



In April 2021 members of the CASFAA Executive Counsel along with members of the California Community College Student Financial Aid Administrator Association (CCCSFAAA) met with Melissa Sagun on behalf of Assemblymember Lisa Calderon and her staff regarding [Assembly Bill Text - AB-288 California Ban on Scholarship Displacement Act of 2021](#).. The Counsel reviewed with Assemblymember Calderon’s staff concerns regarding the bill, specifically related to Federal/State/Institutional; rules, laws, regulations and policies that Higher Education Institutions are required to abide by when administering financial assistance.

Which included the Federal requirement that schools cannot exceed the Cost of Attendance, or the student’s Federal Financial Need and are subject not only to federal regulations tied to over awarding but also scholarship conditions as outlined by the awarding agency. In addition, to account for regulatory restrictions institutions and their financial aid offices currently work with students based on their awards to potentially increase the cost of attendance based on allowable costs to prevent additional financial aid adjustments. As a result CASFAA provided suggested changes to the bill. CASFAA will continue our advocacy efforts to assist students, schools and lawmakers alike to navigate financial aid regulations and recommend solutions that benefit California’s students while remaining compliant.

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 2021

70045.



This act shall be known, and may be cited, as the California Ban on Scholarship Displacement Act of 2021.

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 gift aid, 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, gift aid, 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, unless the context requires otherwise, 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) "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.).

(c) "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.).

(d) (1) "Financial need" means, as used in subdivision (a) of Section 70048, the cost of attendance minus the expected family contribution.

(2) "Financial need" means, as used in subdivision (b) of Section 70048, the cost of attendance minus the student aid index.

(e) "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.



(f) “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.

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

(h) “Private scholarship” means gift aid funded or *financial assistance* awarded to students based on one or more factors, including, but not limited to, academic merit, talent, or a particular area of study, by a private company, foundation, or nonprofit organization, or a public charity or service group.

(i) “Student” means any California resident that enrolls in any institution of higher education to obtain an undergraduate degree.

(j) “Student Aid Index” means, with respect to a student, an index that reflects an evaluation of a student’s approximate financial resources to contribute toward the student’s postsecondary education expenses for the academic year.

70048.

(a) Commencing with the 2022–23 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 ~~or all of the following circumstances are satisfied:~~ *any of the following conditions are satisfied:*

(1) The student is ineligible to receive a federal Pell Grant award.

(2) The student is ineligible to receive financial assistance under the California Dream Act.

(3) ~~The student’s gift aid exceeds the student’s financial need.~~ *The student’s financial need is fully met by gift aid.*

~~(4) The student’s gift aid exceeds the student’s financial need.~~ *Cost of Attendance*

~~(5) 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.~~ *The student’s tuition and fees are fully met by gift aid designated for tuition and fees.*

~~(6) The institution does not consider a student’s receipt or anticipated receipt of a private scholarship when considering a student’s qualification for institutional financial aid.~~



70048.

(a) Commencing with the 2023–24 2022–23 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 aid index is too high to qualify the student to receive a federal Pell Grant award or all of the following circumstances *conditions* are satisfied:

- (1) *The student is ineligible to receive a federal Pell Grant award.*
- (2) *The student is ineligible to receive financial assistance under the California Dream Act.*
- (3) The student’s gift aid exceeds the student’s financial need.
- (4) 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.
- (5) The institution does 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 state or 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.

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 2021

70045.

This act shall be known, and may be cited, as the California Ban on Scholarship Displacement Act of 2021.

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 gift aid, 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, gift aid, 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, unless the context requires otherwise, 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) "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.).

(c) "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.).

(d) (1) "Financial need" means, as used in subdivision (a) of Section 70048, the cost of attendance minus the expected family contribution.

(2) "Financial need" means, as used in subdivision (b) of Section 70048, the cost of attendance minus the student aid index.

(e) "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.

(f) "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.



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

(h) “Private scholarship” means ~~gift aid funded or~~ *financial assistance* awarded *to students based on one or more factors, including, but not limited to, academic merit, talent, or a particular area of study*, by a private company, foundation, or nonprofit organization, or a public charity or service group.

(i) “Student” means any California resident that enrolls in any institution of higher education to obtain an undergraduate degree.

(j) “Student Aid Index” means, with respect to a student, an index that reflects an evaluation of a student’s approximate financial resources to contribute toward the student’s postsecondary education expenses for the academic year.

~~70048.~~

~~(a) For the 2022–23 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 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) The institution does not consider a student’s receipt or anticipated receipt of a private scholarship when considering a student’s qualification for institutional financial aid.~~

~~(b)~~

~~70048.~~

~~(a) Commencing with the ~~2023–24~~ 2022–23 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 aid index is too high to qualify the student to receive a federal Pell Grant award or~~ all of the following ~~circumstances~~ *conditions* are satisfied:~~

~~(1) The student is ineligible to receive a federal Pell Grant award.~~

~~(2) The student is ineligible to receive financial assistance under the California Dream Act.~~



~~(1)~~

(3) The student's gift aid exceeds the student's financial need.

~~(2)~~

(4) 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)~~

(5) The institution does not consider a student's receipt or anticipated receipt of a private scholarship when considering a student's qualification for institutional financial aid.

~~(e)~~

(b) This article shall not be interpreted or implemented in a manner inconsistent with state or 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.