
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No: SB 326 **Hearing Date:** April 19, 2017
Author: Nguyen
Version: March 16, 2017
Urgency: No **Fiscal:** Yes
Consultant: Olgalilia Ramirez

Subject: Postsecondary education: Middle-Class Scholarship (MCS) Program

SUMMARY

This bill appropriates \$117 million, or another amount provided in the Annual Budget Act, whichever is greater, to the Middle Class Scholarship program beginning in the 2018-19 fiscal year.

BACKGROUND

Existing law:

- 1) Establishes the MCS Program which provides an undergraduate student enrolled at the University of California (UC) or the California State University (CSU), or enrolled in upper division coursework in a community college baccalaureate program, and meets 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 percent of the systemwide tuition and fees. (Education Code § 70022)
- 2) For the 2017–18 fiscal year and each fiscal year thereafter, transfers, upon order of the Director of Finance, \$117,000,000 from the General Fund to the MCS Fund, and appropriates that sum to the California Student Aid Commission (CSAC) for purposes of the scholarship program. (EC § 70023)

ANALYSIS

This bill:

- 1) This bill appropriates \$117 million, or another amount provided in the annual Budget Act, whichever is greater, to the Middle Class Scholarship fund beginning in the 2018-19 fiscal year for the purposes of administering the MCS program. This bill notwithstanding any other law in the application of this provision.
- 2) By July 1, 2018, statutorily requires that the funds in the MCS Fund be continuously appropriated to the CSAC for allocation for purposes of the program, thereby making an appropriation.

STAFF COMMENTS

- 1) **Rationale for the bill.** The Governor's 2017-18 budget proposes a phase-out of the Middle Class Scholarship (MCS) Program. According to the author, as academic, housing and food costs raise, middle class families are disproportionately impacted and forced to pay more for their education without necessary financial assistance. The author asserts that if the MCS Program ends there would be a disproportionate impact on middle class students.

This bill seeks to secure permanent funding for the MCS program.

- 2) **Related budget activity.** Noting the state's overall financial condition and current efforts related to continuing the Administration's support for long-term stable growth in funding for the University of California (UC) and the California State University (CSU) and to maintain the broad Cal Grant entitlement for the state's neediest students, the Governor's 2017-2018 budget proposes a phase-out of the MCS Program. This proposal, beginning in 2017-18, specifies that awards will be renewed only for approximately 37,000 students who received awards in 2016-17, with no new awards for the program. By 2020-21, the proposal seeks to reduce annual General Fund costs by \$115.8 million. Awards that already have been awarded to students for 2016-17 will be funded under the Governor's proposal.
- 3) **Middle Class Scholarship background.** The MCS provides a scholarship to an undergraduate student enrolled in UC, CSU or a community college who is enrolled in a B.A. pilot program with family incomes of up to \$150,000 and household assets of up to \$156,000. The scholarship amount is limited to no more than 40 percent of the UC or CSU, California Community Colleges (CCC) mandatory system-wide tuition and fees. The individual award amount is determined after any other publicly-funded financial aid is received. In addition, grant recipients must be a California resident, or have AB 540 status; not be incarcerated; not be in default on a student loan; maintain a 2.0 GPA.

According to the California Student Aid Commission, over 49,000 MCS grants were paid during the 2015-16 academic year which resulted in a 94.2 percent paid rate. The current paid rate is at 84 percent after the completion of the 2016-17 fall term. Current law requires the unencumbered balance in the MCS to revert to the General Fund. However, through the budget process savings from MCS have been used to support other higher education costs. Recent budgets have identified specific allocations from these savings to be \$97 million in 2015-16, \$15 million in 2016-17, and \$26 million in 2017-18.

- 4) **Policy trade-offs.** Securing general fund dollars for the MCS Program as proposed by this bill, could mean a reduction in the amount of funding available for other legislative priorities. For example, the state's Cal Grant program provides college access for low-income Californians by covering tuition and some non-tuition costs. However, students who meet income and assets standards but have been out of high school for more than one year, do not meet GPA and/or age requirements, are not eligible for the high school entitlement award. Instead, these students must seek a competitive Cal Grant award. While the Budget Act

of 2015 increased the number of annual competitive Cal Grants to 25,750, this number still falls far short of meeting demand.

The California Student Aid Commission estimates that in 2015-16, students at any college living off campus without their parents incurred about \$18,000 in non-tuition costs such as living expenses, housing, books, and transportation. Under the Cal Grant program, only the Cal Grant B Entitlement award provides a modest annual award of \$1,656 for these non-tuition costs, which fail to cover the identified need.

While helping middle-class students bear the cost of their higher education through a state scholarship is reasonable, the committee may wish to consider whether financial aid policy should focus on expansion of the Cal Grant program or other types of financial assistance to support the neediest students.

SUPPORT

None received.

OPPOSITION

None received.

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