

**Assembly Bill No. 573**

\_\_\_\_\_

Passed the Assembly September 11, 2015

\_\_\_\_\_  
*Chief Clerk of the Assembly*

\_\_\_\_\_

Passed the Senate September 11, 2015

\_\_\_\_\_  
*Secretary of the Senate*

\_\_\_\_\_

This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2015, at \_\_\_\_\_ o'clock \_\_\_\_M.

\_\_\_\_\_  
*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Section 94925 of, and to add Sections 69433.61, 69999.19, 94051, and 94926.5 to, the Education Code, relating to higher education, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

## LEGISLATIVE COUNSEL'S DIGEST

AB 573, Medina. Higher education: campus closures: Corinthian Colleges.

(1) The California Private Postsecondary Education Act of 2009 provides for the regulation of private postsecondary educational institutions by the Bureau for Private Postsecondary Education in the Department of Consumer Affairs. The act also establishes the Student Tuition Recovery Fund and requires the bureau to adopt regulations governing the administration and maintenance of the fund, including requirements relating to assessments on students and student claims against the fund, and establishes that the moneys in this fund are continuously appropriated to the bureau for specified purposes. The act caps the amount that may be in the fund at any time at \$25,000,000.

This bill would raise the cap for the fund to \$30,000,000.

(2) This bill would appropriate the sum of \$1,300,000 from the Student Tuition Recovery Fund to the Attorney General for the purposes of providing grants to eligible nonprofit community service organizations to assist eligible students affected by the closure of Corinthian Colleges, Inc., as defined, with loan discharge and other student loan-related requests and tuition recovery-related claims, and to pay an amount not to exceed \$150,000 for the reasonable administrative costs of the Attorney General's office related to these grants, as specified, thereby making an appropriation. The bill would require the bureau to notify the Attorney General of all unlawful Corinthian Colleges, Inc., closures within 15 days of the effective date of these provisions. The bill would require the Attorney General to, among other things, within 90 days of the notification, solicit grant applications from eligible nonprofit community service organizations, select one or more of these organizations deemed to be qualified, and set additional terms

and conditions of the grants as necessary. The bill would set a schedule for how grant funds are to be distributed. The bill would require the grantee to submit specified information to the Attorney General on a quarterly basis, and require the Attorney General to make these reports available to the Legislature and the bureau upon request. The bill would require the Attorney General to provide the Legislature and the bureau a final report summarizing all the information submitted to it by grantees, promptly following the time when all funds are expended by the grantees, or by August, 1, 2018, whichever is earlier. The bill would authorize the Attorney General to contract with another qualified entity to perform the Attorney General's duties under these provisions.

(3) This bill would, for a period not to exceed 2 years from April 27, 2015, authorize state agencies that provide certification, registration, or licensure necessary to promote the safety and protection of the public to, on a case-by-case basis, consider for certification, registration, or licensure students who were enrolled in a program of Corinthian Colleges, Inc., that provided education or training aimed towards these students receiving certification, registration, or licensure from the state agency, and who did not receive that certification, registration, or licensure due to the closure of that institution.

(4) The Cal Grant Program prohibits an applicant from receiving Cal Grant awards totaling in excess of the amount equivalent to the award level for a total of four years of full-time attendance in an undergraduate program, except as provided.

This bill would partially exempt from this limitation on Cal Grant awards a student who was enrolled and received a Cal Grant award at a California campus of Heald College, and who was unable to complete an educational program offered by the campus due to its closure.

(5) The California National Guard Education Assistance Award Program authorizes the renewal of California National Guard Education Assistance Awards, for a maximum of the greater of either four years of full-time equivalent enrollment or the duration for which the qualifying member would otherwise be eligible pursuant to the Cal Grant Program, if specified conditions are met.

This bill would partially exempt from this limitation on California National Guard Education Assistance Awards a student who was enrolled and received a California National Guard

Education Assistance Award at a California campus of Heald College, and who was unable to complete an educational program offered by the campus due to its closure.

