JOHN BURTON Advocates for Youth

AB 791 (Berman): Frequently Asked Questions

1. What is the goal of AB 791?

The goal of AB 791 is to ensure that students can more easily access sufficient financial aid by requiring that:

(1) Colleges and universities in California maintain accurate and transparent Cost of Attendance (COA) budgets and
(2) Protocols for requesting COA adjustments are accessible and free from unnecessary barriers.

2. What is Cost of Attendance (COA) and how are COA budgets calculated?

COA is the amount an institution of higher education determines a student must pay to attend for a given year, including both tuition and non-tuition expenses. The federal government requires that institutions create COA budgets for three housing scenarios: living on campus, living with family, and living off campus. The federal government also specifies the types of costs that must be included in the COA, which include tuition and fees; books, course materials, supplies, and equipment; transportation; food and housing (or living expenses); and miscellaneous personal expenses. Additional categories are also allowable for certain students, including a dependent care allowance for students who are parents, and disability related expenses. The 24/25 Application and Verification Guide provides additional information about each category.

Students cannot receive any type of financial aid that exceeds their COA, and need-based financial aid is limited to the difference between COA and the recipient's Student Aid Index (SAI), the amount that they and their family are expected to contribute toward their education. For example, if a student's stated COA is $30,000 and their SAI is $8,000, then that student cannot receive total aid that is greater than $30,000 or need-based aid that is greater than $22,000.

Institutions choose how to set amounts for each COA element utilizing a variety of sources, which may include reviewing federal and proprietary datasets, conducting local cost surveys, and utilizing student surveys. Many institutions rely on the Student Expenses and Resources Survey (SEARS), which is administered periodically by the California Student Aid Commission (CSAC). This survey collects data from students at public and private institutions across California about their experiences paying for college. CSAC then uses data from these surveys to create Student Expense Budgets (SEBs).

3. How does a COA adjustment work?

The federal government grants financial aid administrators the authority to use professional judgment to make COA adjustments for individual students on a documented, case-by-case basis. For example, if a student's rent is higher than what the institution has estimated, or if they are enrolled in coursework that requires books that cost more than what the college has budgeted, students can submit an appeal to increase the impacted component of their COA.

Under the recently enacted FAFSA Simplification Act, all institutions are now required to take steps to promote professional judgment, and are no longer allowed to deny all requests of a specific type or set deadlines by which students must submit requests.

4. What documentation is required to substantiate the need for a COA adjustment?

Institutions have wide latitude regarding documentation requirements. The 2024/2025 Application and Verification Guide states that "Documentation can include a documented interview between the student and the financial aid administrator and supplementary information, as necessary, about the student's financial status relating to the special circumstances for which the student is requesting an adjustment."

5. How will AB 791 improve COA budgets and adjustment processes?

AB 791 would require institutions to do the following as a condition of participation in the Cal Grant program:

- Utilize housing costs that represent at least one-half of median rents for a two-bedroom apartment for the California county where the college is located, as published by the U.S. Department of Housing and Urban Development.
- Publish the basis for amounts included in each COA category, including data sources used and assumptions made.
- Clearly advertise their policy for making COA adjustments on their website and financial aid award letters.
- Allow adjustments to any student budget expense category included in a college's COA, including housing, food, transportation, books and supplies, and personal expenses.
- Not impose deadlines on when COA adjustments can be requested or restrictions on the number of COA adjustments a student is able to request.
- Complete a review of a COA adjustment request within 14 calendar days.
- Require institutions to provide flexibility regarding acceptable documentation of expenses.
- Allow for a second review of an adjustment request that is denied, if requested by the student.

6. Why is this bill necessary?

Accurate COA budgets are critical to student success because they determine the maximum amount of financial aid students can receive. If a COA budget underestimates expenses, students may receive financial aid that is less than their actual expenses, requiring them to cover the difference through support from family, working, private borrowing, or reducing enrollment. This can disproportionately impact students who may have additional costs and less generational wealth, like low-income students, students with experience in foster care or homelessness, and student parents.

Recent research conducted by JBAY found that over half (53%) of colleges and universities in California use COA budgets that are lower than estimated regional costs. In some cases, the gap between a student's estimated living expenses and their maximum financial aid eligibility was more than $10,000. While underestimation occurred across all three systems, this trend was most pronounced among the CSU and UC systems, where 77% and 100% of campuses, respectively, underestimated costs by at least 5%.

While most students, because of the limitation on how much aid is available, do not hit their COA limit, in some cases, students who receive private scholarships end up with offers of aid that exceed the COA limit. These students must turn away scholarships that they have earned and badly need because of COA restrictions.

