

## **INITIAL STATEMENT OF REASONS**

CALIFORNIA STUDENT AID COMMISSION  
P. O. Box 419026  
Rancho Cordova, CA 95741

### **LEARNING-ALIGNED EMPLOYMENT PROGRAM**

Title 5. Education  
Division 4. California Student Aid  
Commission Chapter 1. California Student  
Aid Commission Article 12.8

Adopt new Article 12.8, Sections 30600 - 30604,  
California Code of Regulations.

#### **I. INTRODUCTION AND BACKGROUND**

This document presents the California Student Aid Commission's (Commission) proposed regulations to implement the Learning-Aligned Employment Program (LAEP), in accordance with the provisions of Education Code Section 69950--69969. Assembly Bill 132 (AB 132) (Chapter 144, Statutes of 2021), established the LAEP to provide career-oriented employment for students in public institutions of higher learning in California.

Among other things, AB 132 directs the Commission to administer the LAEP in consultation with the Office of the President of the University of California, the Office of the Chancellor of the California State University, and the Office of the Chancellor of the California Community Colleges; limits program eligibility to students from underrepresented backgrounds; requires campuses to prioritize learning-aligned positions for first generation college, current or former foster youth, homeless, or at-risk of homeless students; and further prioritizes such students who are also majoring in a science, technology, engineering, or mathematics (STEM) discipline.

Education Code Section 69967(a) directs the Commission, in consultation with the President and Chancellor Offices of the University of California, California State Universities, and California Community Colleges, to do all the following:

- 1. Develop and post on its internet website any necessary programmatic policies and guidelines to assist participating employers and public postsecondary educational institutions to operate the program.*
- 2. Develop processes to facilitate public postsecondary educational institutional compliance with the priorities stated in Section 69959.*

3. *Develop processes to facilitate the monitoring of institutional expenditures to ensure proper allocation and use of program funds.*

Education Code Section 69952(b) further provides that:

*Before participating in the program, each institution shall sign an institutional agreement acknowledging its willingness to administer the program pursuant to this article and guidance developed by the commission, in consultation with the office of the President of the University of California, the office of the Chancellor of the California State University, and the office of the Chancellor of the California Community Colleges.*

The proposed regulations discussed in this document were developed by staff to satisfy these provisions of the Education Code to provide the necessary programmatic guidance, compliance, and monitoring procedures on behalf of institutions participating in the LAEP and provide for LAEP administration by the Commission. In addition, the Commission has determined that adopting regulations under the California Administrative Procedures Act is necessary to interpret, implement, and make specific the above Education Code provisions and to establish the LAEP. The proposed draft regulations developed by staff are shown in **Appendix A: Proposed Regulations**.

## **II. THE PROBLEM THE PROPOSAL INTENDS TO ADDRESS**

As described above, Education Code Section 69967(a) directs the Commission to develop programmatic policies and guidelines to establish and implement the LAEP on behalf of California public institutions of higher education and students at those institutions. The regulations are necessary for the Commission to promulgate such programmatic policies and guidelines within the California Code of Regulations, so eligible Institutions and Employers consistently implement the LAEP in accordance with the statutory requirements. As noted above, AB 132 became effective on July 27, 2021, and requires participating Institutions to begin offering qualified employment opportunities to Eligible Students during the 2022-23 academic year.

## **III. PUBLIC PROCESS TO DEVELOP PROPOSED REGULATORY ACTION, INCLUDING CONSULSTATION WITH COLLEGE AND UNIVERSITY REPRESENTATIVES (Pre-rulemaking Activities and Consultations)**

These proposed regulations were developed after a year-long effort that included Commission staff, and representatives of the University of California, California State University, and the California Community Colleges. Institution representatives have included financial aid officers, career development officers, individuals from the segment offices, and others with an interest in the LAEP. Those efforts included workgroup meetings that occurred weekly for several months, and biweekly for several more. The workgroup now continues to meet monthly to address issues and questions related to the administration of the program.

As of the date of this Initial Statement of Reasons, the workgroup has met over 60 times to address LAEP requirements and questions raised both by Commission staff and Institution representatives. In addition, once the final draft of the regulations were developed, Commission staff shared the draft with a smaller group of system representatives, obtained their feedback and finalized the regulations before submission to the Commission and the Office of Administrative Law.