(6) This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

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

SECTION 1. It is the intent of the Legislature that unencumbered restitution funds awarded to the state from a lawsuit involving Corinthian Colleges, Inc., and its affiliate institutions, including Heald College, shall be used to repay any funds provided to students pursuant to this act.

SEC. 2. Section 69433.61 is added to the Education Code, to read:

69433.61. (a) Notwithstanding any other law, a student who was enrolled and received a Cal Grant award in the 2013–14 or 2014–15 academic year at a California campus of Heald College, and was unable to complete an educational program offered by the campus due to the campus' closure on April 27, 2015, shall not have the award years used at a Heald College campus considered for purposes of the limitation on the number of years of Cal Grant award eligibility. This restoration of award years for Cal Grant eligibility shall not exceed two years.

(b) A student shall be eligible for the restoration of award years if the student was enrolled at a campus of Heald College on April 27, 2015, or withdrew from enrollment between July 1, 2014, and April 27, 2015. The Bureau for Private Postsecondary Education shall provide the commission with information, if available, to confirm student enrollment for purposes of this section.

(c) An eligible student shall, before January 1, 2017, notify the commission of his or her intent to use the restoration of award years provided under this section and to enroll in an institution eligible for initial and renewal Cal Grant awards to be eligible for that restoration.

SEC. 3. Section 69999.19 is added to the Education Code, to read:

69999.19. (a) Notwithstanding any other law, a student who was enrolled and received a California National Guard Education

Assistance Award in the 2013–14 or 2014–15 academic year at a California campus of Heald College, and was unable to complete an educational program offered by the campus due to the campus' closure on April 27, 2015, shall not have the award years used at a Heald College campus considered for purposes of the limitation on the number of years of California National Guard Education Assistance Award eligibility. This restoration of award years for California National Guard Education Assistance Award eligibility shall not exceed two years.

(b) A student shall be eligible for the restoration of award years if the student was enrolled at a campus of Heald College on April 27, 2015, or withdrew from enrollment between July 1, 2014, and April 27, 2015. The Bureau for Private Postsecondary Education shall provide the commission with information, if available, to confirm student enrollment for purposes of this section.

(c) An eligible student shall, before January 1, 2017, notify the commission of his or her intent to use the restoration of award years provided under this section and to enroll in an institution eligible for initial and renewal California National Guard Education Assistance Awards to be eligible for that restoration.

SEC. 4. Section 94051 is added to the Education Code, to read:

94051. Notwithstanding any provision of law, for a period not to exceed two years from the date of the closure of Corinthian Colleges, Inc., a state agency that provides certification, registration, or licensure necessary to promote the safety and protection of the public may, on a case-by-case basis, consider for certification, registration, or licensure students who were enrolled in a program of Corinthian Colleges, Inc., that provided education or training aimed towards these students receiving certification, registration, or licensure from the state agency, and who did not receive that certification, registration, or licensure due to the closure of Corinthian Colleges, Inc. This consideration shall be provided at the discretion of the state agency in accordance with its public protection mandate and applicable criteria established by the agency for consumer safety.

SEC. 5. Section 94925 of the Education Code is amended to read:

94925. (a) The amount in the Student Tuition Recovery Fund shall not exceed thirty million dollars (\$30,000,000) at any time.

(b) If the bureau has temporarily stopped collecting the Student Tuition Recovery Fund assessments because the fund has approached the thirty million dollar (30,000,000) limit in subdivision (a), the bureau shall resume collecting Student Tuition Recovery Fund assessments when the fund falls below twenty million dollars (\$20,000,000).

(c) An otherwise eligible student who enrolled during a period when institutions were not required to collect Student Tuition Recovery Fund assessments is eligible for Student Tuition Recovery Fund payments despite not having paid any Student Tuition Recovery Fund assessment.

