

ASSEMBLY BILL

No. 2581

Introduced by Assembly Member Medina

February 19, 2016

An act 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 2581, as introduced, Medina. Higher education: campus closures: Corinthian Colleges, Inc.

(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.

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. The bill

would require the bureau to notify the Attorney General of all unlawful Corinthian Colleges 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 January 1, 2019, 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.

(2) This bill would, until July 1, 2017, authorize state agencies that provide licensure to consider for licensure students who were enrolled in an educational program of Corinthian Colleges, Inc., designed to lead to licensure from that state agency, and who did not receive that licensure due to the institution's closure.

(3) 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 4 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.

(4) 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 4 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.

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

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.

State-mandated local program: no.

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

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) Corinthian Colleges, Inc., was the target of consumer and
4 taxpayer protection enforcement efforts by the federal government,
5 the Attorney General, and other state and federal authorities.

6 (b) Based on findings of harm to students enrolled at Corinthian
7 Colleges campuses, the United States Department of Education
8 announced debt relief programs to assist students, including all of
9 the following:

10 (1) A student who attended a Corinthian Colleges campus that
11 closed on April 27, 2015, and withdrew any time after June 20,
12 2014, is eligible to apply for a closed school loan discharge, so
13 long as the student does not transfer earned credit and subsequently
14 complete a comparable program at another institution.

15 (2) A student who believes he or she was a victim of fraud or
16 other violations of state law by Corinthian Colleges can apply for
17 debt relief under borrower defense to repayment. The United States
18 Department of Education has determined that Corinthian Colleges
19 misrepresented job placement rates for a majority of programs at
20 its Heald College campuses between 2010 and 2014, and California
21 Everest College and WyoTech campuses between 2010 and 2013,
22 and is in the process of establishing a specific process for federal
23 loan discharge for these students.

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

28 (c) On December 3, 2015, the United States Department of
29 Education announced the approval of 1,312 of the 1,670 borrower
30 defense to repayment loan forgiveness claims received. Of those
31 claims approved, 1,062 California students will receive student

1 loan relief. Rough estimates place the number of California students
2 with valid defense to repayment claims at over 85,000 students.

3 (d) According to testimony provided at the November 10, 2015,
4 advisory committee meeting, the Bureau for Private Postsecondary
5 Education staff indicated that Corinthian Colleges students have
6 largely needed assistance in working with loan servicers to secure
7 a closed school loan discharge and in applying to the United States
8 Department of Education for loan forgiveness based on borrower
9 defense to repayment. According to that testimony, the Bureau for
10 Private Postsecondary Education at that time had one employee
11 responsible for assisting the hundreds of thousands of California
12 students eligible for loan forgiveness and tuition recovery.

13 (e) Without assistance, evidence shows that only a small fraction
14 of students eligible for tuition recovery or federal loan discharge
15 will file a claim.

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

20 (g) It is consistent with the purpose of the Student Tuition
21 Recovery Fund to provide assistance to Corinthian Colleges
22 students to obtain federal and private loan discharge and other
23 financial aid relief.

24 (h) It is the intent of the Legislature that unencumbered
25 restitution funds awarded to the state from a lawsuit involving
26 Corinthian Colleges and its affiliate institutions, including Heald
27 College, be used to repay any funds provided to students pursuant
28 to this act.

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

31 69433.61. (a) Notwithstanding any other law, a student who
32 was enrolled and received a Cal Grant award in the 2013–14 or
33 2014–15 academic year at a California campus of Heald College,
34 and was unable to complete an educational program offered by
35 the campus due to the campus' closure on April 27, 2015, shall
36 not have the award years used at a Heald College campus
37 considered for purposes of the limitation on the number of years
38 of Cal Grant award eligibility. This restoration of award years for
39 Cal Grant eligibility shall not exceed two years.

1 (b) A student shall be eligible for the restoration of award years
2 if the student was enrolled at a campus of Heald College on April
3 27, 2015, or withdrew from enrollment between July 1, 2014, and
4 April 27, 2015. The Bureau for Private Postsecondary Education
5 shall provide the commission with information, if available, to
6 confirm student enrollment for purposes of this section.

7 (c) An eligible student shall, before July 1, 2018, notify the
8 commission of his or her intent to use the restoration of award
9 years provided under this section and to enroll in an institution
10 eligible for initial and renewal Cal Grant awards to be eligible for
11 that restoration.

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

14 69999.19. (a) Notwithstanding any other law, a student who
15 was enrolled and received a California National Guard Education
16 Assistance Award in the 2013–14 or 2014–15 academic year at a
17 California campus of Heald College, and was unable to complete
18 an educational program offered by the campus due to the campus’
19 closure on April 27, 2015, shall not have the award years used at
20 a Heald College campus considered for purposes of the limitation
21 on the number of years of California National Guard Education
22 Assistance Award eligibility. This restoration of award years for
23 California National Guard Education Assistance Award eligibility
24 shall not exceed two years.

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

31 (c) An eligible student shall, before July 1, 2018, notify the
32 commission of his or her intent to use the restoration of award
33 years provided under this section and to enroll in an institution
34 eligible for initial and renewal California National Guard Education
35 Assistance Awards to be eligible for that restoration.

