

## CONCURRENCE IN SENATE AMENDMENTS

AB 288 (Calderon and Mia Bonta)

As Amended May 17, 2022

Majority vote

**SUMMARY**

Enacts the California Ban on Scholarship Displacement Act of 2021 (Act).

*Major Provisions*

- 1) Prohibits, commencing with the 2023-24 academic year, an institution of higher education from reducing the institutional gift aid offer of a student who is eligible to receive a federal Pell Grant award or financial assistance under the California Dream Act for an academic year as a result of private scholarship awards designated for the student unless all of the student's gift aid exceeds the student's annual cost of attendance (COA).
- 2) Specifies that an institution may reduce the institutional gift aid offer of a student who is eligible to receive a federal Pell Grant award or financial assistance under the California Dream Act by no more than the amount of the student's gift aid that is in excess of the student's annual COA.
- 3) Prohibits the institution from considering receipt or anticipated receipt of private scholarships when considering a student who is eligible to receive a federal Pell Grant or financial assistance under the California Dream Act for qualification for institutional financial aid.
- 4) Encourages an institution to implement efforts to avoid scholarship displacement through consultation with scholarship providers and students in order to avoid situations where institutional financial aid and private scholarships can only be used for specific purposes.

**Senate Amendments**

Clarifying and technical in nature.

**COMMENTS**

*What Is Scholarship Displacement?* According to Road2College, scholarship displacement, otherwise known as "over-award" by colleges, can impact need-based financial aid awards in the package from their school, even if the scholarship (or scholarships) do not cover all of their expenses. Many colleges argue that, when a student receives a scholarship, the student's "need" changes. For example, if the student is awarded a \$1,000 scholarship, the school may determine that the student's need has correspondingly been reduced by \$1,000. Typically, this occurs if the student is deemed "over-awarded," meaning that the combination of the student's scholarship and initial financial aid package offering exceeds the total COA of the college or university. If that occurs, the college may decide to give the \$1,000 institutional grant they had originally earmarked for the student to another student who still has an unmet need.

*Types of financial aid for college students.* College students, pending various eligibility criteria, can access many types of financial aid to assist them in paying for their college degree. Types of financial aid include, but is not limited to the following:

- 1) Grants - given by the federal government, the state, or institutions of higher education (these awards do not need to be paid back by the student);
- 2) Loans – can be federal or private (the student has to repay the loan later, often times with relatively high interest rates); and,
- 3) Scholarships - typically given for achievement or merit (scholarships do not need to be paid back).

*Institutional aid.* Institutional grant aid is a significant source of financial aid that helps reduce California students' financial barriers to college, yet it is relatively less understood than the state Cal Grant program. Decisions about allocating institutional aid funds reflect a number of different factors, including the types of resources colleges have at their disposal as well as their commitment to providing educational opportunity to low-and middle-income students. Additionally, institutional aid programs play a unique role in supporting individual colleges' enrollment and completion goals in that colleges have the flexibility to distribute their own grant funds; however, these funds are often tied with differential reliance on tuition revenues which can make the amount available volatile from one year to the next.

Ultimately, colleges' decisions about how to distribute available institutional aid resources have long been and will remain an important factor in determining the future of college affordability in the state.

According to a July 30, 2020 report by The Institute for College Access and Success (TICAS), *Institutional Grant Aid at California Colleges: A Primer*, the California State University (CSU) System, consisting of 23 campuses across the state, distributes over \$746.8 million dollars in undergraduate grants and scholarships each year – an amount of institutional gift aid that is roughly equivalent to what CSU students collectively receive in state financial aid (Cal Grant).

The vast majority of this aid (81%) is distributed through the need-based State University Grant (SUG) program. The CSU also operates a number of other smaller institutional aid programs, including about \$65.5 million (9% of gift aid spending) in non-athletic scholarships for about 29,000 students and \$53.4 million (7%) in athletic scholarships and grants for about 5,000 students.

Across all programs, CSU reports spending \$75 million in gift aid received by about 24,500 students for reasons other than their financial need (i.e., non-need-based). In total, 89% of all institutional gift aid is distributed based on financial need. Limited data from individual campus-level reporting of institutional aid spending suggests that some of the aid awarded for reasons other than financial need in fact support students with need.

The report notes that the SUG program was established through a general appropriation fund in the early 1980s, and since 1993 has been funded primarily through a dedication of one-third of the new revenue generated from tuition increases. The SUG program aims to ensure that low-income students have systemwide tuition charges covered by state or institutional financial aid. It is directed at students not receiving Cal Grants or other waivers designated for payment of systemwide tuition, with a focus on students with expected family contributions (EFCs) up to about \$4,000. While uncommon, major changes to the SUG program are approved by the CSU Board of Trustees. In 2012, Trustees limited SUG awards to statewide tuition charges. Beginning

in 2019, campuses may provide SUG awards that also cover up to half of mandatory campus-based fees.