SEC. 6. Section 94926.5 is added to the Education Code, to read:

94926.5. (a) The Legislature finds and declares all of the following:

(1) Corinthian Colleges, Inc., has been the target of consumer and taxpayer protection enforcement efforts by the federal government, the Attorney General, and other state and federal authorities.

(2) Based on findings of harm to students enrolled at Corinthian Colleges, Inc., campuses, the United States Department of Education has announced debt relief programs to assist students, including all of the following:

(A) A student who attended a Corinthian Colleges, Inc., campus that closed on April 27, 2015, and withdrew any time after June 20, 2014, is eligible to apply for a closed school loan discharge, so long as the student does not transfer earned credit and subsequently complete a comparable program at another institution.

(B) A student who believes he or she was a victim of fraud or other violations of state law by Corinthian Colleges, Inc., can apply for debt relief under borrower defense to repayment. The United States Department of Education has determined that Corinthian Colleges, Inc., misrepresented job placement rates for a majority of programs at its Heald College campuses between 2010 and 2014 and is in the process of establishing a specific process for federal loan discharge for these Heald students.

(C) A Corinthian student who intends to submit a borrower defense claim may request loan forbearance while a claims review process is established and his or her claim is reviewed.

(3) Pursuant to Section 94923, the Student Tuition Recovery Fund exists to relieve or mitigate a student's economic loss caused by a documented violation of certain laws or by institutional closure, as specified.

(4) On October 10, 2013, the Attorney General filed a lawsuit against Corinthian Colleges, Inc., for false and predatory advertising, intentional misrepresentations to students, securities fraud, and unlawful use of military seals in advertisements, in violation of the 2007 final judgment of the Los Angeles Superior Court in the People of the State of California v. Corinthian Schools, Inc.

(5) On April 16, 2015, the bureau issued an emergency decision ordering Corinthian Colleges, Inc., to cease enrollment of any new students in all programs at Everest College and WyoTech locations in California effective upon close of business April 23, 2015.

(6) It is consistent with the purpose of the Student Tuition Recovery Fund to provide assistance to Corinthian Colleges, Inc., students to obtain federal and private loan discharge and other financial aid relief.

(b) Upon appropriation by the Legislature, in response to the student harm caused by the practices and unlawful closure of Corinthian Colleges, Inc., grant funds shall be timely provided in accordance with this section to eligible nonprofit community service organizations, to assist the eligible students of that closed institution, including veterans, by relieving or mitigating the economic and educational opportunity loss incurred by eligible students of that institution.

(c) Services provided by eligible nonprofit community services organizations shall include assistance with loan discharge and other student financial aid, veterans education benefits, loan-related relief, and tuition recovery-related claims. Assistance may include, but is not limited to, outreach and education, screening requests for assistance, referring students for additional legal assistance through pro bono referral programs, and legal services.

(d) The terms and conditions of the grant agreements shall ensure that grant funds are used for the exclusive purpose of assisting eligible students with federal and private loan discharge and other financial aid relief, and that students eligible to claim recovery through the Student Tuition Recovery Fund are referred to the bureau for assistance with claim processing.

(e) For purposes of this section, an “eligible nonprofit community service organization” is an organization that satisfies all of the following conditions:

(1) The organization is a 501(c)(3) tax-exempt organization in good standing with the Internal Revenue Service and in compliance with all applicable laws and requirements.

(2) The organization demonstrates expertise in assisting students with, and currently provides free direct legal services to students for, or will work in partnership with or under the supervision of an attorney or a nonprofit legal services organization that has demonstrated expertise in assisting students with, student loan and tuition recovery-related matters.

(3) The organization does not charge students for services, including services provided pursuant to this section.

(f) For purposes of this section, an “eligible student” is a student who was enrolled at a California campus of, or a California student who was enrolled in an online campus of, a Corinthian Colleges, Inc., institution, and who is eligible to apply for debt relief from the United States Department of Education or other student financial aid relief.

(g) (1) The bureau shall notify the Attorney General of all unlawful Corinthian Colleges, Inc., closures within 15 days of the effective date of this section.

