

SENATE THIRD READING
SB 851 (Portantino)
As Amended May 19, 2022
Majority vote

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.

Major Provisions

- 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.

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 higher education budget trailer bill, AB 183 (Committee on Budget), Chapter 54, Statutes of 2022, includes: 1) \$5.5 million to increase the maximum Cal Grant award for Cal Grant recipients at ICCUs, from \$9,220 to \$9,358; 2) \$10 million to extend the \$6,000 Cal Grant awards for foster youth and students with dependent children to Cal Grant recipients attending ICCUs; and, 3) \$10.4 million to extend Cal Grant portability for CCC students transferring to an ICCU beginning in the 2024-25 fiscal year, pending a revenue determination in May 2024.

This measure is similar to the budget actions described above, except this bill: 1) applies an annual cost-of-living-adjustment (adjusted by an amount equal to the California Consumer Price Index (CPI) as calculated by the Department of Industrial Relations) to the Cal Grant award for Cal Grant recipients attending ICCUs; and, 2) implements the Cal Grant portability for CCC students transferring to an ICCU beginning in the 2022-23 fiscal year.

Please refer to the policy committee analysis for further discussion.

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 four-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.

According to the Author

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 University of California (UC) and California State University (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."

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%."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) One-time General Fund costs of about \$59 million over two years, with annual ongoing costs of about \$30 million General Fund thereafter, according to the California Student Aid Commission (CSAC).
- 2) Minor and absorbable General Fund costs for CSAC to administer programs as modified by this bill.

VOTES

SENATE FLOOR: 38-0-2

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

ABS, ABST OR NV: Hertzberg, Jones

ASM HIGHER EDUCATION: 12-0-0

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

ASM APPROPRIATIONS: 16-0-0

YES: Holden, Bigelow, Bryan, Calderon, Arambula, Megan Dahle, Davies, Mike Fong, Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, McCarty

UPDATED

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