

ASSEMBLY THIRD READING  
AB 1746 (Medina and McCarty)  
As Amended April 21, 2022  
Majority vote

## SUMMARY

Makes significant reforms to the Cal Grant Program, the state's largest post-secondary financial aid program, including phasing-out existing programs and the creation of the new Cal Grant 2 Program for California Community College (CCC) students and the Cal Grant 4 Program for students attending the University of California (UC), California State University (CSU), and eligible private institutions.

### Major Provisions

To ensure Californians have access to debt free college, comprehensive reform is needed. The new Cal Grant Equity Framework will better support students as California recovers from COVID-19; the program will thus be built on targeted investments and reflect the needs of today's student population. This bill will do the following:

- 1) Establish 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) Consolidate Cal Grant Awards A, B, & C into Cal Grant 2 and Cal Grant 4 Programs;
- 3) *Cal Grant 2*: Guarantee an access award for all California Community College (CCC) students with incomes or other circumstances that would qualify for a Pell Grant award and who do not have any dependents under age 18;
- 4) *Cal Grant 4*: Maintain a tuition award to students at eligible four-year institutions;
- 5) *Students with Dependent Children*: Enhance basic needs awards for student-parents with dependent children and who are enrolled at a public college or university;
- 6) Remove barriers for adult learners such as GP – eliminating the need for the competitive Cal Grant program;
- 7) Open up eligibility to Cal Grant aid to over 150,000 California students, including adult learners, student-parents, and students of color; and,
- 8) Align state and federal financial aid policies to create a more coordinated approach to investments in college affordability that leverages federal fund sources to most effectively serve students.

## COMMENTS

*Background.* California's primary state-funded student financial aid program, the Cal Grant, is the largest state financial aid program, with the Governor's 2022-23 Budget proposing nearly \$2.8 billion in ongoing state General Fund (GF) and federal funds for the 2022-23 program year.

However, the Cal Grant was initially designed 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.

There are currently three kinds of Cal Grants, A, B and C, of which eligibility is determined by the Free Application for Federal Student Aid (FAFSA) or California Dream Act Application, a student's verified Cal Grant GPA, the type of California colleges a student listed on their FAFSA, and whether they are a recent high school graduate. Students are considered for a Cal Grant A, B, or C after they either establish eligibility for an Entitlement award (if they graduated from high school less than one year ago or transfer from a community college before age 28) or secure one of a limited number of Competitive awards (for any students that do not qualify for an Entitlement).

*Recent Budget Actions.* The 2021-22 Budget Act included the largest Cal Grant expansion in more than two decades. Prior to this action, only recent high school graduates and transfer students under the age of 28 qualified for a Cal Grant entitlement award, which left tens of thousands of low-income California college students out of the program. Committee Staff notes that it has mostly been community college students who have been left out.

Additionally, the Budget Act expanded entitlement awards to CCC students regardless of their age and time out of high school. For CCC students who receive this new award, they remain eligible for the award even after transferring to a CSU or UC. However, they are not eligible to use it if they transfer into an independent college or university (ICCU).

Further, most recent Budget Act included various Cal Grant augmentations, including a new supplemental access award for foster youth and an increase in the maximum tuition award for students attending an ICCU. For foster youth and students with dependent children attending the CCC, CSU, or UC, they are eligible for a maximum of \$6,000 in non-tuition state support.

The Governor's 2022-23 Budget Proposal appears to have additional increases to the Cal Grant; however, the increases align, in part with the increased tuition at the UC.

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.

*Federal changes.* As part of federal COVID-19 related legislation signed into law in late December 2020, the process for applying for and receiving federal aid was simplified. The federal changes initially were to commence with the 2023-24 academic year. However, the changes were delayed in June 2021 and now, are expected to be effective commencing with the 2024-25 academic year. In part, the upcoming changes do the following:

- 1) *Simplifies the FAFSA form.* The FAFSA is the form students need to complete in order to receive any financial aid from the federal government to help pay for college.

Each year, over 13 million students who file the FAFSA get more than \$120 billion in grants, work-study, and low-interest loans from the United States Department of Education. Additionally, many states, including California, and colleges use the FAFSA to determine which students will receive state and institutional financial aid—and how much they will receive.

Simplifying the FAFSA will not only make the form easier to fill out by eliminating two-thirds of the questions, but it will also affect the determination of financial need for low-, middle- and high-income students.

- 2) *Changes the Expected Family Contribution (EFC) to the Student Aid Index (SAI).* While the SAI is similar in nature to the EFC, according to TICAS, the name change will more accurately reflect the meaning of the calculation when determining student aid eligibility rather than an expectation of what a family can afford to pay for college.

Under the new model, a student applicant's SAI can be as low as -\$1,500; however, the lowest EFC under the existing model is \$0.