#### **IV. THE SPECIFIC PURPOSE AND RATIONALE OF EACH PROPOSED ADOPTION**

This chapter provides a summary of the specific purpose of each section of the proposed regulations, along with staff's determination of why each section is reasonably necessary and appropriate to achieve the purpose of the regulatory section.

The proposed regulations duplicate and reorganize certain sections of the Education Code provisions. The LAEP contains regulatory provisions applicable to participating Institutions, Employers, and Students, and the Commission is charged with providing comprehensive guidelines to assist Institutions to implement the LAEP and ensure appropriate expenditure of LAEP funds. Staff believes it's appropriate to reorganize certain statutory provisions into a more readable and clearer outline of responsibilities under the proposed regulations. Where duplication of statutory language occurs in the regulations, such duplication is necessary to ensure that relevant definitions, requirements, and other elements of the program can be found in one location. This provides clarity and protects against confusion regarding those requirements and elements.

##### **Section 30600. Definitions.**

###### Summary and Purpose of Section 30600

This proposed section outlines the various acronyms and definitional terms used in the proposed regulations, which identify the institutions, employers, and students subject to and affected by the regulations, critical financial aid application documents, and definitional terms for certain statutory and procedural guidance provisions developed by the Commission necessary to implement and clarify program requirements.

###### Rationale and Necessity of Section 30600

Each of these definitions is necessary to improve the readability of the proposed regulations, improve the clarity and understanding of the defined terms, and ensure consistent use of the terms among various parties subject to the regulations (Institutions, Employers and Students) as they apply to statutory provisions of the Education Code, and the guidance developed by the Commission under the proposed regulations.

The LAEPA, or Learning Aligned Employment Program Agreement definition, addresses the requirements of Education Code section 69952(a) for participating Institutions to sign an agreement with the Commission to implement the Program in accordance with statutory provisions and the guidance developed by the Commission. The definition

references the terms of the LAEPA, including the institutional procedures to be followed, as outlined in Appendix A of the proposed regulations.

## **Section 30601. Eligible Student**

### Summary and Purpose of Section 30601

This proposed section of the regulations is designed to summarize and clarify the characteristics and qualifying provisions of an “Eligible Student” for purposes of participating in the LAEP, in accordance with various statutory provisions.

Subdivision (a) defines an Eligible Student and outlines the criteria a student must meet to be eligible to participate in the LAEP, in accordance with Education Code section 69956(a). Subdivision (b) defines, interprets, and clarifies the various conditions that constitute an “underrepresented background” for purposes of establishing a student’s eligibility for LAEP participation. The categories of underrepresented student backgrounds in subdivision (b) is derived from Education Code section 76396.1(d), relative to the California College Promise Program, Education Code section 69956(b) relative to the prioritization of LAEP employment opportunities, and other categories of underrepresented student backgrounds as determined by the Commission based on experience gleaned from existing financial aid programs and input from the State’s colleges and universities.

Subdivisions (c) through (f) address and clarify other statutory criteria of Education Code section 69956(a) for eligible students, including enrollment and residency requirements, summer break employment provisions, demonstrated financial need, and eligibility to work in the US. Subdivisions (g) and (h) describe certain financial aid and notification responsibilities for students participating in the LAEP.

### Rationale and Necessity of Section 30601

This proposed regulatory section is necessary to define an Eligible Student and identify the criteria, as contained in proposed subdivisions (a) through (f), that must be met for a student to be eligible to participate in the LAEP, as required by Education Code Section 69956(a). Subdivision (b) of this section identifies, interprets, and clarifies the various categories of students who come from an “underrepresented background” as determined by the Commission, which is one of the statutory conditions required for a student to be able to participate in the LAEP. Due to the absence of a statutory definition of “underrepresented background” for the LAEP, it was necessary for the Commission to develop a reasonable and workable definition.