Further, while institutions are required to offer students the ability to increase their COA and financial aid eligibility, research has found that nearly two-thirds of institutions do not make their COA adjustment policies publicly available on their websites. This places undue burden on students to seek out adjustment policies and processes, and students may be unaware that such policies are even available. In addition, there are often arbitrary restrictions on allowable adjustments. For example, some colleges will not consider adjustments for housing costs that exceed their COA budget, leaving students without the necessary financial aid to cover their actual expenses, while other colleges allow an adjustment for any category within their budget.

7. **Why should colleges use a methodology to calculate housing costs that is at least one-half of median rents for a two-bedroom apartment for the California county where the college is located, as published by the U.S. Department of Housing and Urban Development?**

Housing is typically the largest component of non-tuition costs, however standardizing the cost of housing for diverse student populations presents a challenge as costs vary considerably by geography and students' varying life circumstances. For example, while it may be reasonable to expect a younger, single, non-parenting student to share a room with another person, for an older student or student with dependents, room-sharing is not the norm. Nonetheless, in order to determine COA, institutions must settle on an amount that reflects real costs as closely as possible.

Rental cost estimates from the U.S. Department of Housing and Urban Development (HUD) are developed using a comprehensive methodology that reflects differences in unit size and geographic variation. By using 50% of the cost of a two-bedroom apartment, COA figures will reflect a “middle-of-the-road” housing situation based on a scenario in which two students are sharing an apartment, each with their own room. This is a housing scenario that is between the cost of renting a studio apartment and a scenario in which two students share a single room. There is also precedent for using this as the standard for housing costs from Colorado. The Colorado Commission on Higher Education (CCHE) is tasked annually with using quantitative data methods from various reputable data sources to develop guidelines to be used by financial aid administrators in determining COA at their respective institutions. As in past years, the FY 2025-26 guidelines define the housing budget for students living off campus as 50% of the average rent costs for a two-bedroom apartment according to the HUD FY 2024 Fair Market Rent Documentation System.

Precedent also exists in prior research. A pivotal report on the issue of Cost of Attendance published in the Journal of Higher Education also calculated housing costs based on HUD Fair Market Rents, using a shared two-bedroom apartment for students under 24 and a studio apartment for students aged 25 years or older.

8. Why are HUD numbers used instead of SEARS data?

Many institutions have historically relied on the existing Student Expenses and Resource Survey (SEARS) published by CSAC or other student survey data. This has been problematic because SEARS numbers present statewide averages, disadvantaging students in higher cost areas. In addition, the use of student surveys can be problematic as self-reported information is notoriously unreliable, and responses from students for whom expenses are paid by parents may be particularly unreliable.

In addition, a recent CSAC survey found that 65 percent of community college students, 52 percent of CSU students, and 27 percent of UC students reported being housing insecure. Sixty-six percent of students overall were food insecure. Figures gleaned from surveys therefore may reflect not what is spent by students to live reasonably, but rather what is spent to live in substandard or precarious circumstances. This challenge was also noted in a pivotal report on the issue of Cost of Attendance published in the Journal of Higher Education.

9. How is this bill different from existing scholarship displacement laws?

In 2021, California adopted AB 288, the California Ban on Scholarship Displacement Act. This bill prohibits an institution from reducing institutional aid provided to a student to offset funding received from a private scholarship. The total amount of aid, however, is still limited by COA caps. This act did not change the maximum total amount of aid a student may receive.

Existing code specifies that “An institution of higher education shall not reduce the institutional gift aid offer of a student who is eligible to receive a federal Pell Grant award, a Cal Grant award, or financial assistance under the California Dream Act for an academic year as a result of private scholarship awards designated for the student unless the student’s gift aid exceeds the student's annual cost of attendance." In the event that a private scholarship causes the total aid to exceed COA, institutional aid may be reduced.

10. What is the basis for the inclusion of the specific examples of allowable bases for a COA adjustment?

AB 791 would require institutions to consider cost of attendance adjustments for all of the following circumstances:

(i) Housing and utility costs for reasonable living accommodations that exceed the allowance provided for in the cost of attendance budget.
(ii) The cost of purchasing a computer.
(iii) The cost of uninsured medical, dental, or optical expenses.
(iv) The cost of transportation exceeding the allowance provided for in the cost of attendance budget, including automobile expenses such as gas, repairs, and insurance.
(v) The cost of dependent care expenses for students with dependent children.
(vi) An allowance for expenses associated with a student's disability, including special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided for by other agencies.

Items (iii) and (v) are included in federal statutory language as examples of allowable special circumstances. (Title 20, Chapter 28, Subchapter IV, Part F, §1087tt(b)(2)(B))

Items (ii) and (vi) are referenced in the 2024/2025 Application and Verification Guide as examples of allowable expenses.

