

Date of Hearing: April 3, 2024

ASSEMBLY COMMITTEE ON EDUCATION
Al Muratsuchi, Chair
AB 2165 (Reyes) – As Amended March 18, 2024

SUBJECT: Student instruction: financial aid application

SUMMARY: Requires a local education agency (LEA), before exempting a student from the requirement to complete and submit a Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA), to facilitate a meeting between a school guidance counselor and the student; and requires LEAs to post data related to the number of students exempted from the requirement. Specifically, **this bill:**

- 1) Requires an LEA, before exempting a student or the student's parent or legal guardian from the requirement to complete and submit a FAFSA or CADAA, to facilitate a meeting between a school guidance counselor and the student to discuss:
 - a) The purposes and benefits of the FAFSA or CADAA, which include consideration for financial aid; and
 - b) The consequences of not completing and submitting a FAFSA or CADAA.
- 2) Requires that, if an LEA exempts the student from having to complete these requirements notify the student's parent or legal guardian of the student's exemption.
- 3) Requires each schoolsite within a school district to annually report to the school district the total number of submitted opt-out forms, including the number of forms submitted by the school district on behalf of students, and the number of forms submitted by the student's parent or legal guardian.
- 4) Requires each charter school to annually report to its chartering authority the total number of submitted opt-out forms, including the number of forms submitted by the charter school on behalf of the student and the number of forms submitted by the student's parent or legal guardian.
- 5) Requires an LEA to publish the following data, for each schoolsite, on its website:
 - a) The total number of submitted opt-out forms, including those on behalf of the student and those submitted by the student's parent or legal guardian; and
 - b) The completion rates for the FAFSA or CADAA.

EXISTING LAW:

- 1) Requires, commencing with the 2020-21 school year, the governing board of a school district and the governing body of a charter school to:

- a) Ensure that each student receives information on how to properly complete and submit the FAFSA or the CADAA, as appropriate, at least once before the student enters grade 12; and
 - b) Handle any information shared by parents, guardians, and students under this section according to applicable federal and state privacy laws and regulations. (Education Code (EC) 51225.7)
- 2) Requires that the governing board of a school district and the governing body of a charter school have discretion over how it provides this instruction. (EC 51225.7)
 - 3) Specifies that instruction may be provided through in-class instruction, existing programs, family information sessions, or group or individual sessions with school counselors. (EC 51225.7)
 - 4) Requires instruction to include the following types of information:
 - a) The types of documentation and personal information required by the FAFSA or CADAA, including, but not limited to, documents relating to income taxes, finances and income, college choices, academic status, and personal identification, such as social security or taxpayer identification numbers;
 - b) An explanation of definitions used for each application, such as “legal guardianship,” “dependent,” or “household size;”
 - c) The eligibility requirements for the FAFSA or CADAA;
 - d) Application timelines and submission deadlines; and
 - e) The importance of submitting applications early, especially when financial aid is awarded on a first-come, first-served basis. (EC 51225.7)
 - 5) Requires the governing board of a school district and the governing body of a charter school to ensure that a paper copy of the FAFSA or CADAA is provided to a student, if that student or the student’s parent or guardian requests a copy. (EC 51225.7)
 - 6) Prohibits, in federal law, funds from being made available under any applicable program to any educational agency or institution that permits the release of a student’s education records, or the personally identifiable information contained therein, other than directory information, without the written consent of their parents (20 U.S.C. 1232(b)).
 - 7) Prohibits school officials and employees of an LEA from collecting information or documents regarding the citizenship or immigration status of students or their family members, except as required by state or federal law, or as required to administer a state or federally-supported educational program (EC 234.7).
 - 8) Establishes the California DREAM Loan Program and authorizes student eligibility for the program if a student satisfies several requirements, including submission of the CADAA (EC 70031, 70033).

- 9) Requires educational counseling to include academic counseling, in which students receive advice on the following:
 - a) Development and implementation, with parental involvement, of the student's immediate and long-range educational plans;
 - b) Academic planning for access and success in higher education programs, including advisement on courses needed for admission to public colleges and universities, standardized tests, and financial aid; and
 - c) Career and vocational counseling, in which students are assisted in, among other things, understanding the variety of four-year colleges and universities and community college vocational and technical preparation programs, as well as admission criteria and enrollment procedures. (EC 49600)
- 10) Requires that information of a personal nature disclosed by a student who is 12 years of age or older, or by the parent or guardian of a student who is 12 years of age or older, to a school counselor during counseling be deemed confidential, except in specified circumstances, and prohibits such information from being included in a student's record without the written consent of the person who disclosed the information (EC 49602).
- 11) Requires a school to include, in its School Accountability Report Card, the availability of qualified personnel to provide counseling and other student support services, including the ratio of academic counselors per student. (EC 33126)

FISCAL EFFECT: This bill has been keyed a possible state-mandated local program by the Office of Legislative Counsel.

