THIRD READING

Bill No: AB 1534
Author: Irwin (D), et al.
Amended: 6/15/26 in Senate
Vote: 21

SENATE EDUCATION COMMITTEE: 7-0, 6/24/26
AYES: Pérez, Ochoa Bogh, Cabaldon, Choi, Cortese, Gonzalez, Reyes

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 5-0, 7/1/26
AYES: Smallwood-Cuevas, Strickland, Cortese, Durazo, Laird

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 61-10, 5/21/26 - See last page for vote

SUBJECT: Federal Workforce Pell Grant program: local workforce development boards: participant training requirement

SOURCE: The Institute for College Access & Success

DIGEST: This bill establishes state consumer protection standards for public postsecondary institutions seeking to participate in the federal Workforce Pell Grant program for short-term workforce training programs. It further modifies Workforce Innovation and Opportunity Act (WIOA) requirements by requiring local workforce development boards to ensure that at least 50% of participants receive workforce training services beginning in 2028.

ANALYSIS:

Existing federal law:

1) Establishes the federal Pell Grant to provide 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 the 2025-26 academic year (which covers the period from July 1, 2025 – June 30, 2026) is $7,395. The minimum Pell Grant award for the same time frame is $740. (United States Code (USC) Title 20 § 1070)

2) Establishes the federal Workforce Pell Grant program (via H.R. 1, Public Law 119-21), beginning July 1, 2026, to provide federal Pell Grant funding for eligible students enrolled in short-term workforce training programs aligned with high-skill, high-wage, or in-demand industries.

Existing state 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 (USDE). Specifies that for purposes of any code or statute, a national or regional accrediting agency recognized by the USDE as of January 1, 2025, shall retain that recognition until July 1, 2029, provided that the accrediting agency continues to operate in substantially the same manner as it did on January 1, 2025. (Education Code (EC) § 66010, et seq.)

2) Establishes California Student Aid Commission (CSAC) as the state agency charged with administering state financial aid programs to qualifying students enrolled in qualifying institutions of higher education throughout the State. Existing law requires CSAC to prescribe the use of standardized student financial aid applications for California. (EC § 69433 and § 69510, et seq.)

3) Establishes the Labor and Workforce Development Agency to coordinate workforce development programs and support workforce policy in California. (Government Code § 15550, et seq.)

This bill:

1) Prohibits a public postsecondary educational institution from disbursing Workforce Pell Grant program funds to students enrolled in the institution's short-term programs, and from advertising, marketing, or informing students

about the availability of those funds, unless the institution has met both of the following:

a) Obtained authorization from CSAC, on behalf of the Governor, as prescribed.

b) Obtain approvals and meet all federal requirements.

2) Prohibits CSAC from authorizing public postsecondary educational institutions to receive Workforce Pell Grant program funds for a short program if it does any of the following:

a) Partners, contracts, or affiliates with an entity, including an institution or organization, that is not accredited by an accrediting agency recognized and approved by the USDE to provide, or offer to provide, instruction for the short-term program, unless one of the following applies:

i) The institution partners, contracts, or affiliates with the entity for the purpose of offering instruction for a registered apprenticeship program.

ii) The short-term program has a contract education agreement with a participating community college that meet the specified requirements.

iii) The entity and institution disclose that the entity is a company that is separate from the institution and describes all of the services that the entity is contracted to provide for the institutions in the manner specified.

iv) The entity is not paid using incentive compensation or tuition sharing with the institution.

v) The entity does not participate in, or exercise authority over, the institution's governance or decision-making process on factors including the design or development of core curriculum or instruction, admission standards, determining enrollment targets, or creation of new short-term programs.

b) Offers or affiliates with a company that offers financing for the short-term program using a private educational loan, including the specified types of financing.

c) Charges tuition and fees to a student for the short-term program that is more than the maximum amount of Workforce Pell Grant program funds available for a student in the short-term program. The prohibition does not apply if the portion of tuition and fees that exceeds the maximum Workforce Pell Grant program amount is paid on behalf of the student by the specified third parties.

3) Authorizes CSAC to use the California Priority Jobs Credentials List to determine whether a short-term program satisfies the following requirement:

a) Provides an education aligned with the requirements of high-skill, high-wage, or in-demand industry sectors or occupations.

b) Meets the hiring requirements of employers in high-skill, high-wage, or in-demand industry sectors or occupations.

c) Leads to a recognized postsecondary credential that is stackable and portable across more than one employer or prepares students enrolled in the short-term program for employment in an occupation for which there is only one recognized postsecondary credential and that awards the credential upon completion.

