AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

Assembly Member Kevin McCarty, Chair

TUESDAY, FEBRUARY 9, 2021
9:00 AM, STATE CAPITOL - ROOM 437

Due to the regional stay-at-home order and guidance on physical distancing, seating for this hearing will be very limited for press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at https://www.assembly.ca.gov/todaysevents.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub2@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: **877-692-8957, access code: 131 54 37***

INFORMATIONAL HEARING
CALIFORNIA STUDENT AID COMMISSION

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
6980	**CALIFORNIA STUDENT AID COMMISSION**	**2**
ISSUE 1	CAL GRANT ELIGIBILITY CHANGE DUE TO COVID-19	3
ISSUE 2	CAL GRANT FOR NON-PROFITS	5
ISSUE 3	COMPETITIVE CAL GRANTS	7
ISSUE 4	CAL GRANT ACCESS AWARD FOR FOSTER YOUTH	9
ISSUE 5	GRANT DELIVERY SYSTEM	11
ISSUE 6	CAL FRESH ACCESS FOR COLLEGE STUDENTS	13
ISSUE 7	CAL GRANT REFORM UPDATE	17
	PUBLIC COMMENT	

ITEMS TO BE HEARD

6980 CALIFORNIA STUDENT AID COMMISSION

The Governor's Budget proposes about $2.8 billion in support for the California Student Aid Commission (CSAC) in 2021-22, with about $2.4 billion from the state General Fund and about $400 million from federal Temporary Assistance for Needy Families (TANF). The Governor's Budget proposes two CSAC actions to be taken this Spring. Note that proposals for the Golden State Teacher program and FAFSA and Dream Act requirements for high schools will be discussed at the March 16 hearing. The chart below was compiled by the LAO and indicates funding based on the Governor's Budget.

California Student Aid Commission Budget

(Dollars in Millions)

	2019-20 Actual	2020-21 Revised	2021-22 Proposed	Change From 2020-21	
				Amount	Percent
Spending					
Local assistance					
Cal Grants	$2,282	$2,483	$2,561	$79	3.2%
Middle Class Scholarships	117	117	117	—ᵃ	—ᵃ
Golden State Teacher Grants	—	15	100	85	567
Student Opportunity and Access Program	18	8	8	—	—
Emergency aid for undocumented studentsᵇ	—	15	—	-15	-100
Child Savings Account Grantsᶜ	10	—	—	—	—
Other programsᵈ	21	21	21	—ᵃ	—ᵃ
Subtotals	($2,448)	($2,658)	($2,807)	($149)	(5.6%)
State operations	27	23	20	-3	-13%
Totals	**$2,474**	**$2,681**	**$2,827**	**$146**	**5.4%**
Funding					
General Fund	$1,388	$2,244	$2,406	$161	7.2%
Federal TANF	1,060	400	400	—	—
College Access Tax Credit Fund	6	1	—ᵃ	—ᵃ	-52
Other funds and reimbursements	21	36	21	-15	-42

ᵃ Less than $500,000 or 0.05%.

ᵇ Supported by unspent 2019-20 and 2020-21 funds redirected from California Dreamer Service Incentive Grants.

ᶜ The *2019-20 Budget Act* also provided $25 million one time to the Scholarshare Investment Board for the California Kids Investment and Development Savings Program.

ᵈ Includes Assumption Program of Loans for Education, California Military Department GI Bill Awards, Cash for College, Chafee Foster Youth Program, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships, and State Nursing Assumption Program of Loans for Education For Nursing Faculty.

TANF = Temporary Assistance for Needy Families.

ISSUE 1: CAL GRANT ELIGIBILITY CHANGE DUE TO COVID-19

The Subcommittee will discuss the Governor's Budget proposal to allow students to maintain Cal Grant eligibility if their living situations changed during the COVID-19 pandemic. This is proposed as an early action.

PANEL

- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission

BACKGROUND

Cal Grant eligibility is determined in part by family income and asset ceilings, as well as a federal formula that determines financial need based on various college costs, such as tuition, textbooks, transportation and housing. Colleges themselves establish these costs, using surveys and data. Colleges determine student housing and other living costs based on differing situations, including students who live on campus or off campus, or who live with parents. Colleges typically assume lower living costs for students living at home.

The Cal Grant A program provides students with financial need and who meet other criteria – such as a 3.0 high school grade point average – with tuition and fee coverage at the University of California (UC) and California State University (CSU).

