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AB-1241 Student financial aid: Pay-It-Forward Financial Aid Program. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 1241

Introduced by Assembly Member Schiavo

February 21, 2025

An act to add Section 69505.3 to the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

AB 1241, as amended, Schiavo. Student financial aid: Pay-It-Forward Financial Aid Program.

Existing law establishes the University of California, under the administration of the Regents of the University of California, and the California State University, under the administration of the Trustees of the California State University, as 2 of the segments of public postsecondary education in the state. Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education.

This bill would require the ~~State Department of Education, in consultation with the~~ commission, *in consultation with* the California State ~~University~~, *University* and the University of California, to establish a Pay-It-Forward Financial Aid Program that allows students to enroll at a California State University or University of California campus without paying upfront tuition, fees, or room and board, and instead requiring participating students to pay, upon graduation or disenrollment and employment, a percentage of their annual adjusted gross income to the state for a number of years, as determined by the ~~department~~ *commission*. The bill would require those collected payments to be deposited into the Pay-It-Forward Financial Aid Fund, which the bill would establish. The bill would require moneys in the fund, upon appropriation by the Legislature, to pay the tuition, fees, and room and board expenses of future participating students. The bill would require, commencing with the 2028–29 academic year, each California State University and University of California campus to offer the program to their students, and would require, commencing with the 2030–31 academic year, the California State University and the University of California to ensure that at least 10,000 students per year participate in the program.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) The Legislature finds and declares all of the following:

- (1) The cost of attending the University of California and the California State University remains a barrier to accessing postsecondary education, with average annual tuition and campus fees of \$16,634 and \$8,508 at the University of California and the California State University, respectively.
- (2) Due to postsecondary education becoming increasingly unaffordable, many students are forced to borrow money to finance their postsecondary education.
- (3) On average, students graduating with a baccalaureate degree in California borrow \$21,125 to finance their undergraduate education.
- (4) As of 2020, Californians collectively owed over ~~-\$142 billion~~ \$142,000,000,000 in student loan debt, with federal loans making up the majority of that debt.

(b) Therefore, it is the intent of the Legislature to provide students an additional financing option that does not burden them with interest-accruing debt.

SEC. 2. Section 69505.3 is added to the Education Code, to read:

69505.3. (a) For purposes of this section, "campus" means a California State University or University of California campus.

(b) The ~~department~~ *commission* shall, in consultation with ~~the commission~~, the California State ~~University~~, *University* and the University of California, establish a Pay-It-Forward Financial Aid Program that does all of the following:

- (1) Allows a student who is admitted to a campus to enroll at the campus without paying upfront tuition, fees, or room and board.
 - (2) Requires, in lieu of paying upfront tuition, fees, or room and board, a student described in paragraph (1) to sign a contract to, upon graduation or disenrollment from a campus and employment, pay a percentage of their annual adjusted gross income to the state for a number of years, as determined by the ~~department~~ *commission*.
 - (3) Does not allow participating students to pay more than the amount they received under the program.
 - (4) Deposits moneys collected pursuant to paragraph (2) into the Pay-It-Forward Financial Aid Fund, which is hereby established. Moneys in the fund shall be made available by the ~~department~~ *commission*, upon appropriation by the Legislature, to pay for the tuition, fees, and room and board expenses of future participating students. The ~~department~~ *commission* may accept gifts, grants, awards, and appropriations from individuals, businesses, state and local governmental entities, and third-party sources for the program. Accepted funds shall be deposited into the fund.
- (c) Moneys received by a participating student shall supplement, but not supplant, any form of financial aid, including grants, scholarships, and loans, provided to the participating student.
- (d) Commencing with the 2028–29 academic year, each campus shall offer the program to students.
- (e) Commencing with the 2030–31 fiscal year, the California State University and the University of California shall ensure that at least 10,000 students per year participate in the program.
- (f) The ~~department~~ *commission* shall adopt rules and regulations reasonably necessary to effectively administer this section.