

Date of Hearing: March 1, 2022

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1671 (Patterson) – As Introduced January 19, 2022

[Note: This bill is doubled referred to the Assembly Committee on Human Services and will be heard by that Committee as it relates to issues under its jurisdiction.]

SUBJECT: California Ban on Scholarship Displacement for Foster Youth Act of 2022

SUMMARY: Prohibits a higher education institution, beginning in the 2023-2024 academic year, from reducing a student’s institutional financial aid offer or award if the student has received a private scholarship, unless specified conditions are met. Specifically, **this bill:**

- 1) Establishes the California Ban on Scholarship Displacement for Foster Youth Act of 2022.
- 2) Defines for purposes of the Act various definitions, including but not limited to:
 - a) “Cost of attendance” means the total cost of a student’s tuition and fees, books and supplies, living expenses, transportation expenses, and any other student expenses used to calculate a student’s financial needs for purposes of student aid programs under Title IV of the federal Higher Education Act of 1965, as amended (20 U.S.C. Section 1070 et seq.);
 - b) “Expected family contribution” means a student’s expected family contribution calculated according to subdivision (a) of Education Code Section 69506 as determined by Title IV of the federal Higher Education Act of 1965 as amended (20 U.S.C. Section 1070 et seq.);
 - c) “Institutional financial aid” means financial aid that is provided by the institution to students who attend the institution and are selected by the institution;
 - d) “Institution of higher education” or “institution” means any public or private postsecondary college or university in the state that receives or benefits from state-funded financial assistance or enrolls students who benefit from state-funded student financial aid;
 - e) “Private scholarship” means monetary assistance provided to a student by a private company, foundation, nonprofit organization, private charity, or service group based on factors the student has displayed or expressed intent on completing.
 - f) “Student” means any current or former foster youth who is a California resident and who enrolls in any institution of higher education for the purpose of obtaining an undergraduate degree.
- 3) Prohibits a higher education institution, beginning in the 2023-2024 academic year, from reducing a student’s institutional financial aid offer or award if the student has received a private scholarship unless all the following conditions are met:
 - a) The student does not qualify for a Federal Pell Grant Award;

- b) The student does not qualify for financial assistance under the California Dream Act;
 - c) The institution reduces the institutional aid offer up to the difference between the new financial aid amount including the scholarship, and the student's identified financial need; and,
 - d) The institution does not consider the private scholarship the student may or has received when the institution considers a student's qualifications for institutional financial aid.
- 4) Clarifies that the California Ban on Scholarship Displacement for Foster Youth Act of 2022 will not be interpreted nor implemented in a manner that violates existing state or federal laws. The provision in the Act are severable and any provision in the Act that is held invalid due to a conflict with federal or state law will not impact the other provisions in the Act if the provisions can be enacted without the invalid provision.

EXISTING LAW: *Federal law.* Establishes the federal financial aid, known as Pell Grants and provides to students with a defined demonstrated financial need an annual fiscal amount to be used for tuition and fees, books, supplies, transportation, and living expenses for the equivalent of up to six years of full-time enrollment. In the 2022-2023 award year the maximum amount of awarded to Pell Grant Recipients is \$6,495, an increase of \$150 from the 2020-2021 maximum Pell Grant award (20 U.S.C. Section 1070, et seq.).

State law.

- 1) Constitutes the Donahoe Higher Education Act to establish the definition and missions of the California Community Colleges (CCC), California State University (CSU), and the University of California (UC). Establishes the definition and mission of independent institutions of higher education as nonpublic higher education institutions who are considered nonprofits and are accredited by an agency recognized by the United States Department of Education to confer undergraduate degrees, graduate degrees, or both (Education Code (EDC) Section 66010, et seq.).
- 2) Defines "institutional financial aid" as all institutional grant aid including student need-based and merit-based aid for reporting requirements created by Education Code section 66021.1 for the CSU and UC with respect to their institutional financial aid programs (EDC Section 66021.1 (a)(1)).
- 3) Defines "cost of attendance" as the monetary costs of attending college or university for the purpose of determining financial aid eligibility. Includes the cost of mandatory systemwide tuition and fees, books and supplies, room and board, transportation, and miscellaneous personal expenses (EDC Section 66028.1 (b)).
- 4) Requires the CSU and the UC by February 1 of each year to provide to the Legislature information detailing the expenditure of revenues from student fees, the use of institutional financial aid, and the systemwide average cost of attendance per student (EDC Section 66028.6).
- 5) Establishes a systemwide tuition and fee waivers for qualifying foster youth, as defined, who attend either the CSU or the UC (EDC Section 66025.3 (b)).

FISCAL EFFECT: Unknown.