The COVID-19 pandemic required colleges and universities to move to an online format, and close down most dormitories. Many students were forced to relocate to their family homes during Spring 2020 and for the 2020-21 academic year. This change in living situation lowered college costs for students – on paper - based on previously established average costs for students living at home.

University of California (UC), California State University (CSU) and CSAC officials have indicated that this change in living status has impacted Cal Grant A eligibility for hundreds of students: UC estimates as many as 450 students may have been impacted, while CSU estimates as many as 750 students may have lost their Cal Grant this academic year.

GOVERNOR'S 2020-21 BUDGET PROPOSAL

The Governor's Budget proposes early action on trailer bill language that would restore Cal Grant A eligibility for students in 2020-21 and 2021-22 that changed living situations due to the COVID-19 pandemic. The Governor's budget also includes $58.8 million ongoing General Fund to support additional Cal Grant costs associated with restoring these students' eligibility.

STAFF COMMENT

This proposal addresses a legitimate problem for some students whose living situations changed due to no fault of their own, and who still have significant financial need. While it may be appropriate to assume lower living costs for some dependent students who live with their families, the impacts of COVID-19 have likely upended that assumption.

Given the massive job losses or income reductions that occurred in 2020 and continue in 2021, it seems likely that many low-income Cal Grant students who moved home still have significant need. Thus, the language allowing for restoration of Cal Grant A if a living status changed due to COVID-19 seems appropriate, as does the request for early action. It is unclear if UC and CSU have been able to use institutional aid to help cover these students' tuition costs. It is also unclear exactly how many students are in this situation; the Subcommittee may wish to work with CSAC and the Department of Finance to gather better data from UC and CSU as to the actual number of students impacted.

The proposal narrowly focuses on a change a living status. Staff notes that there may be other changes in students' lives beyond living status that the Legislature could consider. No student should lose the Cal Grant due to technical rules that don't account for sudden changes in student or family resources due to COVID-19.

ISSUE 2: CAL GRANT FOR NONPROFITS

The Subcommittee will discuss the Governor's Budget proposal to amend statute to delay the requirement for private nonprofit institutions to offer admission to at least 3,000 California community college Associate Degree for Transfer students for the 2020-21 academic year in order to maintain the maximum Cal Grant tuition award for students attending private nonprofit institutions in 2021-22. The delay shifts the requirement by one year. This is proposed as an early action.

PANEL

- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission
- Alex Graves, Association of Independent California Colleges and Universities

BACKGROUND

The 2018-19 Budget Act first established a requirement for the California nonprofit college and university sector to admit a specified number of community college transfer students in exchange for continuing maximum Cal Grant awards for students at these institutions at the same level, which is $9,084 per student. Trailer bill language required the sector to admit at least 2,000 students who received an Associate Degree for Transfer (ADT) at a California community college, with the number growing annually to 3,500. Missing these transfer numbers would lead to a lesser amount of Cal Grant funding per student.

Targets have been altered or delayed multiple times since then, and current statute requires the sector to admit at least 3,000 ADT students in the 2020-21 academic year to keep the same maximum Cal Grant award for the 2021-22 year.

According to the most current data, the sector admitted 2,372 ADT students in 2019-20. However, this sector has reported enrollment declines during the COVID-19 pandemic. A survey of colleges and universities conducted by the Association for Independent California Colleges and Universities (AICCU) reported a median enrollment decline of 7% in the current year, when compared to the 2019-20 academic year. The same survey showed a decline in community college transfer students of about 6%.

GOVERNOR'S 2020-21 BUDGET PROPOSAL

The Governor's Budget proposes trailer bill language that would postpone by one year the requirement that nonprofit colleges and universities admit at least 3,000 Associate Degree for Transfer students to keep the maximum Cal Grant value for students at

these institutions at $9,084. Instead of requiring 3,000 ADT admits in 2020-21, the requirement would apply to the 2021-22 academic year. This is proposed for early action.

STAFF COMMENT

The nexus between the Cal Grant award amount and transfer enrollment at AICCU institutions remains somewhat unclear. But this policy was born out of two challenges for the state: the desire to increase options for a four-year degree for California community college transfer students, and the need to set an appropriate Cal Grant award amount for students in this sector that supports access but also contains state Cal Grant costs.

