



City of Carson

Report to Mayor and City Council

June 6, 2012
New Business Consent

SUBJECT: CONSIDERATION OF RESOLUTION NO. 12-055 SUPPORTING THE MIDDLE CLASS SCHOLARSHIP ACT

Submitted by David C. Biggs
City Manager

Approved by David C. Biggs
City Manager

I. SUMMARY

This matter is on tonight's agenda for consideration at the request of Mayor Pro Tem Ruiz-Raber.

The Middle Class Scholarship Act (MCSA), also known as AB 1500 and AB 1501, provides an automatic middle class scholarship for California State University and University of California students with an annual income of less than \$150,000, and significantly reduces community college costs as well. Tonight the Council is asked to support Resolution No. 12-055 (Exhibit No. 1).

II. RECOMMENDATION

TAKE the following actions:

1. WAIVE further reading and ADOPT Resolution No. 12-055, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, SUPPORTING THE MIDDLE CLASS SCHOLARSHIP ACT."
2. DIRECT staff to transmit an executed copy of the resolution to the Honorable John A. Pérez, Speaker of the Assembly, Assembly member Warren Furutani and Senator Ted Lieu.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The Middle Class Scholarship Act has been proposed by Honorable John A. Pérez, Speaker of the Assembly. The promise of affordable higher education is in jeopardy because of enormous fee increases at the University of California, California State University and California community colleges. Middle Class Families, who make too much to qualify for financial aid programs but too little to afford the high fee levels, are forced to rely on student loans or give up on the dream of higher education.

The Middle Class Scholarship will cost approximately \$1 billion per year, and will be paid for by modifying the single sales factor corporate tax formula to pull back a benefit to out of state corporations which currently harms California businesses (Exhibit No. 2). Rather than a \$1 billion benefiting out of state corporations, the \$1 billion will go to middle class economic relief in the form of a 2/3 student fee reduction for middle-class families.

Since the 2003-04 school year, CSU fees have increased 191% – from \$2,046 to \$5,970, and UC fees have increased by 145% – from \$4,984 to \$12,192. By paying the increased fees, middle class families have much less to meet their other needs and less money is recycled in local economies.

CSU and UC students will fill out the standard financial aid forms. All students with family incomes less than \$150,000 that do not already have fees covered by existing financial aid programs will receive a middle class scholarship that covers 2/3 of the fees.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Resolution No. 12-055. (pgs. 3-4)
2. Middle Class Scholarship Act Overview. (pgs. 5-7)

Document1

Prepared by: Lisa A. Berglund, Principal Administrative Analyst

TO Rev03-08-12

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Development Services
Economic Development	Public Services

RESOLUTION NO. 12-055

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON,
CALIFORNIA, SUPPORTING THE MIDDLE CLASS SCHOLARSHIP
ACT

WHEREAS, California has long promised affordable higher education for students willing to work hard, a promise that helped spur innovation and prosperity for decades; and

WHEREAS, the promise of affordable higher education is in jeopardy because of enormous fee increases at the University of California, California State University and California Community Colleges; and

WHEREAS, Student fees at the California State University have increased by 191 percent since 2003-04, from \$2,046 to \$5,970; and student fees at the University of California have increased by 145 percent since 2003-04, from \$4,984 to \$12,192; and

WHEREAS, Financial Aid Programs have expanded to mitigate the impacts of the fee increases for lower income families; and

WHEREAS, Middle Class Families, who make too much to qualify for financial aid programs but too little to afford the high fee levels, are forced to rely on staggering levels of student loans or give up on the dream of higher education; and

WHEREAS, Corporate tax law changes in 2009 provided \$1 billion in annual tax breaks to out-of-state corporations to the competitive disadvantage of California businesses; and

WHEREAS, Honorable John A. Pérez, Speaker of the Assembly, has introduced the Middle Class Scholarship Act – revenue neutral legislation that slashes student fees for Middle Class Families by two-thirds and pays for the scholarships by pulling back the \$1 billion tax benefit provided to out-of-state corporations; and

