

Date of Hearing: May 1, 2012

ASSEMBLY COMMITTEE ON HIGHER EDUCATION  
Marty Block, Chair  
AB 1501 (John Perez) – As Amended: February 9, 2012

SUBJECT: Student financial aid: Middle Class Scholarship Program.

SUMMARY: Establishes the Middle Class Scholarship Program (MCSP), which would provide a grant, as specified, for students at the University of California (UC) and the California State University (CSU) with family incomes below \$160,000. Specifically, this bill:

- 1) Provides UC and CSU students a scholarship award equal to at least two-thirds of the amount that is charged for mandatory systemwide fees when combined with other financial aid received by the student, beginning with the 2012-13 academic year, for students who meet the following conditions:
  - a) The student's annual household income does not exceed one hundred fifty thousand dollars (\$150,000), using income calculations consistent with those used by the Cal Grant Program, as defined. For students with incomes between \$150,000 and \$160,000, the scholarship shall be reduced by 10% for each \$1,000 that the student's annual income exceeds \$150,000.
  - b) The student is either a resident of the state or is exempt from paying nonresident tuition.
  - c) The student completes and submits a Free Application for Federal Student Aid (FAFSA) or, if unable to complete a FAFSA, submits an application determined by the university he or she attends to be equivalent to the FAFSA for purposes of this bill.
  - d) The student makes a timely application for publicly funded student financial aid from programs for which he or she is eligible, other than the program established by this bill, including federal, institutional, and state student financial aid programs.
- 2) Requires UC and CSU to maintain their respective institutional student financial aid programs at a level that, at a minimum, is equivalent to the level maintained during the 2011–12 academic year.
- 3) States legislative intent that:
  - a) MCSP shall augment and not replace other state-supported financial aid and institutional aid programs and federal grants.
  - b) The amount of the student financial aid provided to students under this bill be increased to accommodate increases in the cost of mandatory systemwide fees charged to UC and CSU students that may occur during and after the 2011–12 academic year.
  - c) UC and CSU do not raise mandatory systemwide fees that would decrease the value of a scholarship award under this article.

- 4) States that this act shall become operative only if AB 1500 of the 2011–12 Regular Session is chaptered and establishes a Middle Class Scholarship Fund.
- 5) Appropriates from the Middle Class Scholarship Fund the necessary monies to fund MCSP scholarships, as determined by the California Student Aid Commission (CSAC), to CSAC for allocation to UC and CSU for implementation of MCSP and requires UC and CSU to provide CSAC with any information necessary for determination of this amount.
- 6) Authorizes CSAC to expend any remaining MCSP funds in any academic year for purposes of the Cal Grant Program, as specified.
- 7) Appropriates \$150 million to the Chancellor of the California Community Colleges (CCC) from the Middle Class Scholarship Fund for allocation to CCC districts based on calculations of full-time equivalent students and specifies these funds shall be expended for the provision of grants to students to reduce the impact of enrollment fees or to help cover the cost of textbooks and other educational expenses.
- 8) Requires UC, CSU and CCC to report on the implementation of MCSP funds as part of existing reporting requirements, as specified.
- 9) Contains an urgency clause.

EXISTING LAW establishes the Cal Grant Entitlement Programs to provide grant assistance for tuition/fee payment at the UC, CSU and private institutions in California, to the extent that students are financially and academically eligible for such support. (Education Code § 69530)

FISCAL EFFECT: Unknown

COMMENTS: This bill is a companion measure to AB 1500 (John Perez), pending in the Assembly Revenue and Taxation Committee, which would modify the Single Sales Factor law and is estimated to provide \$1 billion for the Middle Class Scholarship Fund.

Background. Since 2007-08, which is considered the last "normal" budget year, state budget challenges have decreased funding to higher education by 21% at UC, 26% at CSU and 12% at CCC, resulting in enrollment caps and reduced course offerings and student services, among other cost-savings measures. In addition, UC and CSU have raised fees—68% at UC and 76% at CSU. The Legislature has, for the most part, protected the Cal Grant Program, which covers mandatory systemwide tuition/fees for low income students. However, with the exception of modest institutional aid assistance, middle income students have borne the brunt of these fee increases.

Need for the bill. According to the author, middle income families that make too much to qualify for state financial aid have been squeezed by the increased fee levels. More and more students have to work longer hours and increase their debt burden and, as fees and other costs increase, the work and loan burden on students has increased at a faster rate than grant aid. Increased costs can hinder a student's progress toward a degree, forcing students to cut their class load, work more hours, leave school temporarily, or drop out of school entirely. Middle class families that have students in the higher education systems are forced to take on ever increasing student loan debt loads or simply forgo the dream of higher education.