Subdivision (c) provides institutions with appropriate guidance relative to summer-based learning aligned employment opportunities and administration of LAEP assistance in accordance with Education Code section 69964(a) and (b). Subdivision (c)(2) clarifies that for students working in LAEP positions during a summer term, their LAEP eligibility may be determined by the following year’s costs of attendance. This is necessary to provide a uniform method by which summer employment opportunities funded by LAEP will be addressed throughout the state.

Subdivision (d) is necessary to clarify that the residence classification of a student participating in the LAEP is to be determined by institutions in accordance with Education

Code Part 41, consistent with other financial aid programs.

Subdivision (f) is necessary to clarify and establish that students must be deemed eligible to work in the United States by an Institution, in accordance with Federal law, to participate in a LAEP-funded position.

Finally, subdivisions (g) and (h) are necessary to clarify the financial aid reporting obligations of students with their Institutions, and the Institution's administration of the student's overall financial award package under the LAEP and other aid programs.

Subdivision (g) is consistent with CSAC practice in other programs and federal financial aid methodology. Subdivision (h) is necessary to put students on notice that they must notify their institution of changes in their status to ensure that ineligible students are not continuing in the program. It's important that students recognize, and are advised by Institutions, that LAEP-earned income is part of the student's financial aid package. Thus, it is necessary to clarify and establish that students are obligated to inform an Institution of any change in their eligibility to participate in the LAEP or employment status in a LAEP-funded position.

## **Section 30602. Eligible Employer**

### Summary and Purpose of Section 30602

This proposed section of the regulations is designed to identify, interpret, and clarify the various Employer types eligible to participate in the LAEP, identify and clarify the work opportunity priorities and goals to be offered to students by employers and educational institutions, and describe the employer and institution student compensation provisions necessary to implement the LAEP, in accordance with applicable statutory provisions.

Subdivision (a) of this section defines and clarifies the category of employers eligible to participate in the LAEP in accordance with Education Code section 69954. Subdivision (a) also prescribes the percentages of student compensation to be provided by employers, and from Institutional LAEP funding, in accordance with the work compensation limits of Education Code section 69962.

Subdivision (b) addresses the requirements of Education Code section 69959 regarding the priorities and criteria Institutions are to follow in placing students in beneficial work positions. Finally, subdivision (c) clarifies and interprets that the Institution attended by a student will be responsible for work compensation where a student is placed with or employed by another LAEP eligible Institution, consistent with Education Code section 69962(a)(1)(B).

### Rationale and Necessity of Section 30602

This section is necessary to clarify and establish the eligible categories of employers eligible for LAEP participation, the types and priorities of employment opportunities to be pursued by Institutions with eligible employers, and the responsibility for (and ratio of) compensation to be provided by various employer types and institutions, in accordance with the above referenced sections of the Education Code. Clarifying and establishing these provisions in the proposed regulations is necessary to provide suitable guidance and make specific eligible student-work opportunities for institutions and employers participating in the LAEP, and to ensure consistent LAEP implementation.

Subdivision (a)(1)(A) clarifies that Institutions are authorized to establish the type and nature of work opportunities conducted at campus research facilities that may be considered “research” for LAEP-funded positions in accordance with Education Code section 69954(a). Education Code section 69954(a) specifies that research centers and institutions operated by colleges and universities may be considered eligible LAEP employers. Education code sections 69959(a) and 69960(a) require Institutions to determine what constitutes “educationally beneficial work” for students placed in LAEP positions, including work at research facilities operated by Institutions. Because of these statutory provisions, the Commission has determined it is appropriate for Institutions to determine what constitutes research and educationally beneficial work for LAEP funded positions. Thus, Subdivision (a)(1)(A) is necessary to clarify that Institutions will be responsible for determining what constitutes “research” for students placed in LAEP funded positions.

Subdivision (a)(2)(A) clarifies that LAEP-funded positions at public schools shall be located at public school sites, and not located at administrative sites or offices of local or State school districts or agencies, pursuant to Education Code section 69954(b). Thus, this subdivision is necessary to ensure clarity of the statute, which refers to “public schools.” In discussions with the Institutions, a question arose whether LEA administrative offices would be eligible locations. The use of “public school” suggests only school sites.