WHEREAS, The Middle Class Scholarship will be available to California students from families earning less than \$150,000 per year; and

WHEREAS, The Middle Class Scholarship Act will save 42,000 University of California students nearly \$8,200 per year, or \$33,000 over a four year period; will save 150,000 California State University students \$4,000 per year, or \$16,000 over a four year period; and will provide \$150 million to community colleges to improve affordability; and

WHEREAS, The Middle Class Scholarship Act will provide immediate economic benefit by returning tens of thousands of dollars to middle income families and dramatically reducing the massive student loan debt that middle income families currently must rely on; and

EXHIBIT NO. 01

[MORE]



WHEREAS, The Middle Class Scholarship Act will make higher education affordable in California again from a dedicated funding source and will pave the way for scarce budget increases for higher education to go entirely to improving the quality of the systems.

NOW, THEREFORE, BE IT RESOLVED that to help keep the promise of affordable higher education in California the City Council of the City of Carson supports AB 1500 and AB 1501, the Middle Class Scholarship Act.

PASSED, APPROVED and ADOPTED this _____ day of _____, 2012.

ATTEST:

Mayor Jim Dear

City Clerk Donesia L. Gause, CMC

APPROVED AS TO FORM:

City Attorney



MIDDLE CLASS SCHOLARSHIP



Middle Class Scholarship Act John A. Pérez, Speaker of the Assembly (AB 1500 and AB 1501)

Overview:

- **Two-thirds Scholarship for Middle Class Families.** The Middle Class Scholarship Act provides an automatic Middle Class Scholarship for California State University and University of California students with annual family incomes less than \$150,000, and significantly reduces community college costs as well.
- **Reduces Fees Below 2003-04 Levels.** Under the Middle Class Scholarship, CSU and UC fees will be slashed by 2/3 and lower fees below the 2003-04 levels to \$1,970 for the CSU and \$4,023 for the UC.
- **Saves Families Middle Class Families Thousands of Dollars Per Year.** With the Middle Class Scholarship, CSU students will save \$4,000 per year – or \$16,000 over a four year period, and UC students will save about \$8,200 per year – or nearly \$33,000 over a four year period. Community College students will also see their costs reduced significantly as well.
- **Modifies Single Sales Factor Formula for Dedicated Revenue Source.** The Middle Class Scholarship will cost approximately \$1 billion per year, and will be paid for by modifying the Single Sales Factor corporate tax formula to pull back a benefit to out of state corporations which currently harms California businesses.
- **Generates \$1 Billion for Middle Class Economic Relief.** Rather than a \$1 billion benefiting out of state corporations, the \$1 billion will go to middle class economic relief in the form a 2/3 reduction student fee reduction for middle-class families.
- **Immediate and Long Term Economic Benefits.** Leveling the playing field between in state and out of state corporations will provide an immediate benefit to California businesses and improving college accessibility and reducing student debt will have long lasting economic benefits for the overall California economy.
- **Clears the Way For More Higher Education Improvements.** By making college affordable for middle class families from a dedicated revenue source, as the economy rebounds and higher education funding can be restored, all higher education investments can go to improving the quality of the CSU and UC and not have to be used to reducing student fees.

How the Middle Class Scholarship Act Works:

- CSU and UC students will fill out the standard financial aid forms. All students with family incomes less than \$150,000 that do not already have fees covered by existing financial aid programs, will receive a Middle Class Scholarship that covers 2/3 of the fees. This will cost approximately \$850 million per year.
 - For the CSU, it is estimated that approximately 150,000 students will receive the Middle Class Scholarship and save \$4,000 per year. This will result in Middle Income CSU students paying only \$1,970 per year of the \$5,970 system wide fees.
 - For the UC, it is estimated approximately 42,000 students will receive the Middle Class Scholarship and save up to \$8,169 per year. This will result in Middle Income UC students paying \$4,023 per year of the \$12,192 system wide fees.
- CCC students will also see improved affordability of higher education. Currently, 40% of college students receive fee waivers that eliminate their fees. Under this plan \$150 million will be allocated to Community Colleges to expand affordability efforts. Community College districts will have local discretion to allocate the funds to best meet their individual needs, including expanding the use of fee waivers or providing grants to cover the costs of books or other educational expenses.

