

Date of Hearing: July 15, 2025

ASSEMBLY COMMITTEE ON MILITARY AND VETERANS AFFAIRS

Pilar Schiavo, Chair

SB 67 (Seyarto) – As Introduced January 13, 2025

SENATE VOTE: 38-0

SUBJECT: Student financial aid: Cal Grants: Middle Class Scholarship Program: eligibility: dependents of members of the armed services stationed outside of California.

SUMMARY: Expands eligibility for the Cal Grants and Middle Class Scholarship (MCS) Program to include dependents of a member of the United States (US) Armed Forces who maintain California as their state of legal residence even if the dependent did not graduate from a California high school and who otherwise meets all other applicable eligibility requirements.

EXISTING LAW:

- 1) Creates the Cal Grant Program, and therein establishes the Cal Grant A Entitlement Awards, the Cal Grant B Entitlement Awards, the California Community College (CCC) Expanded Entitlement Awards, the California Community College Transfer Entitlement Awards, the Competitive Cal Grant A and B Awards, the Cal Grant C Awards, and the Cal Grant T Awards under the administration of the Student Aid Commission. (Education Code (EDC) § 69430 *et seq.*)
- 2) Establishes the Cal Grant Reform Act, which revises and recasts the provisions establishing and governing the existing Cal Grant Program into a new Cal Grant Program. Specifies that the Cal Grant Reform Act becomes operative only if General Fund moneys over the multiyear forecasts beginning in the 2024-25 fiscal year are available to support ongoing augmentations and actions, and if funding is provided in the annual Budget Act to implement the Cal Grant Reform Act. (EDC § 69504 *et seq.*)
- 3) Establishes eligibility requirements for awards under the program for participating students attending qualifying institutions, including, among others, California residency requirements, as provided. (EDC § 69411 and § 69433.9.)
- 4) Establishes the Middle Class Scholarship Program (MCSP) under the administration of the commission. Existing law makes an undergraduate student eligible for a scholarship award under the MCSP if the student is enrolled at the University of California or the California State University, or enrolled in upper division coursework in a community college baccalaureate program, and meets certain eligibility requirements, including, among others, that the applicant meets the eligibility requirements for a Cal Grant. (EDC § 70020 *et seq.*)
- 5) Specifies that a student who is a natural or adopted child, stepchild, or spouse and who is a dependent of a member of the US Armed Forces stationed in California on active duty is entitled to resident classification for the purpose of determining the amount of tuition and fees. (EDC § 68074)

- 6) Specifies that a student who is a member of the US Armed Forces stationed in California is entitled to resident classification for the purpose of determining the amount of tuition and fees. (EDC Section 68075)
- 7) Federal law states a servicemember (and a servicemember's spouse) will neither lose nor acquire a residence or domicile for purposes of taxation with respect to the person, personal property, or income of the servicemember by reason of being absent or present in any tax jurisdiction of the United States solely in compliance with military orders. (Title 50 of the US Code § 4001)

FISCAL EFFECT: According to the Senate Appropriations Committee:

- 1) By expanding eligibility for Cal Grants and the MCS Program, the California Student Aid Commission (CSAC) indicates that this bill could result in additional General Fund costs, potentially in the low hundreds of thousands of dollars each year. However, actual costs would depend on the number of new students that qualify for the grants as well as the amount of the grants received.
- 2) The CSAC estimates that the bill's administrative costs should be minor and absorbable within existing resources.
- 3) The Chancellor's Office estimates minor costs to local community college districts to update financial aid procedures.

COMMENTS:

- 1) **PURPOSE OF THIS BILL.** According to the author, California is home to many active-duty military personnel and veterans who made the courageous decision to dedicate their lives to service and protecting our nation's freedoms. This weighty commitment often takes them and their families far away from the state they call home for extended periods, whether it be across state lines or across the globe. The fact that these families are stationed out of state does not make them any less Californian. California is their home; they pay the same taxes and contribute in all the same ways as any other resident, and then some, with their added commitment to our nation. The Cal Grant Program was intended to make education more accessible to all Californians, regardless of their socioeconomic status or background. This bill will ensure our military families are afforded the same access to education for their children.
- 2) **BACKGROUND.** There are differing types of "residency" under state law. Those are related, but not identical, to the "state of legal residence" status used by the military. First, a clarification of terms: The military makes a distinction between "Home of Record" (HOR) and State of Legal Residence (SLR). It is important not to confuse the two. The term "domicile" is often confused with "State of Legal Residence," as it typically refers to a physical address. In contrast, a military servicemember's legal residence can exist independently of any physical location.

"Home of Record," a phrase generally meaningless outside of the military, typically refers to the state where a servicemember first enlisted in the military. The military uses it to determine things such as travel allowances, transportation expenses, and travel time to report

for duty, among other factors. It is usually the same as a servicemember's SLR, but is not necessarily so.