How will this work? CSU and UC students will fill out the standard financial aid forms. All students with family incomes less than \$150,000 who do not already have mandatory systemwide tuition/fees covered by existing financial aid programs will receive a Middle Class Scholarship that covers two-thirds of tuition/fees. Families with incomes between \$150,000-160,000 would receive a reduced scholarship benefit. This will cost approximately \$850 million per year.

- 1) At CSU, it is estimated that approximately 150,000 students will receive the Middle Class Scholarship and save \$4,000 each per year. Thus, middle income CSU students will pay \$1,970 per year of the \$5,970 mandatory systemwide tuition/fees.
- 2) At UC, it is estimated approximately 44,000 students will receive the Middle Class Scholarship and save up to \$8,169 each per year. Thus, middle income UC students will pay \$4,023 per year of the \$12,192 mandatory systemwide tuition/fees.
- 3) At CCC, 40% of students currently receive fee waivers. This bill would provide \$150 million to expand affordability efforts at the CCC district level, including expanding the use of fee waivers or providing grants to cover the costs of books or other educational expenses.

Related legislation. SB 1466 (De Leon), pending in the Senate, would increase to \$150,000 the maximum household income for all Cal Grant recipients. There have been several bills to establish stable and predictable fee policies and notification requirements, including most recently AB 970 (Fong, 2011), pending in the Senate, and SB 969 (Liu, 2010), which died on the Assembly Floor.

#### REGISTERED SUPPORT / OPPOSITION:

##### Support

Alhambra Unified School District Board of Education  
 American Federation of State, County and Municipal Employees  
 American Federation of Teachers Guild  
 Associated Students of Chico State  
 Associated Students of Sacramento State  
 Associated Students of University of California  
 Associated Students of University of California, Davis  
 Associated Students of University of California, Merced  
 Associated Students of University of California, San Diego  
 California Community Colleges Chancellor's Office  
 California Communities United Institute  
 California Conference Board of the Amalgamated Transit Union  
 California Conference of Machinists  
 California Faculty Association  
 California Federation of Teachers  
 California Hospital Association  
 California Labor Federation  
 California Medical Association  
 California Public Defenders Association

California Professional Firefighters  
California School Employees Association  
California State Association of Electrical Workers  
California State Council of Laborers  
California State Pipe Trades Council  
California State Student Association  
California State University  
California Student Aid Commission  
California YouthBuild Coalition  
City of Los Angeles City Council  
City of Sacramento City Council  
Coalition of California Utility Employees  
Community College League of California  
Councilmember Richard Alarcón, 7<sup>th</sup> District  
Councilmember Joe Buscaino, 15<sup>th</sup> District  
Councilmember Tony Cardenas, 6<sup>th</sup> District  
Councilmember Eric Garcetti, 13<sup>th</sup> District  
Councilmember Jose Huizar, 14<sup>th</sup> District  
Councilmember Paul Koretz, 5<sup>th</sup> District  
Councilmember Bill Rosendahl, 11<sup>th</sup> District  
Councilmember Herb Wesson, 10<sup>th</sup> District  
Councilmember Dennis Zine, 3<sup>rd</sup> District  
Engineers and Scientists of CA, IEPTE Local 20  
Equality California  
Faculty Association of California Community Colleges  
International Longshore and Warehouse Union  
International Union of Elevator Constructors  
Jockey's Guild  
Laborers' Locals 777 and 792  
Los Angeles County Democratic Party  
Los Angeles County Federation of Labor, AFL-CIO  
Los Angeles County Sheriff's Department  
Los Angeles Unified School District  
Los Rios Community College District  
Nury Martinez, Member, Board of Education, City of Los Angeles  
Montebello Unified School District  
Professional and Technical Engineers, IFPTE Local 21  
Professional Engineers in California Government  
San Diego County Court employees Association  
San Francisco Youth Commission  
Santa Monica-Malibu Unified School District Board of Education  
Shasta College Student Senate  
Student Senate for California Community Colleges  
Teamsters  
UFCW Western State Council  
UNITE-HERE, AFL-CIO  
University of California  
University of California Student Association  
University of California, Riverside Student Association

Wendy Greuel, Controller, City of Los Angeles  
Western Association for College Admission Counseling  
Western States Council of Sheet Metal Workers

Opposition

None on file.

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