



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: CEO
Department No.: 012
For Agenda Of: June 19, 2012
Placement: Departmental
Estimated Tme: 15 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Chandra Wallar, County Executive Officer
Director(s)
Contact Info: Terri Nisich, Assistant CEO, 568-3400
SUBJECT: AB1500 (Pérez) & AB1501 (Pérez): Middle Class Scholarship Act

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

It is recommended that Board of Supervisors:

1. Consider whether to take a position on AB1500 (Pérez) & AB1501 (Pérez), the Middle Class Scholarship Act; and
2. Direct staff to communicate the Board's position to the County's state legislative delegation.

Summary Text:

The County's Legislative Program Committee received an update on AB 1500 and AB1501: *The Middle Class Scholarship Act* legislation during its June 4, 2012 meeting. The Committee directed staff to bring these bills to the Board of Supervisors to consider taking a position on the legislation and direct staff to communicate the Board's position to the County's state legislative delegation.

AB 1500 (*Corporation Taxes: Apportionment: Scholarship Fund*): This bill amends the provisions of the Corporation Tax Law that pertains to the single sales factor and requires a taxpayer to apportion its income in accordance with a single sales factor. The bill revises the rules that determine whether a taxpayer is doing business in the state and whether sales other than tangible personal property occur in the state. This bill increases the revenue from any related change to be deposited into the Middle Class Scholarship Fund. California State Association of Counties (CSAC) finds that a formula with a higher weight on sales and lower weights on property and payroll promotes job growth to some extent. CSAC

recommends that the state require all firms to use the single sales factor, which would help the state's competitiveness while limiting the cost to the budget.

In 2009, the state budget agreement changed the sales tax apportionment formula to determine taxable income for firms that operate in other states. However, in 2011 firms had the "option" to consider only their sales ("single sales"). The California legislative office examined different approaches to apportionment and how the single sales approach effects economic activity and tax review to California. AB1500 would require a taxpayer to apportion income with a single sale and revise rules to determine if a taxpayer is doing business in the state. This bill would require that any aggregate increase derived be deposited into the Middle Class Scholarship Fund.

AB 1501 (*Student Aid: Middle Class Scholarship Program*): This bill establishes the Middle Class Scholarship Program under the administration of the Student Aid Commission. The bill would provide the financial aid formula involved in the program and the qualifying factors. The bill also provides that any excess funds in the program shall be expended to the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program. The bill would become operative only if AB1500 of the 2011-12 Regular Session is chaptered and establishes a Middle Class Scholarship Fund.

AB 1500 and AB1501 come to the Legislative Committee via Assemblymember Williams' office. Assemblymember Williams has requested that the County consider taking a position of support. This bill is sponsored by Speaker of the Assembly John Pérez (D-CA).

Those in support include:

University of California
City of Los Angeles
City of Berkeley

Those in opposition include:

Several companies, including Chrysler, General Motors, International Paper, Kimberly-Clarke and Procter & Gamble, recently formed a coalition to oppose the legislation. The coalition, California Employers Against Higher Taxes.

Background:

Fees at the UC and CSU have more than doubled, pricing many students out of the education needed to become well-educated and well-prepared for the workforce. In January 2012, Speaker John Perez introduced AB 1500 & AB 1501, the Middle Class Scholarship (MCS), in order to provide families making less than \$150,000 the financial assistance needed so that every student should be able to afford a quality higher education.

The Middle Class Scholarship provides a 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. Under the Middle Class Scholarship, CSU and UC fees will be reduced by 2/3 and lower fees below the 2003-04 levels to \$1,970 for the CSU and \$4,023 for the UC. Students will save thousands of dollars per year and community college students will also see their costs reduced. The MCS 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. This is funded by

closing the loophole that benefits out-of-state businesses that do business in California, but do not create jobs for Californians.

Improving college accessibility and reducing student debt will have immediate and long-term economic benefits for the overall California economy. Many states, such as: Texas, New Jersey, New York, Michigan, Illinois, Oregon, and Washington currently have this aid in place.

In order to provide the financial aid to California public postsecondary students in time for the beginning of the 2012-13 academic year, the author is indicating that this act take effect immediately. The Middle Class Scholarship clears the way for more higher education improvements and 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.

Fiscal and Facilities Impacts:

None

Attachments:

Text of AB 1500 & AB 1501

Authored by:

Terri Nisich, Asst. CEO

cc:

Cliff Berg and Monica Miller, Governmental Advocates, Inc.