

AMENDED IN ASSEMBLY APRIL 12, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2787

Introduced by Assembly Member Chávez

February 19, 2016

An act to amend ~~Section 70022~~ *Sections 70022 and 70023* of the Education Code, relating to student financial ~~aid~~, *aid, and making an appropriation therefor*.

LEGISLATIVE COUNSEL'S DIGEST

AB 2787, as amended, Chávez. Student financial aid: Middle Class Scholarship Program: private nonprofit postsecondary educational institutions.

Under existing law, the Middle Class Scholarship Program provides that, subject to an available and sufficient appropriation, commencing with the 2014–15 academic year, an undergraduate student enrolled at the University of California or the California State University, and meeting certain requirements, is eligible for a scholarship award that, combined with other federal, state, and institutionally administered grants and fee waivers, totals up to 40% of the systemwide tuition and fees. Under existing law, to receive an award under the Middle Class Scholarship Program, a student is required to have an annual household income that does not exceed \$150,000 as adjusted to reflect changes in the cost of living, satisfy specified requirements for a Cal Grant award, be a California resident or exempt from paying nonresident tuition, file specified financial aid forms, timely apply for publicly funded student financial aid for which he or she is eligible, maintain at least a 2.0 grade point average, be pursuing his or her first undergraduate baccalaureate

degree or be enrolled in a specified professional teacher preparation program, and be enrolled at least part time.

Existing law transfers \$159,000,000 from the General Fund to the Middle Class Scholarship Fund, and appropriates that sum to the Student Aid Commission for purposes of the scholarship program for the 2017–18 ~~fiscal year~~, *year, and each fiscal year thereafter*.

Existing law requires the University of California and the California State University, in order for students of their respective segments to remain eligible to receive a scholarship award under the Middle Class Scholarship Program, to not supplant their respective institutional need-based grants with funds provided for scholarships under this program, and to maintain their funding amounts at a level that, at a minimum, is equal to the level maintained for undergraduate students during the 2013–14 academic year.

This bill would extend the Middle Class Scholarship Program to undergraduate students who meet the requirements of the program and are enrolled in *participating* private nonprofit postsecondary educational institutions, *as defined*, commencing with the 2017–18 academic year, ~~as specified, but the bill would not affect the statutory appropriation for the program for the 2017–18 fiscal year that is referenced above.~~ *specified. By expanding the appropriation described above, the bill would make an appropriation.* The bill would subject participating private nonprofit postsecondary educational institutions to the requirement to maintain its scholarship funding levels, as referenced above.

Vote: ~~majority~~^{2/3}. Appropriation: ~~no~~^{yes}. Fiscal committee: yes. State-mandated local program: no.

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

- 1 SECTION 1. Section 70022 of the Education Code is amended
- 2 to read:
- 3 70022. (a) (1) Subject to an available and sufficient
- 4 appropriation, commencing with the 2014–15 academic year, an
- 5 undergraduate student enrolled in the California State University,
- 6 the University of California, or, commencing with the 2017–18
- 7 academic year, a private nonprofit postsecondary educational
- 8 institution who meets the requirements of paragraph (2) is eligible
- 9 for a scholarship award as described in that paragraph.

1 (2) Each academic year, except as provided in paragraphs (3)
2 and (4), an eligible student shall receive a scholarship award in an
3 amount that, combined with other federal, state, or institutionally
4 administered student grants or fee waivers received by an eligible
5 student, is up to 40 percent of the amount charged to that student
6 in that academic year for mandatory systemwide tuition and fees
7 of a student of the California State University or the University of
8 California, ~~or the tuition and mandatory fees of~~ *or, with respect*
9 *to* a student of a private nonprofit postsecondary educational
10 institution, *a scholarship award calculated in accordance with*
11 *paragraph (2) of subdivision (a) of Section 70023*, if all of the
12 following requirements are met, to the satisfaction of the
13 commission, each academic year:

14 (A) The student's annual household income does not exceed
15 one hundred fifty thousand dollars (\$150,000). For awards
16 distributed for the 2016–17 academic year and subsequent
17 academic years, the commission shall annually adjust the maximum
18 income level set under this subparagraph in accordance with the
19 percentage changes in the cost of living within the meaning of
20 paragraph (1) of subdivision (e) of Section 8 of Article XIII B of
21 the California Constitution. For purposes of this article, annual
22 household income shall be calculated in a manner that is consistent
23 with the requirements applicable to the
24 Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program
25 (Chapter 1.7 (commencing with Section 69430)) and Section
26 69506.

27 (B) Beginning with awards distributed in the 2015–16 academic
28 year, the student's household asset level shall not exceed one
29 hundred fifty thousand dollars (\$150,000). For awards distributed
30 in the 2016–17 academic year and subsequent academic years, the
31 commission shall annually adjust the maximum household asset
32 level set under this subparagraph in accordance with the percentage
33 changes in the cost of living within the meaning of paragraph (1)
34 of subdivision (e) of Section 8 of Article XIII B of the California
35 Constitution. For purposes of this article, student's household asset
36 level shall be calculated in a manner that is consistent with the
37 requirements applicable to the
38 Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program
39 (Chapter 1.7 (commencing with Section 69430)) and Section
40 69506.

