

Date of Hearing: June 21, 2022

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

SB 851 (Portantino) – As Amended May 19, 2022

SENATE VOTE: 38-0

SUBJECT: Cal Grant Program: independent institutions of higher education.

SUMMARY: Modifies the formula for determining the amount of a Cal Grant award for a student who attends any campus of the Independent California Colleges or Universities (ICCU) [sometimes referred to as nonprofit independent institutions of higher education]; and, further expands eligibility for supplemental Cal Grant programs and the Community College Entitlement program to students attending ICCUs. Specifically, **this bill:**

- 1) Modifies the formula for calculating the amount of Cal Grant awards for students attending ICCUs.
- 2) Sets the Cal Grant award amount for 2022-23, starting at \$9,220, and each award year thereafter to be equal to the award amount for new recipients from the prior award year, adjusted by an amount equal to the California Consumer Price Index (CPI) as calculated by the Department of Industrial Relations.
- 3) Conditions the Cal Grant award amount, as enumerated in (2) above, on achievement of ICCUs toward the target numbers for associate degree for transfer (AD/T) commitments that apply in existing law for the prior award year.
- 4) Eliminates AD/T transfer target numbers established for certain award years.
- 5) Provides that, if the number of commitments ICCUs make to accept AD/T is less than the target number, the award remains the same amount for new recipients from the prior year, instead of experiencing a reduction in the award amount as specified in existing law.
- 6) Authorizes the Director of Finance to suspend award amount adjustments for Cal Grant A awards if the Governor's budget projects a deficit for the succeeding award year.
- 7) Expands eligibility for Cal Grant awards designated for students with dependent child(ren) and foster youth and former foster youth to students who attend an ICCU.
- 8) Expands eligibility for the Community College Transfer Entitlement award to students who transfer from a community college to an ICCU.
- 9) Makes clarifying and technical changes to existing law.

EXISTING LAW:

- 1) Establishes the Donahoe Higher Education Act, setting forth the mission of the University of California (UC), the California State University (CSU), and the California Community

Colleges (CCC); and, defines "independent institutions of higher education" as nonpublic higher education institutions that grant undergraduate degrees, graduate degrees, or both, and that are formed as nonprofit corporations in California and are accredited by an agency recognized by the United States Department of Education (Education Code (EC) Section 66010, et seq.).

- 2) Establishes the California Student Aid Commission (CSAC) for the purpose of administering specified student financial aid programs (EC Section 69510, et seq.).
- 3) Authorizes the Cal Grant program, administered by the CSAC, to provide grants to financially needy students attending a college or university. The Cal Grant programs include both the entitlement and the competitive Cal Grant awards. The programs consists of the Cal Grant A, Cal Grant B, and Cal Grant C programs, and eligibility is based upon financial need, grade point average (GPA), California residency and other criteria (EC Sections 69430 - 69433).
- 4) Provides supplemental awards programs for students with dependent child(ren) and former and current foster youth to assist with non-tuition costs to students who attend California public colleges and universities (EC Sections 69465 and 69470).
- 5) Establishes the Student Transfer Achievement Reform (STAR) Act, which in part, requires a student that receives an AD/T to be deemed eligible for transfer to a CSU baccalaureate degree program when the student meets specified requirements. Community college students earn an AD/T degree after taking 60 units consisting of general education courses and courses in an academic major. This degree guarantees junior standing at a CSU campus allowing the student to complete their bachelor's degree within two years of transfer (EC Section 66745, et seq.).
- 6) Establishes, for the 2022-23, 2023-24, and 2024-25 award years, the maximum Cal Grant tuition award at \$9,220 for new recipients attending ICCUs if these institutions, as a sector, also accept the specified number of transfer students from a CCC who have AD/T commitments. The 2022-23 award year enrollment target is 3,000, the amount grows to 3,500 for the 2023-24 award year and for the 2024-25 award year and each award year thereafter the target number is adjusted based on the total number of transfers accepted in prior year. The award amount is reduced should the sector fail to meet established targets (EC Section 69432, et seq.).