Items (i) and (iv) were included because of the inherent variability in housing and transportation costs, which are dependent on the size of housing unit needed and whether a student relies on public transportation or an automobile for transport. Allowances for such adjustments are included in several existing institutional policies including UC Davis and Glendale Community College.

11. Which students are impacted the most by existing COA budget and adjustment policies?

Foster youth, student parents, and students experiencing homelessness, are likely to be disproportionately impacted by inaccurate COA budgets given the availability of more resources for these student.

Foster youth: In recognition of foster youths' additional expenses and greater financial need, policymakers have funded college financial aid programs to support them, such as the federal Chafee Grant, the supplemental Cal Grant access award for living expenses, and expanded awards under the Middle Class Scholarship and Student Success Completion Grant programs. When colleges underestimate what it actually costs to attend, or are unwilling to make adjustments to the COA, foster youth may be forced to decline available aid, leaving them to cover their remaining expenses by working, borrowing, or attending part time, exacerbating existing equity gaps in college enrollment and completion.

Students with Dependents: Despite tending to earn higher GPAs than their non-parenting peers, students who are parents are less likely to complete college than students without children, and higher expenses and financial need are two major factors. Students who are parents, many of whom are low-income, face a number of expenses that are often not reflected in college COA budgets, including childcare, family healthcare, child education costs, and vehicle related expenses. Day-to-day expenses like food, housing, and utilities are also greater for students with families. To help cover these expenses, in addition to financial aid programs available to all low-income students, California student parents can receive up to $6,000 from the Cal Grant for Students With Dependent Children, but only if they have remaining financial need. Like other special populations with additional needs and expenses, they may not be able to access available financial aid if they have already received funding to cover their set COA.

Students Experiencing Housing Instability: In 2019-20, California funded rapid rehousing (RRH) programs across all three public higher education systems to assist students in securing stable housing. Some colleges count rental subsidies received through this program towards a student's financial aid package, making it more likely that these students will reach their financial aid limit and have to decline additional aid that exceeds the COA. If the COA is set too low, these vulnerable students may be declining thousands of dollars in financial aid that would support their ongoing basic needs and prevent future homelessness or housing insecurity.

12. Will this bill result in an increase in the number of students that receive funds through state financial aid grant programs?

When financial aid is packaged, federal and state grants are considered "first money in" and therefore would be extremely unlikely to result in a student exceeding their COA. It is therefore not anticipated that enactment of AB 791 would result in more students receiving state financial aid. When a student hits their COA limit, it is typically private scholarships that students are forced to decline and therefore, an expansion of COA is more likely to result in greater access to private scholarship funding.

The one exception to this is the MIddle Class Scholarship program, which is funded differently than other aid sources and is allocated only after other institutional, state and federal grant aid is accounted for. Increased COA figures may result in some students meeting the threshold to qualify for an MCS award who would not have otherwise.

An increase to the COA amount could also make students eligible for additional federal loans (either subsidized or unsubsidized), allowing them to avoid private loans, which typically have less favorable terms.

13. Does this bill have a cost?

No fiscal impact is anticipated. As noted above, because state financial aid is accounted for prior to scholarship or other aid, when a student hits their COA limit, it is scholarship or other private aid that must be declined rather than state aid. This bill could result in small shifts to how Middle Class Scholarship funds are allocated, however, because the amount of MCS is capped each year based on the budget allocation, increases to COA will not result in any additional state obligation.

The amount of staff time required to update policies and websites is expected to be minimal and absorbable. Better advertising of adjustment policies could result in more requests for adjustments, however if COA numbers are adjusted to be more accurate, fewer students may need to request manual adjustments, and so the ongoing impact on staffing costs is expected to be negligible.

14. Which colleges will be required to implement the requirements of AB 791?

Any institution that currently participates in the CalGrant program or that wishes to do so, including all California Community Colleges, Cal State Universities, University of California campus and most private institutions.

15. How will this bill improve student success?

If a COA budget underestimates expenses, students may receive financial aid that is less than their actual expenses, requiring they cover the difference through support from family, working, private borrowing, or reducing enrollment. This can disproportionately impact students who may have additional costs and less generational wealth, like low-income students, students with experience in foster care or homelessness, and student parents and some students may end up disenrolling entirely as a result of inadequate financial aid. AB 791 will help prevent financial aid shortfalls and is a crucial step to ensuring that low-income students have the financial resources they need to pursue their postsecondary educational goals.

16. How often do students reach their COA budget limit?

Data is not currently available as this is not systematically tracked by institutions. JBAY is currently conducting research to attempt to determine the scope of this issue. Check back here for updates.