



OPERATIONS MEMO

STATE OF CALIFORNIA



Update from the California Student Aid Commission

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TO: Financial Aid Administrators

FROM: Tae Kang *Tae Kang*
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SUBJECT: **Middle Class Scholarship Policies and Guidelines**

This Operations Memo from the California Student Aid Commission (Commission or CSAC) provides important policies and guidelines to UC and CSU campuses in the administration of the Middle Class Scholarship Program (MCS 2.0).

MCS withdrawal and refund policies

Under the new MCS 2.0, award amounts are no longer to provide up to 40 percent of the mandatory systemwide tuition and fees. The new MCS 2.0 awarding formula, in accordance with California Education Code 70022 (2)(B) states,

"... an eligible student shall receive a scholarship award in an amount that equals the difference between their cost of attendance as determined by the commission and the sum of the following amounts:

- (i) Other federal, state, and institutionally administered student scholarships, grants, or fee waivers, and the amount of private scholarships awarded to the student in excess of the sum of the amounts in clauses (ii) and (iii).*
- (ii) Seven thousand eight hundred ninety-eight dollars (\$7,898), reflecting an expected student contribution toward cost of attendance from work earnings or other resources. Commencing with the 2024–25 award year, the commission shall annually adjust this amount based on the percentage change in the minimum wage, pursuant to paragraph (1) of subdivision (c) of Section 1182.12 of the Labor Code.*
- (iii) Notwithstanding Section 69506, for dependent students with an annual household income exceeding one hundred thousand dollars (\$100,000), 33 percent of the parents' contribution from adjusted available income, as determined using the federal methodology established by Title IV of the federal Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1087mm et seq.), and applicable rules and regulations adopted by the commission."*

As it relates to MCS 2.0, students that drop or withdraw, the Commission issues the following procedures, similar to the Cal Grant program, when applicable.

MCS 2.0 Drop, Withdraw and Refund Policy

The Commission requires that schools have a written Middle Class Scholarship refund policy under the MCS 2.0 program to be implemented in the 2022-23 academic year. This policy should consider and comply with any federal Return of Title IV requirements. Under §484B of the HEA (20 U.S.C. §1091b), if a recipient of a Title IV grant or loan withdraws from an institution during a payment period or period of enrollment in which the student began attendance, a participating institution must determine the amount of grant and loan assistance to be returned to the Title IV programs. Similarly, institutions are required to determine the earned and unearned portions of the MCS 2.0 award based on the amount of time the student attended. In the case of a refund, the policy should specify how the institution calculates the refund based upon the institution's refund policy and how it determines the portion to be returned to the Commission on behalf of the state.

Other considerations:

- Once the MCS 2.0 portion has been determined through the withdrawal calculation and the amount has been appropriately applied or adjusted for that term, no further corrections are required for that withdrawn term.
- For students who withdraw prior to disbursement or for other unique withdrawal situations, campuses should determine the MCS 2.0 award amount for that term the same way that Cal Grant awards are calculated.

Reporting on the MCS 2.0 rosters

Once the withdrawal calculation is complete and the MCS 2.0 amount has been determined for that term, campuses shall report the payment or correction on the MCS 2.0 roster utilizing the adjustment reason "5" for Refund/Adjusted Payment with the appropriate MCS 2.0 payment. Please note that the less than maximum term payment due to a withdrawal calculation will still use the student's full term eligibility.

Treatment of MCS award

The MCS 2.0 award is not based on a student's Expected Family Contribution (EFC) and thus considered a non-need based award. The maximum MCS award plus any other estimated financial aid shall not exceed the Cost of Attendance. However, an MCS 2.0 award may (1) supplant subsidized or unsubsidized loans; and (2) supplant the EFC to the Eligible Applicant's award package, consistent with the institution's financial aid packaging rules. Campuses may need to adjust federal or institutional aid to comply with federal financial aid rules.

Understanding the MCS 2.0 file types MCS 2.0 enrollment file

The campus provides specific information for enrolled undergraduate students to CSAC. The campus reports a student's Cost of Attendance, financial aid

information and the ISIR or Cal ISIR number used in providing the data. CSAC uses this information to determine a student's MCS 2.0 award eligibility and calculate an award amount for an Eligible Applicant. Once CSAC has determined an Eligible Applicant's award amount, an award notification is sent to the student. A Roster file is then created and available for campuses in WebGrants.

After the initial enrollment files are uploaded during the first two weeks of July, subsequent enrollment files may be submitted to process any records **not previously submitted or previously determined ineligible students that need to be re-evaluated due to new information (COA, financial aid awards).**

Campuses should not include:

- Eligible Applicants that have already been awarded an MCS 2.0 award
- Corrections to Eligible Applicants that are already awarded. To make corrections to awarded Eligible Applicants, campuses should utilize the payment and correction file (see below).

Submitting duplicate or awarded Eligible Applicant enrollment records may prevent the processing of new enrollment records.

MCS 2.0 Correction and Payment file

The MCS 2.0 payment process does not advance funds like the Cal Grant program. MCS 2.0 funds are disbursed once campuses start applying payments. Prior to posting payments, campuses should verify student attendance and eligibility. Campuses can also make corrections to awarded Eligible Applicants (on MCS 2.0 roster) to reflect changes to a student's cost of attendance, financial aid information and eligibility. The correction and payment file has a transaction type on field 42 that campuses can select to indicate if the record is a correction or a payment. Please refer to the MCS Payment – Roster file and additional MCS resource documents found [here](#).

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