4) Authorizes the Labor and Workforce Development Agency to enter into a data-sharing agreement with the Office of Cradle to Career Data to the extent it is necessary to establish and maintain the California Priority Jobs Credential List.

5) Modifies the following provisions to the WIOA Adult and Dislocated Worker program, effective July 1, 2028:

a) Requires local workforce development boards, instead of spending a minimum of 30% of specified *funds* for adults and dislocated workers, to ensure that at least 50% of *participants* enrolled in the adult and dislocated worker program receive workforce training services.

i) Prescribes the training services that count toward the participant training requirements, as specified.

b) Requires the Employment Development Department (EDD) at the end of each program year to calculate for each local workforce development board whether the local workforce development board met the *participant training* requirement and annually report regarding the *aggregate number of participants enrolled* in adult and dislocated worker programs and the *aggregate percentage of those enrolled participants* receiving training services.

c) Requires a local workforce development area that does not meet the participant training requirement to submit a corrective action plan to EDD that provides reasons for not meeting the *participant training* requirement and describes actions taken to address the identified *participant training* deficiencies.

6) Makes other conforming and technical changes.

7) State various findings and declarations related to the federal Workforce Pell Grant program and workforce training opportunities.

8) States that it is the Legislature's intent to expand access to high-quality workforce training opportunities by defining standards for short-term programs to be eligible for the federal Workforce Pell Grant program and requiring an increase in participants that receive workforce training services under the federal WIOA program.

Comments

1) *Need for the bill.* According to the author, "Californians looking to gain new skills or advance in their careers by enrolling in short-term workforce training programs may be eligible for new financial assistance. The federal government is set to begin rolling out Workforce Pell Grants for eligible Californians seeking to enroll in short-term programs lasting eight to 15 weeks. These programs will lead to industry-recognized credentials in sectors like healthcare, IT and skilled trades, and will train participants for high-wage and in-demand jobs.

   "As states prepare to implement this historic expansion of aid, proper safeguards are necessary to ensure these programs deliver real opportunities for students and their families and prevent them from wasting their lifetime-limited Pell Grant eligibility. AB 1534 includes important consumer protection measures that protect students from risky private loans and require programs to charge reasonable costs and fully disclose partnerships with unaccredited organizations."

2) *Federal Workforce Pell program.* Congress enacted H.R. 1, in the Summer of 2025. Among the many provisions contained in the measure is a section that expands Pell Grant eligibility to students enrolled in short-term, career-focused training programs that meet defined quality requirements and lead to industry-recognized credentials. The workforce training programs tend to be between 8 and 14 weeks in length and are intended to provide rapid pathways to employment in high-demand industries. This expansion is commonly referred to as "Short-Term Pell" or "Workforce Pell."

According to the National Governors Association and America Achieves, in their Workforce Pell: An Overview for Governors March 2026 policy memo, "the Congressional Budget Office estimates that over the next ten years, the federal government will invest approximately $1.5 billion in Workforce Pell Grants of about $2,200 per recipient, although awards will vary as they are prorated based on program length and student need. However, research on such short-term programs demonstrates that while some programs deliver strong labor market returns, many do not. This new funding stream represents an opportunity for Governors to drive resources to the strongest programs to address critical workforce development needs and better align postsecondary training to high-skill, high-wage, and in-demand jobs through their implementation decisions."

The Workforce Pell goes into effect on July 1, 2026, the USDE proposed regulations in March 2026, and is expected to finalize regulations later this Spring. Presently, the draft regulations leave Governors with considerable leeway in the details of implementation.

3) *Workforce Pell and existing state financial aid programs.* As mentioned, Workforce Pell is designed to support short-term workforce training programs that may be completed in as little as eight weeks and can be up to 15 weeks in duration. California's primary state financial aid programs under Cal Grant generally support students enrolled in degree and longer-term certificate programs. Specifically, Cal Grant C supports occupational and technical training programs that are at least four months in length. To that end, Workforce Pell is filling a gap in student aid not covered under the Cal Grant program. This bill establishes additional state participation standards for Workforce Pell but does not modify eligibility for existing state financial aid programs.

