Introduced by Assembly Member Voepel  
(Coauthors: Assembly Members Lackey, Mathis, and Waldron)  
(Coauthors: Senators Portantino and Wilk)

January 7, 2019

An act to add Section 66027.9 to the Education Code, relating to public postsecondary education.

LEGISLATIVE COUNSEL’S DIGEST


The Donahoe Higher Education Act provides for a public postsecondary education system in this state. This system consists of the University of California, the California State University, and the California Community Colleges. The act applies to the University of California only to the extent that the Regents of the University of California act by resolution to make it applicable.

This bill would require the California State University and, as a condition of receipt of funds appropriated for purposes of the bill’s provisions, the University of California to each select a campus of their respective system to establish, commencing with the 2021–22 academic year, a pilot program for participating students to enter into an income share agreement with the campus. These agreements would specify that moneys for the pilot program would be provided to students for costs of attendance, with students agreeing to pay a portion of their future incomes in exchange. The bill would provide that the period of repayment shall not exceed 10 years, unless extended by up to 60
months under specified circumstances, and shall commence 6 months after the student’s graduation. A student is no longer enrolled full-time in an accredited college program. The bill would require the income share agreement to be subject to specified requirements, including, among others, that the agreement provide for monthly payments to be based on a specified percentage of the student’s annual income. The bill would require the pilot program to be open to students in their sophomore, junior, or senior year, and would authorize the campus to impose other eligibility requirements and cap the number of participants based on the amount of moneys appropriated for the pilot program. The bill would require that implementation of the pilot program be contingent upon the appropriation of funds for this purpose in the annual Budget Act or another statute. The bill would require each participating campus to submit a report no later than November 1, 2023, and a 2nd report no later than November 1, 2026, to the appropriate policy and fiscal committees of the Legislature containing specified information about the pilot program.


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

SECTION 1. Section 66027.9 is added to the Education Code, to read:

66027.9. (a) (1) The California State University and, as a condition of receipt of moneys appropriated for purposes of this section, the University of California shall each select a campus of their respective system to establish a pilot program, commencing with the 2021–22 academic year, to provide moneys from the campus’s Income Share Agreement Revolving Fund, established pursuant to subdivision (e), to participating students who enter into an income share agreement with the campus. It is the intent of the Legislature that the pilot program target students who would benefit from an income share agreement as a feasible alternative to using student loans to pay for a portion of their costs of attendance at the campus.

(2) As used in this section, “income share agreement” means an agreement between a participating campus and a student under which the student commits to pay a specified percentage of his or her the student’s future income, for a specified period of time, in
exchange for payments to, or on behalf of, the student for a portion of his or her the student’s costs of attendance at the campus.

(b) (1) Each income share agreement under this section shall be subject to all of the following requirements:

(A) It shall provide for monthly payments to be based on a specified percentage of the student’s annual income for a specified period of repayment, which shall not exceed 10 years, except as provided in subparagraph (C). The period of repayment shall commence six months after the student’s graduation. student is no longer enrolled full-time in an accredited college program.

(B) It shall provide that no monthly payment is owed by the student for the period of time the student’s annual income is below twenty thousand dollars ($20,000).

(C) It shall provide that the period of repayment determined pursuant to subparagraph (A) may be extended by the number of years equal to the number of years the agreement is in force for which the student’s annual income is below twenty thousand dollars ($20,000), but in no case shall the period of repayment be extended for longer than a total of 60 months.

(D) (i) It shall specify the definition of “income” to be used for purposes of calculating the student’s repayment obligation under the agreement.

(ii) For purposes of this section, “income” shall not include income from a spouse, an inheritance, or a legal settlement, or disability income, or income from another source as determined by the participating campus.

(E) It shall specify the terms and conditions under which the student may extinguish his or her the repayment obligation under the agreement before the end of the repayment period.

(F) It shall specify a cap on the total amount that a student would have to pay pursuant to the agreement.

(2) An income share agreement is not in compliance with this section unless the student, prior to entering into the agreement, is provided a disclosure document that clearly states all of the following:

(A) That the agreement is not a debt instrument.

(B) That the amount the student will be required to pay under the agreement may be more or less than the amount provided to the student, but shall not be more than the cap determined pursuant
to subparagraph (F) of paragraph (1) and may vary in proportion to the student’s future annual income.

(C) That the repayment obligation of the student under the agreement may not be dischargeable under bankruptcy law.

(D) Under what terms the student’s repayment obligation under the agreement may be extinguished by accelerating payments.

(E) The duration of the student’s obligation under the agreement, including any circumstances under which the contract may be extended.

(F) The percentage of the student’s future income he or she is committing to pay under the agreement and the minimum amount of annual income that triggers the student’s repayment obligation under the agreement.

(G) The definition of “income” to be used for purposes of calculating the student’s repayment obligation.

(3) The campus may impose additional terms or requirements in the income share agreement that are not inconsistent with this section.

(4) The campus may not exert any authority over a student’s selection of a baccalaureate degree program based solely on the student’s participation in the pilot program. It is the intent of the Legislature that students approved to participate in the pilot program be enrolled in a wide variety of baccalaureate degree programs.

(c) (1) The pilot program established pursuant to this section shall be open to students in their sophomore, junior, or senior year. Individuals may enter into agreements for one or more of those years.

(2) The university may impose other eligibility requirements and cap the number of participants based on the amount of moneys appropriated for the pilot program.

(d) Implementation of the pilot program pursuant to this section shall be contingent upon the appropriation of funds for this purpose in the annual Budget Act or another statute.

(e) Moneys appropriated to implement the pilot program pursuant to this section shall be deposited into the University of California Income Share Agreement Revolving Fund and the California State University Income Share Agreement Revolving Fund, which are hereby established. Moneys in each fund shall be transferred to the applicable campus without regard to fiscal years.
to provide moneys to each student who enters into an income share
agreement with the campus pursuant to this section. Payments
made by a student pursuant to an income share agreement shall be
deposited into the applicable fund and shall be used by the campus
to enter into additional income share agreements. The campus may
use up to 5 percent of moneys annually deposited into its fund for
the costs of administering the pilot program.

(f) (1) Each participating campus shall submit a report to the
appropriate policy and fiscal committees of the Legislature no later
than November 1, 2023. The report shall include, but not
necessarily be limited to, all of the following data:
(A) The number of students, by grade level, who have entered
into an income share agreement with the campus, including the
number of students who have entered into an income share
agreement with the campus for more than one academic year.
(B) The average amount of money provided to students pursuant
to income share agreements.
(C) A complete count, by baccalaureate degree program majors,
of all students who have entered into an income share agreement
with the campus.

(2) The requirement for submitting a report imposed under
paragraph (1) is inoperative on November 1, 2027, pursuant to
Section 10231.5 of the Government Code.

(g) (1) Each participating campus shall submit a report to the
appropriate policy and fiscal committees of the Legislature no later
than November 1, 2026. The report shall include, but not
necessarily be limited to, all of the following data:
(A) The number of students, by grade level, who have entered
into an income share agreement with the campus, including the
number of students who have entered into an income share
agreement with the campus for more than one academic year.
(B) The number of graduates who entered into an income share
agreement with the campus, the average and range of annual
incomes of those graduates, and the average and range of their
monthly payments pursuant to income share agreements.
(C) The balance of the campus’s Income Share Agreement
Revolving Fund established pursuant to subdivision (e) as of June
30, 2026, and the projected balance of the fund as of June 30, 2027.
The requirement for submitting a report imposed under paragraph (1) is inoperative on November 1, 2030, pursuant to Section 10231.5 of the Government Code.