

AMENDED IN SENATE MARCH 24, 2014

SENATE BILL

No. 1210

Introduced by Senator Lara

February 20, 2014

An act to add Article 23 (commencing with Section 70030) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to postsecondary education.

LEGISLATIVE COUNSEL'S DIGEST

SB 1210, as amended, Lara. ~~Postsecondary educational loan program.~~ *Postsecondary education: California Student Education Access Loan Program.*

Existing law establishes the University of California, under the administration of the Regents of the University of California, and the California State University, under the administration of the Trustees of the California State University, as 2 of the segments of public postsecondary education in this state. Existing law authorizes the regents and the trustees to require that mandatory systemwide fees and tuition, among other fees, be paid by students at campuses of the University of California and the California State University, respectively.

This bill would establish the California Education Access Loan Program. The bill would provide that, commencing with the 2015–16 academic year, a student attending a participating campus of the University of California or California State University may receive a loan, referred to as a State Education Access Loan (SEAL), through the program if the student satisfies specified requirements, including a requirement that the student be exempt from paying nonresident tuition or meet equivalent requirements adopted by the regents. The bill would require the Student Aid Commission, in collaboration with the

participating campus, to certify that the student satisfies these requirements. The bill would require the student to affirm in writing that he or she satisfies one of these requirements, and would require the student to authorize the commission to access any information pertinent to certify that the student satisfies these requirements. The bill would require a participating campus to determine the amount of the loan offered to an individual student by the campus, subject to enumerated specifications.

The bill would state the intent of the Legislature that funds shall be appropriated in the annual Budget Act each fiscal year, commencing with the 2015–16 fiscal year, to participating campuses based upon the number of eligible students attending each respective campus who submitted a specified financial aid application during the prior academic year. The bill would require a participating campus to deposit these funds in a SEAL revolving fund established by each campus, subject to specified exceptions. The bill would require each participating campus to contribute its discretionary funds into its SEAL revolving fund so that the campus’s contribution equals or exceeds 25% of all funds in the campus’s SEAL revolving fund at the start of each academic year before SEAL loans are awarded for that academic year. The bill would require the California State University and the University of California to annually report to the Legislature as part of their respective annual financial aid reports the dollar amount of each SEAL loan awarded and number of students for whom a SEAL loan was awarded that academic year.

The bill would require a participating campus to determine a student’s eligibility for a SEAL loan, award SEAL loans to students, and establish mechanisms for recording the annual amount of the SEAL loan borrowed by each recipient, and the aggregate amount of SEAL loans borrowed by each recipient.

The bill would provide that each participating campus is entitled to an administrative cost allowance to equal a specified amount for an award year if the campus advances funds through the SEAL program to students that academic year.

The bill would provide that if a state court finds that a specified provision of this program or similar provision adopted by the Regents of the University of California is unlawful, the court may order, as equitable relief, that the participating campus subject to the lawsuit terminate all loans awarded pursuant to that provision without money damages, loans, or other retroactive relief being awarded, and that the

California State University and the University of California are immune from any imposition of money damages, loans, or other retroactive relief for actions taken under this program.

~~The Donahoe Higher Education Act establishes the missions and functions of the state’s 3 segments of public postsecondary education, which are the University of California, the California State University, and the California Community Colleges. The provisions of the Donahoe Higher Education Act apply to the University of California only to the extent that the Regents of the University of California, by resolution, make them applicable.~~

~~This bill would express the intent of the Legislature to enact legislation later in the 2013–14 Regular Session to establish a postsecondary educational loan program for students at the University of California and the California State University who are exempt from nonresident tuition and not eligible to participate in federal loan programs.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 *SECTION 1. This act shall be known, and may be cited, as the*
- 2 *California State Education Access Loan Act.*
- 3 *SEC. 2. The Legislature finds and declares all of the following:*
- 4 *(a) California has expanded access to higher education for*
- 5 *thousands of hard-working, high-achieving students who attended*
- 6 *and graduated from a California high school but were ineligible*
- 7 *to pay in-state tuition and fees to attend a campus of the California*
- 8 *State University and the University of California, including many*
- 9 *students who were denied access to state financial aid or financial*
- 10 *aid offered at these campuses.*
- 11 *(b) Since 2002, students have been exempt from paying*
- 12 *nonresident tuition and fees at the California Community Colleges,*
- 13 *the California State University, and the University of California*
- 14 *pursuant to Section 68130.5. Commencing in 2011, these students*
- 15 *were eligible for state financial aid or financial aid offered by*
- 16 *these public institutions. Nevertheless, many of these students*
- 17 *remain ineligible for federal student aid for reasons beyond their*
- 18 *control. Lack of access to federal student loans presents a*
- 19 *substantial barrier for these students to obtain a baccalaureate*

1 degree from the California State University or the University of
2 California.

3 (c) The California State Education Access Loan Act (California
4 SEAL Act) addresses this barrier by providing access to additional
5 state aid so students may take full advantage of the educational
6 opportunities offered at the California State University and the
7 University of California.