Subdivision (c) is necessary to establish and clarify that where students are employed in LAEP-funded positions at Institutions other than the student’s Institution of attendance, the Institution of attendance shall pay the student’s compensation in accordance with Education Code sections 69962(a)(1)(B), and 69960 (e) through (g). This clarification is necessary to establish the procedure for such situations, which were raised by Institutions during workgroup meetings.

## **Section 30603. Institution Responsibilities**

### Summary and Purpose of Section 3060

This proposed section of the regulations outlines, interprets, and clarifies the program administration responsibilities of institutions and of employers participating in the LAEP. These administrative responsibilities are necessary to successfully administer and implement the LAEP and to address statutory requirements and programmatic guidance developed by the Commission.

Subdivision (a) requires institutions to designate a LAEP program coordinator who will manage the institution’s participation and interaction with the Commission and eligible employers in administering the LAEP. Subdivision (b) requires institutions to develop application procedures for the screening and placement of eligible students with eligible employers, who meet the placement priorities and employment conditions of Education Code sections 69959 and 69960, respectively. Subdivision (b) also requires institutions to develop appropriate procedures to ensure that the student background and study area types contained in Education Code section 69956(b), are afforded priority in available LAEP opportunities.

Subdivision (c) outlines and clarifies the documentation requirements institutions and eligible employers are to develop and maintain on behalf of students participating in the LAEP, in accordance with Education Code sections 69958(b), 69959, 69960, and 69962. Subdivision (d) requires institutions to evaluate the suitability of potential employment opportunities in meeting LAEP requirements, in accordance with Education Code section 69960.

Subdivision (e) requires institutions to develop and enter into participating employer agreements and outlines, interprets, and clarifies the terms of the agreement relative to student compensation and related matters, in accordance with Education Code section 69958(b). Subdivision (f) interprets and clarifies institutional responsibilities and procedures for compensation when a student placed with an employer loses program eligibility.

Subdivision (g) requires institutions to notify the Commission of any suspected program fraud, as necessary to implement program compliance procedures. Finally, subdivisions (h) and (i) ensure institutions compile specified data in the manner prescribed by the Commission, and make certain LAEP student participation information available to the administrative offices of the University of California, California State University, and California Community Colleges for required program reporting and compliance review purposes, in accordance with Education Code section 69967(b).

### Rationale and Necessity of Section 30603

This proposed regulatory section identifies, interprets, and clarifies the necessary administrative procedures, documentation requirements, and statutory obligations and responsibilities of Institutions electing to participate in the LAEP, necessary for successful program implementation.

Proposed subdivision (a), interprets and clarifies the necessity for a central point of contact for an institution participating in the LAEP. This provision is necessary to facilitate communication and interaction with the Commission and potential employers over various program administrative matters and requirements.

Subdivision (b) is necessary to ensure institutions develop appropriate application and placement procedures for students interested in participating in the LAEP. Subdivision (b) is also necessary to clarify, make specific, and ensure that institutions provide LAEP placement priority to those student background and study area types contained in Education Code 69956(b) over other eligible or underrepresented students, as outlined in section 30601(b) of the proposed regulations.

Subdivision (c)(1) through (5) is necessary to ensure that Institutions consistently maintain adequate records and documentation to demonstrate Institution and Employer compliance with the LAEP provisions of Education Code sections 69967(a)(1) and (3), 69967(c), and the proposed regulations. This documentation is also necessary to ensure Institution and Employer compliance and consistency with applicable Federal and State financial aid rules. Finally, this documentation is necessary to establish an auditable record of Institution and Employer program administrative activities and expenditures to facilitate compliance and financial audits or oversight by the Commission and by Institutions in accordance with Education Code section 69952(c).

Subdivision (e) (1) through (7) is necessary to ensure Institutions consistently execute administrative agreements with Participating Employers to ensure compliance with the LAEP provisions of Education Code sections 69967(a)(1) and (3), 69967(c), and the proposed regulations. These agreements are also necessary to establish an auditable record of Institution and Employer program administrative activities and expenditures to facilitate compliance and financial audits or oversight by the Commission and by Institutions in accordance with Education Code section 69952(c).

