

Date of Hearing: June 13, 2023

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Mike Fong, Chair

SB 633 (Gonzalez) – As Amended April 18, 2023

**SENATE VOTE:** 32-5

**SUBJECT:** California DREAM Loan Program: DREAM grants.

**SUMMARY:** Authorizes, commencing with the 2024-25 academic year, a California State University (CSU) or University of California (UC) campus that participates in the DREAM Loan Program to award DREAM grants to eligible students, as defined, if that campus has unawarded funds in the institution's DREAM Loan revolving fund. Specifically, **this bill:**

- 1) Authorizes, commencing with the 2024-25 academic year, a CSU or UC campus that participates in the DREAM Loan Program to award DREAM grants to eligible students if that campus has unawarded funds in the institution's DREAM Loan revolving fund that were new state, institutional matching, or loan repayment funds deposited during the previous academic year.
- 2) Requires DREAM grants be provided during the academic year immediately following the academic year in which there was an unawarded DREAM revolving fund balance.
- 3) Requires the amount of the DREAM grant offered to an individual student to be determined by the institution, not to exceed the student's financial need and prohibits a DREAM grant awarded to these provisions from counting towards the annual or aggregate borrowing limits established for the DREAM Loan Program.
- 4) Requires priority be granted to DREAM grants for instructional programs, as defined by current law.
- 5) Defines "grant-eligible student" to mean a student who has applied for financial aid using the application established by the California Student Aid Commission known as the DREAM Act Application and has been previously awarded a Cal Grant, Middle Class Scholarship, or institutional need-based financial aid.
- 6) Requires each DREAM Loan participating campus responsible for awarding DREAM grants to grant-eligible students.
- 7) States that it is the intent of the Legislature to establish a DREAM grant program.

**EXISTING LAW:**

- 1) Establishes the California Student Aid Commission (CSAC) for the purpose of administering specified student financial aid programs (Education Code (EC) Section 69510, et seq.).
- 2) Authorizes, beginning January 1, 2013, AB 540 students to be eligible to apply for, and participate in, any student financial aid program administered by the State of California to the full extent permitted by federal law (EC Section 66021.6).

- 3) Authorizes, AB 540 students attending UC, CSU, or the California Community Colleges (CCC) to be eligible to receive a scholarship derived from nonstate funds, as received by the respective segment for the purpose of scholarships (EC Section 66021.7).
- 4) Establishes the DREAM Loan Program at UC and CSU campuses that elect to participate in the program. Under the program, an AB 540 student meeting specified requirements, including demonstrating financial need, may obtain a loan of up to \$4,000 per academic year, up to a maximum of \$20,000 as an undergraduate student. No more than \$20,000 as a graduate students. The repayment term for the loan is 10 years, and repayment commences following a six-month grace period beginning when the student graduates or ceases to maintain at least half-time enrollment. Eligibility for deferment or forbearance of loan repayments is consistent with the federal direct student loan program (EC Section 70033).
- 5) Specifies that the proportion of program funding used for instructional programs and for graduate programs be determined at the discretion of the participating institution and that priority be given to loans for instructional programs. Current law further defines “instructional programs” to mean a program of study that results in the award of a baccalaureate degree or undergraduate certificate, or undergraduate coursework in a program of study leading directly to a first professional degree for which no baccalaureate degree or undergraduate degree is awarded (EC Section 70032 (i) and 70034 (a)(6)).
- 6) Requires, by January 1, 2020, a UC and the CSU campuses participating in the state DREAM Loan Program to adopt procedures allowing a borrower to select an income-based repayment plan for the repayment of a DREAM Loan (EC Section 70034 (d)).
- 7) Requires the annual Budget Act to allocate funding to participating institutions based on the number of AB 540 students who applied for state financial aid in the prior academic year. Participating institutions must at least match the state allocation using the institution's discretionary funds. Both the state and local funding is deposited into a DREAM revolving fund. Loan repayments are also deposited into the revolving fund and are intended to reduce the annual state and campus contributions equally (EC Section 70035).

**FISCAL EFFECT:** According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

**COMMENTS:** *Background.* In 2014 the Legislature enacted SB 1210 (Lara), Chapter 754, Statutes of 2014, which established the California DREAM Loan Program, an affordable loan option that is offered at UC and CSU for undergraduate AB 540 [(Firebaugh), Chapter 814, Statutes of 2001] students to assist in financing their education. The loan was designed to mirror federal student loan programs with including provisions that placed a cap on loan amounts and low interest rates.

In 2019, the Legislature enacted SB 354 (Durazo), Chapter 526, Statutes of 2019, which expanded the provisions of the DREAM Loan Program to include eligible graduate students seeking a graduate or professional degree program.

Since the enactment of AB 540, several legislative measures have modified or expanded eligibility for the exemption from nonresident tuition in order to better accommodate the diverse student population.

Under current law, CSAC is only permitted to provide undocumented students with state financial aid if they apply for aid through the California Dream Act Application (CADAA).

*The CADAA.* In 2011, AB 131 (Cedillo), Chapter 604, Statutes of 2011, allowed students with AB 540 status to apply and be eligible for state financial aid such as the Cal Grant. AB 131 also charged CSAC with establishing and administering procedures and forms to enable eligible undocumented students' access to state aid. As a result, CSAC developed the CADAA and made it available to students in Fall 2012. Aid was dispersed for CADAA applicants in the Summer of 2013.