AICCU reports significant increases in ADT students at their campuses: a more than 300% increase in just a few years. Today, there are 39 participating AICCU institutions, who have articulated to 36 ADT majors.

Despite this progress, it may be appropriate to review statutory obligations, given that enrollment trends are in flux and very unpredictable due to the pandemic. The goal of ensuring that community college students have access to this sector should remain, however.

The Administration states that this is proposed as an early action to ensure campuses and students know the amount of the Cal Grant award heading into the 2021-22 enrollment cycle.

ISSUE 3: COMPETITIVE CAL GRANTS

The Subcommittee will discuss the Governor's Budget proposal to provide $35 million ongoing General Fund to support an additional 9,000 new competitive Cal Grant awards annually. This would bring the total number of awards to 50,000.

PANEL

- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission

BACKGROUND

The Competitive Cal Grant program offers a limited number of Cal Grant awards to students who meet the income/asset and needs criteria and GPA requirements, but who are otherwise ineligible for the entitlement program. This is typically older students who apply more than one year after high school graduation.

Competitive Cal Grants offer the same tuition and access award levels as the entitlement program; the only difference is there are a limited number of awards. Current budget bill language caps the number of awards at 41,000 annually.

Demand for this program far outpaces supply. The chart below, prepared by CSAC, provides information about the program in 2019-20. A key number: there were more than 240,000 students who were eligible for the award but did not receive one due to the limited number of awards. Note that an overwhelming number of the "eligible non-recipients" are community college students.

2019-20	Paid*	Awards	Eligible Non-recipients	All Applicants
CCC	16,752	41,842	177,201	219,043
UC	1,688	1,019	8,806	9,825
CSU	8,593	5,212	43,340	48,552
Public - Other	10	13	18	31
Non-Profit	1,415	1,121	7,435	8,556
For-Profit	1,193	1,550	5,452	7,002
Total	39,651	50,757	242,252	293,009

*New – does not include renewal students first paid in 2019-20 who are included in Competitive paid rate.

GOVERNOR'S 2021-22 BUDGET PROPOSAL

The Governor's Budget provides $35 million ongoing General Fund to support an additional 9,000 competitive Cal Grants annually, bringing the total number of awards to 50,000.

STAFF COMMENT

The failure of this program to meet demand has been a key focal point of the Legislature's efforts in recent years to reform the Cal Grant program. Hundreds of thousands of needy California college students miss out on thousands of dollars in financial aid due to the limited number of awards. The need for Cal Grant reform will be discussed in a subsequent item, but any effort to increase this program seems worthy of consideration in the short term. Staff notes that this action is in line with state budget actions during the past few years, and would bring the number of competitive Cal Grants to almost double what they were just three years ago.

Staff notes there are other ideas for improving the Competitive Cal Grant program. For example, The Institute for College Access and Success (TICAS) has suggested changes to the program that could provide competitive Cal Grants to students sooner, and ensure that the exact number of awards in budget language are awarded each year. Specifically, language could be added to allow CSAC to use two- or three-year averages in the number of awards it pays out, to ensure that the state provides the maximum number of awards it is allowed.

ISSUE 4: CAL GRANT ACCESS AWARD FOR FOSTER YOUTH

The Subcommittee will discuss the Governor's Budget proposal to provide an increased non-tuition access award for Cal Grant students who are former foster youth attending UC, CSU or a California community college.

PANEL

- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission

BACKGROUND

The chart below indicates information provided by CSAC as to the number of former youth who received a Cal Grant award in 2019-20.

Public Segment	Cal Grant Awards for Foster Youth
Community Colleges	4,384
CSU	1,585
UC	393
Total	**6,362**

Other financial aid for former foster youth include the Chafee Grant, a federally-funded program that offers up to $5,000 per year for students. This program supports about 4,200 California students annually. In addition, the 2018-19 Budget Act made changes to the Cal Grant program for foster youth to allow students up to age 26 to qualify for the Cal Grant entitlement program, and to receive Cal Grant for up to 8 years.

Action taken in the 2019-20 Budget provides increased non-tuition support for Cal Grant recipients who are also parents. That action provides up to $6,000 annually for students with dependent children who receive the Cal Grant A, B or C, and who attend a public California university or college.

GOVERNOR'S 2021-22 BUDGET PROPOSAL

The Governor's Budget provides $20 million ongoing General Fund to provide increases in Cal Grant non-tuition support for former foster youth of up to $6,000 per student.

