



**City of Sacramento  
City Council**

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**Meeting Date:** 3/27/2012

**Report Type:** Staff/Discussion

**Title:** Support the Middle Class Scholarship Act

**Report ID:** 2012-00302

**Location:** Citywide

**Recommendation:** Consider passing a Resolution supporting the Middle Class Scholarship Act.

**Contact:** Michelle Heppner, Special Projects Manager, (916) 808-1226

**Presenter:** Michelle Heppner, Special Projects Manager, (916) 808-1226

**Department:** City Manager

**Division:**

**Dept ID:**

**Attachments:**

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1-Description/Analysis

2-Resolution Middle Class Scholarship Act

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**City Attorney Review**

Approved as to Form

Joe Robinson

3/21/2012 5:10:16 PM

**Approvals/Acknowledgements**

Department Director or Designee: Michelle Heppner 3/20/2012 11:59:16 AM

## Description/Analysis

**Issue:** Council Member Sheedy requested staff to bring forward a resolution in support of the Middle Class Scholarship Act (AB 1500 and 1501, Perez). The Middle Class Scholarship Act provides an automatic Middle Class Scholarship for California State University (CSU) and University of California (UC) students with annual family incomes less than \$150,000, and significantly reduces community college costs as well.

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. This equate to a saving of \$4,000 per year – or \$16,000 over a four year period for CSU students, and \$8,200 per year – or nearly \$33,000 over a four year period for UC students. Community College students will also see their costs reduced significantly as well.

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. So, 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 reduction student fee reduction for middle-class families.

**Policy Considerations:** Financial aid programs have mitigated the impact of college fee increases on lower income and needy students, but middle income students have been left having to pay 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 earning to out-of-state banks instead of spending funds locally, buying a house, and being able to participate in a growing middle class.

**Environmental Considerations:** None.

**Sustainability:** None.

**Commission/Committee Action:** Due to the request for a resolution and staffing availability, this item was not heard by the Law and Legislation Committee.

**Rationale for Recommendation:** By adopting a resolution in support of the Middle Class Scholarship Act, the City of Sacramento is promoting quality of life for residents by improving college accessibility and reducing student debt that will have long lasting economic benefits for its residents and the overall California economy.

**Financial Considerations:** None.

**Emerging Small Business Development (ESBD):** None.



## RESOLUTION NO.

Adopted by the Sacramento City Council

ON DATE OF \_\_\_\_\_

### SUPPORTING THE MIDDLE CLASS SCHOLARSHIP ACT

#### BACKGROUND

- A. California has long promised affordable higher education for students willing to work hard, a promise that helped spur innovation and prosperity for decades.
- B. 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.
- C. 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.
- D. Financial Aid Programs have expanded to mitigate the impacts of the fee increases for lower income families.
- E. 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.
- F. 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.
- G. Honorable John A. Perez, Speaker of the Assembly, has introduced and Honorable Dr. Richard Pan, Assemblymember has co-sponsored 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.
- H. The middle Class Scholarship will be available to California students from families earning less than \$150,000 per year.
- I. 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.

- J. 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.
- K. 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.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The Sacramento City Council supports AB 1500 and AB 1501, the Middle Class Scholarship Act authored by Assembly Speaker John A. Perez and coauthored by several other assembly members including Assembly Member Richard Pan.