*Need for the measure.* According to the author, “California is one of the most diverse states in the nation and the state has taken numerous historic steps to support undocumented students. Many of these students are enrolled in higher education, working to obtain degrees and skills to live a better life and give back to their community while contributing to the local economy. However, being able to pay for college continues to be a challenge for many students but for undocumented students this presents a higher barrier as college remains unaffordable.”

The author contends that, “while California has taken significant steps to provide access to financial aid, such as creating the California DREAM Loan Program, students without work authorization face unique challenges that keep them from taking advantage of loan programs.”

Further the author states that, “with SB 633, the state has the opportunity to expand the DREAM Loan Program by providing public higher education institutions with the ability to repurpose unused funds that would help provide financial assistance to undocumented students. A DREAM grant will help offset the total cost of attendance for UC and CSU undergraduates and provide subsidies for students to graduate.”

DREAM grants would only be available at CSU or UC campuses that participate in the DREAM Loan program. According to the author’s office, there are approximately 14,000 to 17,000 undocumented students attending the UC and CSU.

*California DREAM Loan Program.* Existing law establishes the California DREAM Loan Program, a voluntary campus-based student loan program, patterned after the Federal Direct Loan Program. Both the State and the university contribute a 1:1 match to the loan fund until the Program becomes self-sustaining. This Program serves undocumented AB 540 students at the UC and CSU who, under the terms of the California Dream Act, became eligible for State and institutional grant programs but are ineligible for federal student loan programs. A student can borrow up to \$4,000 annually not to exceed \$40,000 in the aggregate. During the 2020-21 academic year, 464 CSU students received an average award of \$3,162 for undergraduates and \$3,322 for graduates. In 2020-22 academic year, 946 UC recipients received an average award of \$3,307.

According to UC’s data, the average DREAM Loan balance at the time of repayment for students who borrowed over a period of four years is \$12,790. This is less than the average federal student loan debt load held by California graduates.

According to a March 1, 2023, report by the CSAC, entitled, *Renewing the Dream – Improving Financial Aid & College Affordability for California’s Undocumented Students*, as of 2021-22 CSAC data, among undocumented students in postsecondary education (approximately 53%), who fill out a CADAA, only 30% ultimately enroll and receive state financial aid. Moreover,

overall, only 14% of the State’s estimated undocumented student population in higher education receives financial aid to support their higher education goals.

The table below shows the number of CADAA Applications versus AB 540 Students by Segment for 2021-22:

Public Segment	Number of CADAA Applicants	Number of AB 540 Students
CCC	11,529	62,417
CSU	6,877	9,500
UC	3,386	4,469

The CSAC report, in part, recommended that the State create a state-funded grant that can offset the financial burden undocumented students absorb because they are not eligible for the federal Pell Grant. This measure, seeks to address some of the policy recommendations of the report.

*DREAM grant awards.* Under the provisions of this measure, a UC or CSU campus may establish a grant program with unused DREAM Loan funds. Each participating institution would determine the amount of a student’s DREAM grant. The amount cannot exceed the student’s remaining financial need related to the total cost of college attendance. Committee Staff understands that the awards would be decided annually based on availability of funds. Further, the measure does not preclude a DREAM Loan recipient from receiving a grant.

However, it is unclear if loan recipients who must repay the amount borrowed would have preferential consideration for a grant.

*Moving forward, the author may wish to clarify who may receive preferential consideration for a grant.*

*Arguments in support.* According to the UC, sponsors of this measure, “SB 633 would expand the utilization of existing Dream Loan funds and address a new problem facing many undocumented students. As a result of federal court decisions relating to [Deferred Action for Childhood Arrivals] DACA, fewer of UC’s undocumented students are receiving work authorization through the program. UC now has three consecutive first-year classes that are ineligible to receive DACA and work authorization. This is problematic at the undergraduate level because the University’s Education Financing Model assumes that all students will work part-time to contribute towards their educational costs. It is also creating difficulties at the graduate level, which often requires students to teach or conduct paid research.”

The UC contends that, “with authority to repurpose unexpended balances in the Dream Loan program to provide grants to undocumented AB 540 students, UC could continue to help the same students who are the intended beneficiaries of the Dream Loan program. At UC, the grants would offset the work expectation for UC undergraduates and allow students to continue to pursue their education. Through their hard work and perseverance, these students have earned the opportunity to attend UC. Their accomplishments should not be disregarded, or their future jeopardized because of their immigration status.”

*Related legislation.* AB 1540 (Mike Fong) of 2023, which is awaiting action in the Senate, in part, authorizes CSAC to collect an AB 540 affidavit from a student. Additionally, the measure, also in response to the aforementioned CSAC report recommendations, requires the CSU and the CCC, and requests the UC and independent institutions of higher education, to accept an AB 540 affidavit provided by CSAC.

**REGISTERED SUPPORT / OPPOSITION:****Support**

California Faculty Association  
California Federation of Teachers, AFL-CIO  
California State University, Office of The Chancellor  
California Student Aid Commission  
National Association of Social Workers, California Chapter  
University of California (Sponsor)  
University of California Student Association

**Opposition**

None on file.

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