STAFF COMMENT

The proposal mirrors action taken in the 2019-20 Budget to provide increased non-tuition support for students with dependent children.

It is also in line with recent legislative efforts to increase Cal Grant support for former foster youth. Efforts to increase college access and affordability for former foster youth are critical to ensure that these vulnerable students have proper support to enter and complete postsecondary programs.

Staff notes that the Department of Finance has indicated that it may propose in trailer bill language that the amount of funding for this program be increased to $40 million, to ensure that all recipients receive the maximum amount of funding.

Staff provides one point for discussion: this proposal would further complicate an already very-complicated Cal Grant system at a time when the Legislature is seeking to simplify the program and serve more students.

ISSUE 5: GRANT DELIVERY SYSTEM

The Subcommittee will discuss the Governor's Budget proposal to provide $1.8 million one-time General Fund in 2021-22 and $719,000 ongoing General Fund in 2022-23 and beyond to support the final phase of the Grant Delivery System and ongoing maintenance costs. The system is the new information technology platform CSAC uses to administer student financial aid programs.

PANEL

- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission

BACKGROUND

CSAC processes as many as 2 million applications annually and appropriates more than $2.5 billion in financial aid. The previous IT system was more than 30 years old and no longer met current needs.

The Commission is in the process of replacing the system. The project was approved by the California Department of Technology in 2018, and CSAC continues to provide monthly status reports to the department. The state provided $5.5 million for the first year of the project in 2018-19, $6.2 million for the second year of the project in 2019-20, and $5.3 million in 2020-21.

The modernization effort has six key/core components of which four have been implemented and two are scheduled for launch in this fiscal year, according to CSAC, which provided the following update:

- The Modernized Technology Component Implementation (pre-requisite to all GDSM products) –Done
- Web Grants for Students -Done, Launched December 2019, serves 100,000's of California Grant Applicants.
- Web Grants for California National Guard -Done, Launched June, 2020
- Web Grants for Foster Youth (Chafee) -Done, Launched February, 2020
- Web Grants for Institutions -70% complete, planned launch April, 2021
- Web Grants for Dreamers (CADAA) -70% complete, planned launch May, 2021

CSAC notes that the project has remained within its overall budgeted allocation for development, maintenance, and operations. It has experienced a slight delay in full implementation, from November 2020 to April 2021.

GOVERNOR'S 2021-22 BUDGET PROPOSAL

The Governor's Budget proposes $1.8 million one-time General Fund and then $719,000 ongoing General Fund to support the maintenance and operations phase of the project. The chart below describes the proposal. (Note that IVR is the interactive voice response system for CSAC's call center.)

Role	2021-2022
Consultants (one time, as per Financial Analysis Worksheet (FAW))	$1,066,000
Hardware/Cloud Servers (recurring as per FAW)	$307,000
Software Licenses (recurring as per FAW)	$312,000
IVR (recurring as per FAW)	$100,000
Total	*$1,785,000*

STAFF COMMENT

CSAC notes the following advantages of the new system: Application and database availability have greatly improved. The modernized system is more secure and uses a single sign-on/Identity Management system to control access. Students are no longer restricted to using a single proprietary web browser to access the system. They can use an array of browsers, tablets, and mobile devices. The interface provides easy to understand detail about Cal Grant status including a "to-do" list to help guide students through the process.

This IT project is relatively on-time and within its projected budget, and seems much more student-friendly than the outdated previous system. Staff notes that a Special Project Report, part of the Department of Technology process, is expected this Spring.

ISSUE 6: CALFRESH ACCESS FOR COLLEGE STUDENTS

The Subcommittee will discuss student eligibility and access to the CalFresh program, including recent federal changes that ease eligibility requirements for hundreds of thousands of low-income California college students.

PANEL

- Alexis Fernandez, California Department of Social Services
- Marlene Garcia, California Student Aid Commission
- Melissa Bardo, California Student Aid Commission

BACKGROUND

CalFresh, federally known as the Supplemental Nutrition Assistance Program (SNAP), provides eligible individuals and families with monthly food benefits via an Electronic Benefit Transfer (EBT) card that clients can use to purchase food.

Federal SNAP rules generally exclude college students from eligibility unless they are employed at least 20 hours per week or meet an exemption from the rule, such as being approved and anticipate participating in a work study program, attend school as part of an employment and training program or participate in a program to improve employability, or receive TANF funding, known as CalWORKS in California. The application process can be challenging for students, as it requires extensive documentation and extensive interaction with county human services offices.