"State of Legal Residence" is what the military services consider to be one's true, fixed, and permanent home. From an explanation written by the Stuttgart Law Center, which provides legal support to members of the U.S. military stationed at United States Army Garrison Stuttgart:

"This is the place where, although you may leave for military duty, you intend to return. For example, a soldier with a SLR in Oregon leaves the state on military orders, but intends to go back to Oregon after leaving the military. Oregon is his permanent home, even though he is temporarily absent from it due to military orders. The soldier might never be stationed in Oregon during a thirty-year military career, and yet Oregon would remain the soldier's SLR for the entire thirty-year period."

The Servicemember's Civil Relief Act permits military members to conduct activities like paying taxes and voting in their legal residence state instead of the state where they are stationed.

Changing one's SLR is not as easy as merely declaring it, or even simply submitting a form. Doing so requires, according to the Stuttgart Law Center, that one is physically present in the new state; intends to remain in the new state permanently or to treat that location as one's permanent home; and intends to abandon the old SLR. That intent can be demonstrated by doing as many as possible of the following: getting a driver's license or registering a vehicle in the new SLR; paying taxes in the new SLR and notifying the old SLR's taxation authority of one's SLR change; establishing a permanent physical address in the new SLR, etc., and then filing a DD Form 2058, State of Legal Residence Certificate.

- a) **Cal Grant.** California's primary state-funded student financial aid program, the Cal Grant, is the largest state financial aid program.

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).

The 2021-22 Budget Act included the largest Cal Grant expansion in more than two decades. Before this action, only recent high school graduates and transfer students under the age of 28 were eligible for a Cal Grant entitlement award, leaving 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 California State University (CSU) or University of California (UC) campus.

- b) **Middle Class Scholarship Program.** The State created the original MCS program in the 2013-2014 Budget package to provide partial tuition coverage to particular UC and CSU students. Originally, MCS awards were for students who were not receiving tuition coverage through the Cal Grant program or other need-based financial aid programs. At full implementation, the program was providing average awards of \$3,000 for UC students and \$1,700 for CSU students. Nearly 60,000 students received the award in 2021-22.

The MCS 2.0 was altered in the 2021 Budget Act and implemented in 2023. The adopted plan revamped the MCS program to focus on the total cost of attendance rather than tuition only. Under the revamped program, students may use MCS awards for non-tuition expenses, such as housing and food. The state implemented the revamped program for the first time in 2022-2023. Award amounts are now calculated based on a multicomponent formula. Calculating a student's award amount under the revamped program involves several steps. First, the CSAC accounts for other available gift aid, a student contribution from part-time work earnings, and parent contribution for dependent students with a household income of over \$100,000. CSAC then deducts these amounts from the student's total cost of attendance to determine whether the student has any remaining costs. Finally, CSAC determines what percentage of each student's remaining costs to cover based on the annual state appropriation for the program. Under this formula, award amounts vary widely among students, with each student's award reflecting their costs and available resources.

The revamped MCS program generally maintains the income and asset ceilings of the original program, adjusted for inflation. The maximum annual household income to qualify for an MCS award is \$234,000 for dependent students in 2025-2026. However, the program is now serving considerably more low-income students than before. Now, students receiving tuition coverage through Cal Grants or other financial aid programs are newly eligible for MCS awards to help cover non-tuition expenses under the revamped program. More than half of the students who received MCS awards in the 2023-24 academic year had a household income of \$50,000 or less, and nearly 80% had a household income of \$100,000 or less. Students with lower household incomes, however, tended to receive smaller award amounts because they were receiving more gift aid from other programs (such as Cal Grants, Pell Grants, and institutional aid).

- 3) **SUPPORT.** The American Legion-Department of California, AMVETS-Department of California, California State Commanders Veterans Council, and the Military Officers Association of America-California Council of Chapters, we write in support of this bill. Supporters argue that California's Cal Grant program, the state's largest financial aid resource, unintentionally excludes dependents of military personnel stationed out of state. These individuals, who maintain legal residency and pay taxes in California, are ineligible for aid because they graduated from high schools outside of California. The support explains that this bill addresses the oversight by acknowledging that service members may keep California as their legal residence despite being relocated for military duty, affirming that their dependents should not face penalties due to federal assignments.

- 4) **RELATED LEGISLATION.** AB 88 (Ta) is identical to this bill and is pending hearing in the Senate Committee on Military and Veterans Affairs.
- 5) **PREVIOUS LEGISLATION.** AB 1793 (Ta) of 2024 was also identical to this bill and was held on the Suspense File in the Senate Appropriations Committee.
- 6) **DOUBLE REFERRAL.** This bill is double referred. It passed the Assembly Committee on Higher Education with a vote of 10-0 on June 24, 2025.

REGISTERED SUPPORT / OPPOSITION:

Support

American Legion, Department of California
Amvets Department of California
California Association of County Veterans Service Officers
California State Commanders Veterans Council
California State University, Office of the Chancellor
Junior League of San Diego
Junior Leagues of California State Public Affairs Committee (CALSPAC)
Military Officers Association of America, California Council of Chapters
Peace Officers Research Association of California (PORAC)
San Jose Evergreen Community College District

Opposition

None on file.

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