

Date of Hearing: July 8, 2025

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Mike Fong, Chair

SB 323 (Pérez) – As Amended March 25, 2025

SENATE VOTE: 31-1

SUBJECT: Student Aid Commission: California Dream Act application.

SUMMARY: Requires the California Student Aid Commission (CSAC), commencing with the 2026–27 financial aid cycle, to amend the California Dream Act application (CADAA) and any of CSAC’s grant processing systems to clarify and ensure that the CADAA can be used by any student eligible for state financial aid programs, regardless of their eligibility for federal financial aid. Further, this measure also requires CSAC to consult the segments of postsecondary education in promoting the CADAA in a manner that maximizes the amount of federal aid that students may access while apprising students of the choices available regarding which application they and their families may use.

EXISTING LAW:

Federal law.

The federal Pell Grant provides aid to students who demonstrate financial need. The Pell Grant award can be used for tuition and fees, books, supplies, transportation, and living expenses for the equivalent of up to six years of full-time enrollment. The maximum Pell Grant award is \$7,395 for the award year 2024-25 (which covers the span of July 1, 2024, through June 30, 2025) (20 U.S.C. Section 1070).

Presently, it is anticipated that the maximum award will not change for the 2025-26 award year (which covers the span of July 1, 2025, through June 30, 2026).

State law.

- 1) Establishes the CSAC for the purpose of administering specified student financial aid programs (Education Code (EC) Section 69510, et seq.).
- 2) Establishes the Cal Grant program, administered by the CSAC, to provide grants to financially needy students to attend a college or university. The Cal Grant programs include both the entitlement and the competitive Cal Grant awards. The program consists of the Cal Grant A, Cal Grant B, and Cal Grant C programs, and eligibility is based upon financial need, grade point average (GPA), California residency, and other criteria. Maximum award amounts for the California State University (CSU) and the University of California (UC) are established in the annual Budget Act and have traditionally covered all systemwide tuition and fees. Supplemental Cal Grant awards programs are available to students with dependents and former and current foster youth attending CSU, UC, or a California Community College (CCC) to assist with non-tuition costs, such as living expenses (EC Sections 69430–69433 and Sections 69465-69470).

- 3) Establishes, the Cal Grant Reform Act commencing in the 2024-2025 fiscal year, if General Fund moneys over the multiyear forecasts are available to support ongoing augmentations and actions, and if funding is provided in the annual Budget Act. Under the Act, the Cal Grant 2 and Cal Grant 4 programs are created. The Cal Grant 2 is for CCC students, and provides non-tuition support that grows annually with inflation. The Cal Grant 4 program is for students at the UC, CSU, and other institutions. The Act also states legislative intent that UC and CSU use institutional aid to cover non-tuition costs for their students (EC Sections 69424, 69425, and 69428).
- 4) Establishes the Middle Class Scholarship (MCS) Program to offset a portion of tuition costs for students attending the UC and the CSU. Starting in the 2022-23 academic year, MCS awards may be used to cover the total cost of attendance at UC and CSU (EC Section 70020, et seq.).

The maximum annual household income to qualify for an award is \$234,000 for dependent students in 2025-26.

- 5) Expands the eligibility of student financial aid programs administered by the State to students who meet the specified requirements of EC Section 68130.5 (which, in part, defines AB 540 students) or who meet the equivalent requirements adopted by the UC, notwithstanding any other law. It further requires CSAC to establish procedures and forms that enable these students to apply for and participate in all student financial aid programs administered by the State to the full extent permitted by federal law (EC Section 69508.5).
- 6) Exempts, as established by AB 540 (Firebaugh), Chapter 814, Statutes of 2001, and later modified, specified students from paying nonresident tuition at the CSU and the CCC if students met all of the following requirements:
 - a) Satisfaction of the requirements of either (i) or (ii):
 - i) A total attendance of, or attainment of credits earned while in California equivalent to, three or more years of full-time attendance or attainment of credits at any of the following:
 - (1) California high schools;
 - (2) California high schools, established by the State Board of Education;
 - (3) California adult schools as specified;
 - (4) CCCs; or,
 - (5) A combination of the schools in (1) through (4) inclusive.

