

Date of Hearing: May 12, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 1456 (Medina) – As Amended April 12, 2021

Policy Committee: Higher Education Vote: 10 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: Yes

SUMMARY:

This bill enacts the Cal Grant Reform Act to be operative for financial aid awarded during the 2022-23 academic year. The act makes vast reforms to the Cal Grant program, the state's largest post-secondary financial aid program.

Specifically, this bill eliminates the existing Cal Grant program and instead creates two new Cal Grant programs:

- (a) "Cal Grant 2" for California Community College (CCC) students enrolled at least half-time in a degree, certificate or transfer program. The program is to provide aid to eligible students to cover nontuition expenses, with annual adjustments based on the consumer price index. To qualify, a student's financial circumstances must qualify them for the maximum federal Pell Grant award.
- (b) "Cal Grant 4" for University of California (UC), California State University (CSU) and qualified private colleges and universities. The program is to verify participants have a grade point average (GPA) of 2.0 or greater. The program is to cover tuition expenses and mandatory systemwide fees for students attending UC or CSU and to provide set amounts at qualified private colleges and universities. To qualify, a student's financial circumstances must place them below a certain percentage of the federal poverty level.

The bill also grandfathers in existing Cal Grant award recipients until their awards expire.

The California Dreamer Service Incentive Grant Program and the supplemental award for students with dependent children use the existing Cal Grant program to determine eligibility. This bill requires these programs to instead use the Cal Grant 2 and Cal Grant 4 to determine eligibility.

The bill requires the California Student Aid Commission (CSAC) to adopt regulations by an unspecified date related to this act and authorizes the CSAC to adopt emergency regulations.

The bill specifies that an institution of higher education in the state that participates in the new Cal Grant Program shall not reduce its level of need-based institutional financial aid to undergraduate students, excluding loans, below the total level awarded in the academic year before July 1, 2022. It also requires the CSU Trustees, and requests the UC Regents, to, adopt a statement of policy on or before an unspecified date, on how their institutional financial aid programs address student basic needs and how these funds are prioritized. The bill expresses

intent that colleges and universities not supplant their local financial aid programs with funds provided by this bill.

The bill also requires each college and university with students receiving the new Cal Grant awards to report to the Legislature and Department of Finance certain information, including information about students who received Cal Grants, the average of total financial aid provided to students, total costs of attending college or university and descriptions of efforts to improve financial aid opportunities. The bill specifies UC and CSU may provide this information in an existing report.

FISCAL EFFECT:

- 1) Ongoing General Fund (GF) costs in the low hundreds of millions of dollars to reform the Cal Grant program. Costs would be higher in the initial years of the program and would decline as the current Cal Grant program is phased out. According to CSAC, in the 2023-24 academic year, additional program costs would be about \$413 million. Costs would decrease and likely stabilize over time to about \$155 million in the 2028-29 academic year. (These costs are on top of the current annual Cal Grant allocation of \$2.294 billion which would be shifted from the existing Cal Grant program to the new Cal Grant program.)
- 2) Ongoing GF costs in the tens of millions of dollars to provide additional awards to students participating in the students with dependent children program. Costs would increase for this program over current funding because, using Cal Grant 2 and Cal Grant 4 to determine student eligibility, more students would be eligible. The program currently provides an additional \$6,000 maximum award for eligible students. According to CSAC, the program would need an additional \$76 million annually to provide the award to all eligible students. The program currently has a statutory cap of \$125 million annually, however, only \$98 million is currently budgeted for the 2021-22 academic year.
- 3) Ongoing Proposition 98 GF cost pressures of an unknown amount to CCCs to provide additional Student Success Completion Grants as a result of this bill. The Student Success Completion Grants requires a student who receives a Cal Grant B or C and enrolls full time to receive a Student Success Completion Grant. The grant provides a \$4,000 maximum award annually. Because this bill eliminates Cal Grant B and C, a student would presumably need to receive a Cal Grant 2 to receive a Student Success Completion Grants. Because more CCC students will receive a Cal Grant 2 than currently do a Cal Grant B or C, more students would be eligible and costs would likely increase. In the 2020-21 academic year, CCC provided a total of \$159 million for the Student Success Completion Grant.
- 4) Ongoing GF costs of about \$375,000 to CSAC. Of this, about \$232,000 would be for two additional staff to support the new Cal Grant program and the remainder would be to hire two additional staff to support the CSAC call center.
- 5) One-time GF costs of about \$1.1 million to CSAC. Of this, about \$950,000 would be to modify CSAC's grant delivery system for the new Cal Grant program and the remainder would be to facilitate an information campaign for the new Cal Grant program and to onboard new staff.

- 6) Minor GF and Proposition 98 GF costs to the UC and CSU to adopt a statement of policy related to institutional aid and for UC, CSU and CCC to report certain information related to the new Cal Grant program.

The state would need to reimburse these costs to CCC, if the Commission on State Mandates determines the bill's requirements to be a reimbursable state mandate.

