

Date of Hearing: April 21, 2026

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Mike Fong, Chair

AB 2345 (Bains) – As Amended April 6, 2026

SUBJECT: Student loans: medical, nursing, social work, and social welfare students: California Health Care Workforce Supplemental Loan Program.

SUMMARY: Establishes the California Health Care Workforce Supplemental Loan Program under the administration of the California Student Aid Commission (CSAC) to provide eligible students with access to supplemental State-backed loans intended to replace lost federal graduate and professional borrowing capacity. Specifically, **this bill:**

- 1) Establishes the California Health Care Workforce Supplemental Loan Program under the administration of CSAC.
- 2) Provides that the purpose of the program is to offer eligible students the same level of financial assistance toward the cost of attendance at an accredited medical or nursing school, or an accredited social work or social welfare program, that was available on or before January 20, 2025, through Federal Direct Unsubsidized Loans and federal Direct Grad PLUS Loans.
- 3) Defines an “eligible student” as a student who:
 - a) Is a California resident;
 - b) Is enrolled at least half time in an accredited medical or nursing school, or accredited social work or social welfare program, within California;
 - c) Has applied for and received the maximum annual federal Direct Unsubsidized Loan amount available under Federal law; and,
 - d) Would have qualified for a federal Direct Grad PLUS Loan under the credit and eligibility criteria in effect on or before January 20, 2025.
- 4) Requires CSAC to establish an application process that determines student eligibility and calculates the student’s gap amount, defined as the portion of cost of attendance not covered by federal Direct Unsubsidized Loans and other financial aid.
- 5) Provides that an applicant who qualifies as an eligible student must be approved for a loan under the program.
- 6) Authorizes CSAC to establish data-sharing agreements with participating schools and the United States Department of Education (USDE) to automate the verification of Federal loan receipt and determination of gap amounts.
- 7) Requires loans issued under the program to have financial terms equivalent to federal Direct Grad PLUS Loans as those terms existed on January 20, 2025, except for changes CSAC determines are necessary to administer the program.

- 8) Provides that program loans will include:
 - a) A fixed interest rate equivalent to the applicable federal Grad PLUS formula for the academic year, capped at 10.5%;
 - b) Repayment options, deferment, and forbearance protections equivalent to those available for federal Direct Unsubsidized Loans;
 - c) Income-driven repayment options;
 - d) An equivalent to the federal Public Service Loan Forgiveness Program (PSLF) for students employed at a California public health facility; and,
 - e) An origination fee not to exceed 4.228%.
- 9) Provides that the maximum annual loan amount must equal the student's gap amount.
- 10) Creates the Health Care Workforce Supplemental Loan Fund in the State Treasury.
- 11) Requires the Legislature to annually appropriate funds to the new fund for lending capital and administrative costs.
- 12) States numerous legislative findings and declarations including, but not limited to, the following:
 - a) Without access to the financing previously provided by federal direct grad PLUS loans, aspiring doctors and nurses from low- and middle-income families will be forced to turn to more costly private loans or abandon their education entirely; and,
 - b) Facing a critical shortage of health care providers already, it is vital that financial barriers do not prevent qualified students from entering the medical and nursing professions.
- 13) Defines several terms including, but not limited to, the following:
 - a) "Gap amount" means the specific dollar amount of an eligible student's cost of attendance that remains uncovered above the amount received by the student from Federal direct unsubsidized loans and other financial aid;
 - b) "Federal direct grad PLUS loan" means a federal Direct PLUS Loan to graduate and professional students issued, as specified;
 - c) "Federal direct unsubsidized loan" means a federal direct unsubsidized loan issued, as specified; and,
 - d) "PLSF" means the Federal loan forgiveness program, as specified.

EXISTING LAW: *Federal.* Authorizes, under the Higher Education Act of 1965, the William D. Ford Federal Direct Loan Program, which includes Direct Unsubsidized Loans and Direct Grad PLUS Loans (20 U.S.C. Sec. 1087a, et seq.).

However, under a provision of H.R. 1 of the 119th Congress (2025-26), signed into law on July 4, 2025, effective July 1, 2026, Grad PLUS loans will be eliminated and strict caps on federal borrowing will be implemented.

State.