The Higher Education Trailer Bill (SB 77), passed on July 1, 2019, required the California Department of Social Services (CDSS), in consultation with the UC, the CSU, and community colleges, to assess the effectiveness of CalFresh in addressing student food insecurity at the public postsecondary segments, and to submit a report to the Department of Finance and relevant policy and fiscal committees of the Legislature.

Hundreds of thousands of California students are likely eligible for CalFresh but not enrolled. The report found that based on available data, which is limited, about 127,000 California college students received CalFresh benefits in the 2018-19 academic year. Significantly more students are likely eligible but not enrolled: a working group formed to study the issue concluded that the total number of students likely eligible for CalFresh statewide to be between 416,471 and 689,233.

Numerous ideas to increase the number of eligible students participating in CalFresh. The report provided several recommendations to increase student enrollment in CalFresh, including:

- Increasing collaboration between campuses and county Health and Human Services agencies, which handle application processing and enrollment for CalFresh services;

- Increasing outreach activities to students to ensure they are aware of the program and apply;

- Increasing collaboration between CSAC and other state or local entities, to allow student information to be shared (with student permission), to track student enrollment in CalFresh, or to work on statewide outreach campaigns. The Student Aid Commission has convened a CalFresh working group that consists of state officials, legislative staff, campus and county representatives, and other stakeholders such as food banks.

- Working to clarify that career technical education programs at community colleges or other postsecondary institutions qualify as programs that increase employability, which could make all low-income students in these programs eligible.

Federal changes made in December make it easier for students to enroll. The COVID-19 relief bill passed by Congress in December makes it much easier for college students to access the CalFresh program as long as the federal emergency related to COVID-19 is in place. The bill waived the work requirement for students if students meet one of two new criteria:

1. The student is eligible for federal- or state-funded work study programs, regardless of whether they are actually in a program;
2. The student has an Expected Family Contribution (EFC) of 0. EFC is a calculation derived from the Free Application for Federal Student Aid (FAFSA.) The FAFSA is used to determine eligibility for numerous financial aid programs, including the federal Pell Grant and state Cal Grant.

CSAC estimates that there are about 300,000 California college students with a 0 EFC. The state Department of Social Services issued a letter to counties on Jan. 22 implementing these changes. The letter noted that a Temporary Work Study Verification Letter and Form is now available to students, and CSAC will be sending a letter to all students with a 0 EFC that can be used to prove eligibility.

STAFF COMMENT

Student surveys both before and during the COVID-19 pandemic have indicated significant rates of food insecurity among California college students.   In 2019 a Hope Center for College, Community, and Justice Survey found that 50% of California Community Colleges students reported experienced food insecurity. In 2018, the California State University system conducted a study that identified 41.6% of CSU students experiencing food insecurity and the University of California reported 40% of their students struggle with food insecurity. A CSAC survey of students last year after the COVID-19 pandemic had begun found that 71% of students had lost income, and nearly half had changed their living situation.

Despite this significant need, it is clear that hundreds of thousands of California students are eligible for CalFresh but are not receiving benefits. This is an issue the Subcommittee should consider this year, particularly because the program is federally funded and there is a window of time in which students are more easily eligible.

The Subcommittee can consider both short- and long-term solutions to improving student CalFresh participation. Among the possible actions are:

- Early action to take advantage of the current federal rules changes. There are multiple options:

  o Campuses and food banks could use state support to conduct outreach and application assistance activities to help students navigate the application process. Funding could be provided to programs like the CSU Chico Center for Healthy Communities, which works with about 40 community college, CSU and UC campuses on CalFresh outreach, to provide materials and strategies to campuses, and the California Community College CalFresh Outreach Student Ambassador Program, which uses students to assist fellow students as they apply for CalFresh. In its budget letter to the Assembly and Senate Budget Committees, the California Association of Food Banks notes support for early action on this issue, and the association has requested a small amount of one-time funding to assist students as well.

  o Counties may need training, temporary workers, or overtime support to ensure they can handle an increased number of student applications. The County Welfare Directors Association of California notes that county offices will likely see a significant increase in workload.

  o In addition, CSAC has an existing call center that handles student inquiries about financial aid; this call center could be expanded to help students as they begin the CalFresh application process. CSAC will have documentation that will be helpful to students, and it also could be tasked with other duties, such as working with counties to understand the number of eligible college students in each county, or tracking student progress toward enrollment in the program.