Subdivision (f) is necessary to interpret and clarify procedures for an unanticipated loss of program eligibility and institutional responsibility to manage student financial aid obligations. Subdivisions (h) and (i) are necessary to ensure Institutions comply with and compile LAEP data in accordance with the manner determined by the Commission, pursuant to Education Code section 69967(b).

Subdivision (g) is necessary to protect LAEP funds administered by Institutions and provide the Commission with information regarding any inappropriate expenditures detected by Institutions. Because Institutions will allocate and administer LAEP funds on behalf of the Commission, and enter into administrative agreements with Eligible Employers, it's necessary to clarify that Institutions are obligated to inform the Commission of any detected misuse or inappropriate expenditures of LAEP funds and assist the Commission in resolving any misuse of funds.

## **Section 30604. Institution Fiscal and Administrative Procedures**

### Summary and Purpose of Section 30604

This proposed section of the regulation outlines, interprets, and clarifies the necessary program funding and financial control procedures and responsibilities that would apply to institutions participating in the LAEP, in accordance with statutory requirements and programmatic guidance developed by the Commission. These various provisions are necessary for successful implementation of the LAEP.

Subdivision (a) provides that the Commission may conduct audits or compliance reviews to ensure institution compliance with LAEP requirements, and require institutions to make personnel and records available when such audits or reviews are conducted. Subdivision (b) requires institutions to develop and maintain written policies and procedures governing administration of program funds, including student and employer eligibility determinations, funding allocations, and student payment records, in accordance with various provisions found within Education Code sections 69952, 69967, and 69969. Subdivision (c) limits program fund use towards institutional administrative costs to no more than five percent of received funding in accordance with Education Code section 69969(b).

Subdivision (d) designates LAEP funds as State funds and requires any interest accruing to program funds held by an institution to be used for program purposes in accordance with Commission fiscal reporting and expenditure guidance established pursuant to Education Code sections 69967(a)(1) and (3) and 69952(c). Subdivision (e) interprets and allows for the rollover of program funds between program years and requires full expenditure or return to the Commission by 2031, in accordance with Education Code



section 69969(d)(1).

Subdivision (f) interprets and clarifies proposed procedures to resolve potential LAEP program earnings that exceed a student's overall financial need, and financial aid award, as determined by the participating institution. Subdivision (g) interprets and clarifies that program funds shall be used only for student wages and no other work-related benefits or costs incurred by a student as part of LAEP implementation.

Subdivision (h) establishes and clarifies payroll deduction provisions and interprets and clarifies the role of net LAEP program earnings in determining a student's overall financial aid package by a participating institution. Subdivision (i) interprets and prohibits institutions from withholding student LAEP earnings for incurred or prospective institutional costs without a student's permission. Subdivision (j) interprets and specifies a date by which institutions shall annually reconcile and report total LAEP fund expenditures to the Commission. Finally, subdivision (k) outlines, interprets, and clarifies potential corrective actions the Commission may pursue to address an institution's non-compliance with statutory and regulatory LAEP program requirements.

#### Rationale and Necessity of Section 30604

This section of the regulations is necessary for the Commission to establish, interpret, and make specific appropriate procedures and guidelines within the regulations, relative to program fund administration activities and financial control procedures of institutions electing to participate in the LAEP.

The interpretation and clarification of these proposed regulatory provisions are necessary to ensure effective and consistent fiscal implementation of the LAEP among participating institutions. Subdivisions (a) through (d) are necessary to interpret, clarify, and implement the prescribed statutory requirements of the Education Code. More specifically, these sections are necessary to implement section 69967(a)(1) and (3) by establishing practices and procedures Institutions must comply with to ensure appropriate expenditure of LAEP funds; and to comply with fiscal reporting, and compliance and financial auditing requirements as determined and established by the Commission in the proposed regulations (in consultation with colleges and universities), in accordance with Education Code section 69952(c).

Subdivisions (a) and (b) are further necessary to establish the Commission's right to audit Institutions for program compliance to ensure appropriate expenditure of LAEP funds. Subdivision (b) is necessary to delineate the types of documents and records Institutions must maintain to be responsive to Commission audits or requests for program-related information. These provisions are consistent with CSAC provisions related to administering the State's Cal Grant program. Subdivision (d) is necessary to clarify that LAEP funds are State funds and must be managed as such. Without this provision, Institutions may not manage the funds properly.