COMMENTS:

- 1) **Background.** CSAC administers the Cal Grant program, the state's largest need-based financial aid program. The Cal Grant program awards over \$2 billion in GF monies annually to nearly 400,000 undergraduate students who meet certain income and eligibility criteria and attend CCC, CSU, UC and some private institutions. A student may receive a Cal Grant A, B or C, depending on various factors, such as their grade point average (GPA), their income level and the type of postsecondary program they enter. Depending on the type of Cal Grant, Cal Grants awards may provide aid for both tuition and nontuition expenses. Cal Grant A provides four years of tuition coverage to students with higher incomes and higher GPAs. Cal Grant B provides three years of tuition coverage after a student's first year of higher education to students with lower incomes and lower GPAs than does Cal Grant A. Cal Grant B also provides students who receive a Cal Grant B for tuition an "access award" for nontuition expenses equal to \$1,656 annually for four years. Cal Grant C provides tuition and nontuition coverage for students enrolled in career technical education programs.

Cal Grant eligibility rules are geared toward "traditional" college students. That is, younger students attending college or university within a year of graduating high school and younger students transferring from a CCC to a four-year college or university. These students receive a Cal Grant entitlement award if they meet GPA and income requirements. The Budget Act of 2020 provides about \$2.1 billion to about 320,000 students.

Students ineligible for an entitlement award must compete for a limited number of Cal Grant awards through a competitive process. The competitive Cal Grant program is greatly oversubscribed. On average, about 10% of eligible applicants receive a competitive Cal Grant, equating to hundreds of thousands of students. These students have an average age of 27 and tend to be community college students living below the federal poverty line. The Budget Act of 2020 provides about \$307 million to about 72,000 students.

- 2) **Cal Grant Reform Workgroup.** Higher education leaders in the Legislature asked CSAC in 2019 to create a working group of financial aid stakeholders to develop recommendations to reform Cal Grant. This work led to a proposal that was released in March 2020. The proposal consolidated the various Cal Grant programs into two types of Cal Grants: the Cal Grant 2 for CCC students and the Cal Grant 4 for students of four year colleges and universities. In addition, the proposal eliminated or streamlined GPA verification for students, eliminated age and time out of high school requirements and eliminated California's unique way of determining a student's income. Legislative leaders, in fall 2020, asked CSAC to prepare a new proposal that better aligned with current Cal Grant funding levels. This bill lifts heavily from that proposal.
- 3) **Institutional and Federal Financial Aid.** In addition to state financial aid, students may also be eligible for institutional and federal student aid. UC provides institutional aid to low-

income students through its UC Grant to cover both tuition and nontuition expenses. CSU provides institutional aid through its State University Grant (SUG) to low-income students to cover tuition expenses. CCC provides institutional aid through its California College Promise Grant (formerly known as the Board of Governor's fee waiver) to low-income students to cover tuition expenses. In addition, low-income students may be eligible for the federal Pell Grant. The Pell Grant provides up to \$6,345 in the 2020-21 academic year to students for both tuition and nontuition expenses.

- 4) **Considerations for Other State Financial Aid Programs.** Several statutes authorizing additional financial aid programs rely on Cal Grant B and C eligibility or income requirements to determine program eligibility. For example, as described above, the Student Success Completion Grant awards funding to full-time CCC students receiving a Cal Grant B or C. In addition, several tuition waiver programs, including those for 911 survivors, dependents of firefighters and others, use Cal Grant B income requirements to determine program eligibility. Should this bill become law, Cal Grant B and C would no longer exist. The author may wish to replace these references in statute with references to the new Cal Grant program.
- 5) **Institutional Concerns.** CSU indicates many of its students receive a Cal Grant B access award for nontuition expenses and that, after the initial phasing out of the current Cal Grant program, its students will receive a Cal Grant 4, which only covers tuition expenses.
- 6) **Cal Grant Savings.** Cal Grant uptake stalled in the 2020-21 academic year due to the COVID-19 pandemic. According to CSAC, about \$200 million in unspent Cal Grant funds may be available in the 2023-24 academic year and \$100 million in the 2024-25 academic year.
- 7) **Governor's Financial Aid Proposal.** The Governor's 2021-22 budget proposal provides a \$35 million ongoing GF increase to add 9,000 competitive Cal Grants and a \$25 million ongoing GF increase for the Foster Youth Access Award.
- 8) **Prior Legislation.** AB 1185 (Cervantes), of this legislative session, temporarily provides, due to the COVID-19 pandemic state of emergency, students with one additional year to meet time-out-of-high-school- and age-related eligibility requirements of receiving Cal Grant financial aid. The bill is currently pending on this committee's Suspense File.

AB 1314 (Medina and McCarty), of the 2019-20 Legislative Session, initially enacted the Cal Grant Reform Act. However, the measure was amended out of the jurisdiction of the higher education committee. The bill was referred to but not heard in the Senate Public Safety Committee.

SB 291 (Leyva), of the 2019-20 Legislative Session, in part, would have established 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. The bill was referred to but not heard in the Assembly Higher Education Committee.

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