- Longer term strategies include supporting county and campus partnerships, data-sharing agreements between state and local governments and campuses to ensure information from one type of application can be transferred to another and to track student CalFresh enrollment, placing county eligibility workers on campuses, and using career technical education or other similar programs as a way to increase student eligibility.

ISSUE 7: CAL GRANT REFORM UPDATE

The Subcommittee will receive an update on Cal Grant modernization efforts.

PANEL

- Marlene Garcia, California Student Aid Commission
- Jake Brymner, California Student Aid Commission
- Josh Lewis, Fix Financial Aid Coalition

BACKGROUND

The Subcommittee has held numerous hearings on the Cal Grant program. Despite supporting some college costs for nearly 400,000 needy California students, advocates, researchers and students have noted numerous concerns about the program's structure in relation to the needs of today's student. Among the issues are:

- ***Cal Grant program excludes hundreds of thousands of needy students.*** Cal Grant eligibility rules are geared toward "traditional" college students, who are 18- to 24-years old and are attending college directly after finishing high school. Students within one year of high school or community college graduation are automatically awarded a Cal Grant if they meet income/asset and GPA requirements. Students ineligible for the entitlement program must compete for a limited number of Cal Grant awards through the competitive Cal Grant program. The 2019 Budget Act increased the number of annual competitive awards to 41,000, but the Commission receives nearly 300,000 qualified applicants for this program annually. Needy students' odds of receiving a competitive Cal Grant remain low.

- ***Non-tuition costs are not adequately addressed.*** Much of the state financial aid program was created in a time when housing costs were lower, part-time jobs were more easily available to college students and the minimum wage had more buying power. Today's college students face significant costs, particularly housing: all three public segments and the private non-profits indicate many students will spend at least $12,000 annually on room and board in 2018-19, which is about the same cost as UC tuition and far higher than CSU and community college tuition.

  The maximum Cal Grant B Access Award -- which helps students pay for these non-tuition costs – is $1,672 annually. Had this award kept up with inflation since it was created in 1969, it would be about $6,000.

- *Cal Grant program is too complex.* Complicated eligibility and application requirements limit students' access to aid. Cal Grant A and B have significant eligibility and benefit differences: Cal Grant B requires a lower GPA – 2.0 – and lower income/asset levels, while Cal Grant A requires a higher GPA – 3.0 – and is available to students with higher income levels. Cal Grant C, which is available for students in career technical education programs, requires students to submit a subsequent application after fulfilling all other Cal Grant paperwork. Take-up rates for this award are low.

Pre-pandemic work led to March 2020 proposal. In September 2019, Assemblymembers Kevin McCarty and Jose Medina, along with Senator Connie Leyva, wrote a letter to CSAC calling on the Commission to create a working group of financial aid stakeholders to develop recommendations to reform Cal Grant. The group was asked to consider the priorities of previous reform legislation - AB 1314 and SB 291 – and create a plan, and cost estimates, to expand Cal Grant eligibility and better support students' costs.

The Cal Grant Reform Work Group included representatives of higher education segments, students, staff from the Executive and Legislative branches, and key nonprofit and advocacy partners. A total of four Work Group meetings were held between October 2019 and February 2020, with several policy proposals considered and discussed in detail. This work led to a proposal that was released in March 2020, just days before the COVID-19 pandemic began.

The proposal consolidated the existing Cal Grant A, Cal Grant B, and Cal Grant C awards and the High School Entitlement, Transfer Entitlement, and Competitive programs into a two-part Cal Grant entitlement program – Cal Grant 2 (for community college students) and Cal Grant 4 (for most other students). The proposal eliminated or streamlined GPA verification for students, eliminated age and time out of high school requirements, and eliminated California's unique 'income and asset' standards to determine level of need and instead based financial need on the federal formula for Expected Family Contribution (EFC).

Under the proposal, Cal Grant 2 would provide non-tuition support of up to $6,000 for financially-needy community college students, who already have their fees waived through existing programs. Cal Grant 4 would cover tuition and fees at UC and CSU, with the segments providing non-tuition assistance. Cal Grant 4 also provided support for students at non-profit and for-profit schools in a similar level as the current program.