The provisions of subdivisions (e) through (j), described above, are necessary to establish, interpret, and clarify the Commission's fund management and program expenditure guidelines and procedures for participating institutions within the regulations. These guidelines and procedures were developed in accordance with the authority provided by the Commission by Education Code sections 69952(b) and (c), and 69967(a).

In addition, subdivision (f) is necessary to ensure compliance with state and federal laws related to financial aid programs. Subdivision (g) is necessary to ensure program funds aren't used for inappropriate purposes and are consistent with federal work-study requirements. Subdivision (h) is necessary to ensure compliance with tax payment requirements; to ensure compliance with federal financial aid rules; and is intended to be consistent with federal work-study requirements. Subdivision (i) is necessary to ensure that students have control over their earnings from a LAEP employment opportunity. Subdivision (j) is necessary to ensure that Institutions provide appropriate accounting of Program funds to the Commission on an annual basis so the Commission can ensure appropriate expenditures during the course of the program.

The provisions of subdivision (k) are necessary to establish and make specific appropriate corrective procedures to ensure institutional compliance with statutory and regulatory requirements, in accordance with the authority provided to the Commission under Education Code sections 69952(b) and (c), 69967(a), and 69969(b).

## **Regulation Attachment A: Learning Aligned Employment Program Agreement (Agreement)**

### Summary and Purpose of the Agreement

The Agreement is designed to formalize the terms of a mandatory contract to be entered into by the Commission and a participating institution to implement the LAEP, as required pursuant to Education Code section 69952(b).. The Agreement interprets and governs the terms and conditions required of an institution to participate in the LAEP.

The terms and conditions of the Agreement are established and referenced in other sections of the proposed regulations. The Agreement also establishes and clarifies the responsibilities of both parties in LAEP implementation.

Article I of the Agreement describes the basic purpose of the Agreement and interprets and clarifies the Agreement's subordination to, and partial severability under, any conflicting federal or State laws or regulations.

Article II outlines and clarifies the general provisions a participating institution would certify and agree to as conditions of an executed Agreement with the Commission. The terms and conditions regarding an institution's participation in LAEP administration and implementation activities are additionally established in the proposed regulations.

Article III outlines and clarifies the student eligibility conditions, criteria, and work priorities an institution agrees to comply with in determining student eligibility and placing students in suitable work study positions when implementing the LAEP. These conditions and criteria are additionally established in other sections of the proposed regulations.

Article IV outlines and clarifies eligible employer types and characteristics of eligible employment opportunities for students. It further outlines and clarifies the documentation requirements institutions and eligible employers are to develop and maintain on behalf of

students participating in the LAEP. Article IV requires institutions to develop and enter into participating employer agreements. The agreement between the institution and an eligible employer would establish terms and conditions relative to appropriate student work opportunities, compensation, and related employment matters. The terms and conditions of an institution's employer agreement are also established in other sections of the proposed regulations.

Article V interprets and clarifies the Commission's responsibilities under the Agreement. These responsibilities include managing the computer interface with participating institutions, posting necessary programmatic policies and guidelines on the Commission website, monitoring institutional compliance, the allocation of program funding to institutions based on an institution's federal Pell Grant records, communicating any program updates or modifications, and providing technical assistance to participating institutions.

Article VI interprets, clarifies, and implements the specific program fund and fiscal management requirements and procedures institutions shall agree to comply with. These include preparing and maintaining appropriate accounting and financial records over program funds and their expenditure, interest earnings, transparent account tracking, and student financial aid and payment records. Article VI also outlines required provisions to document and maintain records for eligible student and employer determinations made by an institution. These fiscal management practices and procedures are also established in other sections of the proposed regulations.

Article VII interprets, clarifies, and implements the information security responsibilities and practices of participating institutions and the Commission under the proposed regulations. This Article also specifies the procedures and practices that a participating institution and the Commission agree to comply with regarding secure data handling practices. These policies and practices are necessary for secure implementation of the LAEP in accordance with statutory requirements.

Article VIII establishes and interprets the corrective measures the Commission may take to ensure appropriate institutional compliance with the terms and conditions of the Agreement, but also the program provisions and requirements established under other sections of the proposed regulations.

