An act relating to public postsecondary education. An act to add Article 24 (commencing with Section 70045) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL’S DIGEST


Existing law establishes the California Community Colleges, under the administration of the Board of Governors of the California Community Colleges, the California State University, under the administration of the Trustees of the California State University, the University of California, under the administration of the Regents of the University of California, independent institutions of higher education, and private postsecondary educational institutions as the segments of postsecondary education in this state.

This bill would establish the California Ban on Scholarship Displacement Act of 2020, which would prohibit each public and private institution of higher education that receives, or benefits from, state-funded financial assistance or enrolls students who receive state-funded student financial assistance from reducing a student’s
institutions provide financial aid below the student’s financial need, as specified. The bill would make its provisions severable, as specified.

Existing law establishes the University of California, the California State University, and the California Community Colleges as the segments of public postsecondary education in this state. Existing law establishes various programs, both public and private, that provide financial aid for, among others, students attending the campuses of the public postsecondary education segments.

This bill would express the intent of the Legislature to enact later legislation that would create an equity-focused college affordability equation by revising the calculation of the real cost of college attendance to raise the ceiling on that amount and by restricting the practice of scholarship displacement, as defined, by public postsecondary educational institutions.


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

SECTION 1. Article 24 (commencing with Section 70045) is added to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, to read:

Article 24. California Ban on Scholarship Displacement Act of 2020

70045. This act shall be known, and may be cited, as the California Ban on Scholarship Displacement Act of 2020.

70046. The Legislature finds and declares both of the following:

(a) As of 2020, California students who have financial need and receive private scholarships are unable to make full use of the awards provided to them by private scholarship providers because institutions of higher education reduce their grants, scholarships, tuition waivers, and fellowship stipends which those students would otherwise be qualified to receive. The reduction of an institution’s financial aid due to private scholarships is referred to as “scholarship displacement.”

(b) This act is intended to ensure that private scholarships supplement, and do not supplant, grants, scholarships, tuition
waivers, and fellowship stipends provided by institutions of higher education to California students who have financial need.

70047. As used in this article, the following definitions apply:

(a) An “academic year” is July 1 to June 30, inclusive. The start date of a session shall determine the academic year in which it is included.

(b) “Institution of higher education” or “institution” means any public or private postsecondary educational institution that receives, or benefits from, state-funded financial assistance or enrolls students who receive state-funded student financial assistance.

(c) “Cost of attendance” means the student’s tuition and fees, books and supplies, living expenses, transportation expenses, and any other student expenses used to calculate a student’s financial need for purposes of student aid programs under Title IV of the federal Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1070 et seq.).

(d) “Expected family contribution” means a student’s expected family contribution calculated according to the federal methodology pursuant to subdivision (a) of Section 69506 as established by Title IV of the federal Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1070 et seq.).

(e) “Financial need” means the cost of attendance minus the expected family contribution.

(f) “Gift aid” means all financial aid designated for the student’s educational expenses, including a grant, scholarship, tuition waiver, fellowship stipend, or other third-party payment, that is not a loan or pursuant to a work-study program.

(g) “Institutional financial aid” means financial aid that is paid for by the institution of higher education from its funds and the recipient of the aid is selected by the institution.

(h) “Private scholarship” means gift aid funded or awarded by a private company, foundation, or non-profit organization, or a public charity or service group.

70048. (a) Commencing with the 2021–22 academic year, an institution of higher education shall not reduce a student’s institutional financial aid offer or award for an academic year as a result of private scholarship awards received by that student unless either the student’s expected family contribution is too high
to qualify the student to receive a federal Pell Grant award or all of the following circumstances are satisfied:

1. The student’s gift aid exceeds the student’s financial need.
2. The institution reduces its institutional financial aid by no more than the amount of the student’s gift aid that is in excess of the student’s financial need.
3. An institution of higher education shall not consider a student’s receipt or anticipated receipt of a private scholarship when considering a student’s qualification for institutional financial aid.

(b) This article shall not be interpreted or implemented in a manner inconsistent with federal law. The provisions of this article are severable. If any provision of this article or its application is held invalid due to a conflict with federal requirements, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SECTION 1. It is the intent of the Legislature to enact later legislation that would create an equity-focused college affordability equation by revising the calculation of the real cost of college attendance to raise the ceiling on that amount and by restricting the practice of scholarship displacement by public postsecondary educational institutions. For purposes of this section, “scholarship displacement” occurs when a student receives a scholarship from a private source and then the institution to be attended by the student reduces the amount of financial aid the student was to receive by some amount due to the private scholarship.