FISCAL EFFECT: According to the Senate Committee on Appropriations, the CSAC estimates that this bill would result in General Fund costs of approximately \$58.6 million over two years, with annual ongoing costs of about \$30.1 million thereafter. This estimate reflects a student transfer total of 31,253 at all ICCU campuses and cost of living adjustment of \$7.8 million in the first year and \$8.3 million in the second year.

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.

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 ICCU.

This measure, in part, expands eligibility for the Community College Transfer Entitlement award to students who transfer from a community college to an ICCU.

Further, the 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.

This measure, in part, expands eligibility for Cal Grant awards designated for students with dependent child(ren) and foster youth and former foster youth to students who attend an ICCU.

Need for the measure. According to the author, "Over the last 20 years, the Cal Grant award amount for students at ICCUs has lost approximately half its purchasing power due to inflation and lack of growth. While the Cal Grant award for students at UC and CSU have increased close to 200% since the early 2000s, the award amount for students at ICCUs today has decreased 5%."

The author contends that, "There is currently no statutory mechanism for the Cal Grant award to increase for students at an ICCU, whereas the award for students at a UC or CSU is statutorily tied to tuition."

Further, the author states that, "Current AD/T target goals are not responsive to broader trends or disruptions in higher education and threaten cuts to low-income students." The author goes on to state:

“Existing law proposes trigger cuts of 13% for new Cal Grant recipients if certain ADT targets are not met and maintains the award at the existing level of \$9,220 if those targets are met. This framework was developed several years ago with the Brown Administration, which at the time was interested in seeing ICCUs adopt AD/T pathways. The static targets established provided no consideration for near-term shifts in higher education, and the shortcoming of this approach was best demonstrated by the impact of the global pandemic on college enrollment.

Additionally, existing law states that if these targets are not achieved, new recipients shall receive a reduced Cal Grant award. To date, the Legislature has not favored implementing this trigger cut, and has instead maintained the award or pushed the target out a year. This legislation proposes to replace the trigger cut in years where the target is missed with one that holds students harmless in those instances. It instead shifts to propose that, if targets are achieved, that an automatic adjustment to the award be implemented, unless there is a projected budget deficit, in which case the increase can be suspended.”

Lastly, the author asserts that, “The current framework was successful in encouraging ICCUs to quickly adopt the AD/T pathway.”

The framework of this measure appears to maintain much of the original agreement to continue to strengthen AD/T pathways to ICCUs, while better aligning financial aid policy with legislative goals of better promoting affordability and supporting low-income students who choose to attend an ICCU in the following ways:

- 1) Restructuring the existing framework for AD/T admit targets and Cal Grant award amounts to provide a pathway to future award growth for students; and,
- 2) Expanding eligibility for supplemental Cal Grant support to student parents and current and former foster youth who attend an ICCU and the CCC Entitlement Program to allow newly eligible transfer students to use their remaining Cal Grant eligibility at an ICCU.

California’s ICCUs. According to the Association of Independent California Colleges & Universities (AICCU), the AICCU is comprised of over 80 ICCUs. The ICCU segment (or sector) enrolls approximately 20% of undergraduates attending a 4-year institution in California, 53% of graduate students (Master’s and Doctorate Degrees). Fifteen percent of students attending ICCUs receive Cal Grants (of the 15%, 40% are first-generation college students and 50% are Latinx) and 25% receive Pell Grants. Further, 33 ICCUs are Hispanic Serving Institutions (HSIs) and 27 are emerging HSIs.

On average, \$19,832 of institutional grant aid is provided to every ICCU Cal Grant student. When multiplied by approximately 27,500 Cal Grant recipients, roughly \$545.4 million in institutional grant aid is awarded to ICCU Cal Grant recipients.