Lastly, Articles IV and X, respectively, specify the duration of the Agreement between an institution and the Commission, and the factors that would bring an Agreement to termination; and the signature and date certifications of the Agreement by authorized representatives of an institution and the Commission, which represent the date of initial execution of an Agreement.

#### Rationale and Necessity of the Agreement

The proposed articles of the LAEP Agreement are necessary to establish an enforceable Agreement between a participating institution and the Commission concerning LAEP administration as required pursuant to Education Code section 69952(b). The Agreement

is necessary to further interpret, implement, and clarify LAEP statutory requirements and establish the programmatic provisions and guidelines developed by the Commission for its administration. The necessity and rationale for various articles to the Agreement are discussed in the summary and purpose sections above.

The Agreement also further establishes, interprets, and clarifies the Commission's uniform policies and guidelines relative to fund management activities, financial and accounting controls, record maintenance, compliance monitoring, secure data handling practices and information security, and interactions with the grant delivery system, that apply consistently to the various student financial aid programs administered by the Commission. The Commission has determined that placing these programmatic provisions and guidelines in a contractual Agreement with participating institutions facilitates program administration.

## **V. BENEFITS ANTICIPATED FROM THE REGULATORY ACTION**

As previously noted, the proposed regulations are necessary to clarify statutory provisions and implement the LAEP within the California Code of Regulations. The LAEP, to be jointly administered by the Commission and California's public colleges and universities, is designed to provide additional and important work study opportunities for college students, particularly those from underrepresented backgrounds and those majoring within STEM disciplines. The Program provides college and university students with opportunities to earn money to help defray educational costs and gain important career-related work experience. The Program furthers the interest of the State to develop and maintain a well-educated workforce, including within the STEM disciplines. The Program also lessens the burden upon government to provide for a well-educated workforce and helps ensure that California's eligible college and university students can pursue higher education.

## **VI. JUSTIFICATION FOR ADOPTION OF REGULATIONS DIFFERENT FROM FEDERAL REGULATIONS CONTAINED IN THE CODE OF FEDERAL REGULATIONS**

The proposed regulation would only apply within California and specifically to eligible educational institutions, employers, and students electing to participate in the LAEP. The provisions of the proposed regulations would neither affect nor conflict with any federal regulations, or federal education or work study programs. Article I of the LAEPA specifically provides that in the event of any inconsistency between the agreement and applicable federal or state laws or regulations, the law or regulation shall prevail over the LAEPA provision.

## VII. ECONOMIC IMPACT ASSESSMENT

The proposed regulations would establish the student employment provisions of the LAEP, administered by the Commission and implemented by institutions and employers electing to participate in the program. Participation in the LAEP by institutions, employers, and students is voluntary; thus, the proposed regulations place no new or substantial requirements on businesses, individuals, or government agencies within California.

The regulation is not expected to create new businesses, eliminate existing businesses, or cause an expansion to businesses currently operating within the State. Furthermore, there is no significant statewide adverse economic impact that would directly affect businesses, including the ability of California businesses to compete with businesses in other States, or on representative private persons. The regulation is not expected to adversely impact California residents' health or welfare, worker safety, or the State's environment.

The regulation is not expected to eliminate any jobs in the State but could lead to the creation of additional or expanded student job opportunities by providing a new State funding source that "eligible employers" could potentially utilize to create or finance jobs for "eligible students". Staff is unable to specifically identify potential job opportunities that could be directly created through the LAEP; however, staff has developed estimates of potential student employment opportunities under various wage scenarios and available LAEP funding amounts. The following chart illustrates and compares various levels of hourly wages with hours worked and how many students could potentially be employed, by available LAEP funding, under these different work scenarios.

