

AMENDED IN ASSEMBLY APRIL 18, 2016

AMENDED IN ASSEMBLY APRIL 6, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 2581**

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**Introduced by Assembly Member Medina**

February 19, 2016

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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 amended, 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 provide that any unused funds are to be returned to the Attorney General for return to the Student Tuition Recovery Fund, except that, upon the approval of the Attorney General, an eligible nonprofit community service organization may expend those unused funds to provide assistance to students who were enrolled at an institution approved to operate by the bureau and who were harmed by the unlawful closure of that institution. 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~~, 2020, 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,

1 and is in the process of establishing a specific process for federal  
2 loan discharge for these students.

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

7 (c) On March 25, 2016, the United States Department of  
8 Education announced the approval of 6,838 of the 11,740 closed  
9 school loan discharge claims and approval of 2,048 of the  
10 approximately 11,000 borrower defense to repayment loan  
11 forgiveness claims received. Rough estimates place the number  
12 of students with eligibility to file a closed school loan discharge  
13 or defense to repayment claim at over 350,000 students.

14 (d) According to testimony provided at the November 10, 2015,  
15 advisory committee meeting, the Bureau for Private Postsecondary  
16 Education staff indicated that Corinthian Colleges students have  
17 largely needed assistance in working with loan servicers to secure  
18 a closed school loan discharge and in applying to the United States  
19 Department of Education for loan forgiveness based on borrower  
20 defense to repayment. According to that testimony, the Bureau for  
21 Private Postsecondary Education at that time had one employee  
22 responsible for assisting the hundreds of thousands of California  
23 students eligible for loan forgiveness and tuition recovery.

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

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

31 (g) It is consistent with the purpose of the Student Tuition  
32 Recovery Fund to provide assistance to Corinthian Colleges  
33 students to obtain federal and private loan discharge and other  
34 financial aid relief.

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

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

3 69433.61. (a) Notwithstanding any other law, a student who  
4 was enrolled and received a Cal Grant award in the 2013–14 or  
5 2014–15 academic year at a California campus of Heald College,  
6 and was unable to complete an educational program offered by  
7 the campus due to the campus' closure on April 27, 2015, shall  
8 not have the award years used at a Heald College campus  
9 considered for purposes of the limitation on the number of years  
10 of Cal Grant award eligibility. This restoration of award years for  
11 Cal Grant eligibility shall not exceed two years.

12 (b) A student shall be eligible for the restoration of award years  
13 if the student was enrolled at a campus of Heald College on April  
14 27, 2015, or withdrew from enrollment between July 1, 2014, and  
15 April 27, 2015. The Bureau for Private Postsecondary Education  
16 shall provide the commission with information, if available, to  
17 confirm student enrollment for purposes of this section.

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

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

25 69999.19. (a) Notwithstanding any other law, a student who  
26 was enrolled and received a California National Guard Education  
27 Assistance Award in the 2013–14 or 2014–15 academic year at a  
28 California campus of Heald College, and was unable to complete  
29 an educational program offered by the campus due to the campus'  
30 closure on April 27, 2015, shall not have the award years used at  
31 a Heald College campus considered for purposes of the limitation  
32 on the number of years of California National Guard Education  
33 Assistance Award eligibility. This restoration of award years for  
34 California National Guard Education Assistance Award eligibility  
35 shall not exceed two years.

36 (b) A student shall be eligible for the restoration of award years  
37 if the student was enrolled at a campus of Heald College on April  
38 27, 2015, or withdrew from enrollment between July 1, 2014, and  
39 April 27, 2015. The Bureau for Private Postsecondary Education

1 shall provide the commission with information, if available, to  
2 confirm student enrollment for purposes of this section.

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

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

9 94051. (a) Notwithstanding any other law, until July 1, ~~2017,~~  
10 2020, a state agency that provides licensure may consider for  
11 licensure any student who was enrolled in an educational program  
12 of Corinthian Colleges, Inc., designed to lead to licensure from  
13 that state agency, and who did not receive that licensure due to the  
14 institution's closure. This consideration shall be provided at the  
15 discretion of the state agency in accordance with its public  
16 protection mandate and applicable criteria established by the  
17 agency for consumer safety.

