
SENATE COMMITTEE ON EDUCATION

Senator Connie Leyva, Chair
2021 - 2022 Regular

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Subject: Student financial aid: Cal Grant Reform Act

SUMMARY

This bill 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.

BACKGROUND

Existing Federal law. The federal Pell Grant provides aid 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 2022-23 (which covers the span of July 1, 2022, through June 30, 2023), will be \$6,895 (20 U.S.C. Section 1070).

Currently, the maximum Pell Grant for 2021-22 is \$6,345.

Existing state law:

- 1) Establishes the Commission 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 (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).
- 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. In the second and subsequent years, the award also provides tuition and fee support (EC Section 69435.).
- 4) California Community College (CCC) Expanded Entitlement Program. Commencing with the 2020-21 academic year, a student who was not awarded a Cal Grant A or B award at the time of the student's high school graduation but

will be enrolled at a CCC during the award year and meets all of the eligibility criteria, will be entitled to a Cal Grant A or B award (EC 69435.5).

- 5) 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).
- 6) 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 (EC Section 69437).
- 7) Cal Grant C Awards. The grants specifically 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 \$2,952 for tuition and fees and \$576 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).
- 8) Establishes the Middle Class Scholarship (MCS) Program to offset a portion of tuition costs at the UC and the CSU for students with annual household incomes of less than \$150,000. Commencing with the 2022-23 academic year, the student's annual household income does not exceed the following amounts: \$201,000 if the student is a dependent student or an independent student with dependents other than a spouse; \$133,000 if the student is a married independent student with no dependents other than a spouse; and, \$116,000 if the student is a single independent student with no dependents (EC 70020, et seq.).
- 9) 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 students taking 15 or more units per semester (EC Section 88930.).

ANALYSIS

This bill 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 CCC students and the Cal Grant 4 Program for students attending the UC, CSU, and eligible private institutions. Specifically, this bill:

- 1) Establishes the Cal Grant Reform Act and makes the Act's provisions contingent 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 consists 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

- 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 to be eligible for the award, a student must:
 - a) Be a California resident or qualify for a 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 CCC 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 includes an access award, covering non-tuition expenses, of no less than the per-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.
 - b) Submit a FAFSA 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.
 - d) 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; and,
 - 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 maintained during the 2022-23 academic year.
- c) That Cal Grant recipients maximize their awards via timely degree completion. It further states that it is the intent of the Legislature that the 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 annually, as specified, to the Department of Finance, the Legislative Analyst's Office, and the Legislature starting with the 2022-23 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 Programs 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.
- 18) Makes clarifying and conforming changes to existing law.

State goals for higher education

- 18) Modifies state goals for California's postsecondary education system to add the following:
 - a) It is the intent of the Legislature that students who are recipients of Cal Grant awards maximize their awards via a timely degree completion.
 - b) It intent of the Legislature that the completion of degree requirements and use of awards aligns with the goals of the Associate Degree for Transfer program and the California Community College Guided Pathways Grant

program, which is based on providing students who are pursuing an associate degree with a full two-year sequence of courses that can serve as a default plan to help ensure that these students are positioned to complete their programs on time.

- c) The intent of the Legislature is that a working group consisting of policymakers from the Legislature, the administration, the Student Aid Commission, segments of postsecondary education, external advocates, and student representatives be convened to evaluate changes to state and federal financial aid, following the operative date of the act that adds this subdivision.

STAFF COMMENTS

- 1) **Need for the bill.** 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.”

- 2) **Cal Grant Workgroup.** In September 2019, Assemblymembers José Medina and Kevin McCarty, along with Senator Connie Leyva, requested the Commission create a working group of financial aid stakeholders that could develop recommendations for reforms to the Cal Grant program. Specifically, the group was to consider priorities of previous reform legislation - AB 1314 (Medina and McCarty, 2020) and SB 291 (Leyva, 2019) – and create a plan and cost estimates to expand Cal Grant eligibility and better support students’ costs. The Cal Grant Reform Work Group (workgroup) included representatives of higher education segments, students, staff from the Executive and Legislative branches, and key nonprofit and advocacy partners. The result of their work was published in a report, “Cal Grant Modernization: A Vision for the Future” released March 2020. The report highlights several issues with the existing program and recommendations for reforms, many of which are related to the provisions of this bill. Those findings and recommendations include:

- a) Eligibility barriers. Over the years, various “rationing” mechanisms to reduce the costs of the state financial aid have effectively served to exclude many low-income, high-need students from the program; without access to grant aid, many of these students do not achieve their academic goals. To address those issues the report recommends eliminating a number of eligibility requirements including, among other things, eliminating the current restriction on first-year Cal Grant B students receiving tuition awards, and eliminating all age and time out of high school restrictions that block older students from accessing aid.
- b) Total cost of attendance. The current Cal Grant program is focused largely on covering tuition and fees; however, at the California public institutions of higher education, tuition comprises less than half of the total cost of attendance. The report recommends that state aid be used to provide tuition guarantees for eligible low- and middle-income Cal Grant students at four-year institutions, coordinate with four-year institutions to target institutional aid towards highest need students to provide access awards, and use state aid to provide access awards for highest need CCC students.
- c) Need for consolidation. The Cal Grant program is overly complicated and should be easier to understand. The program includes a mixture of grant types (A, B, C, and both entitlement and competitive) with a variety of eligibility requirements that create complications for students and schools. The report recommends consolidation of A, B, C, and entitlement and competitive pathways into Cal Grant 2 and Cal Grant 4 eligibility pools.
- d) Need for coordination. To help close the affordability gap for students, aid should strategically coordinate and maximize the benefit of all sources of aid including federal, other state assistance and institutional aid. The report recommends coordination with institutional aid and state aid by having institutional aid provide access awards and state aid cover tuition costs for a greater number of students at four-year intuitions.

Consistent with these recommendations, the proposed reform, in part, consolidates the existing A, B, C, and entitlement and competitive programs into two programs; 2) eliminates certain eligibility requirements that block older students from accessing awards; 3) removes GPA verification requirement of CCC students; 4) prioritizes students with the greatest financial need and; 5) uses the new federal formula to determine the level of financial need.

- 3) **What would the program look like?** In addition to the changes mentioned in the above paragraph, the proposed program would maintain general eligibility criteria regarding residency, application completion, enrollment status, and academic progress. Additionally, it preserves 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.
 - a) *Cal Grant 2.* The Cal Grant 2 guarantees an access award (covers non-tuition costs) for all CCC students with incomes below specified ceilings

based on their household status and size that are used to qualify for a Pell Grant award and who do not have any dependents under age 18 (those who have dependents under age 18 are covered under a different award). The proposal would eliminate high school GPA verification, eliminate time out of high school and age requirements, and allow students to apply until September 2 for the academic year.

- b) *Cal Grant 4.* The Cal Grant 4 would serve UC and CSU students, as well as students at private institutions. Similar to Cal Grant 2, the proposal would eliminate time out of high school and age requirements and would lower the GPA requirement from 3.0 to 2.0. The award would cover full tuition and fees at a UC or CSU and maintain existing award amounts for students at eligible private institutions. The grant program guarantees tuition/fee awards to students with incomes below specified ceilings based on their household status and size (average eligible income is approximately \$26,000 per year). Income ceilings based on household status/size are consistent with the methodology used to determine new Pell Grant cutoffs. Institutional aid programs are expected to provide low-income students with a stipend to support their basic needs expenses, in part, by redirecting funds currently used to cover tuition traditionally covered by Cal Grant.
- 4) **Who is eligible?** A California resident or an eligible nonresident under the California DREAM Act who is enrolled in a certificate or undergraduate degree program at a California institution would qualify for the award. By removing the age cap, the modified eligibility criterion captures a broader 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 would expand Cal Grant access to an additional 150,000 students in the first year of application.
- 5) **Impact to CSU.** 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. This particularly impacts the CSU, with approximately 75 percent of its Cal Grant recipients receiving the Cal Grant B Access Award (\$1,656 per year), which this bill would eliminate. CSU expressed concerns on with AB 1456 (Medina, 2021) nearly identical to this bill, that their grant aid program "will be financially overextended if the CSU is to continue to both support the academic persistence of our students and provide non-tuition awards for our low-income students." At the time this analysis was written the committee had not received a letter of concern from CSU on this bill.