8 (d) The California SEAL Act represents an important step in
9 the state's ongoing efforts to provide access to all academically
10 qualified students pursuing the dream of a college or university
11 degree. Through the enactment of this measure, California will
12 keep faith with the state's longstanding promise to make higher
13 education accessible and affordable to every qualified student.

14 SEC. 3. Article 23 (commencing with Section 70030) is added
15 to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education
16 Code, to read:

17
18 Article 23. California Student Education Access Loan Program
19

20 70030. This article shall be known, and may be cited, as the
21 California Student Education Access Loan Program.

22 70031. The California State Education Access Loan Program,
23 which may also be referred to as the SEAL program, is hereby
24 established.

25 70032. As used in this article, the following terms have the
26 following meanings:

27 (a) An "academic year" is July 1 to June 30, inclusive. The
28 starting date of a session shall determine the academic year in
29 which it is included.

30 (b) "Award year" means one academic year, or the equivalent,
31 of attendance at a qualifying institution.

32 (c) "Commission" means the Student Aid Commission.

33 (d) "Cost of attendance" means the student's tuition and fees,
34 books and supplies, living expenses, transportation expenses, and
35 any other student expenses used to calculate a student's financial
36 need for purposes of federal Title IV student aid programs.

37 (e) "Enrollment status" means part-time status or full-time
38 status of a student at a qualifying institution.

39 (f) "Expected family contribution" means a student's expected
40 family contribution calculated according to the federal

1 methodology pursuant to subdivision (a) of Section 69506 (as
2 established by Title IV of the federal Higher Education Act of 1965,
3 as amended (20 U.S.C. Secs. 1070 et seq.)).

4 (g) “Financial need” means a student’s financial need
5 calculated pursuant to the federal financial need methodology (as
6 established by Title IV of the federal Higher Education Act of 1965,
7 as amended (20 U.S.C. Secs. 1070 et seq.)).

8 (h) “Instructional program” means a program of study that
9 results in the award of a baccalaureate degree or undergraduate
10 certificate, or undergraduate coursework in a program of study
11 leading directly to a first professional degree for which no
12 baccalaureate degree or undergraduate degree is awarded.

13 (i) “Participating institution” means any campus of the
14 California State University or the University of California that
15 elects to participate in the SEAL program pursuant to the
16 requirements specified for a qualifying institution as set forth in
17 this article.

18 (j) “Satisfactory academic progress” means those criteria
19 required by applicable federal standards published in Title 34 of
20 the Code of Federal Regulations. A participating institution may
21 adopt regulations defining “satisfactory academic progress” in
22 a manner that duplicates those federal standards.

23 70033. (a) Commencing with the 2015–16 academic year, a
24 student attending a participating institution may receive a loan
25 under the SEAL program if the student satisfies all of the following
26 requirements:

27 (1) The student is exempt from paying nonresident tuition under
28 Section 68130.5, or meets equivalent requirements adopted by the
29 Regents of the University of California.

30 (2) The student applies for financial aid using the application
31 established by the California Student Aid Commission pursuant
32 to subdivision (b) of Section 69508.5, known as the Dream Act
33 Application.

34 (3) The student is enrolled at least half-time in good standing
35 in an instructional program at a participating institution.

36 (4) The student is determined by the participating institution to
37 have financial need.

38 (5) The student maintains satisfactory academic progress at the
39 participating institution.

40 (6) The student is not incarcerated.

1 (7) *The student is not in default on any federal student loan,*
2 *state student loan, or student loan issued by the California State*
3 *University or the University of California.*

4 (8) *The student is enrolled in a program eligible for*
5 *participation in the Cal Grant program.*

6 (b) (1) *The Student Aid Commission or the participating*
7 *institution shall require the student to affirm in writing that he or*
8 *she satisfies the requirements of paragraph (7) of subdivision (a).*

9 (2) *A student seeking an award shall authorize the Student Aid*
10 *Commission to access any information pertinent to certify that the*
11 *student meets the requirements of subdivision (a).*

12 (c) *The Student Aid Commission, in collaboration with the*
13 *participating institution, shall certify that the student satisfies all*
14 *of the requirements specified in subdivision (a) before the*
15 *participating institution may issue an award to the student pursuant*
16 *to this article.*

17 (d) *The Legislature finds and declares that this article is a state*
18 *law within the meaning of Section 1621(d) of Title 8 of the United*
19 *States Code.*

20 70034. (a) *The amount of the SEAL loan offered to an*
21 *individual student by a participating institution shall be determined*
22 *by the institution, subject to the following provisions:*

23 (1) *The loan may not exceed the financial need of the student.*

24 (2) *No student may borrow more than four thousand dollars*
25 *(\$4,000) under this program within a single academic year.*

26 (3) *No student may borrow more than twenty thousand dollars*
27 *(\$20,000) in the aggregate under the program from any one*
28 *participating institution.*

29 (b) *The interest rate for loans issued under the program shall*
30 *be the same as the then-current interest rate for undergraduate*
31 *loans under the William D. Ford Federal Direct Loan Program,*
32 *plus 2 percentage points.*

33 (c) *The standard repayment term for a SEAL loan shall be 10*
34 *years. Repayment shall commence following a six-month grace*
35 *period that begins when a student graduates or ceases to maintain*
36 *at least half-time enrollment in a baccalaureate degree or*
37 *undergraduate certificate program.*