(2) The notification shall include the name and location of the school, the programs, and the number of students affected at each site of the school, as appropriate. The bureau shall provide the Attorney General with all additional information that the Attorney General may request, provided that the bureau has access to the requested information.

(3) The Attorney General shall, within 90 days of receipt of the notification, solicit grant applications from eligible nonprofit community service organizations as described in subdivision (e), select one or more of these organizations from among the applicants who are deemed to be qualified by the Attorney General, set additional terms and conditions of the grants as necessary, and notify the bureau and the recipient organization or organizations of the selection and the share of grant funds available that the organization shall receive. The Attorney General may enter into a contract with another qualified entity to perform the Attorney General’s duties under this subdivision.

(h) An eligible nonprofit community service organization that receives funds pursuant to this section shall enter into a grant agreement with the Attorney General, or a qualified entity entrusted with this authority pursuant to paragraph (3) of subdivision (g), as applicable, and shall use grant funds exclusively for the purposes set forth in this section in accordance with the agreement. Any unused funds shall be returned to the Attorney General, for return to the Student Tuition Recovery Fund. The Attorney General, or a contracted qualified entity, may terminate the grant agreement for material breach, and may require repayment of funds provided to the nonprofit community service organization during the time that the agreement was being materially breached. However, the Attorney General, or a qualified entity, shall provide the grantee with written notice of the breach and a reasonable opportunity of not less than 30 days to resolve the breach.

(i) An eligible nonprofit community service organization that receives a grant may give priority to low-income students if demand exceeds available grant funds. Otherwise, the organization may provide assistance regardless of student income level.

(j) (1) An eligible nonprofit community service organization that receives a grant shall report to the Attorney General, or a qualified entity pursuant to paragraph (3) of subdivision (g), as applicable, quarterly through the grant period on all of the following:

(A) The number of eligible students served pursuant to the grant agreement.

(B) A detailed summary of services provided to those students.

(C) The number of Student Tuition Recovery Fund claims referred to the bureau.

(D) The number of federal loan forgiveness claims filed and the number of those claims approved, denied, and pending.

(E) Any other information that is deemed appropriate by the Attorney General or qualified entity, as applicable.

(2) The Attorney General or qualified entity, as applicable, shall make the reports submitted pursuant to paragraph (1) available to the Legislature and the bureau upon request.

(3) The Attorney General or qualified entity, as applicable, shall provide the Legislature and the bureau a final report summarizing the information submitted pursuant to paragraph (1) promptly

following the time when all funds are expended by the grantees or by August 1, 2018, whichever is earlier.

(k) Funds shall be distributed to preapproved nonprofit community service organizations as follows:

(1) Fifty percent shall be distributed to the grantee within 30 days of the grantee entering into a grant agreement.

(2) Twenty-five percent shall be distributed to the grantee upon the submission of the grantee's second quarterly report.

(3) Twenty-five percent shall be distributed to the grantee upon the submission of the grantee's third quarterly report.

(l) Eligible nonprofit community service organizations may use grant funds received pursuant to this section to pay the costs of assisting eligible students who have been served after the date of closure until June 30, 2018, or until any later date as may be determined necessary by the Attorney General.

(m) The adoption of any regulation pursuant to this section shall be deemed to be an emergency and necessary for the immediate preservation of the public health and safety, or general welfare.

SEC. 7. (a) The sum of one million three hundred thousand dollars (\$1,300,000) is hereby appropriated from the Student Tuition Recovery Fund to the Attorney General for the purposes of providing grants pursuant to Section 94926.5 of the Education Code, and to pay an amount not to exceed one hundred fifty thousand dollars (\$150,000) for the reasonable administrative costs of the Attorney General's office related to these grants.

SEC. 8. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide immediate educational and economic relief to the thousands of students harmed by the closure of Corinthian Colleges, Inc., it is necessary for this act to take effect immediately.











Approved \_\_\_\_\_, 2015

---

*Governor*