
THIRD READING

Bill No: AB 1456
Author: Medina (D) and McCarty (D), et al.
Amended: 9/3/21 in Senate
Vote: 21

SENATE EDUCATION COMMITTEE: 7-0, 7/14/21
AYES: Leyva, Ochoa Bogh, Cortese, Dahle, Glazer, McGuire, Pan

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/26/21
AYES: Portantino, Bates, Bradford, Jones, Kamlager, Laird, McGuire

ASSEMBLY FLOOR: 78-0, 6/3/21 - See last page for vote

SUBJECT: Student financial aid: Cal Grant Reform Act

SOURCE: Author

DIGEST: This bill makes significant reforms to the Cal Grant program, the state's largest post-secondary financial aid program, including phase-out existing programs and creation of the new Cal Grant 2 Program for community college students and the Cal Grant 4 Program for students attending the University of California (UC), California State University (CSU), and eligible private institutions. The bill's provisions are contingent upon an appropriation made by the Legislature.

Senate Floor Amendments of 9/3/21 (1) add intent language; (2) address chaptering issues; (3) extend the operative date of the Act an additional year; (4) require state aid programs to use the federal methodology for determining the eligibility index for student aid; and (5) make various conforming changes to existing law to reflect revisions made to the Cal Grant program.

ANALYSIS: Existing 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 2020-21 is \$6,345 (United States Code, Title 20, § 1070).

Existing state law:

- 1) Establishes the California Student Aid Commission (Commission) for the purpose of administering student financial aid programs. Those programs include: (Education Code § 69510, et seq.).
 - a) Cal Grant A Entitlement Awards. Students that meet income, asset and other eligibility requirements, have at least a 3.0 grade point average (GPA), 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).
 - b) 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 § 69435.).
 - c) 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 § 69436.).
 - d) 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 for 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 § 69437.).
 - e) Cal Grant C Awards. This award specifically assists 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 § 69439.).

- f) Establishes the Middle Class Scholarship 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.).
- 2) 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 § 88930.).

This bill:

- 1) Establishes the Cal Grant Reform Act and makes the Act's provisions, upon an appropriation by the Legislature of sufficient funds, for students applying for aid beginning October 1, 2023, and receiving aid for the 2024-25 academic year.
- 2) Recast and revises the existing long-term policy and maximum award payment provisions establishing and governing the Cal Grant program and the Middle Class Scholarship Program to apply to the Cal Grant Reform Act.
- 3) Specifies that the new Cal Grant Program consist of a Cal Grant 2 Program for students attending a CCC and a Cal Grant 4 Program for students attending a four-year university or private college.
- 4) Requires that the Commission adopt regulations, including emergency regulations, necessary to implement the Cal Grant Reform Act, as specified.
- 5) Recasts and revises definitions in the Ortiz-Pacheco-Poochingan-Vasconcellos Cal Grant Program to apply to the Cal Grant Reform Act.
- 6) Revises provisions related to the federal methodology used to determine financial need with the new federal "Eligibility index for student aid" and requires that "Eligibility index for student aid" serve as the formula for determining the eligibility for state-funded financial assistance.

Cal Grant 2 Program

- 7) Establishes the Cal Grant 2 program for students enrolled in a degree, certificate, or transfer program at a campus of the CCC and requires that a student, to be eligible for the award:
 - a) Be a California resident or qualify for waiver of nonresident tuition, as specified.
 - b) Submit a Free Application for Federal Student Aid (FAFSA) or a California Dream Act application on or before September 2 of the year immediately preceding the award year.
 - c) Enroll, at least half-time, at a campus, or a combination of campuses, of the California Community Colleges and maintain satisfactory academic progress.
 - d) Establish eligibility based on their household income or other circumstances that would qualify the student for a maximum federal Pell Grant award.

- 8) Provides that the award include an access award, covering non-tuition expenses, of no less than the pre-student amount provided in the 2020-21 award year in the first award year. In subsequent years, the award amount is adjusted based on the California Consumer Price index, except under certain circumstances as provided.

Cal Grant 4 Program

- 9) Establishes the Cal Grant 4 program for students enrolled in any institution, other than a community college, meeting the definition of “qualifying institution” specified in current law and requires to be eligible for the award, that a student:
 - a) Be a California resident or qualify for a waiver of nonresident tuition, as specified.
 - b) Submit a Free Application for Federal Student Aid or a California Dream Act application on or before March 2 of the year immediately preceding the award year.
 - c) Verify, from a high school or community college transcript, that the student has a grade point average of 2.0 or greater.
 - d) Enroll, at least half-time, at a qualifying California institution, as defined and maintain satisfactory academic progress.