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

37 94051. Notwithstanding any other law, until July 1, 2017, a
38 state agency that provides licensure may consider for licensure
39 any student who was enrolled in an educational program of
40 Corinthian Colleges, Inc., designed to lead to licensure from that

1 state agency, and who did not receive that licensure due to the
2 institution's closure. This consideration shall be provided at the
3 discretion of the state agency in accordance with its public
4 protection mandate and applicable criteria established by the
5 agency for consumer safety.

6 SEC. 5. Section 94926.5 is added to the Education Code, to
7 read:

8 94926.5. (a) Upon appropriation by the Legislature from the
9 Student Tuition Recovery Fund, in response to the student harm
10 caused by the practices and unlawful closure of Corinthian
11 Colleges, Inc., grant funds shall be timely provided in accordance
12 with this section to eligible nonprofit community service
13 organizations to assist the eligible students of that closed institution
14 by relieving or mitigating the economic and educational
15 opportunity loss incurred by those students.

16 (b) (1) The terms and conditions of the grant agreements shall
17 ensure that grant funds are used for the exclusive purpose of
18 assisting eligible students with federal and private loan discharge
19 and other financial aid relief, and that students eligible to claim
20 recovery through the Student Tuition Recovery Fund are referred
21 to the bureau for assistance with claim processing.

22 (2) This subdivision is not intended to prohibit a nonprofit
23 community service organization from using grant funds to screen
24 student requests for assistance in order to determine if a student
25 meets assistance eligibility requirements.

26 (c) Services provided by eligible nonprofit community service
27 organizations may include, but are not to be limited to, outreach
28 and education, screening requests for assistance, referring students
29 for additional legal assistance through pro bono referral programs,
30 and legal services.

31 (d) For purposes of this section, an "eligible nonprofit
32 community service organization" is an organization that satisfies
33 all of the following conditions:

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

37 (2) The organization demonstrates expertise in assisting students
38 with, and currently provides free direct legal services to students
39 for, or will work in partnership with or under the supervision of
40 an attorney or a nonprofit legal services organization that has

1 demonstrated expertise in assisting students with, student loan and
2 tuition recovery-related matters.

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

5 (e) For purposes of this section, an “eligible student” is a student
6 who was enrolled at a California campus of, or a California student
7 who was enrolled in an online campus of, a Corinthian Colleges
8 institution, and who has been screened by the nonprofit community
9 service organization and determined to be eligible for debt relief
10 from the United States Department of Education or other student
11 financial aid relief.

12 (f) (1) The bureau shall notify the Attorney General of all
13 unlawful Corinthian Colleges closures within 15 days of the
14 effective date of this section.

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

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

32 (g) Within 30 days of selection pursuant to paragraph (3) of
33 subdivision (f), an eligible nonprofit community service
34 organization that receives funds pursuant to this section shall enter
35 into a grant agreement with the Attorney General, or a qualified
36 entity entrusted with this authority pursuant to paragraph (3) of
37 subdivision (f), as applicable, and shall use grant funds exclusively
38 for the purposes set forth in this section in accordance with the
39 agreement. Any unused funds shall be returned to the Attorney
40 General for return to the Student Tuition Recovery Fund. The

1 Attorney General, or a contracted qualified entity, may terminate
2 the grant agreement for material breach, and may require repayment
3 of funds provided to the nonprofit community service organization
4 during the time that the agreement was being materially breached.
5 However, the Attorney General, or a qualified entity, shall provide
6 the grantee with written notice of the breach and a reasonable
7 opportunity of not less than 30 days to resolve the breach.

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

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

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

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

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

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

24 (E) The number of students screened by the nonprofit
25 community service organization who were determined ineligible
26 for assistance with debt relief pursuant to subdivision (e), a
27 summary of reasons for ineligibility, and a summary of any services
28 or referral information provided to those students.

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

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

34 (3) The Attorney General or qualified entity, as applicable, shall
35 provide the Legislature and the bureau a final report summarizing
36 the information submitted pursuant to paragraph (1) promptly
37 following the time when all funds are expended by the grantees
38 or by January 1, 2019, whichever is earlier.

39 (j) Funds shall be distributed to preapproved nonprofit
40 community service organizations as follows:

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

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

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

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

10 SEC. 6. (a) It is the intent of the Legislature that grant funds
11 be made available from the Student Tuition Recovery Fund to
12 assist former students of Corinthian Colleges, Inc., in obtaining
13 federal and private loan discharge and other financial aid related
14 relief, that the amount of funds available be calculated by
15 multiplying the number of students (13,000) enrolled at the time
16 of the institution's unlawful closure by one hundred dollars (\$100),
17 and that organizations receiving grants use available funds in ways
18 that maximize the number of California students that apply for and
19 receive loan discharge and tuition recovery.

20 (b) Consistent with subdivision (a), the sum of one million three
21 hundred thousand dollars (\$1,300,000) is hereby appropriated from
22 the Student Tuition Recovery Fund to the Attorney General for
23 the purposes of providing grants pursuant to Section 94926.5 of
24 the Education Code, and to pay an amount not to exceed one
25 hundred fifty thousand dollars (\$150,000) for the reasonable
26 administrative costs of the Attorney General's office related to
27 these grants.

28 SEC. 7. This act is an urgency statute necessary for the
29 immediate preservation of the public peace, health, or safety within
30 the meaning of Article IV of the Constitution and shall go into
31 immediate effect. The facts constituting the necessity are:

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