

Middle Class Scholarship

Assembly Bills 94 (the budget higher education trailer bill) and 110 (the budget bill) establish the Middle Class Scholarship Program (MCS) under the administration of the California Student Aid Commission. The MCS provides scholarships of up to 40 percent of mandatory systemwide fees (tuition) to eligible students whose annual household income does not exceed \$150,000. The following provisions apply:

- Eligibility will be limited to students that meet certain Cal Grant program requirements.
 - Citizen of the United States or eligible non-citizen, as defined for financial aid programs under Title IV of the Higher Education Act of 1965, as amended, or exempt from nonresident tuition under California Education Code (CEC) Section 68130.5;
 - In compliance with Selective Service registration requirements;
 - Not incarcerated;
 - Not in default on any student loan or in repayment of a federal or state grant, as specified in CEC §69507.5;
 - Resident of California at time of high school graduation, with one exception;
 - Complete a Free Federal Application for Student Aid or its equivalent.

- Scholarships will provide tuition coverage on a sliding scale. Those with family incomes up to \$100,000 may receive up to 40 percent tuition coverage. The scholarships for those with incomes between \$100,001 and \$150,000 will be reduced by 0.6 percent for every additional \$1,000 of income with a minimum scholarship of 10 percent tuition coverage.

- The award calculation will account for other publicly funded financial aid provided to a student. Publicly funded financial aid is defined as
 - Federal Pell Grant
 - Cal Grant
 - Institutional need-based aid

- The MCS will be phased in over four years.
 - In 2014-15, the scholarship award will be 35 percent of the eventual full amount;
 - in 2015-16, the scholarship award will be 50 percent of the eventual full amount;
 - in 2016-17, the scholarship award will be 75 percent of the eventual full amount, and
 - full implementation in 2017-18.

- In the first three years of implementation, statutory appropriations of \$107 million, \$152 million, and \$228 million will be provided. Once phased in, the statutory appropriation will be limited to \$305 million annually. In any year, the appropriation can be increased.

- If sufficient funding is not available to provide the specified scholarship amounts, scholarship amounts will be reduced proportionately by an equal percentage for all recipients. In the first two years of implementation, upon order of the Director of Finance, the MCS appropriation may be reduced by up to 33 percent if the May Revision projects a budget deficit for the upcoming fiscal year. Beginning in the 2016-17 fiscal year, the MCS appropriation may be reduced to a minimum of \$200 million.

Tab 6.a.1

- The cost estimates assume flat enrollment projections and no tuition increases at both UC and CSU over the four-year implementation period. The universities assume that 75 percent of eligible students will apply for and receive awards in the first year(s) of implementation.
- As an institutional requirement of participating in the MCS, the UC and CSU would be required to preserve current institutional need-based grant program policies and the 2013-14 amount of student fee revenue that is set-aside for institutional aid.
- The program would provide start-up funding in 2013-14 for implementation and to establish outreach.