to research by The Institute for College Access and Success (TICAS). Additionally, there is evidence that low-income students borrow more. For example, at UC, nearly 60% of students with \$56,000 to \$112,000 in household income borrow, and at CSU, nearly 8 in 10 graduates with debt come from households with family incomes of \$54,000 or less.

Need for the measure. According to the author, "While robust, California's financial aid system is out of date and unnecessarily complex". The author contends that, "State aid does not adequately serve today's college students and does not reflect the high cost-of-living on and around most of California's campuses." Further, the author states, "To ensure more Californians have access to an affordable degree, comprehensive reform is needed".

This measure, the Cal Grant Reform Act, does the following:

- 1) Consolidate the Cal Grant A, B, and C Programs into one Cal Grant Program
- 2) Consolidate the MCS into the one Cal Grant Program
- 3) Authorize the use of Cal Grant awards during summer terms and/or sessions
- 4) Remove all of the following barriers for determining eligibility with regard to:
 - a) Age;
 - b) Years out of high school;
 - c) Grade Point Average (GPA); and,
 - d) AB 540 status

To note, by removing all of the barriers, per (4)(a-d) above, the competitive Cal Grant program will thus be eliminated.

- 5) Require CSAC to develop a funding formula using student need, based on family income, and total cost of attendance to determine the award amounts for students. The formula will ensure that, in addition to students' tuition being covered, and based on their income, students will receive additional grant dollars for their non-tuition costs, such as books, transportation, housing, and personal costs; the goal of this new program is to place students on a path towards a debt free education.

Challenges with the existing Cal Grant program.

- 1) *Cal Grant program excludes hundreds of thousands of needy students.* Cal Grant eligibility rules are geared toward "traditional" college students, i. e. those who are 18- to 24-years old and are attending college directly after finishing high school. Students within one year of high school or community college graduation are automatically awarded a Cal Grant if they meet income/asset and GPA requirements. Students ineligible for the entitlement program must compete for a limited number of Cal Grant awards through the competitive Cal Grant program.

Subsequently, hundreds of thousands of needy students are left out of the Cal Grant system. To note, only about 10% of students who were eligible for a Cal Grant based on income/asset levels and GPA are typically awarded a Cal Grant through the competitive Cal Grant system; most of these students are from households living below the federal poverty line, and their average age is 27. According to CSAC, about 76% of the students who are income- and GPA-eligible for a Cal Grant, but do not receive an award are community college students.

As more Californians seek a higher education, more and more eligible students are being left out of receiving much-needed financial aid.

- 2) *Non-tuition costs are not adequately addressed.* Much of the state financial aid program was created at a time when housing costs were lower, part-time jobs were more easily available to college students and the minimum wage had more buying power. Today's college students face significant costs, particularly housing: all three public segments and the independent private nonprofit segment indicate many students will spend at least \$12,000 annually on room and board in 2018-19, which is about the same cost as UC tuition and far higher than CSU and community college tuition.

To note, the maximum Cal Grant B Access Award - which helps students pay for these non-tuition costs - is just one-quarter the amount of what the award would have been if it had kept up with inflation since its creation in 1969.

- 3) *State aid programs are too complex.* Complicated eligibility and application requirements limit students' access to aid.

Cal Grant A and B have significant eligibility and benefit differences: Cal Grant B requires a lower GPA – 2.0 – and lower income/asset levels, while Cal Grant A requires a higher GPA – 3.0 – and is available to students with higher income levels. According to CSAC, more than 9,000 students are ineligible for a Cal Grant because they have a family income higher than the Cal Grant B limit but a GPA lower than the Cal Grant A requirement. For example:

a student from a family of four with a family income of \$53,000 and a GPA of 2.9 would receive no Cal Grant at all; the same student with a family income of \$52,000 and a GPA of 2.4 would receive a Cal Grant B award worth thousands of dollars annually.