- e) Have a household income below the percentage of the federal poverty level applicable to the student, as prescribed in the bill and based on the status and size of the student's household.
- 10) Requires that the amount of the annual Cal Grant 4 award be based on the institution at which the recipient student is enrolled, in accordance with the following:
- a) For a student enrolled at a UC campus or CSU campus, the cost of tuition and mandatory systemwide fees.
 - b) For a student enrolled at an independent institution of higher education, \$9,220.
 - c) For a student enrolled at a for-profit institution accredited by the Western Association of Schools and colleges (WASC), \$8,056.
 - d) For a student enrolled at a for-profit institution that is not accredited by WASC, \$4,000.

Institutional aid

- 11) Requires the CSU Trustees, and request the UC Regents, to adopt a statement of policy by June 30, 2023 on how their institutional aid programs address student basic needs and how these institutional funds are prioritized for disbursement.
- 12) Declares that it is the intent of the Legislature that:
- a) In partnership with the UC and CSU, that institutional aid programs address tuition and fee assistance for highest need students when other coverage is not available, prioritize addressing nontuition costs serving the highest need students first, and support students who are not as needy if funding permits.
 - b) The UC and CSU do not supplant their undergraduate institutional need-based aid for students with the funds provided by the Cal Grant Reform Act, and to the extent possible, maintain institutional aid funding amounts at a level that is equal to the level maintain during the 2021-22 academic year.
 - c) That Cal Grant recipients maximize their awards via timely degree completion and degree completion requirements and use of awards align with goals of the Associate Degree for Transfer and the California Community College Guided Pathways program.

- d) That a working group be convened to evaluate changes to statute and federal financial aid following the operative date of the Act.

Reporting requirements

- 13) Requires the UC, CSU, and private nonprofit and for-profit institutions of higher education, and community college districts whose students receive Cal Grant aid to report, as specified, to the Department of Finance, the Legislative Analyst's Office and the Legislature, annually, starting with the 2021-22 academic year.

Miscellaneous

- 14) Declares that it is the intent of the Legislature to enact future legislation that would appropriate funds for purposes of the Cal Grant 2 and 4 Program that would, among other things, revise eligibility requirements so that all students with household incomes qualifying for a federal Pell Grant award would be eligible for a Cal Grant award, as well as increase Cal Grant 2 award amount to \$2,500.
- 15) Grandfathers existing Cal Grant A, B, C (Entitlement and Competitive Awards) Program award recipients in for these programs until the expiration of their award eligibility.
- 16) Suspends and makes the current financial aid program inoperable on July 1, 2024, or on a date determined in the annual Budget Act, whichever date is later.
- 17) Makes clarifying and conforming changes to existing law.
- 18) Incorporates additional changes to existing law proposed by SB 512 and AB 1113 to address chaptering issues.

Comments

- 1) *Need for the bill.* The author asserts that California's financial aid system, which supports over 400,000 students, is a key component of the state's commitment to accessible, affordable higher education. The author argues that, "California's primary state-funded student financial aid program was designed six decades ago and no longer meets the needs of the state's struggling college

students. In 2020, 7 of 10 students lost some or all of their income due to the COVID-19 pandemic. Indeed, COVID-19 and the ensuing recession have only heightened financial pressures being experienced by students while also highlighting the need for longer-term structural reform of state financial aid. To ensure more Californians have access to an affordable degree, comprehensive reform is needed.”

- 2) *Cal Grant Workgroup.* Assemblymembers José Medina and Kevin McCarty, along with Senator Connie Leyva, made a request of the Commission to create a working group of financial aid stakeholders that could develop recommendations for reforms to the Cal Grant program. This bill’s provisions, in part, are a result of recommendations provided by the Cal Grant workgroup.
- 3) *What would the program look like?* The proposed program will maintain general eligibility criteria regarding residency, applications completion, enrollment status and academic progress. Additionally, it maintains current definitions around Cal Grant qualifying institutions. All of which cumulate into two programs--Cal Grant 2 and 4 -- that are designed based on which institution the student is attending. The Cal Grant 2 would serve community college students by providing non-tuition support to low income students regardless of age or their time out of high school. The Cal Grant 4 the award would cover full tuition and fees for low-income students at a UC or CSU and maintain existing award amounts for students at eligible private institutions. Similar to Cal Grant 2, a student’s time-out-of-high school and age would not be factor for eligibility, and would lower the current GPA requirement from 3.0 to 2.0. In exchange for covering tuition for a greater number of students, the proposed reform assumes that CSU and UC can modify their grant aid programs to provide non-tuition awards to help cover expenses such as books, supplies, food, and housing for students with the most financial need.
- 4) *Who is eligible?* A student, regardless of their age, who is a California resident or are California Dream Act eligible enrolled in a certificate or undergraduate degree program at a California institution would continue to qualify for an award. The modified eligibility criterion captures a boarder and older student body than that of the state’s traditional financial aid programs and is likely to produce an eligibility pool that is reflective of the diversity of those enrolled in California-based colleges and universities. Like the current Cal Grant program, a degree-seeking student could receive a grant for the equivalent of four full-time academic years. The amount and duration of the award would be based on the student’s attendance status (full-time/part-time/less than part-time) and term

(semester or quarter). According to the Commission, the proposed reform will expand access to financial for more than 280,000 more students in the first year of application.