Why is the Middle Class Scholarship Act Needed?

- Since the 2003-04 school year, CSU fees have increased 191% – from \$2,046 to \$5,970, and UC fees have increased by 145% – from \$4,984 to \$12,192.
- Financial aid programs have mitigated the impact of the fee increases on lower income and needy students, but middle income students have been left having to pay more thousands of dollars more each year. These fee increases have essentially become a massive middle class tax increase.
- By paying the increased fees, middle class families have much less to meet their other needs and less money is recycled in local economies.
- Most middle income families turn to increased use of student loans to cover the fee hikes. These loans leave students further in debt, which financially strangles students upon graduation as they send large portions of their earnings to out of state banks instead of spending funds locally, buying a house, and be able to participate in a growing middle class.
- Worst of all, some students simply find the fees too high and give up on the promise of higher education. Turning students away from higher education is about the most damaging thing the state can do to harm the long term health of the economy.
- With the Middle Class Scholarship, student fees will be slashed to below 2003-04 levels in real dollars and below 1992-93 levels adjusted for inflation. This will keep middle income students in school, will keep more hard earned income in their pockets now, and will have less student loan debt for years to come – all key factors in the recovery of California's economy.



Is Passing the Middle Class Scholarship Act Realistic?

- Modifying the Single Sales Factor law requires a 2/3 vote of the Legislature, which means at least four Republican Legislators will need to support the plan.
- Last session, two Republican Assemblymembers courageously voted for a "revenue neutral" bill to modify the Single Sales Factor formula and to use the revenues to provide modest tax relief to in-state businesses and income tax payers.
- The Middle Class Scholarship Act builds on the "revenue neutral" quality of last session's Single Sales Factor bill, but instead of small tax cuts the Middle Class Scholarship Act provides major fee cuts and meaningful economic relief to middle income families.
- Modifying the Single Sales Factor has received 2/3 vote before. With improvements to focus on economic relief for middle class families and making higher education affordable again, the 2/3 vote from the entire Legislature can be accomplished.

The Middle Class Scholarship Act Leads to Other Higher Ed Improvements:

- While the Middle Class Scholarship Act will provide needed relief from skyrocketing fee hikes, more investment is needed to return our higher education system to the jewel it once was.
- Increasing enrollments, expanding course offerings, increasing graduation rates, attracting premier faculty and improving access to graduate schools all require the restoration of hundreds of millions of dollars that have been cut in recent years.
- Approving the Middle Class Scholarship Act will make all the other improvements much more likely, here is why:
 - With the Middle Class Scholarship, fees levels are reduced below 1992-93 levels (adjusted for inflation) with a dedicated revenue source.
 - This means that as the economy recovers and the state can re-invest in higher education, every dollar can go to making program improvements rather than a large portion going to fee reductions.
 - For example, suppose over the next couple years the budget recovers to the point where \$1 billion can be reinvested in higher education. Given the recent dramatic fee increases, the Legislature would be compelled to use at least half of that amount to roll back fees, leaving only \$500 million for other critical improvements. But since the Middle Class Scholarship would have already resolved the fee issue from a dedicated revenue source, the entire \$1 billion can go to the other critical improvements.
 - Of course, the Middle Class Scholarship is only funded from the dedicated revenue source if there is a 2/3 vote of the Legislature. Obtaining that vote requires that it ultimately is a "revenue neutral" bill. Last year the 2/3 vote was achieved to modify the Single Sales Factor only because there were small tax cuts to make the bill revenue neutral. With the fee cuts of the Middle Class Scholarship Act, it too is essentially revenue neutral and therefore the 2/3 vote is achievable.