Cal Grant C, which is available for students in career technical education programs, requires students to submit a subsequent application after fulfilling all other Cal Grant paperwork. Take-up rates for this award vary widely, with students in private, for-profit programs receiving the award at much higher rates than students in community college programs. This may be an indicator of the extent to which campuses provide information and support to students in accessing financial aid.

The MCS provides tuition discounts of up to 40% to UC or CSU students based on income levels and other aid the student receives. The MCS is targeted to students with family incomes higher than Cal Grant levels and is designed as a “last-dollar” financial aid approach, meaning students are eligible for the program only after all their other financial aid is factored into their award. Campus administrators suggest the MCS is difficult to administer, because students cannot access MCS funding until all other aid funding is considered. Changes in other aid amounts lead to changes in MCS amounts, which leaves counselors and students unclear as to how much MCS funding will be available to them.

- 4) *Despite state and segment focus on quicker time-to-degree, state aid does not adequately cover summer school costs.* Cal Grant is limited to four academic years, requiring students who wish to take summer school to forego Cal Grant support, or receive less funding in the spring and fall to use some money in the summer. This limit does not support current efforts to encourage more students to use summer courses to graduate within four years. Increasing the number of students who graduate within four years is beneficial to the student, who can begin earning money in the workforce sooner, as well as to the state and the segments. Demand for summer school is clear: in the first year that the federal government again offered additional Pell Grant funding to support summer school attendance, 83% of community colleges across the country reported increased summer-school enrollment, according to a survey conducted by the American Association of Community Colleges.

The time is now for reform. During two hearings in fall 2018, CSAC voted to advocate for the following reforms:

- 1) Consolidate Cal Grant A, B and C, and MCS into one program;
- 2) Remove or reduce eligibility and access barriers in the current Cal Grant program;
- 3) Change the model of the Cal Grant program to focus on total cost of attendance, including maintaining full coverage of tuition and systemwide fees for public college and university students;
- 4) Reinstate a formula for an annual adjustment to the maximum Cal Grant for students attending private nonprofit institutions; and,
- 5) Support additional Cal Grant eligibility for students taking summer coursework.

This measure seeks to address the aforementioned concerns of the existing Cal Grant model.

Related legislation. This Session, several measures have been introduced seeking to reform the complex Cal Grant program. While these measures, though laudable, only sought to address individual facets of the Cal Grant program, these measures are in conflict with AB 1314, which, as described above, is a comprehensive reform of the entire Cal Grant program. Keeping with Committee's practice of not passing conflicting bills and pursuant to Assembly Rule 56.1, the following measures, in their current form, will not be heard by this Committee:

- 1) AB 151 (Voepel), would change the age of students eligible to receive the CCC Transfer Entitlement Program from age 28 to age 30 or older.
- 2) AB 260 (Quirk-Silva), in part, would remove the age conditions for students' eligibility for the Cal Grant B Entitlement program and the CCC Transfer Entitlement Program.
- 3) AB 522 (Boerner-Horvath), would, commencing with the 2020–21 award year, change the age of student veterans eligible to receive the CCC Transfer Entitlement Program from age 28 to age 32 or order.
- 4) AB 541 (Gabriel), would repeal the limitation on undocumented students' eligibility for Competitive Cal Grant A and B Awards and expressed the intent of the Legislature that all forms of state-based aid in California be made equally available to all students who are exempt from paying nonresident tuition and to all other students who qualify for state-based aid in this state.
- 5) AB 542 (Gabriel), would, commencing with the 2020–21 academic year, increase the number of Competitive Cal Grant A and B awards granted annually from 25,750 to 28,750.

To note, the authors of the aforementioned measures have been given the opportunity to become a joint author of AB 1314.

- 6) SB 291 (Leyva), which, is pending in the Senate Appropriations Committee, in part, establishes the CCC Student Financial Aid Program to be administered by the CCC Board of Governors in order to assist in covering CCC students' total cost of attendance.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

Analysis Prepared by: Jeanice Warden / HIGHER ED. / (916) 319-3960