38 (d) *Interest shall not accrue on a SEAL loan during periods of*
39 *at least half-time enrollment in a baccalaureate degree or*

1 *undergraduate certificate program or during the six-month grace*
2 *period specified in subdivision (c).*

3 *(e) Eligibility for deferment or forbearance of a SEAL loan shall*
4 *be determined by the participating institution in accordance with*
5 *the standards set for in the William D. Ford Federal Direct Loan*
6 *Program.*

7 *(f) Participating institutions shall use a common promissory*
8 *note, approved by the Treasurer, to issue SEAL loans.*

9 70035. *(a) It is the intent of the Legislature that, each fiscal*
10 *year, funds shall be appropriated in the annual Budget Act to*
11 *participating institutions for purposes of the SEAL program.*

12 *(b) The annual Budget Act shall allocate funding to participating*
13 *institutions based on the number of eligible students attending the*
14 *institution who applied for student financial aid pursuant to Section*
15 *69508.5 the prior academic year.*

16 *(c) Each participating institution shall deposit funds*
17 *appropriated pursuant to subdivision (a) in a SEAL revolving fund*
18 *established by each institution, subject to subdivision (e). SEAL*
19 *loans shall be awarded from, and SEAL loan repayments shall be*
20 *deposited into, these revolving funds.*

21 *(d) Each participating institution shall annually contribute*
22 *discretionary funds into its SEAL revolving fund so that the*
23 *institution's contribution of funds equals or exceeds 25 percent of*
24 *all funds in the institution's SEAL revolving fund at the start of*
25 *each academic year before SEAL loans for that academic year are*
26 *awarded.*

27 *(e) A participating institution shall not receive any additional*
28 *state funds if the receipt of these funds would reduce the percentage*
29 *of the SEAL revolving fund derived from the institution's*
30 *contribution of funds to less than 25 percent of all funds in the*
31 *institution's SEAL revolving fund as described in subdivision (d).*

32 *(f) In the event that an institution terminates its participation*
33 *in the SEAL program, outstanding SEAL loans awarded by the*
34 *institution shall be assigned to the state, and the institution shall*
35 *return the funds remaining in its SEAL revolving fund except the*
36 *discretionary funds provided by the institution pursuant to*
37 *subdivision (d).*

38 *(g) The California State University and the University of*
39 *California shall annually report to the Legislature as part of their*
40 *respective annual financial aid reports the dollar amount of each*

1 SEAL loan awarded and number of students for whom a SEAL
2 loan was awarded that academic year.

3 70036. Each participating institution is responsible for all the
4 following:

5 (a) The participating institution shall determine a student's
6 eligibility for a SEAL loan.

7 (b) The participating institution shall award SEAL loan funds
8 to students.

9 (c) The participating institution shall provide entrance and exit
10 loan counseling to borrowers that is generally comparable to that
11 required by federal student loan programs.

12 (d) The participating institution shall service SEAL loans, collect
13 SEAL loan repayments, and perform all of the due diligence
14 required by the Fair Credit Reporting Act.

15 (e) The participating institution shall establish mechanisms for
16 recording the annual amount of the SEAL loan borrowed by each
17 recipient, and the aggregate amount of SEAL loans borrowed by
18 each recipient, in order to comply with the annual and aggregate
19 borrowing limits set forth in Section 70034.

20 70037. (a) Each participating institution is entitled to an
21 administrative cost allowance for an award year if the institution
22 elects to advance funds under the SEAL program to students for
23 that award year.

24 (b) The amount of the administrative cost allowance described
25 in subdivision (a) shall equal 5 percent of the institution's total
26 amount of SEAL loan funds awarded to students for the award
27 year that the participating institution advances funds to students
28 under the SEAL program.

29 (c) Each participating institution may charge its administrative
30 cost allowance to its SEAL revolving fund.

31 (d) Each participating institution shall use its administrative
32 cost allowance to offset the cost of administering the SEAL
33 program.

34 (e) Each participating institution is responsible for
35 administrative costs that exceed its administrative cost allowance.

36 70038. If a state court finds that Section 70033, or any similar
37 provision adopted by the Regents of the University of California,
38 is unlawful, the court may order, as equitable relief, that the
39 participating institution subject to the lawsuit terminate all loans
40 awarded pursuant to that statute or provision deemed unlawful

1 *by a state court, but no money damages, loans, or other retroactive*
2 *relief, may be awarded. In an action in which a state court finds*
3 *that Section 70033 or any similar provision adopted by the Regents*
4 *of the University of California, is unlawful, the California State*
5 *University and the University of California shall be immune from*
6 *the imposition of any award of money damages, loans, or other*
7 *retroactive relief.*

8 ~~SECTION 1. It is the intent of the Legislature to enact~~
9 ~~legislation later in the 2013-14 Regular Session to establish a~~
10 ~~postsecondary educational loan program for students at the~~
11 ~~University of California and the California State University who~~
12 ~~are exempt from nonresident tuition and not eligible to participate~~
13 ~~in federal loan programs.~~