

# LAO Analyzes Governor Newsom's Student Aid Commission Proposals

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In his 2021–22 State Budget proposal submitted to the Legislature on January 8, 2021, Governor Gavin Newsom earmarks \$2.8 billion for the California Student Aid Commission (CSAC), a \$146 million (5.4%) increase over the revised 2020–21 fiscal year.

The Legislative Analyst's Office (LAO)—the Legislature's nonpartisan policy and fiscal advisor—released a [report](#) this week evaluating several of Governor Newsom's proposals for the CSAC in his State Budget blueprint.

The report highlights the Governor's early action proposals to ensure that students don't lose their Cal Grant A eligibility and that private nonprofit institutions do not have their Cal Grant maximum award amount reduced. The report also analyzes the Governor's proposal to expand the Cal Grant competitive awards, provide supplemental awards for foster youth, and require school districts to certify high school seniors complete the Free Application for Federal Student Aid (FAFSA) application or a California Dream Act application (CADAA).

## Cal Grant A—Early Action Proposal

Governor Newsom is requesting early action to restore Cal Grant A awards for students who lost eligibility in 2020–21 due to a change in their living arrangements.

Current state law requires students to demonstrate a certain level of financial need in order to be eligible to receive a Cal Grant. In order to receive a Cal Grant A award, a student must demonstrate that their financial need is at least \$1,500 higher than the maximum award amount at their higher education segment. However, due to the COVID-19 pandemic, on-campus housing is operating at significantly reduced capacity as many students are living at home with their family, thereby reducing their cost of attendance, and thus, their financial need. This means that under current law these students who otherwise would have qualified for Cal Grant A no longer meet the financial need threshold.

To remedy this issue, the Newsom Administration is proposing Cal Grant A eligibility in 2020–21 and 2021–22 to be based on what a student's financial need would have been had they lived on campus. The proposal allocates \$58 million ongoing to fund these awards.

While the LAO believes that the cost of the proposal is likely overestimated, it recommends that the Legislature adopt the Governor's proposal as early action, but to also revisit the funding level at the May Revision when all other Cal Grant cost estimates are typically updated.

## Cal Grant Awards at Private Nonprofit Institutions—Early Action Proposal

The 2018-19 State Budget included language that set Associate Degree for Transfer (ADT) target levels for private nonprofit institutions in order for their students to receive the maximum Cal Grant award amount of \$9,084. However, the state suspended the ADT requirement the past two years because it looked as though the sector was not going to meet the target rates (although they did end up exceeding the ADT target in 2019–20), and thus their students would receive lower Cal Grant awards.

While the data is not yet available on whether the sector will meet the 2020–21 ADT targets, the Governor is proposing to postpone the annual target by one year, meaning that the maximum Cal Grant award at private nonprofit institutions would remain at \$9,084 for 2020–21, regardless of the number of ADT students the sector admits. The proposal then states that in 2021–22, the sector would be required to admit 3,000 ADT students (as opposed to the 3,500 required in current law) to maintain the maximum award amount for the subsequent year.

The LAO agrees that approving this proposal reduces uncertainty for the incoming 2021–22 students and thus recommends that the Legislature adopt the Governor’s proposal as an early action item.

### **Cal Grant Competitive Award Expansion**

The state currently authorizes CSAC to grant 41,000 new competitive Cal Grant awards annually to students who do not qualify for an entitlement award. The Governor wants to make an additional 9,000 competitive awards available by providing \$35 million (\$28 million for base awards and \$7 million to provide supplemental access awards to recipients with dependent children) ongoing to increase the number of annual competitive awards to 50,000.

The LAO notes that over 293,000 students were eligible for a new competitive award in 2019-20, but only 51,000 were offered an award (the number exceeds 41,000 because not every student offered an award eventually receives it). The report states that due to the competitive award scoring matrix, the newly proposed awards would likely go to students who have a low Expected Family Contribution (EFC), are low-income, and have other socioeconomic disadvantages.

However, the LAO recommends that the Legislature keep the state’s operating deficit in mind before conserving any Cal Grant expansion. If funds are available, the LAO thinks that this proposal is worth considering because it reflects a systematic approach to allocating additional aid according to student need.

### **Supplemental Awards for Foster Youth**

Over 4,200 foster youth students received Cal Grant awards in 2019–20, with nearly 60% of those students attending a community college.

In his State Budget proposal, the Governor wants to provide supplemental access awards to current and former foster youth attending a public higher education segment. The increase in

the maximum access award would depend on the recipient award type. The maximum award for Cal Grant A recipients would increase from \$0 to \$6,000; Cal Grant B from \$1,648 to \$6,000; and Cal Grant C from \$1,094 to \$4,000.

The report says that this proposal complicates an already complicated system as these supplemental awards have their own eligibility rules and this complication works counter to recent legislative efforts to simplify the Cal Grant program. The LAO recommends that the state leverage the forthcoming federal changes in the Consolidated Appropriations Act, 2021, which makes changes to the financial aid system, beginning in 2023–24, that will improve the state’s ability to identify the most high-need students. For this reason the LAO recommends a cautious approach, whereby the Legislature considers the proposal while keeping in mind the state’s projected operating deficit. The LAO also thinks that targeting additional aid to foster youth students via Cal Grants is a reasonable near-term goal, but long-term think that the new federal system will help the state by providing a more systematic way to target additional aid to the most high-need students without having to create supplemental awards for specific student groups.

### **FAFSA and CADAA Requirement**

According to data from the CSAC, completion rates for the FAFSA and CADAA are down by approximately 10% and 45%, respectively.

For this reason, Governor Newsom’s 2021–22 State Budget proposal would require local educational agencies to confirm that all high school seniors complete the FAFSA or CADAA beginning with the 2021–22 academic year. The proposal includes a provision that allows parents and students (18 or older) to opt-out of filling out these applications by submitting a written request.

The LAO finds the proposal promising as it could increase financial aid utilization and college enrollment. The LAO recommends adopting the proposal in concept and working with the Administration to further ensure that the new requirement would not create any unnecessary costs for school districts. They also recommend, if the proposal were to be approved, that the Legislature plan for increased out-year costs within the Cal Grant entitlement program as more students will be eligible for these funds.

### **Next Steps**

The Legislature will use the LAO’s report to help vet and consider the Governor’s CSAC proposals. While the two items proposed for early action could be taken up within the next several weeks, the other proposals discussed in this report will not be taken up until after the May Revision, which is when the Legislature begins to craft the State Budget to meet the June 15 constitutional deadline.