	CCC	CSU	UC	Total
<b>LAEP Funds for Student Wages</b>	<b>\$262,857,391</b>	<b>\$151,733,739</b>	<b>\$58,033,870</b>	<b>\$472,625,000</b>

### Scenario 1

*Assumptions: Modest hourly rate, 20 hours/week, each student works only 1 semester*

Hourly Wage	\$15.50	\$18.00	\$20.00
Hours Worked per Week	20	20	20
# Weeks Worked	15	15	15
Estimated Wages	\$4,650.00	\$5,400.00	\$6,000.00

Estimated # Students Employed (9yrs)	56,528	28,099	9,672	94,300
Per academic year				10,478

### Scenario 2:

*Assumptions: Higher hourly rates, 20 hours/week, CCC student works 2 semesters, CSU 3 semesters, UC 4 semesters*

Hourly Wage	\$18.00	\$20.00	\$25.00
Hours Worked per Week	20	20	20
# Weeks Worked	30	45	60
Estimated Wages	\$10,800.00	\$18,000.00	\$30,000.00

Estimated # Students Employed (9yrs)	24,339	8,430	1,934	34,703
Per academic year				3,856

**Scenario 3:**

*Assumptions: Modest hourly rate, 20 hours/week, CC student works 4 semesters, CSU 6 semesters, UC 8 semesters*

Hourly Wage	\$15.50	\$18.00	\$20.00
Hours Worked per Week	20	20	20
# Weeks Worked	60	90	120
Estimated Wages	\$18,600.00	\$32,400.00	\$48,000.00

Estimated # Students Employed (9yrs)	14,132	4,683	1,209	20,024
Per academic year				2,225

Besides demonstrating the positive impact on students through these employment opportunities, the chart also shows the positive impact the program would have for employers who participate in this program. LAEP funds expended for student wages represent wages the employers will not have to cover themselves. In addition, the types of jobs LAEP requires for students are substantive, career-oriented positions that provide students with valuable experience that should help them once they complete their degrees; and provide employers with substantive work assistance for their business operations.

The multiplier effect of these LAEP benefits should extend beyond the wages earned, by allowing students to borrow less for their education and freeing up funds for other living costs such as rent and mortgage payments, cars, and consumer products.

The other benefits of the regulations, as discussed above, would be to establish the LAEP provisions within the California Code of Regulations, to allow for its implementation. The regulations are designed to improve the overall administrative efficiency of LAEP implementation by institutions and the Commission on behalf of eligible students.

To the extent that businesses or individuals voluntarily participate, the program provides an incentive by financing between 50 to 100 percent of student compensation with eligible employers. Students also receive employment that provides valuable career-oriented work experience, while earning wages to help offset their educational costs.

**VIII. EVALUATION OF REGULATORY ALTERNATIVES**

Government Code Section 11346.2(b)(4) requires the Commission to consider and evaluate reasonable alternatives to the proposed regulatory action and provide reasons for rejecting those alternatives. This section discusses alternatives evaluated and provides reasons why these alternatives were not included in the proposed regulation. As explained below, no proposed alternative was found to be less burdensome and equally effective in achieving the regulation’s purposes. The Commission has not identified any reasonable alternatives that would lessen any adverse impact on small businesses. This is a voluntary program so eligible institutions and businesses can

choose not to participate in the program.

Staff evaluated a “Take No Action” alternative to the proposed regulation. A take no action alternative means the Commission would not develop programmatic policies and guidelines to establish and implement the LAEP, in accordance with the legislative direction provided by Education Code section 69967(a) and 69952(b). Under this scenario, no programmatic policies and guidelines would be available to eligible Institutions and Employers, and no governing and enforceable agreements would be established between the Commission and institutions to ensure consistent implementation of the LAEP in accordance with statutory requirements.

This alternative was rejected because staff believes developing programmatic policies and guidelines to establish and implement the LAEP is consistent with statutory direction and intent. The proposed regulations should also enable the Commission to operate the program consistently and more effectively and thus allow for more eligible students to receive awards.

The proposed regulations prescribe specific implementation actions or procedures that are consistent with statutory requirements and with Commission established administrative procedures for financial aid programs. Staff considered opportunities for the use of potential performance standards within the regulations as an alternative to the proposed regulatory provisions. In drafting the regulations, and in consultations with college and university representatives, staff was unable to identify opportunities where the effective use of performance standards could be reasonably employed as a less burdensome or more efficient alternative to the proposed prescriptive actions or procedures contained in the draft regulations.

## **IX. APPENDICIES**

### **A. Proposed Regulations**