- 6) **Middle Class Scholarship.** This bill does not affect the MCS program, which helps middle to higher income households cover college costs. The MCS would continue to operate outside of the Cal Grant program as it does currently.
- 7) **Financial aid equity for community college students.** Higher education funding policy in California has traditionally focused on making community college tuition more affordable for students and their families. California boasts the lowest tuition in the nation (\$1,380 annually), with the California College Promise Grant (formerly BOG waiver) covering tuition for low-income students. Approximately 43 percent of community college students have their tuition waived under the California College Promise Grant. Even so, community colleges are often the least affordable option for students when non-tuition costs like housing, food, and textbooks are considered. That is, need-based financial aid to cover non-tuition costs is so limited for community college students, it is often more expensive for the lowest-income students to attend a CCC than a UC. According to a report released by The Institute for College Access and Success in 2019, "What College Costs Low-Income Californians," in 2017-18 the average amount of grant aid available per low-income student was approximately \$5,800 at CCCs, \$10,600 at CSU, and \$27,500 at UC. Per full-time equivalent student, the average amount of grant aid was approximately \$2,300 at CCCs, \$6,700 at CSU, and \$10,800 at UC. Those results show the disparities in grant aid available to CCC students. The existing financial aid programs do not adequately cover the full cost of education beyond tuition and, by contrast, offer more aid to public or nonprofit four-year students. This bill proposes to address affordability for community college students by providing an entitlement award from the state's grant program to meet the true cost of attending college.
- 8) **Related and prior legislation.**

SB 851 (Portantino, 2022) which is currently in the Assembly Appropriations Committee, modifies the formula for determining the amount of a Cal Grant award for a student who attends a California nonprofit independent institution of higher education (Independent California Colleges and Universities - ICCU). It further expands eligibility for supplemental Cal Grant programs and the Community College Entitlement program to students attending ICCUs.

AB 1456 (Medina and McCarty, 2021) nearly identical to this bill, was vetoed by the Governor, enacted the Cal Grant Reform Act to be operative for financial aid awarded during the 2022-23 academic year. The act made vast reforms to the Cal Grant program, the state's largest post-secondary financial aid program. The Governor's veto message read:

Expanding access to financial aid has been a priority for my Administration. During my first year as Governor, I worked with the Legislature to provide access awards of up to \$6,000 for students with dependent children. In partnership with the Legislature, we recently made historic investments in our financial aid system, including over \$235 million in ongoing resources to expand Cal Grant eligibility for community college students, and a combined \$632 million in ongoing resources to focus the Middle Class Scholarship Program on reducing students' total cost of

attendance. This bill seeks to replace those investments prior to their full implementation.

I agree with the author that making the Cal Grant program simpler to navigate would benefit our students and their families. However, this bill results in significant cost pressures to the state, likely in the hundreds of millions of dollars annually. Future changes to the financial aid system of this magnitude should be considered as a part of the annual budget process.

AB 1314 (Medina and McCarty, 2020) initially enacted the Cal Grant Reform Act. However, on June 26, 2020, the measure was amended to relate to law enforcement. The amended version of the bill was not heard in the Senate Public Safety Committee.

SB 291 (Leyva, 2019), 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. SB 291 was not heard in the Assembly Higher Education Committee.

SUPPORT

Allan Hancock College
Alliance College-ready Public Schools Foundation
Alliance for A Better Community
Blu Educational Foundation
California Community Colleges Chancellor's Office
California Edge Coalition
California Federation of Teachers Afl-cio
California State Student Association
California Student Aid Commission
California Undocumented Higher Education Coalition
Campaign for College Opportunity
Cerritos College
Community Coalition
Community College League of California
Congregations Organized for Prophetic Engagement
Council for A Strong America
Council of Mexican Federations (COFEM)
Dolores Huerta Foundation
Faculty Association of California Community Colleges
Genup
Go Public Schools
Growing Inland Achievement
Hispanas Organized for Political Equality (HOPE)
Improve Your Tomorrow, INC.
Innecity Struggle
John Burton Advocates for Youth
League of Women Voters of California

Linked Learning Alliance
Long Beach Community College District
Los Angeles Community College District
Los Rios Community College District
Mt. San Antonio College
Napa Valley College
Nextgen California
North Bay Leadership Council
North Orange County Community College District
Office of The Riverside County Superintendent of Schools
Para Los Ninos
Pasadena Area Community College District
Promesa Boyle Heights
Public Advocates
Readnation
Regional Economic Association Leaders (R.E.A.L.) Coalition
San Jose-evergreen Community College District
Santa Clarita Community College District - College of The Canyons
Santa Monica College
Santa Rosa Junior College
South Orange County Community College District
Southern California College Attainment Network
Student Senate for California Community Colleges
The Education Trust - West
The Institute for College Access & Success
Tv Academy
Uaspire
Unidosus
Unite-la
University of California Student Association
Western Association for College Admission Counseling (WACAC)
Young Invincibles

OPPOSITION

None received.

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