1 (C) The student satisfies the eligibility requirements for a Cal
2 Grant award pursuant to Section 69433.9, except that a student
3 who is exempt from nonresident tuition under Section 68130.5
4 shall not be required to satisfy the requirements of subdivision (a)
5 of Section 69433.9.

6 (D) The student is exempt from paying nonresident tuition, or
7 would be exempt if the student attended a public institution.

8 (E) The student completes and submits a Free Application for
9 Federal Student Aid (FAFSA) application. The FAFSA must be
10 submitted or postmarked by no later than March 2. If the student
11 is not able to complete a FAFSA application, the student may
12 satisfy this subparagraph by submitting an application determined
13 by the commission to be equivalent to the FAFSA application for
14 purposes of this article by March 2.

15 (F) The student makes a timely application or applications for
16 all other federal, state, or institutionally administered grants or fee
17 waivers for which the student is eligible.

18 (G) The student maintains satisfactory academic progress in a
19 manner that is consistent with the requirements applicable to the
20 Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program
21 pursuant to subdivision (m) of Section 69432.7.

22 (H) The student is pursuing his or her first undergraduate
23 baccalaureate degree or has completed a baccalaureate degree and
24 has been admitted to, and is enrolled in, a program of professional
25 teacher preparation at an institution approved by the California
26 Commission on Teacher Credentialing.

27 (I) The student is enrolled at least part time.

28 (3) (A) The percentage specified in paragraph (2) shall be
29 reduced by 0.6-percent increments per one thousand dollars
30 (\$1,000) of annual household income in excess of one hundred
31 thousand dollars (\$100,000), to a minimum 10 percent of ~~the~~
32 *mandatory systemwide* tuition and fees for an academic year,
33 provided that no scholarship award shall be provided to a student
34 with an annual household income exceeding one hundred fifty
35 thousand dollars (\$150,000). Beginning with award calculations
36 for the 2016–17 academic year, and for subsequent academic years,
37 the commission shall annually adjust the income levels specified
38 in this subparagraph by the percentage change in the cost of living
39 within the meaning of paragraph (1) of subdivision (e) of Section
40 8 of Article XIII B of the California Constitution and shall adjust

1 the incremental reduction accordingly to ensure that a minimum
2 of 10 percent of ~~the~~ *mandatory systemwide* tuition and fees for an
3 academic year are awarded. This reduction shall be in addition to
4 any reduction required by Section 70023.

5 (B) Notwithstanding subparagraph (A), for any student who
6 qualifies for a scholarship award of at least one dollar (\$1), the
7 minimum annual scholarship amount for full-time enrollment is
8 ninety dollars (\$90).

9 (4) For the 2014–15, 2015–16, and 2016–17 academic years,
10 the maximum amount of a student’s scholarship award shall be 35
11 percent, 50 percent, and 75 percent, respectively, of the total
12 scholarship award amount that the student would otherwise be
13 eligible to receive.

14 (b) In order for students enrolled in their respective segments
15 to remain eligible to receive a scholarship award under this article,
16 the University of California, the California State University, and
17 a participating private nonprofit postsecondary educational
18 institution shall not supplant their respective institutional
19 need-based grants with the funds provided for scholarships under
20 this article, and shall maintain their funding amounts at a level
21 that, at a minimum, is equal to the level maintained for
22 undergraduate students during the 2013–14 academic year.

23 (c) The University of California and the California State
24 University shall report on the implementation of this article as part
25 of the report made pursuant to Section 66021.1.

26 (d) A Middle Class Scholarship Program award authorized
27 pursuant to this article shall be defined as a full-time equivalent
28 grant. An award to a part-time student shall be a fraction of a
29 full-time grant, as determined by the proportionate amount charged
30 for the tuition and fees. A part-time student shall not be
31 discriminated against in the selection of Middle Class Scholarship
32 Program awards. For purposes of this section, “full-time student”
33 and “part-time student” have the same meaning as specified in
34 subdivision (f) of Section 69432.7.

35 ~~(e) Section 70023 does not apply to a student attending a private
36 nonprofit postsecondary educational institution.~~

37 *SEC. 2. Section 70023 of the Education Code is amended to*
38 *read:*

39 70023. (a) (1) For each academic year, the commission shall
40 determine an amount sufficient, when combined with other federal,

1 state, or institutionally administered student grants or fee waivers
2 received by eligible students from other sources, to provide
3 scholarships to eligible students in the amounts described in
4 paragraphs (2) and (3) of subdivision (a) of Section 70022. The
5 University of California and the California State University shall
6 provide the commission with any financial aid data that are
7 necessary for the determination of these amounts.