COMMENTS: *Need for the bill.* According to the author's office, "having a degree in higher education is one of the most useful tools a person can achieve for themselves. However, many current and former foster youth do not have the financial resources and support necessary to achieve this goal. AB 1671 will ensure that these students have the financial assistance necessary to succeed in their educational careers and will ensure that they are not punished by having their financial aid or scholarship awards reduced. It is critical that current and former foster youth have every tool necessary to succeed in their education."

Financial aid packages. According to the National Center for Education Statistics, the average tuition and fees for students attending postsecondary education in the United States has increased from 13% to 18% since the 2010-2011 academic year. Tuition and fees represent a portion of the overall cost of attending college; and in "Keeping College Affordable for California Students" by the Public Policy Institute of California, it was determined that the combined cost of housing, fees, books and transportation have exceeded the cost of tuition and fees. With the combined increase in tuition and living expenses, the demand for financial assistance has drastically increased as more students seek to obtain degrees from postsecondary education institutions.

To mitigate the rising cost of tuition, fees, and cost of living, the State and Federal Government work in tandem with postsecondary education institutions to provide financial assistance to help preserve college affordability. Financial aid is defined by the United States Department of Education as "money to help pay for college or career school". The federal Higher Education Act of 1965 requires postsecondary education institutions to consider all available financial resources when building financial aid packages for students to ensure the offered financial aid package does not exceed the student's financial need as determined by cost of attendance. Therefore, financial aid packages offered to students on behalf of their chosen college or university, often contain one or more of the following types of monetary assistance:

- Grants – a form of gift aid that is not repaid by the student. This form of financial aid can be limited to students within an income bracket or who wish to be employed in an industry where there is a workforce scarcity. The state-funded grant program is the California CalGrant program which provides tuition and fee assistance to low-and middle-income students who meet specific eligibility criteria. Additionally, current and former foster youth in the state of California qualify for the Chafee Grant for Foster Youth which provides students with \$5,000 a year for college or career and technical training.
- Scholarships – are a form of gift aid that are offered to students to pay for college or career school. Often the monetary assistance is provided by a nonprofit or a private organization to a student based academic merit, talent or a particular area of study. Scholarships can be provided for specific purposes such as paying for tuition or living expenses.
- Loans – a student may borrow money from a financial institution or from the United States Department of Education to help pay for the total cost of attendance. Depending on the terms of the loan, the student will be required to pay the loan back with interest.

- Work-Study programs – enable the student to earn money to pay for the total cost of attendance while working part-time at a specific job site, often either on campus or related to their field of study.
- Educational awards for community service – enable students to earn monetary assistance by volunteering in their communities. An example of this is the newly established California College Corps which enables students to volunteer for 450 hours and receive up to \$10,000 in financial assistance (\$7,000 living allowance and \$3,000 education award).

After considering the combined financial aid available to a student, the postsecondary education institution may provide a student with “institutional aid” to further reduce the financial burden the student may experience while attending their chosen college or university. “The Institutional Grant Aid at California Colleges: A Primer”, by the Institute for College Access and Success (TICAS), reported the CSU provides \$746.8 million dollars in institutional aid each year and the UC provides over a billion in institutional aid each year.

In addition to non-athletic and athletic scholarships, the largest form of institutional aid provided by the CSU is the State University Grant program (SUG). The SUG accounts for 81% of institutional aid provided to students and allocates at least \$5,742 to qualifying undergraduate students, who are California residents or AB 540 students, have an expected family contribution of \$4,000 or less, and who do not receive a Cal Grant. In the “2019-2020 Institutional Financial Aid Programs and the California State University” report provided by the CSU to the Legislature in March of 2021, the CSU committed \$701 million in SUG funding to support students in need. The CSU also reported in the 2019-2020 academic year 82% of CSU students received some form of financial assistance and 73% of undergraduates had their tuition and fees covered by grants, scholarships, and waivers.

Similar to the CSU, the UC provides non-athletic and athletic based scholarships to qualifying students, but the largest allotment of institutional aid, roughly 81%, is in the form of their need-based UC grant program.

To determine the amount of each need-based grant, the UC uses a financial aid strategy called the Education Financing Model (EFM) which leverages existing institutional aid, grants, scholarships, and federal/state government aid to ensure all students can cover the total cost of their education with an additional loan or work requirement, known as “self-help”. In the 2019-2020 academic year, the UC set the “self-help amount for most students at \$10,500. Utilizing the EFM, the UC then calculates the amount a student requires from in need-based institutional aid or the UC Blue and Gold Opportunity Program. To qualify for the UC Blue and Gold Opportunity Program students must be a California resident, and have a total family income of less than \$80,000 a year. The UC Blue and Gold Opportunity Program often pays for tuition and fees for qualifying students; however, depending on the students financial need, it may also be allocated to reduce other educational expenses such as books, housing, and transportation. In the 2020-2021 academic year, the UC provided 98,305 need-based grants to undergraduate students with the average award being \$8,273.