- 1) Establishes 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 (Education Code (EC) Section 69433 and Section 69510, et seq.).
- 2) Authorizes, beginning January 1, 2013, AB 540 students to be eligible to apply for, and participate in, any student financial aid program administered by the State of California to the full extent permitted by federal law (EC Section 66021.6).
- 3) Authorizes, AB 540 students attending University of California (UC), California State University (CSU), or the California Community Colleges (CCC) to be eligible to receive a scholarship derived from nonstate funds, as received by the respective segment for the purpose of scholarships (EC Section 66021.7).
- 4) Establishes the DREAM Loan Program at UC and CSU campuses that elect to participate in the program. Under the program, an AB 540 student meeting specified requirements, including demonstrating financial need, may obtain a loan of up to \$4,000 per academic year, up to a maximum of \$20,000 as an undergraduate student; and, no more than \$20,500 as a graduate student. A student who is enrolled in a graduate program may not borrow, as a graduate student, more than \$118,500 in the aggregate under the program. A student may not borrow more than \$138,500 in the aggregate under the program. The repayment term for the loan is 10 years, and repayment commences following a six-month grace period beginning when the student graduates or ceases to maintain at least half-time enrollment. Eligibility for deferment or forbearance of loan repayments is consistent with the federal direct student loan program (EC Section 70031, et seq.).
- 5) Requires, by January 1, 2020, a UC and the CSU campuses participating in the state DREAM Loan Program to adopt procedures allowing a borrower to select an income-based repayment plan for the repayment of a DREAM Loan (EC Section 70034 (d)).
- 6) Requires the annual Budget Act to allocate funding to participating institutions based on the number of AB 540 students who applied for state financial aid in the prior academic year. Participating institutions must at least match the state allocation using the institution's discretionary funds. Both the state and local funding is deposited into a DREAM revolving fund. Loan repayments are also deposited into the revolving fund and are intended to reduce the annual state and campus contributions equally (EC Section 70035).
- 7) Authorizes, commencing with the 2024-25 academic year, a CSU or UC campus that participates in the DREAM Loan Program to award DREAM grants to eligible students if that campus has unawarded funds in the institution's DREAM Loan revolving fund that were new state, institutional matching, or loan repayment funds deposited during the previous academic year (EC Section 70035.5).

FISCAL EFFECT: Unknown

COMMENTS: *Purpose.* According to the author, “the disruptions in access to care that have followed the federal government’s decision to cut Medi-Cal funding through the enactment of H.R.1 have had detrimental impacts on my district. Now is not the time to be quiet. We cannot sit back and allow the federal government to cut and eliminate funding for our low- and middle-income students seeking medical and nursing education opportunities. If we don’t support our low-income students in pursuing higher education in the medical and nursing professions, we perpetuate the same inequitable system that the federal government is hoping to force on our rural communities.”

The author further states that, “Kern County has one of the fewest hospitals per capita in the State, with the Valley having only 157 MDs per 100,000 people, compared to 411 in the Bay Area. Having fewer medical and nursing professionals in the Central Valley will only worsen the already insufficient access to care that rural families face. We cannot wait another half-century to address Kern County’s doctor shortage. We must support rural students in their pursuit of rural healthcare practices.”

The author contends that, “the escalating student debt crisis has deep local impacts—on our residents, our economies, and our workforce. States must act now to protect students, families, and taxpayers through thoughtful policy interventions that address prevention, borrower protection, and oversight.”

Lastly, the author states that, “by supplementing the cut and eliminated Federal loans for medical and nursing professions, AB 2345 allows California to step up and support the medical education of underrepresented individuals in the Valley, who are primarily low- and middle-income families. Additionally, AB 2345 is an opportunity to bring more doctors, physicians, and nurses to rural communities by making those educational pathways possible for Central Valley constituents.”

Federal changes to student financial aid. While H.R. 1 did not make any changes to the amount that undergraduate students can borrow from the federal government, it reduces the amount that parents and graduate students can borrow. According to the Institute for College Access & Success (TICAS), it is anticipated that these changes, especially with the full termination of the Grad PLUS program, which had enabled students to borrow up to the full cost of their graduate and professional programs, will drive graduate and professional students into the private loan market.

Further TICAS shares that private lenders have already signaled their interest into reclaiming the market share they lost in the mid-2000s as the Grad PLUS program began and in the wake of the Great Recession. This will be a major shift, as just 4.6% of graduate and professional borrowers took out any private loans in 2019-2020 (the most recent data available).

According to the author, “prior to the caps and cuts to federal loans, medical and nursing graduate students could borrow up to the full cost of attendance. Based on pre-cap borrowing, medical students relied on an average of \$200k-\$250k in federal loans to cover the full cost of attendance. The Federal caps and cuts fall short of that amount, with an estimated remaining gap of roughly \$30k to \$100k per medical student. For nursing programs, the gap ranges from \$10k to \$30k per student.”

The chart below, from the National Association of Student Financial Aid Administrators, reflects the changes to available loans for graduate and professional education students.