- ii) Three or more years of full-time high school coursework in California and a total of three or more years of attendance in California elementary schools, California secondary schools, or a combination of California elementary and secondary schools; and,
 - iii) Specifies attendance and credit requirements when satisfied at a CCC and California Adult School.
- b) Satisfaction of any of the following:
- i) Graduation from a California high school or attainment of the equivalent thereof;
 - ii) Attainment of an associate degree from a CCC; and,
 - iii) Fulfillment of the minimum transfer requirements established for the UC or CSU for students transferring from a campus of the CCC.
- c) Registration as an entering student in, or current enrollment in, an accredited institution of higher education in California, not earlier than the fall semester or quarter of the 2001–02 academic year; and,
- d) In the case of a person without lawful immigration status, the filing of an affidavit with the institution of higher education stating that the student has filed an application to legalize the student’s immigration status or will file an application as soon as the student is eligible to do so (EC Section 68130.5 (a)).

FISCAL EFFECT: According to the Senate Committee on Appropriations:

- 1) The CSAC indicates that because the bill would simply offer an alternative pathway for students to access the same state and institutional aid that they would be able to access via the Free Application for Federal Student Aid (FAFSA), it would not change the state’s fiscal exposure nor increase local assistance for the state’s financial aid programs. However, to the extent that students elect to forgo federal financial aid by completing the CADAA in lieu of the FAFSA despite being eligible, there could be an increase in Middle Class Scholarship award amounts for CADAA applicants as these students would see a reduction in their overall financial aid and have a greater unmet need. The CSAC also indicates that the bill could lead to increased participation in the Dream Act Service Incentive Grant Program and the Dream Loan Program.
- 2) The CSAC indicates that while it has already began phased implementation of this bill, full implementation may require additional General Fund resources. The 2025-26 Governor’s Budget includes \$3 million in ongoing General Fund resources for CSAC’s structural funding gaps and could also help address the bill’s remaining costs.

COMMENTS: *Purpose of the measure.* According to the author, “SB 323 will ensure that California takes proactive steps to address growing concerns of college-eligible students to apply

for federal financial aid by providing alternative financial aid options and mitigate for any future disruptions to how federal financial aid is administered.”

The author states that, “SB 323 will require the California Student Aid Commission [CSAC] to make the California Dream Act Application [CADAA] available to all students in California who qualify for financial aid. This will protect students from vulnerable socioeconomic backgrounds and encourage them to seek the financial aid they qualify for without compromising their privacy.”

Lastly, the author contends that, “SB 323 would address inequities in higher education by making more students aware that CADAA is an option for them to relieve financial burdens associated with pursuing higher education. SB 323 also addresses inequities by ensuring that FAFSA-eligible students don’t miss out on the state and institutional aid that they are eligible for and entitled to if FAFSA is not an application they feel safe applying to or that they are unable to submit due to continued technical barriers. Lastly, SB 323 does not prohibit any FAFSA-eligible students who decide to apply for CADAA to later submit a FAFSA.”

Free Application for Federal Student Aid (FAFSA). There are currently three kinds of Cal Grants, A, B and C, of which eligibility is determined by the FAFSA or CADAA, 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 (available for any students that do not qualify for an Entitlement).

Additionally, the FAFSA is used to determine students’ eligibility for all major federal financial aid programs, including the Pell Grant and federal student loans. Further, the FAFSA is used by postsecondary institutions in the State to determine institutional financial aid.

Federal changes. As part of federal COVID-19 related legislation signed into law in late December 2020, the process for applying for and receiving federal aid was simplified. The federal changes, initially were to commence with the 2023-24 academic year. However, the changes were delayed in June 2021, and did not go into effect until the 2024-25 academic year. In part, the changes do the following:

- 1) *Simplify the FAFSA form.* The FAFSA is the form students need to complete in order to receive any financial aid from the federal government to help pay for college. Each year, over 13 million students who file the FAFSA get more than \$120 billion in grants, work-study, and low-interest loans from the U.S. Department of Education. Additionally, many states, including California, and colleges use the FAFSA to determine which students will receive state and institutional financial aid—and how much they will receive.

Simplifying the FAFSA will not only make the form easier to fill out by eliminating two-thirds of the questions, but it will also affect the determination of financial need for low, middle, and high-income students.

- 2) *Change the Expected Family Contribution (EFC) to the Student Aid Index (SAI).* While the SAI is similar in nature to the EFC, according to the Institute for College Access and Success, the name change will more accurately reflect the meaning of the calculation when determining student aid eligibility rather than an expectation of what a family can afford to pay for college. Under the new model, a student applicant's SAI can be as low as -\$1,500; however, the lowest EFC under the existing model is \$0.
- 3) *Change how Pell Grant eligibility will be determined.* Using the simplified FAFSA form, the Pell amounts will generally be determined by subtracting the SAI from the maximum Pell Grant award. Students who have a negative or zero SAI will receive the maximum amount available.