4) *Consumer protection measures.* This bill aims to create state-level consumer protection standards intended to protect Workforce Pell recipients enrolling in short-term programs. The proposed requirements are applicable to UC, CSU, and CCCs seeking to participate in the Workforce Pell program. Among other provisions, this bill restricts tuition and fee levels, limits the use of certain private financial arrangements, establishes conditions governing third-party partnerships, and requires participating programs to demonstrate alignment with workforce needs. Specifically, this measure prohibits institutions from charging tuition and fees that exceed the maximum available Workforce Pell award, unless the excess amount is paid by an employer, labor-management partnership, or another third-party that does not require repayment by the student. It also prohibits participation by institutions that offer or affiliate with providers of private education loans, income share agreements, or similar credit products. This bill also requires CSAC to deny authorization to institutions that do not satisfy specified requirements. The proponents of this measure argue that restricting tuition levels limits reliance on private educational loans and income share agreements, and that imposing requirements for third-party partnerships and alignment with workforce needs helps ensure students are participating in quality programs that will lead to meaningful employment opportunities related to their field of study/training.

5) *Third-Party providers and tuition-sharing arrangements.* This bill further prohibits UC, CSU, and CCCs from receiving authorization to participate in the Workforce Pell if it compensates a third-party provider through tuition sharing or incentive compensation arrangements. The sponsors of this bill argue that these compensation models may create incentives to prioritize enrollment growth over student outcomes and can blur the lines between public institutions and for-profit education providers. Proponents point to recent disputes involving online program manager (OPM) partnerships with public and private institutions, including the University of Southern California and 2U, and Caltech and Simplilearn, and a 2023 State Auditor review of UC's use of OPMs as issues that may arise from these types of partnerships. The UC audit identified 52 UC contracts with OPMs in effect at that time, none of which involved undergraduate programs. Of those contracts, 30 were with five UC campuses, of which 15 pertained to continuing education provided through campus extension units. This bill does not prohibit institutions from partnering with OPMs or other third-party providers. Rather, it restricts certain compensation arrangements and limits the role third-party entities may play in academic and institutional decision-

making. Institutions may continue to contract with third-party providers if the partnership satisfies the bill's specified conditions. This bill also preserves the institution's responsibility for academic decision-making by prohibiting third-party entities from exercising authority over curriculum development, admissions standards, enrollment targets, or the creation of new short-term programs.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee analysis, this bill would have the following fiscal impact:

- The Chancellor's Office for the California Community Colleges estimates one-time Proposition 98 General Fund costs in the low tens of thousands of dollars for each participating district to develop an implementation plan necessary to participate in the federal Workforce Pell Grant Program. Participation in the program is voluntary, therefore the exact cost would depend on the number of community college districts that elect to pursue Workforce Pell eligibility. The Chancellor's Office also estimates one-time General Fund workload costs of $12,000 to $24,000 to develop and distribute a guidance memo and provide technical assistance to the field.

- The California Student Aid Commission (CSAC), Office of Cradle to Career Data (C2C) and the Employee Development Department (EDD) each indicate that the costs to implement this bill would be minor and absorbable. The 2026 Budget Act includes $1.3 million in General Fund for the C2C for workload related to the federal Workforce Pell Grant Program.

- This bill could result in additional costs for local workforce development areas to submit corrective actions plans to the EDD for not meeting the bill's participant training requirements. The extent of these costs is unknown and could be deemed to be reimbursable by the Commission on State Mandates.

SUPPORT: (Verified 8/14/26)

The Institute for College Access & Success (source)
CA EDGE Coalition
California Competes: Higher Education for a Strong Economy
Campaign for College Opportunity
Children Now
EdTrust-West

JobTrain
Prismatic Research & Strategy
Public Advocates
San Bernardino Community College District
San Jose-Evergreen Community College District
Southern California College Attainment Network
Tipping Point Community
uAspire
Young Invincibles

OPPOSITION: (Verified 8/14/26)

AllCampus

ASSEMBLY FLOOR: 61-10, 5/21/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Fong, Gabriel, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NOES: DeMaio, Dixon, Ellis, Gallagher, Hadwick, Johnson, Macedo, Patterson, Sanchez, Tangipa
NO VOTE RECORDED: Arambula, Castillo, Chen, Flora, Garcia, Lackey, Ramos, Celeste Rodriguez, Ta

Prepared by: Olgalilia Ramirez / ED. / (916) 651-4105
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