Federal Direct Loan Program			
Topic	Change	Notes	Effective Date
Graduate PLUS Loan Program	Eliminates the Graduate PLUS loan program.	Limited Exception/Legacy Provision: Students can continue to borrow under the Graduate PLUS program (for up to three academic years or the remainder of their expected time to credential, whichever is less) if they remain continuously enrolled in the same program of study at the same institution as they were enrolled as of June 30, 2026 and for whom a Direct Loan was made for that program of study prior to July 1, 2026. For more information see: What Graduate Students Need to Know	July 1, 2026
Graduate / Professional Annual & Aggregate Loan Limits	Caps the annual loan limits at \$20,500 for graduate students and \$50,000 for professional students. The aggregate limit is capped at \$100,000 for graduate students and \$200,000 for professional students, and does not include amounts borrowed as an undergraduate.	Limited Exception/Legacy Provision: Students are not subject to the new loan limits (for up to three academic years or the remainder of their expected time to credential, whichever is less) if they remain continuously enrolled in the same program of study at the same institution as they were enrolled as of June 30, 2026 and for whom a Direct Loan was made for that program of study prior to July 1, 2026. For more information see: 2026-27 & Beyond Graduate / Professional Student Loan Borrowing Limits and What Professional Students Need to Know	July 1, 2026

Role of CSAC. The CSAC is the principal State agency responsible for administering financial aid programs for students attending public and private universities, colleges, and vocational schools in California. The CSAC's *Student Success Blueprint: Achieving Equity in Higher Education* (CSAC's 2025-2030 Strategic Plan) highlights CSAC's mission: promoting educational equity by making postsecondary education affordable for all Californians; and, CSAC's vision: transforming lives by creating educational opportunities for the State's diverse population, driving its social and economic well-being to ensure a promising future for all.

According to the Commission Chair, "the CSAC Student Success Blueprint lays out a clear roadmap for California on how the Commission can help the State advance towards a more equitable and affordable future. As the State works collectively toward college affordability, the Commission can take proactive steps to support all students, families, and educational institutions and leaders"

California's financial aid programs include grant, scholarship, and loan repayment programs supported by the State and Federal government. With its intersegmental role, CSAC has a responsibility to partner with segments to provide affordable higher education. CSAC's broad mandate includes a responsibility to conduct student financial aid research, disseminate information statewide about student financial aid programs, and report to the Governor, Legislature, postsecondary educational institutions, and other State and Federal administrative agencies regarding all aspects of student financial aid, including the effectiveness of programs and how to design for future state needs.

Committee Staff understands that CSAC will continue to advocate for making college affordable and helping students' graduate debt free. However, CSAC does not currently administer any student loan programs.

If the author's intent is for CSAC to administer a new student loan program, it appears that the overall scope and mission of CSAC would need to be altered. Moving forward, the author may wish to consult with CSAC and the State Treasurer's Office in order to determine if there is a more appropriate entity to administer the new loan program created by this measure.

What student loan options are available to California students? Generally, the student loan options for California students are the same as anywhere in the United States. There are Federal student loan options, followed by private lender options.

- 1) Federal student loans: The USDE offers Direct Subsidized Loans to undergraduate students with financial need. It also offers Direct Unsubsidized Loans to both undergraduate and graduate students, regardless of need. Finally, Direct PLUS Loans are available to graduate students and parents of dependent undergraduate students.

However, as noted in the *Existing law* section of this analysis, H.R. 1 makes sweeping changes to Federal student aid starting in July 2026, including the elimination of grad PLUS loans and lower borrowing limits for certain loans. As a result, more California students may have to apply for private loans to cover their higher education costs.

- 2) Private student loans: Many banks, credit unions, and online lenders offer private student loans. While the terms historically are not as favorable as federal loans, and they have certain credit requirements, private loans continue to serve as options to supplement federal loans.
- 3) California DREAM Loan: The State offers a student loan program to help undocumented students who have graduated from a California high school to attend college and graduate school. These loans are subsidized, and the interest rate is set to match the rate on federal subsidized loans.

Additionally, the California Student Loan Authority (CSLA) was established in 1995 to manage State-backed student loan programs. In that same year, CSLA merged with the California Education Finance Authority (CEFA). The merger allowed CEFA (which is housed within the Office of the State Treasurer) to launch the Student Loan Program which administers the assets and obligations of the former CSLA. The CEFA's Student Loan Program is California's sole issuer of bonds, notes, and other forms of indebtedness used to finance the costs of attendance at institutions of higher education.