Committee Staff understands that the goal of the negative SAI is to provide states and postsecondary institutions of learning a more nuanced picture of student need in order to best target institutional and campus-based aid.

- 3) *Changes how Pell Grant eligibility will be determined.* Using the simplified FAFSA form, the Pell amounts will generally be determined by subtracting the SAI from the maximum Pell Grant award. Students who have a negative or zero SAI will receive the maximum amount available.

Applicants whose family adjusted gross income (AGI) falls below a specified percentage of the federal poverty level, will be guaranteed eligibility (regardless of their SAI). Further, applicants whose family AGI is up to 225% of the federal poverty level could also be eligible for the maximum award, and up to 400% of the federal poverty level for the minimum Pell award.

According to TICAS, high and low national projections for what the new changes mean for the number of students receiving Pell Grants suggest that between 420,000 and 555,000 more students will receive Pell Grants. Additionally, 1.6 to 1.7 million more students will receive the maximum Pell Grant award. While more needs to be understood about the eligible SAI ranges, TICAS projects that under the new system, approximately 81% of Pell Grant recipients will be eligible for the maximum grant; a significant increase from the 64% of Pell recipients who currently have an EFC of zero.

*Challenges with the existing Cal Grant program are numerous, including, but not limited to:*

- 1) Cal Grant program excludes hundreds of thousands of needy students;
- 2) Non-tuition costs are not adequately addressed;
- 3) State aid programs are too complex; and,

- 4) Despite state and segment focus on quicker time-to-degree, state aid does not adequately cover summer school costs.

*See the Assembly Committee on Higher Education policy analysis for an in-depth analysis of this measure.*

### **According to the Author**

According to the author, the Cal Grant program excludes hundreds of thousands of the most financially vulnerable students. The author contends that, "Cal Grant eligibility rules are geared toward college students who are 18- to 24-years old and attending college directly after finishing high school. Although the Community College Entitlement Program of 2021 removed age and time-out-of-high school eligibility for community college students, adult learners are still overwhelmingly excluded from Cal Grants due to the GPA barrier."

Additionally, non-tuition costs are not adequately addressed. Much of the state financial aid program was created in 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 independent postsecondary institutions indicate many students will spend at least \$12,000 annually on room and board in 2018-19.

The author also contends that, "State aid programs are too complex. The different Cal Grant Awards have complicated eligibility and application requirements that limit students' access to aid and do not align with federal financial aid policies. By reforming our Cal Grant system now, California will support its diverse students with the opportunity to pursue higher education."

### **Arguments in Support**

According to the Fix Financial Aid Coalition (FFA), comprised of the students of the three public higher education institutions, the Student Senate for California Community Colleges, the California State Student Association, and the University of California Student Association, "The state is lauded throughout the world for our commitment to higher education. We are all proud of this distinction, but sadly our state Cal Grant today does not help achieve our goals because it shuts out students that need aid the most to succeed."

Further, FFA states, "Today we have artificial barriers, complicated systems, and a disconnect with the federal Pell grant program making the Cal Grant system inaccessible. AB 1746 provides several critical changes that will make Cal Grant accessible."

### **Arguments in Opposition**

None on file.

## **FISCAL COMMENTS**

According to the Assembly Appropriations Committee:

- 1) Significant ongoing cost pressure in the hundreds of millions of dollars to the GF for Cal Grant aid, due to increases in the grant amounts and the number of eligible students. CSAC, in concert with the Legislative Analyst Office, estimates an ongoing cost of \$314.7 million to \$374.2 million above the Governor's budget proposal for the 2022-23 fiscal year. Actual costs would depend on the amount appropriated for this purpose.

- 2) Significant one-time and ongoing cost pressure to the GF for administration. CSAC estimates a one-time cost of \$1.1 million and ongoing costs of \$375,261 to adapt new technology and support new permanent positions. Actual costs would depend on the amount appropriated for this purpose.
- 3) Unknown, minor costs to CSU, UC, and the CCCs to prepare and submit the required reports. According to CSAC, the reporting requirements imposed by this bill will incorporate data that are already collected by the institutions. If the Commission on State Mandates determines that this bill imposes a mandated local program on the CCCs, those costs would be reimbursable.

## VOTES

### ASM HIGHER EDUCATION: 12-0-0

**YES:** Medina, Choi, Arambula, Bloom, Gabriel, Irwin, Kiley, Levine, Low, Santiago, Valladares, Akilah Weber

### ASM APPROPRIATIONS: 15-0-1

**YES:** Holden, Bigelow, Bryan, Calderon, Carrillo, Davies, Mike Fong, Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Wilson

**ABS, ABST OR NV:** Megan Dahle

## UPDATED

VERSION: April 21, 2022

CONSULTANT: Jeanice Warden / HIGHER ED. / (916) 319-3960

FN: 0002602