Applicants whose family adjusted gross income (AGI) fall below a specified percentage of the federal poverty level, will be guaranteed eligibility (regardless of their SAI). Further, applicants whose family AGI is up to 225% of the federal poverty level could also be eligible for the maximum award, and up to 400% of the federal poverty level for the minimum Pell award.

Continued challenges with the rollout of the new FAFSA application. As noted in the *Federal changes* section of this analysis, the U.S. Department of Education (USDE) made myriad changes to the federal FAFSA. While the changes seek to simplify the application form by reducing the number of questions students and families need to answer and transfer data directly from their previous tax filings, after over a year delay in implementing or launching the form, the USDE still did not release the new form for the 2024-25 award year until three months later than all prior years (released on December 30, 2023 instead of October 1, 2023). The USDE, on March 12, 2024, announced that it had made long-awaited technical updates that would enable mixed-status families to submit the FAFSA. However, the USDE also indicated that it had, “uncovered separate issues that still need to be resolved.”

The 2025-26 cycle was also delayed. The USDE announced on August 7, 2024, that the upcoming FAFSA form would not be open to all students until December 1, 2024 – about two months later than the typical release date. There was also a phased rollout, including a testing period in which a limited number of students and institutions had access to the form beginning October 1, 2024, as a way to preventively address potential problems before it officially went live.

The CADAA. Unlike many students in the State who qualify for federal aid programs utilizing the FAFSA application, not all students are eligible to qualify for aid via the FAFSA. Existing law authorizes the CSAC to create an alternative application form, the CADAA, for students' who are not eligible for federal aid, but may be eligible for State and institutional aid or scholarships.

Mixed-status families (MSF). The vast majority of high school and college students qualify for FAFSA application completion and can access both federal and State financial aid programs, including U.S. citizen students with undocumented contributors such as parents or spouses.

With some of the changes to the new FAFSA application, concerns from various stakeholders across the nation, regarding arrests, detention, and deportations of undocumented individuals

have been raised about data collected for the FAFSA and whether it may be used for purposes other than determining financial aid. Mixed-status family households may face a difficult decision regarding whether or not to use the FAFSA application.

They may have to choose between disclosing personal information to USDE about vulnerable contributors, and forgoing federal student aid opportunities, which could affect their ability to finance their student's college education. Students and families should be well informed about each option and to have choices regarding all potential options for financial aid.

Traditionally, the CADAA has catered to a unique population of California students. This measure seeks to ensure the availability of the CADAA for students choosing to solely apply for State-administered aid programs.

Committee Staff understands that just by making the application available does not necessarily guarantee that award payments will be disbursed. Rather, it would allow applicants to be considered for applicable financial aid programs.

How many? According to CSAC, the following tables below, provide data that is relevant to the number of MSF students' and their completion of FAFSA and CADAA from the last few award cycles.

<u>Table 1: Year-over-Year - Dependent, First-time</u>			
	6/10/2023	6/10/2024	6/10/2025
	<u>23-24</u>	<u>24-25</u>	<u>25-26</u>
CADAA MSF		2,525	1,759
FAFSA MSF	43,179	33,773	42,347
		FAFSA MSF	-2%

<u>Table 2: Year-over-Year - Dependent, First-time</u>	<u>24-25</u>	<u>25-26</u>
CADAA MSF Pell	2,255	1,549
CADAA MSF No Pell	206	203

Table 1 above shows that in 2025-26 CSAC, saw a rebound of MSF dependent first-time students complete a FAFSA compared to the completion rate in 2024-25.

According to CSAC, sponsors of this measure, "SB 323 is still a critical and important measure to proactively ensure that students in California have a safe and stable alternative financial aid application to access State and institutional aid, regardless of their eligibility for federal aid, as the future continues to be uncertain."

Table 2 above illustrates the number of MSF dependent first-time students who applied for CADAA and meet Pell eligibility. According to CSAC, these are students who would not have

had any financial aid, not even State and institutional aid, without CADAA as an alternative option.

Committee Staff understands that, the numbers in Table 2, may include a few duplicates; that is to say, students who applied for CADAA and FAFSA.

Committee comments and amendments. Committee Staff understands that it is the intent of the author to ensure that all students are able to apply for financial aid and ascertain in the application process, what, if any, financial aid they are eligible to receive. Committee Staff also understands that the State’s public and private colleges and universities (segments), want to ensure that, should students apply for the CADAA, and not the FAFSA, students and their guardians are well aware that some students could potentially forego federal funds. The segments have acknowledged that they are committed to assisting all students regardless of their filling out a FAFSA or a CADAA or both.