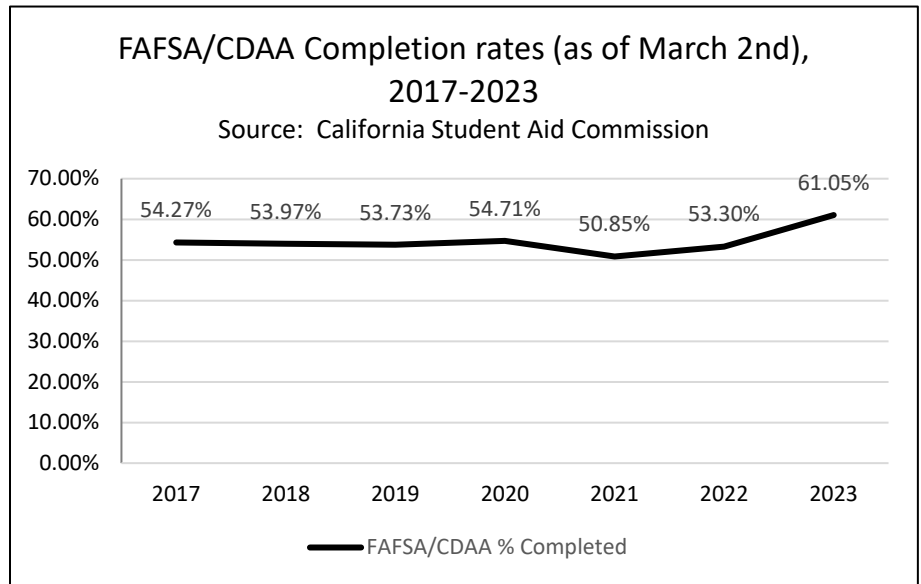
COMMENTS:

Need for the bill. According to the author, “AB 2165 represents a pivotal step towards enhancing transparency and accountability within our education system. Data shows that high school students who complete financial aid applications are more likely to attend college directly from high school. In 2021, AB 469 (Reyes) was signed by the Governor, which promoted the completion of financial aid applications by requiring schools to ensure high school students complete and submit the Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA) forms before graduating. These forms are critical in determining eligibility for various financial aid programs, scholarships, and grants, which can significantly alleviate the burden of college expenses. Since the passage of AB 469, some schools have not made much progress in completion rates of FAFSA or CADAA forms, which means that students have been opted out of completing these forms.

AB 2165 seeks to obtain information related to the opt-out forms, which can be submitted by a student, a parent or guardian, or a school counselor, by requiring schools to report data to their school districts on who is filling those forms and requiring that data to be published. AB 2165 also promotes communication between high school counselors, students, and parents regarding opt-out decisions from FAFSA or CADAA requirements, ensuring that vital information reaches all stakeholders. AB 2165 promotes transparency and empowers students and families with the knowledge they need to navigate the complexities of financial aid and educational opportunities effectively.”

Has the current requirement resulted in higher rates of FAFSA/CADAA completion?

According to data from the California Student Aid Commission (CSAC), provided by the author and shown in the table on this page, the rate of completion as of March each year (students have until September 2nd to apply), has increased from 54.71% in the year before the policy took effect, to 61.05% in 2023. The author believes that this rate could increase if opt-out practices used by LEAs were improved. As noted below, the school disruptions caused by the COVID-19 pandemic also suppressed completion rates.



According to the CSAC, in 2023 California led the nation in overall growth of financial aid completion rates. Based on rates of completion by September 2nd for those years, 74.2% of high school seniors completed a FAFSA or CADAA, compared to 68.1% the previous year.

School counselors do not have the capacity to meet with every student who does not complete the FAFSA or CADAA. This bill would require that an LEA, before exempting a student from the requirement to complete and submit a FAFSA or CADAA, facilitate a meeting between a school guidance counselor and the student to discuss the purposes and benefits of the FAFSA or CADAA, and the consequences of not completing and submitting a FAFSA or CADAA.