In the 2020 TICAS report, a total of 40 nonprofit colleges in California, consisting of 60% of fall enrollment in the sector, reported providing \$1.7 billion in institutional grants with roughly 83% of the aid being contributed in need-based grants.

Scholarship displacement. As defined by an Inside Higher Ed article in 2017, “scholarship displacement” is the educational practice of reducing institutional aid by the monetary amount of a private scholarship or grant received by a student. In theory, scholarship displacement is a fiscally prudent practice by which an institution can save on institutional aid dispersal by reducing a student’s institutional award by the amount received in private scholarship dollars. Whereby, the institutional could then take the “saved” financial aid and provide it to another student in need.

However, institutional aid is often limited to the payment of tuition or systemwide fees whereas scholarship funding can be used to pay for the total cost of attendance, or housing, books, and food. Therefore, with the increase in the cost of attendance, and more students identifying as food insecure, scholarship displacement has become a practice which is no longer viewed as an acceptable fiscally prudent practice. In 2017, the state of Maryland passed a law banning scholarship displacement as a means of providing equity between students who receive financial aid and those who do not receive financial aid. Proponents of the law argued that students who do not receive financial aid are able to use their scholarship monies as they see fit, whereas students with financial aid packages often have their scholarship money taken by the institution for purposes of paying tuition and fees that otherwise would have been covered through institutional aid.

Financial aid for foster youth. As previously mentioned foster youth are eligible to receive additional funding from the state in the form of the California Chafee Grant program; which provides \$5,000 for college or career and technical training. This grant program specifically provides financial assistance to students who were in foster care between the ages of 16 and 18 and is awarded to eligible students for up to five years.

In addition to the Chafee Grant, SB 967 (Berryhill), Chapter 569, Statutes of 2018, established a tuition and fee waiver for foster youth who meet specified qualifications and attend either the CSU or the UC. To qualify for the tuition waiver a student must:

- Be 25 or younger;
- Have been in foster care for at least 12 consecutive months after reaching 10 years of age;
- Either currently in foster care placement by order of the juvenile court; were in foster care by order of the juvenile court upon reaching age 18; or were adopted or entered guardianship from foster care.
- Maintain a minimum grade point average and remain in good standing with the CSU or UC campus they attend; and,
- Meet the financial need requirements established by Cal Grant A awards (maximum family of 4 income of \$125,100).

Committee Comments. In January 2022, John Burton Advocates for Youth published “Commitment to Success: An analysis of foster youth campus support programs at California’s public four-year institutions”, established the population of foster youth on UC campuses as roughly 1,882 in 2019 and on CSU campuses in 2021, the population of foster youth was between 3,000 and 3,500. The report argued additional supports are needed to ensure foster

youth successfully matriculate to a degree and AB 1617 (Patterson) seeks to supplement this effort by ensuring foster youth are able to utilize their scholarship funds to cover the total cost of attendance beyond just tuition and fees.

The Committee wishes to note the policy accomplished in this bill is simultaneously accomplished in AB 288 (Calderon and Bonta) of 2022, which currently awaits action by the Senate Rules Committee. AB 288 (Calderon and Bonta) of 2022 would expand the prohibition on scholarship displacement to all students, including current and former foster youth. Therefore, if AB 288 (Calderon and Bonta) is codified it will address the goal of AB 1617 (Patterson) and apply the scholarship displacement to all students who receive institutional aid. *With this understanding in mind, the Committee has suggested and the author has accepted amendments to ensure AB 1617 (Patterson) mirrors the language in AB 288 (Calderon and Bonta) while preserving the niche scope of application of the bill to foster youth.*

Current and Previous legislation.

AB 288 (Calderon and Bonta) of 2022, prohibits, commencing with the 2022-23 academic year, an institution of higher education from reducing the student's institutional financial aid offer or award as a result of private scholarship awards received by that student unless certain conditions are met. Currently awaits action by the Senate Rules Committee.

AB 3086 (Bonta) of 2020, which died due to a lack of a hearing in this Committee, was substantially similar to AB 288 (Calderon and Bonta) of 2022.

SB 967 (Berryhill), Chapter 698, Statutes of 2019, established a tuition and fee waivers for qualifying foster youth, as defined, who attend either the CSU or the UC.

REGISTERED SUPPORT / OPPOSITION:

Support

John Burton Advocates for Youth

Opposition

None on file.

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