However, this measure as currently drafted, could be ambiguous to some in that it is not explicitly clear that CSAC should ensure students who opt to complete just a CADAA will not be eligible to potentially receive federal financial aid.

With this in mind, the Committee recommends, and the author has agreed to accept, the following amendments.

69508.5. (e) The commission shall consult with ~~the segments of postsecondary education in promoting~~ **California’s public and private colleges and universities to promote** the California Dream Act application ~~in a manner that maximizes the amount of federal aid that students may access~~ **effectively, including supporting measures to maximize student attainment of federal financial aid where appropriate** while also apprising **clearly informing** students **and their families** of the choices **their** available regarding which application **options** they and their families may use. **Including, but not limited to:**

(1) Listing in a prominent manner on the commission’s website, and the California Dream Act Application itself, the application eligibility criteria for the California Dream Act Application, the types of financial aid that each application will consider, and key distinctions between applications.

(2) Ensuring that applicants actively acknowledge, prior to completing the California Dream Act Application, that they will not be considered for any federal student financial aid programs.

Arguments in support. According to CSAC, “while CSAC made the CADAA available to mixed-status families, there has not been an adopted, uniform policy defining the use of the application for these students or other FAFSA-eligible students who have concerns and technical issues with applying for aid using the FAFSA. The lack of a defined state policy around use of the CADAA in this regard has created uncertainty and conflicting messages for students seeking to understand their financial aid application choices.”

The CSAC contends that, “SB 323 is necessary to ensure statewide clarity and alignment across education sectors about the availability of CADAA for any California aid eligible student. SB

323 ensures that California proactively provides alternative financial aid options for any California student who is unable or unwilling, now or in the future, to submit a FAFSA by making the CADAA permanently available to any eligible California student.”

Lastly, according to CSAC, “without SB 323, California students from vulnerable socioeconomic backgrounds are forced to choose between receiving nothing in financial aid or undergoing the FAFSA process despite individual data privacy or security concerns. SB 323 also promotes coordination between CSAC and all institutions of higher education by requiring that such entities collaborate to communicate consistent and accurate information to students about not just their options between FAFSA or CADAA, but also the considerations for each option so that students are empowered to make an informed personal decision.”

Related legislation. SB 305 (Reyes), of the 2025-26 Legislative Session, which was held on the Suspense File in the Senate Committee on Appropriations, in part, requires the CCCs to provide students with specified information related to completing and submitting the Free Application for Federal Student Aid (FAFSA) and the CADAA, or to opt out of completing these applications.

REGISTERED SUPPORT / OPPOSITION:

Support

10,000 Degrees

African American Male Education Network & Development

Alliance for a Better Community

Asian Americans Advancing Justice Southern California

BLU Educational Foundation

Bresee Foundation

C5LA

California Association for Bilingual Education

California Association of Christian Colleges and Universities

California Community Colleges Chancellor's Office

California Community Foundation

California State Student Association

California Student Aid Commission (Sponsor)

California Undocumented Higher Education Coalition

CFT- a Union of Educators & Classified Professionals, AFT, AFL-CIO

Coalition for Humane Immigrant Rights

College Access Plan

College for All Coalition

Consejo De Federaciones Mexicanas

Determined to Succeed

Dolores Huerta Foundation

EdTrust-West

Empowering Pacific Islander Communities

Faculty Association of California Community Colleges

Faculty Association of California's Community Colleges

Fulfillment Fund

Heart of Los Angeles
Hispanas Organized for Political Equality
Immigrants Rising
Institutional Solutions
John Burton Advocates for Youth
Kid City Hope Place
Los Angeles Unified School District
Los Angeles United Methodist Urban Foundation
Los Angeles Urban Foundation
Mexican-American Legal Defense and Educational Fund
Motivating Our Students Through Experience
NextGen California
Northern California College Promise Coalition
Operation Jump Start
Parent Institute for Quality Education
Partnership for Los Angeles Schools
Public Advocates
Puente Learning Center
San Bernardino Community College District
Southern California College Access Network
Southern California College Attainment Network
Student Senate for California Community Colleges
uAspire
Unite-LA
United Way of Greater Los Angeles
University of California Student Association
USC McMorrow Neighborhood Academic Initiative
Vision y Compromiso
Western Association for College Admission Counseling

Opposition

None on file.

Analysis Prepared by: Jeanice Warden / HIGHER ED. / (916) 319-3960