- 5) *Related federal changes.* Congress recently passed the FAFSA simplification Act which eliminates the Expected Family Contribution generated by the FAFSA and replaces it with a new Student Aid Index. That, along with other changes, will likely result in more California students receiving Pell awards and larger award amounts. The Act also eliminates several questions from the FAFSA that provide information currently required by state law for determination of Cal Grant eligibility. To avoid the need to create a separate application for state financial aid, changes to Cal Grant eligibility requirements are needed in near future. This bill makes conforming changes in anticipation of FAFSA simplification, which includes applying the student aid index to state aid programs.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- The California Student Aid Commission (CSAC) estimates ongoing General Fund costs of approximately \$82.6 million to implement the reforms to the Cal Grant program proposed by this measure. Specifically, an additional \$26.82 million would be required to support the extension of Cal Grants to additional students as well as costs associated with indexing Cal Grant 2 awards to the California Consumer Price Index. Additionally, the CSAC indicates that an additional \$44.8 million would be needed for the Students with Dependent Children program which would on top of its 2021-22 Budget Act funding level of \$180.1 million. The program's statutory cap was increased to \$250 million for the current year. Lastly, the CSAC estimates that an additional \$10.9 million would be necessary for the new enhanced access award for current and former foster youth above the program's 2021-22 appropriation of \$15.1 million to maintain full award amounts.
- CSAC indicates that because the bill allows existing Cal Grant recipients to continue to receive their awards until their eligibility expires, an additional \$57.7 million in one-time General Fund would be needed over a three-year period to maintain these Cal Grant awards.
- By removing the Cal Grant B Access Award, this bill could impact CSU's grant aid program which currently offers awards to cover costs for fifth and sixth year undergraduates, graduate students and other students not eligible for a Cal

Grant. The exact financial impact is unknown, but CSU indicates that its program could be overextended if it were to continue to both support the academic persistence of students and provide non-tuition awards for low-income students.

- CSAC estimates one-time General Fund costs of about \$1.1 million to develop a new Cal Grant system to process the awards and also facilitate marketing efforts. CSAC also estimates ongoing General Fund costs of approximately \$375,000 for two additional staff to support its call center and two staff to support training and outreach efforts in launching the new Cal Grant system.

SUPPORT: (Verified 9/7/21)

Office of Lieutenant Governor Eleni Kounalakis

Alliance for a Better Community

Asian Americans Advancing Justice- Los Angeles

Bay Area Council

BLU Educational Foundation

California Community Colleges, Chancellor's Office

California Competes

California EDGE Coalition

California State Student Association

California STEM Network

California Student Aid Commission

CALPIRG Students

Campaign for College Opportunity

Children Now

Genup

Higher Education and Workforce Development Silicon Valley Leadership Group

Improve Your Tomorrow, Inc.

John Burton Advocates for Youth

League of Women Voters of California

Long Beach Community College District

Los Angeles Community College District

Los Angeles United Methodist Urban Foundation

Los Rios Community College District

MALDEF

Mission Graduates

Nextgen California

Northern California College Promise Coalition

Office of the Riverside County Superintendent of Schools

Promesa Boyle Heights
Public Advocates
Regional Economic Association Leaders Coalition
Riverside Community College District
San Bernardino Community College District
San Jose-evergreen Community College District
Silicon Valley Leadership Group
Student Senate for California Community Colleges
The Education Trust- West
The Institute for College Access & Success
uAspire
UnidosUS
UNITE-LA
University of California Student Association
Young Invincibles

OPPOSITION: (Verified 9/7/21)

None received

ASSEMBLY FLOOR: 78-0, 6/3/21

AYES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bigelow, Bloom, Boerner Horvath, Bryan, Burke, Calderon, Carrillo, Cervantes, Chau, Chen, Chiu, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Fong, Frazier, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Ward, Akilah Weber, Wicks, Wood, Rendon

NO VOTE RECORDED: Waldron

Prepared by: Olgalilia Ramirez / ED. / (916) 651-4105
9/7/21 16:51:46

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