CEFA's Student Loan Program administers the Cal Loan and CalEdge programs, two complementary fixed rate student loan programs allowing students to borrow up to the costs of their education less federal assistance and other available aid. Both programs are financed with bond issue proceeds and each are backed by 'AAA' rated bond insurance.

The Cal Loan Program is for students attending private nonprofit colleges/universities and is a needs-based loan for students without sufficient income or credit history to qualify for a credit-based loan. The borrowing limit is up to the cost of attendance minus federal aid and other available financial assistance. Committee Staff understands that this loan program is operational

at three California colleges and universities; but is unclear as to how many students have benefited from this program. Data as to the overall impact to the State and if students have defaulted on the terms of the loan was not available at the time this analysis was published.

The CalEdge Loan Program is for students at both public and private nonprofit colleges and universities. The CalEdge Loan Program is a credit-based loan with no set borrowing limit (though limits may apply based on financial situation). Committee Staff understands that this loan program is administered at over 80 California colleges and universities; but is unclear as to how many students have benefited from this program. Data as to the overall impact to the State and if students have defaulted on the terms of the loan was not available at the time this analysis was published.

Committee comments. This measure is currently limited to students in medical, nursing, social work, and social welfare programs located within the State. The inclusion of social work and social welfare programs broadens the measure beyond strictly clinical training programs and reflects a wider conception of the health care workforce, but overall, the measure appears to be premised on the State's focus of maintaining entry into health care and related professions, particularly in light of existing workforce shortages and the high cost of graduate and professional education in these fields. However, there are several other related fields that are not currently covered by the provisions of this measure.

Moving forward, the author may wish to expand the scope of this measure to include dental, occupational therapy, physical therapy, and graduate midwifery students.

Additionally, the measure requires the loans to mirror the federal Grad PLUS loan terms, including interest rate structure, repayment options, deferment and forbearance protections, and a State-level equivalent to PSLF for eligible employment at a California public health facility. These borrower protections may improve affordability, but they may also increase program complexity, long-term administrative obligations, and State fiscal constraints.

Further, this measure assigns significant implementation responsibility to CSAC, including application design, eligibility review, gap calculation, loan servicing structure, and coordination with institutions and Federal entities. The measure also authorizes data-sharing agreements with USDE, institutions, and other agencies or public health facilities to facilitate administration and streamline verification. It is unclear how this data-sharing agreement would become operational and what factors would be implemented to ensure full data privacy of all parties involved.

Additionally, the measure stipulates that an eligible student must have access to the same repayment options, deferment, and forbearance protections available to recipients of Federal direct unsubsidized loans, including income-driven repayment plans and the equivalent to the PSLF if the eligible student works at a California public health facility. The PSLF requires 10 years of monthly payment which is a significant administrative time frame unlike other programs CSAC currently administers. This could add another layer of complexity to the administration of the interest charge on student loans and collecting payments which CSAC does not have the existing infrastructure to do.

This measure raises several policy questions, including whether the State should assume a direct lending role traditionally filled by the Federal government, how ongoing program costs and default risk would be managed, and whether other graduate or professional programs affected

by Federal loan changes may seek similar treatment. Lastly, the measure also relies on loan terms pegged to Federal conditions “as they existed on January 20, 2025,” which may require further clarification in implementation.

Arguments in support. According to the California Academy of Family Physicians (CAFP), “California is projected to face a shortage of 6,040 primary care physicians by 2038, placing increasing strain on patients, providers, and the state’s health care safety net. Family physicians serve as the backbone of the primary care system, delivering comprehensive, continuous, and preventive care across the lifespan. Medical student debt remains one of the most significant barriers to choosing primary care, particularly given the gap between training costs and market compensation. Targeted investments in primary care workforce development, including expanded access to educational loans and loan repayment programs, are among the most effective and cost-efficient strategies to reduce these barriers and improve access to care statewide.”

The CAFP contends that, “State-level efforts are increasingly critical in light of recent Federal policy changes that directly affect access to educational financing. H.R. 1 eliminates the Federal Direct Graduate PLUS loan program for new borrowers beginning July 1, 2026, and establishes new caps on federal borrowing that significantly restrict available financing for graduate and professional students. As a result, many students, particularly those pursuing high-cost medical education, will be forced to rely on private lending options that are often less flexible and more burdensome. Without State-level intervention, these changes risk discouraging students from entering primary care and worsening existing workforce shortages.”

REGISTERED SUPPORT / OPPOSITION:

Support

American Academy of Pediatrics, California
American Association of University Women - California
California Academy of Family Physicians
California Podiatric Medical Association
California Society of Pathologists

Opposition

None on file.

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