CSAC estimated the new program would have added at least $1.1 billion in new state costs, which could have been scaled up over time.

New proposal within existing funding levels. The March 2020 CSAC proposal was never discussed in the Subcommittee, which was forced to cancel most hearings due to COVID-19. The economic recession that resulted from the pandemic has made it unlikely that the state will have ongoing General Fund resources to support the original CSAC proposal. Thus in Fall 2020, CSAC was asked to prepare a new proposal that could work within current Cal Grant funding levels. The new proposal has a similar structure. Among its features:

- The Cal Grant 2 would serve community college students by providing non-tuition support to students with a 0 EFC. The proposal would eliminate high school GPA verification, eliminate time out of high school and age requirements, and allow students to apply until Sept. 2 for the academic year.

  CSAC data indicates this program could increase the number of eligible new community college students from about 124,000 in the current Cal Grant program to nearly 280,000 students. Within current funding levels, this would provide students with an average non-tuition award of $1,250. More students would be served, but students would receive a lesser amount than the current program.

  Higher funding levels could increase per-student support: for example, providing students with $2,500 would require an additional $150 million annually.

- The Cal Grant 4 would serve UC and CSU students, as well as students at private institutions. Similar to Cal Grant 2, the proposal would eliminate time out of high school and age requirements, and would lower the GPA requirement from 3.0 to 2.0. The award would cover full tuition & fees at a UC or CSU and maintain existing award amounts for students at eligible private institutions. Segment-based institutional aid programs would be expected to provide 0 EFC students with a stipend to support their basic needs expenses.

  CSAC data indicates this program could increase the number of new eligible students from about 132,000 to more than 174,000.

- The proposal includes reforms to other state aid programs. The Students with Dependent Children (SWDC) award would be available to students with dependent children and a 0 EFC. Community College students would receive either a SWDC grant or a Cal Grant 2, while UC and CSU students would receive an SWDC grant in addition to their tuition/fee coverage. This change would more than double the number of eligible student-parents, although it would provide students with a lesser amount of support. The proposal also modifies the Middle Class Scholarship (MCS) program, which currently offers up to 40% of tuition to UC and CSU students with family incomes up to about $175,000 annually. Under the proposal, MCS could be offered to students with financial need, but

above the Cal Grant 4 cutoff. The program could provide a specified amount of funding to each student. Under current funding levels, for example, students with $16,728 EFC could receive $3,250 if they attend UC and $1,500 if they attend CSU.

STAFF COMMENT

CSAC's new proposal continues to address the main concerns with the current Cal Grant program. It eliminates barriers to Cal Grant, directs more state funding to the neediest college students, and simplifies the program. Demographic modeling shows the new program would serve more lower-income students, older students, and African-American and Latinx students. However, staff notes several issues to consider, and other details that must be worked out before implementation:

- Working within current financial aid spending levels means there are tradeoffs. While the Cal Grant 2 and Cal Grant 4 modeling show that thousands of more low-income students would become eligible for the program, some needy students with relatively higher incomes would become ineligible. The new program does a much better job of steering state dollars to the neediest students, but some "somewhat-needy" students would be excluded from the program. Additionally, offering aid to more students within the same funding level would lower the amount of funding per student.

- As noted above, some current Cal Grant students with higher levels of income would become ineligible. To avoid cutting a grant to a student in the middle of thier program, the state would have to "grandfather" in these students, which would add cost.

- The state would have to work with UC and CSU to ensure that these segments can provide non-tuition support for students. The idea of pushing non-tuition support to campuses has merit, as it might incentivize campuses to keep costs on items such as textbooks or even student housing as low as possible, and to ensure that students receive other benefits, such as CalFresh, MediCal or CalWORKS. However, significant discussion is needed on this issue.

- Without some methodology for growth in the Cal Grant 2 program, the non-tuition support would become less and less valuable to students over time. Ideas for increasing Cal Grant 2 over time include tying it to inflation, increases in college costs, or increases in tuition at UC and/or CSU. The Cal Grant 4 would grow automatically with tuition and fees at UC and CSU.

- The December 2020 federal stimulus bill also included significant changes to the federal financial aid calculation, including eliminating the Expected Family Contribution and replacing it with the Student Aid Index. This new index will likely increase the number of students eligible for federal financial aid, and thus would likely increase state Cal Grant costs if this proposal was adopted. More discussion is needed to understand how the changes at the federal level could impact this proposal.