Additionally, 67% of ICCU Cal Grant students graduate in four years, a rate substantially similar to that of the UC.

Arguments in support. The AICCU, sponsors of this measure state, “As you know, the Cal Grant program is the most comprehensive state aid program in the nation, helping tens of thousands of low-income students in their pursuit of a college degree. Across AICCU institutions, more than 27,000 of the 180,400 undergraduate students we educate are Cal Grant recipients. Among those

Cal Grant recipients attending our institutions, 40% are first-generation college students and 50% are Latino. We are incredibly proud that we are providing educational opportunity to students who have the most to gain by a higher education.”

The AICCU further states that, “The Cal Grant, paired with an average of over \$19,000 in institutional grant aid, helps students recognize that independent, private colleges are accessible to them. Further, this support helps promote regional access when more students are place bound and at a time when capacity constraints continue to limit opportunities at our UC and CSU institutions. For example, the University of Redlands enrolls over 950 Cal Grant students among its 3,400+ undergraduates.”

However, the AICCU contends that, “Despite our important work and efforts to enroll more low-income undergraduate and transfer students, the Cal Grant award for students attending independent nonprofit colleges and universities has experienced a series of cuts, reducing the award amount from \$9,708 in 2001 to \$9,220 as of this year. Over that same time, students attending a UC or CSU have seen their awards increase by 52% and 44% (respectively). This disinvestment in our students, paired with a loss of purchasing power in the award amount due to inflation, has reduced the impact of the Cal Grant for students considering their regional AICCU institutions.”

Lastly, the AICCU states, “SB 851 helps ensure Cal Grant students have stable financial support so they can access the college or university that best fits their academic goals and personal preferences. Every dollar provided via the Cal Grant program to students helps further expand access, minimize the need to work or take out loans, and improves affordability. These students thrive at AICCU institutions, with a four-year graduation rate of 67% and a six-year graduation rate of 76%.

Related legislation. AB 1746 (Medina, et al.), which is pending a hearing in the Senate Committee on Education, 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. Further, similar to this measure, AB 1746 links Cal Grant 2 award increases with inflation.

Prior legislation. AB 2030 (Blanca Rubio) of 2020, which was not heard by the Senate Committee on Education due to the shortened 2020 Legislative Calendar, is similar to AB 1307 (as described below), would have established a formula to determine the amount of Cal Grant awards for students attending ICCUs.

AB 1307 (Blanca Rubio) of 2019, which was vetoed by Governor Newsom, is similar to this measure, and, in part, would have created a new Cal Grant for ICCUs. The formula was to be set and maintained at 80% of the sum of the General Fund share of the CSU marginal cost of instruction and maximum Cal Grant award for tuition at the CSU. However, AB 1307 did not seek to expand eligibility to other programs.

The Governor’s veto message stated:

“This bill, commencing with the 2020-21 fiscal year, shifts the computation for the maximum Cal Grant tuition award for students attending private nonprofit institutions from

being set in the annual budget act to a formula driven calculation if these institutions serve specified numbers of transfer students.

While this is a worthy measure, it creates ongoing General Fund costs in the tens of millions of dollars annually, and should be considered in the annual budget process.”

AB 1166 (Burke) of 2017, which was held in the Senate Committee on Education by the request of the author, was similar in nature to this measure.

AB 831 (Bonilla) of 2015, which was held on the Suspense File in the Assembly Committee on Appropriations, was similar in nature to this measure.

AB 1318 (Bonilla) of 2014, which was held by the author on the Senate Floor, was similar to this measure except that under AB 1318, students attending for-profit WASC accredited institutions would have also been eligible for the increased award amount.

REGISTERED SUPPORT / OPPOSITION:

Support

Association of Independent California Colleges & Universities (AICCU) (Sponsor)
California Association of Christian Colleges and Universities (CACCU)
Concordia University Irvine
San Gabriel Valley Economic Partnership
Thomas Aquinas College

Opposition

None on file.

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