

AMENDED IN SENATE MAY 17, 2022

AMENDED IN ASSEMBLY JANUARY 24, 2022

AMENDED IN ASSEMBLY MARCH 15, 2021

CALIFORNIA LEGISLATURE—2021–22 REGULAR SESSION

**ASSEMBLY BILL**

**No. 288**

---

---

**Introduced by Assembly Members Calderon and ~~Bonta~~ Mia Bonta  
(Coauthors: Assembly Members Chiu and Santiago)  
(Coauthor: Senator Limón)**

January 21, 2021

---

---

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

AB 288, as amended, Calderon. California Ban on Scholarship Displacement Act of 2021.

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 the state.

This bill would enact the California Ban on Scholarship Displacement Act of 2021, which would prohibit each public and private institution of higher education in the state that receives, or benefits from, state-funded financial assistance, or that enrolls students who receive

state-funded student financial assistance, from reducing certain students’ institution-based ~~financial~~ gift aid offer below their financial need, except as specified. The bill would make its provisions severable.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
 State-mandated local program: no.

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

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

4  
 5 Article 24. California Ban on Scholarship Displacement Act  
 6 of 2021  
 7

8 70045. This act shall be known, and may be cited, as the  
 9 California Ban on Scholarship Displacement Act of 2021.

10 70046. The Legislature finds and declares both of the following:

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

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

23 70047. As used in this article, unless the context requires  
 24 otherwise, the following definitions apply:

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

28 (b) “Cost of attendance” means the student’s tuition and fees,  
 29 books and supplies, living expenses, transportation expenses, and  
 30 any other student expenses used to calculate a student’s financial  
 31 need for purposes of student aid programs under Title IV of the

1 federal Higher Education Act of 1965, as amended (20 U.S.C. Sec.  
2 1070 et seq.).

3 (c) “Expected family contribution” means a student’s expected  
4 family contribution calculated according to the federal  
5 methodology pursuant to subdivision (a) of Section 69506 as  
6 established by Title IV of the federal Higher Education Act of  
7 1965, as amended (20 U.S.C. Sec. 1070 et seq.).

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

11 (2) “Financial need” means, as used in subdivision (b) of Section  
12 70048, the cost of attendance minus the student aid index.

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

17 (f) “Institutional ~~financial~~ *gift* aid” means ~~financial~~ *gift* aid that  
18 is paid for by the institution of higher education from its funds and  
19 the recipient of the aid is selected by the institution.

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

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

30 (i) “Scholarship displacement” means the reduction of  
31 institutional ~~financial~~ *gift* aid due to private scholarship awards.

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

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

38 70048. (a) Commencing with the 2023–24 academic year, an  
39 institution of higher education shall not reduce the institutional  
40 ~~financial~~ *gift* aid offer of a student who is eligible to receive a

1 federal Pell Grant award or financial assistance under the California  
2 Dream Act for an academic year as a result of private scholarship  
3 awards designated for the student unless the student's gift aid  
4 exceeds the student's annual cost of attendance.

5 (b) The institution may reduce the institutional ~~financial~~ *gift* aid  
6 offer of a student who is eligible to receive a federal Pell Grant  
7 award or financial assistance under the California Dream Act by  
8 no more than the amount of the student's gift aid that is in excess  
9 of the student's annual cost of attendance.

10 (c) The institution shall not consider receipt or anticipated  
11 receipt of private scholarships when considering a student who is  
12 eligible to receive a federal Pell Grant award or financial assistance  
13 under the California Dream Act for qualification for institutional  
14 ~~financial~~ *gift* aid.

15 (d) To ensure financial aid is maximized, an institution is  
16 encouraged to implement efforts to avoid scholarship displacement  
17 through consultation with scholarship providers and students to  
18 avoid situations where institutional ~~financial~~ *gift* aid and private  
19 scholarships can only be used for specific purposes.

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