8 (2) (A) *Commencing with the 2017–18 academic year, a student*
9 *who attends a participating private nonprofit postsecondary*
10 *educational institution and meets the requirements of subdivision*
11 *(a) of Section 70022 shall be eligible to receive up to 40 percent*
12 *of the amount of the maximum grant award for which that student*
13 *would be eligible under the Cal Grant Program established*
14 *pursuant to Chapter 1.7 (commencing with Section 69430).*

15 (B) *For purposes of this paragraph, a “participating private*
16 *nonprofit postsecondary educational institution” includes only an*
17 *institution that meets both of the following requirements:*

18 (i) *It is a qualifying institution as defined in subdivision (l) of*
19 *Section 69432.7.*

20 (ii) *It informs the Student Aid Commission, in writing and in a*
21 *timely manner, that it chooses to participate in the scholarship*
22 *program established by this article.*

23 (b) The commission shall annually determine if the amounts
24 appropriated under this section in each fiscal year are sufficient to
25 cover the costs of the scholarships as projected to be awarded
26 pursuant to the program. If those amounts are not sufficient for
27 this purpose, the scholarships shall be reduced proportionately by
28 an equal percentage for all recipients of scholarships under this
29 article.

30 (c) The commission may adopt regulations necessary to carry
31 out the purposes of this article under subdivision (b) as emergency
32 regulations in accordance with Chapter 3.5 (commencing with
33 Section 11340) of Part 1 of Division 3 of Title 2 of the Government
34 Code. For purposes of the Administrative Procedure Act, including
35 Section 11349.6 of the Government Code, the adoption of those
36 regulations shall be deemed to be an emergency and necessary for
37 the immediate preservation of the public peace, health and safety,
38 or general welfare, notwithstanding subdivision (e) of Section
39 11346.1 of the Government Code. Notwithstanding subdivision
40 (e) of Section 11346.1 of the Government Code, any regulation

1 adopted pursuant to this section shall not remain in effect more
2 than 180 days unless the commission complies with all provisions
3 of Chapter 3.5 (commencing with Section 11340) of Part 1 of
4 Division 3 of Title 2 of the Government Code, as required by
5 subdivision (e) of Section 11346.1 of the Government Code.

6 (d) The unencumbered balance, as of June 30 of each fiscal
7 year, of the amount appropriated from the Middle Class Scholarship
8 Fund pursuant to paragraph (1) of subdivision (e) shall revert to
9 the General Fund.

10 (e) (1) Upon order of the Director of Finance, the following
11 amounts shall be transferred from the General Fund to the Middle
12 Class Scholarship Fund, and are hereby appropriated to the
13 commission for allocation pursuant to this article:

14 (A) For the 2014–15 fiscal year, one hundred seven million
15 dollars (\$107,000,000).

16 (B) For the 2015–16 fiscal year, eighty-two million dollars
17 (\$82,000,000).

18 (C) For the 2016–17 fiscal year, one hundred sixteen million
19 dollars (\$116,000,000).

20 (D) For the 2017–18 fiscal year and for each fiscal year
21 thereafter, one hundred fifty-nine million dollars (\$159,000,000).

22 (2) An annual appropriation to the commission is hereby
23 established in the amounts and for the fiscal years described in
24 paragraph (1) to carry out the purposes of this section and Section
25 70022.

26 (3) It is the intent of the Legislature that any savings realized
27 from changes made to the allocations under this subdivision by a
28 bill providing for appropriations related to the Budget Bill for the
29 2015–16 fiscal year shall be used to support higher education.

30 (4) The funds transferred and appropriated pursuant to paragraph
31 (1) shall only be available for encumbrance in the fiscal year in
32 which they are transferred, and the General Fund shall have no
33 liability or any obligation beyond the transfers explicitly authorized
34 in paragraph (1) unless a subsequent transfer or allocation is
35 required pursuant to statute.

36 (5) In any fiscal year, additional appropriations may be enacted
37 pursuant to statute to carry out the purposes of this article.

38 (6) (A) Beginning with the Governor’s Budget proposal for the
39 2014–15 fiscal year, and in the Governor’s Budget for each fiscal
40 year thereafter, the Department of Finance shall include a fund

1 condition statement for the Middle Class Scholarship Fund for the
2 fiscal year of the proposed budget and the two immediately
3 preceding fiscal years prepared in accordance with existing law.

4 (B) Upon order of the Director of Finance and commencing
5 with the 2013–14 fiscal year, if the May Revision projects a budget
6 deficit for the next fiscal year, the amount specified in paragraph
7 (1) for the fiscal year for which the budget deficit is projected may
8 be reduced by up to 33 percent.

9 (f) Subject to an appropriation in the annual Budget Act for its
10 purposes, the commission may begin implementation of, and
11 establish outreach services relating to, this article.