18 (b) *A state agency, as specified in subdivision (a), may require*  
19 *coursework or passage of a California law and ethics examination,*  
20 *if not already required, to ensure that the potential licensee is*  
21 *versed in the most recent and relevant state laws applicable to the*  
22 *license.*

23 SEC. 5. Section 94926.5 is added to the Education Code, to  
24 read:

25 94926.5. (a) Upon appropriation by the Legislature from the  
26 Student Tuition Recovery Fund, in response to the student harm  
27 caused by the practices and unlawful closure of Corinthian  
28 Colleges, Inc., grant funds shall be timely provided in accordance  
29 with this section to eligible nonprofit community service  
30 organizations to assist the eligible students of that closed institution  
31 by relieving or mitigating the economic and educational  
32 opportunity loss incurred by those students.

33 (b) (1) The terms and conditions of the grant agreements shall  
34 ensure that grant funds are used for the exclusive purpose of  
35 assisting eligible students with federal and private loan discharge  
36 and other financial aid relief, and that students eligible to claim  
37 recovery through the Student Tuition Recovery Fund are referred  
38 to the bureau for assistance with claim processing.

39 (2) This subdivision is not intended to prohibit a nonprofit  
40 community service organization from using grant funds to screen

1 student requests for assistance in order to determine if a student  
2 meets assistance eligibility requirements.

3 (c) Services provided by eligible nonprofit community service  
4 organizations may include, but are not to be limited to, outreach  
5 and education, screening requests for assistance, referring students  
6 for additional legal assistance through pro bono referral programs,  
7 and legal services.

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

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

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

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

22 (e) For purposes of this section, an “eligible student” is a student  
23 who was enrolled at a California campus of, or a California student  
24 who was enrolled in an online campus of, a Corinthian Colleges  
25 institution, and who has been screened by the nonprofit community  
26 service organization and determined to be eligible for debt relief  
27 from the United States Department of Education or other student  
28 financial aid relief.

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

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

38 (3) The Attorney General shall, within 90 days of receipt of the  
39 notification, solicit grant applications from eligible nonprofit  
40 community service organizations as described in subdivision (d),

1 select one or more of these organizations from among the  
2 applicants who are deemed to be qualified by the Attorney General,  
3 set additional terms and conditions of the grants as necessary, and  
4 notify the bureau and the recipient organization or organizations  
5 of the selection and the share of grant funds available that the  
6 organization shall receive. The Attorney General may enter into  
7 a contract with another qualified entity to perform the Attorney  
8 General's duties under this subdivision.

9 (g) Within 30 days of selection pursuant to paragraph (3) of  
10 subdivision (f), an eligible nonprofit community service  
11 organization that receives funds pursuant to this section shall enter  
12 into a grant agreement with the Attorney General, or a qualified  
13 entity entrusted with this authority pursuant to paragraph (3) of  
14 subdivision (f), as applicable, and shall use grant funds exclusively  
15 for the purposes set forth in this section in accordance with the  
16 agreement. Any unused funds shall be returned to the Attorney  
17 General for return to the Student Tuition Recovery Fund, except  
18 that, upon the approval of the Attorney General, an eligible  
19 nonprofit community service organization may expend those  
20 unused funds to provide assistance to students who were enrolled  
21 at an institution approved to operate by the bureau and who were  
22 harmed by the unlawful closure of that institution. The Attorney  
23 General, or a contracted qualified entity, may terminate the grant  
24 agreement for material breach, and may require repayment of funds  
25 provided to the nonprofit community service organization during  
26 the time that the agreement was being materially breached.  
27 However, the Attorney General, or a qualified entity, shall provide  
28 the grantee with written notice of the breach and a reasonable  
29 opportunity of not less than 30 days to resolve the breach.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

32 SEC. 6. (a) It is the intent of the Legislature that grant funds  
33 be made available from the Student Tuition Recovery Fund to  
34 assist former students of Corinthian Colleges, Inc., in obtaining  
35 federal and private loan discharge and other financial aid related  
36 relief, that the amount of funds available be calculated by  
37 multiplying the number of students (13,000) enrolled at the time  
38 of the institution's unlawful closure by one hundred dollars (\$100),  
39 and that organizations receiving grants use available funds in ways

1 that maximize the number of California students that apply for and  
2 receive loan discharge and tuition recovery.

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

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

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