According to the California Department of Education (CDE), school counselors have many responsibilities, including assisting students in making decisions, managing emotions, coping with crises, overcoming barriers to learning, seeking access to the core curriculum, and providing relevant academic, career, and personal/social counseling to enable students to make informed decisions toward achieving their future goals.

According to the American School Counselor Association, California has the 7th worst ratios of counselors to students in the country, with one counselor for every 464 students in the 2022-23 school year. This is an improvement over prior years, but still far from the recommended ratio of 1:250. Some schools are so small that they do not employ a counselor. The available data, based on the number of high school seniors and the rate of completion by June 30, suggests that this bill would require roughly 125,000 individual meetings between counselors and students to be held each year. Accordingly, ***staff recommends that this bill be amended to*** require that schools inform students of the benefits and consequences of FAFSA/CADAA completion, through meetings, written notices, and other forms of communication, which would make this an implementable requirement.

Reporting requirement raises privacy issues. This bill would require an LEA to publish on its website the total number of submitted opt-out forms, as well as the completion rates for the FAFSA or CADAA. Many schools and school districts are small, and publishing data about CADAA completion rates, in particular, could unintentionally violate the privacy of students. **Staff recommends that this bill be amended** to require that this requirement comply with applicable state and federal law regarding the privacy of student information.

Problems with the rollout of the new FAFSA application in 2024. According to the Assembly Higher Education Committee:

The U.S. Department of Education (USDE) recently 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's 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).

Additionally, the USDE is several months behind normal scheduling in sharing the student records that campuses use to make financial aid offers to students. Furthermore, the launch of the new form contained several technical glitches that have prevented mixed-status families (those in which a student has one parent without a social security number), from completing the new application form.

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." Presently, it is unclear exactly what the newly uncovered issues entail, and when said issues will be resolved by USDE.

With the launch of the new application form delayed by several months, through March 8, 2024, the most recent data available at the time this analysis was published, in California, 30.7% of all the high school class of 2024 has submitted a FAFSA. Nationally, there have only been 1,275,781 submissions, a -32.9% change compared to last academic year.

Effect of the COVID-19 pandemic on FAFSA and CADAA applications. In March, 2020 the COVID-19 pandemic and associated public health orders forced the closure of nearly all schools for in-person instruction. Many schools remained closed for in-person instruction, offering instruction through distance learning, for much of the 2020-21 academic year. The pandemic caused significant disruptions to students' education, with effects on students' academic progress, social and emotional well-being, and economic security.

As of February 26, 2021, the USDE reported that 197,855 California high school seniors had completed the FAFSA compared to 219,969 at the same point in 2020, a year-over-year decline of 10%. While the decline occurred across the board, applications declined at steeper rates for students in schools designated as Title 1, those in town and rural areas, and those enrolling a higher percentage of students of color.

The decline in FAFSA applications in California mirrored national trends. According to the National College Attainment Network, national data through January 29, 2021 showed a decline

of about 9.7% in FAFSA completion compared to the same time the prior year. According to the Public Policy Institute of California (PPIC), California's decline is similar to the nationwide decline in FAFSA completion but notably larger than declines in other populous states.

Historically, large numbers of high school graduates did not complete the FAFSA or CADAA, leaving significant amounts of aid unclaimed. According to the CSAC, the graduating classes of 2017 and 2018 averaged a 54% completion rate for the FAFSA and CADAA. The CSAC oversees a statewide annual "Race to Submit" campaign, with the aim of increasing the number of high school seniors who complete the FAFSA and CADAA. As part of the campaign, CSAC provides weekly progress updates on several measures, including FAFSA/CADAA completion and submission rates, disaggregated by high school, school district, and county. The campaign is modeled after the 2017-18 FAFSA and CADAA Completion Initiative in Riverside County, which was associated with an increased completion rate from 52% to 70% for the class of 2017.

The author previously provided research indicating that one-third of the students who do not file a FAFSA would have also been eligible for a Pell Grant and other need-based aid (Clayton, 2015), and that the lowest-income range of students (independent students earning less than \$10,000 and parents of dependents students earning less than \$20,000) is the most significant group that does not complete the FAFSA, aside from high-income students who have the ability to pay (Davidson, 2013).