The University of California (UC) System, including nine undergraduate-serving campuses across the state, distributes just over \$1 billion in undergraduate grants and scholarships each year – an amount of institutional gift aid that exceeds what UC students collectively receive in state financial (Cal Grant) aid. A total of 81% of UC institutional gift aid spending is distributed through the need-based UC Grant program.

The UC system also operates a number of other smaller institutional aid programs, including \$124.0 million in non-athletic fellowships and scholarships (equaling 12% of gift aid spending) that serve 31,800 students, and about \$54.3 million (5% of gift aid spending) in athletic scholarships for about 2,700 students. Across all programs, UC reports spending \$160.3 million in gift aid, received by about 31,600 students for reasons other than their financial need (non-need-based). In total, 85% of all institutional gift aid is awarded based on need. Voluntary reporting by individual campuses suggests that the majority of the aid awarded for reasons other than financial need in fact support students with need.

The report additionally notes that the UC's need-based grant aid program was established in the late 1960's and is funded through a set aside of one-third of new mandatory systemwide tuition and fee revenue. Dollars are allocated through a system-wide financial aid strategy, known as the Education Financing Model (EFM), which relies on equal contributions from students and/or families, state and federal government aid, and institutional aid. Within the EFM framework, the UC grant program supplements other available grant and scholarship aid in order to ensure all students can cover total college costs (including non-tuition and fee costs) with an equal loan and work burden set at a level deemed manageable. In 2019-20, this "self-help" level was approximately \$10,000. The University's Blue and Gold Opportunity Plan, in which students with parent incomes of up to \$80,000 and demonstrate a financial need are guaranteed to receive grants covering mandatory systemwide fees, is embedded within the EFM framework.

California residents enrolled in an undergraduate program at any UC campus, who demonstrate financial need, are broadly eligible for a UC grant under the EFM. Because UC grants fill in gaps left by other financial aid programs, whether students receive a UC grant and the size of the award depends on how much of a gap remains, rather than having an EFC in a specified range.

### **According to the Author**

Prohibiting scholarship displacement is an essential part of any equity-focused college affordability equation, particularly during the COVID-19 pandemic, as public and private resources grow scarcer. The author contends that, "By eliminating the practice of scholarship displacement in higher education institutions, student recipients from low and middle-income backgrounds will be able to make full use of their financial aid awards and private scholarships."

The author states, "As California students struggle with how to achieve their dream of earning a college degree, we must not punish students who are fortunate enough to receive a private scholarship. This is a common practice known as scholarship displacement. During this economic recession, it's even more urgent that we help low-income students who may have no other means to pay for the complete cost of colleges."

**Arguments in Support**

According to the California State Student Association, "Low-income college students across California's higher education segments struggle to afford their total cost of college due to a broken financial aid system that has low-income students, regardless of institution, taking out significant debt and struggling to make ends meet. While California's state aid program, plus federal and institutional financial aid, does a good job of covering tuition, the total cost of college is not just tuition. At the CSU, 22% of the total cost is tuition, while non-tuition costs such as housing, transportation, and textbooks make up the other 78%. Our low-income students (disproportionately underrepresented students) who have their tuition covered, still need to take out, on average, the same amount of debt as their more privileged counterparts, indicating an unmet need specific to non-tuition costs. AB 288 would help to ensure that our lowest income students are not penalized for pursuing private scholarships and help to make sure that more of their total cost of attendance is covered.

**Arguments in Opposition**

None on file.

**FISCAL COMMENTS**

According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

**VOTES:****ASM HIGHER EDUCATION: 12-0-0**

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

**ASM APPROPRIATIONS: 12-0-4**

**YES:** Holden, Bryan, Calderon, Luz Rivas, Gabriel, McCarty, Levine, Quirk, Robert Rivas, Akilah Weber, Stone, Mullin

**ABS, ABST OR NV:** Bigelow, Megan Dahle, Davies, Fong

**ASSEMBLY FLOOR: 76-0-0**

**YES:** Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bigelow, Bloom, Boerner Horvath, Mia Bonta, Bryan, Burke, Calderon, Carrillo, Cervantes, Chen, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Fong, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, 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, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

**SENATE FLOOR: 38-0-2**

**YES:** Allen, Archuleta, Atkins, Bates, Becker, Borgeas, Bradford, Caballero, Cortese, Dahle, Dodd, Eggman, Glazer, Gonzalez, Grove, Hertzberg, Hueso, Hurtado, Jones, Kamlager, Laird, Leyva, Limón, McGuire, Melendez, Min, Newman, Nielsen, Ochoa Bogh, Pan, Portantino, Rubio, Skinner, Stern, Umberg, Wieckowski, Wiener, Wilk

**ABS, ABST OR NV:** Durazo, Roth

**UPDATED**

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