

Date of Hearing: April 21, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 469 (Reyes) – As Amended March 29, 2021

Policy Committee: Education

Vote: 7 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: Yes

SUMMARY:

This bill requires, commencing with the 2021-22 academic year, a local educational agency (LEA) to ensure a student in grade 12 completes and submits a Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA), unless the student or the student's parent or guardian opts out. The bill requires an LEA to exempt a student who fails to comply with the requirement due to extenuating circumstances.

The bill also authorizes the California Student Aid Commission to publish model policies, opt-out forms and other forms to aid LEAs in complying with this bill.

FISCAL EFFECT:

- 1) Unknown Ongoing Proposition 98 GF costs to LEAs to ensure students in grade 12 complete and submit a FAFSA. In the 2019-20 academic year, about 487,000 students enrolled in grade 12. According the California Student Aid Commission, in 2018, about 50% of the graduating class completed a FAFSA or CADAA. The majority of students likely will be able to complete the FAFSA or CADAA either at home or in a school group setting. However, if even 5% of grade 12 students required individualized attention for one hour of staff time to complete their FAFSAs or CADAAAs, with staff time valued at \$50 per hour, costs would be about \$1.2 million statewide.

If the Commission on State Mandates determines the bill's requirements to be a reimbursable state mandate, the state would need to reimburse these costs either directly to LEAs or through the K-12 Mandates Block Grant.

- 2) Unknown ongoing GF cost increases, potentially in the tens of millions of dollars at full implementation, for the California Student Aid Commission and public postsecondary institutions to award more financial aid to students newly eligible for financial aid by completing their FAFSAs or CADAAAs. If 5% more of California students were to receive a Cal Grant entitlement award, which provides tuition coverage at colleges and universities, costs to the Cal Grant program would increase by about \$18 million in the first year. Costs would increase over time as recipient students stay enrolled in college or university and more students enter college and university. At full implementation, using the 5% assumption, costs would be \$72 million. (Part of the cost may be covered by federal funding, described in more detail below.) Costs also would depend on how many students are identified as eligible for financial aid and which college or university they attend. For example, tuition costs at UC are higher than at CSU or CCC.

Many California students could also become eligible for additional federal financial aid by completing a FAFSA. According to a Legislative Analyst's Office estimate of a very similar budget proposal, described below in more detail, while the amount of additional federal funds that could be drawn down is uncertain, the amount could be in the low hundreds of millions of dollars annually at full implementation.

- 3) One-time and ongoing GF costs, likely in the mid hundreds of thousands of dollars, to the California Student Aid Commission. One-time costs to the commission would include publishing model policies, opt-out forms and other forms to aid LEAs in complying with this bill. Ongoing costs would include higher demand for student support services, such as call center staff, associated with more students applying for and receiving financial aid. Ongoing staffing costs would depend on how many more students access financial aid as a result of this bill.

COMMENTS:

- 1) **Purpose.** According to the author:

The intent of this bill is to improve students' access to financial aid resources that require completion of these forms, such as the Community College Promise program. By connecting students to critical financial aid, AB 469 supports the Governor's and Legislature's vision to increase access to higher education.

- 2) **FAFSA and CADAA.** FAFSA is a federal form a student must fill out describing their financial situation in order to be eligible for federal financial aid. The FAFSA also is typically used to determine eligibility for state and institutional financial aid. The federal government does not provide financial aid to undocumented students. The CADAA is the FAFSA equivalent for an undocumented student to determine their eligibility for financial aid.

Various organizations and programs help students fill out a FAFSA or CADAA, including the California Student Aid Commission's Cash for College program and California Student Opportunity and Access Program (Cal-SOAP). These programs have a budget of about \$8 million GF annually. In addition, some high schools provide help to students to fill out a FAFSA or CADAA and some require high school students FAFSA or CADAA completion as a graduation requirement.

- 3) **Financial Aid Programs.** Major federal financial aid programs include the Pell Grant. The Pell Grant is awarded to students under a certain income level, with more aid to students with more financial need. In the 2020-21 academic year, the maximum annual Pell allowance is \$6,345.

Major state financial aid programs include the Cal Grant, administered by the California Student Aid Commission. Cal Grant has several programs based on student need and academic qualifications. In general, Cal Grants cover tuition costs at public colleges and universities in California and may cover some living expenses. In addition, some Cal Grants are competitive (meaning students compete for a limited number of grants) and others are an entitlement (meaning students automatically receive a grant if they meet eligibility criteria). A student must fill out a FAFSA or a CADAA to be eligible for a Cal Grant. The state provides about \$2.5 billion annually to students through the Cal Grant program. About \$2

billion of this funding is GF and remainder is federal Temporary Assistance for Needy Families funding.

In addition, colleges and universities also award “institutional” financial aid to students with financial need. The University of California (UC) provides a “UC Grant” that may cover the full cost of attending a UC, including living expenses, based on student need. The California State University provides the State University Grant that covers cost of tuition. The California Community Colleges award a tuition waiver to low-income students. A student must fill out a FAFSA or a CADAA to be eligible for a UC Grant or a State University Grant, however, CCCs provide options to students to not fill out a FAFSA or a CADAA and still receive institutional aid.

- 4) **Existing Law.** AB 2015 (Reyes), Chapter 533, Statutes of 2018, requires, commencing with the 2020-21 academic year, an LEA to ensure each student receives information on how to properly complete and submit the FAFSA or the CADAA at least once before the student enters grade 12.
- 5) **Governor’s Proposal.** The Governor’s 2021-22 budget proposal includes trailer bill language very similar to the language in this bill. The Governor’s proposal also requires an LEA to direct parents to support and assistance that may be available through outreach programs operated by CSAC.

The Legislative Analyst’s Office recommends approval of the Governor’s proposal, noting implementation of the proposal likely will lead to an increase in financial aid application and utilization rates and would provide additional federal Pell Grant funding to financially support students.

- 6) **Prior Legislation.** AB 1617 (Reyes), of the 2019-20 Legislative Session, would have made completion of the FAFSA or the CADAA a high school graduation requirement. AB 1617 was held in the Assembly Education Committee.

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