The Campaign for College Opportunity estimates that \$250 million in Pell Grants went unclaimed in 2014-15. The organization also found that among high schools in which more than 75% of students were eligible for the Free and Reduced Price Meal Program, 24% of eligible students did not complete the FAFSA.

Val Verde Unified School District's FAFSA/CADAA graduation requirement served as model for increasing financial aid and postsecondary attendance. In 2017, Val Verde Unified School District in Riverside County made FAFSA and CADAA completion a graduation requirement. In the first year after this requirement took effect, completion rates rose from 69% to 83%, with no adverse impact on high school graduation rates. The district reports that Cal Grant awards rose from 397 in 2016 to 947 in 2019, and that the percentage of high school graduates who attended college in the first semester after graduation rose from 55% in 2016 to 67% in 2020. The district also reports that out of over 1,500 high school seniors, only 11 opted out of the requirement. According to the author, Rancho Verde High School, a school of Val Verde Unified School District, led the state with one of the highest percentage of FAFSA/CADAA completion, at 92%. The district also notes that the success of the policy in this district was due to a systematic district-wide effort. Perris Union High School District has also made completion of the FAFSA or CADAA a graduation requirement.

Effect of FAFSA requirements on postsecondary attendance is unclear. Louisiana became the first state to make applying for financial aid a requirement for high school graduation. Starting in 2017-2018, the Financial Aid Accessibility Policy required Louisiana students to complete the FAFSA or apply for TOPS (a program of state scholarships) in order to graduate. In 2018, 84% of students completed the FAFSA, an increase of 17% from 2017. According to the Louisiana Department of Education, the high school class of 2018 achieved record-breaking rates of graduation (+3.2% compared to 2017) and college enrollment in the semester immediately following graduation (+6.7% compared to 2017) for the state. While the Financial Aid Accessibility Policy may have contributed to these positive outcomes, it was part of several

efforts by the State of Louisiana to improve graduation rates and college enrollment in this period, including aligning high school graduation requirements with admissions eligibility for public universities and expanding opportunities for students to earn postsecondary credits in high school. Because of this, it is difficult to determine how much of the recent successes seen in Louisiana are due to the FAFSA requirement.

The Legislative Analyst's Office notes that research on the impact of FAFSA completion on college enrollment is limited, suggesting that FAFSA completion is associated with (but does not necessarily cause) college enrollment, and states that it is too soon to draw conclusions from states that have implemented similar policies to date.

Recommended Committee amendments. Staff recommends that this bill be amended to:

- 1) Instead of requiring individual meetings between counselors and students to inform them of benefit and consequences of FAFSA/CADAA completion, require that students be informed of this information. Specify that this may be through in-person meetings, written notices, or other means of communication. Add to the information to be shared that with the student that they can still complete a FAFSA/CADAA after they have opted out.
- 2) Require that the reporting requirements of this bill comply with all applicable state and federal law regarding the privacy of student information.

Arguments in support. The California Student Aid Commission writes, “Despite the tremendous overall gains in financial aid completion, some school districts saw no change in FAFSA/CADAA completion, and some even had a slight decrease. Anecdotally, the Commission is aware of students being opted-out by their school counselors without robust guidance. AB 2165 strengthens the original intent of the universal financial aid completion policy by incorporating data collection requirements that will be essential to helping schools and the state better measure success and equity, while also helping identify how to deploy targeted outreach and resources.”

Related legislation. AB 469 (Reyes), Chapter 560, Statutes of 2021, requires, on or before September 1, 2022, and each year thereafter, the CSAC and the CDE to facilitate the completion of the FAFSA and the CADAA, through the sharing of specified data.

AB 1617 (Reyes) of the 2019-20 Session would have made completion of the FAFSA or the CADAA a high school graduation requirement, permits parents to opt out of the requirement, and provides an exemption for students who have met all other requirements for graduation. This bill was held in this Committee.

AB 2015 (Reyes), Chapter 533, Statutes of 2018, requires the governing board of a school district or the governing body of a charter school to ensure that students receive information on how to properly complete and submit the FAFSA or the CADAA at least once before students enter grade 12.

SB 1210 (Lara), Chapter 754, Statutes of 2014 established the California DREAM Loan Act to provide financial aid to students attending the California State University and the University of California systems.

REGISTERED SUPPORT / OPPOSITION:

Support

California Student Aid Commission
Immigrants Rising
John Burton Advocates for Youth
Nextgen California
Parent Institute for Quality Education
uAspire

Opposition

None on file

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